

The Senate

Environment and Communications
References Committee

Green loans program

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Committee members to 27 September 2010

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Recommendations

Recommendation 1

6.72 Given the publication of the Auditor General's report into the Green Loans Program and subsequent to the conduct of this inquiry, the committee recommends that the Commonwealth Ombudsman consider conducting an own motion investigation into the administrative actions and arrangements within the Department of Sustainability, Environment, Water, Population and Communities and the Department of Climate Change and Energy Efficiency, that resulted in the serious problems with governance and communication endemic throughout the Green Loans Program.

Recommendation 2

6.76 The committee recommends that the government not implement any environmental programs without prior completion of an evaluation which shows either net environmental benefits and/or a program cost which gives taxpayers value for money.

Recommendation 3

7.11 The committee recommends that due to the failures of:

- the Green Loans Program to realise its goals;
- the Department of Sustainability, Environment, Water, Population and Communities and the Department of Climate Change and Energy Efficiency to demonstrate a capacity to implement programs of this nature; and
- the government to manage programs of this nature, such as Green Loans and Home Insulation programs;

the Green Start Program not proceed.

Recommendation 4

7.15 Should the government disregard recommendation 3, the committee recommends that the government undertake an extensive analysis of the environmental, economic and social costs and benefits of Green Start Program prior to its commencement. If substantial benefits cannot be shown, the committee recommends that Round 1 of the Green Start Program be cancelled so as to avoid further waste of taxpayers' money.

7.16 In the event that, despite the foregoing recommendations, the government decides to proceed with the Green Start Program, then the committee

recommends that the Green Start Program proceeds in accordance with recommendations 5 to 15.

Recommendation 5

7.23 The committee recommends that prior to commencing any Green Start Program, the Minister for Climate Change and Energy Efficiency and the Department of Climate Change and Energy Efficiency develop and publicly disclose details of:

- a comprehensive audit process for the Green Start Program, so that the government can effectively monitor the progress of the program; and
- a comprehensive evaluation process for the Green Start Program, so that the government can measure the benefits delivered by the program.

Recommendation 6

7.28 The committee recommends in the strongest possible terms that the government spread Green Start across a more realistic timeframe, in order to:

- allow time for proper project planning and management;
- allow time for proper consultation with relevant stakeholders;
- prevent the program from exceeding the government's administrative capacity; and
- ensure the home assessment industry does not hit a brick wall when funding ceases on 1 July 2011.

Recommendation 7

7.35 The committee recommends that the Department of Climate Change and Energy Efficiency implement appropriate oversight mechanisms, at the highest level, to ensure that the allocation of Green Start funding is merit-based and is conducted in accordance with all relevant procurement laws and guidelines.

Recommendation 8

7.37 The committee recommends that no preferential deals are done under any Green Start Program, which unfairly give one grant recipient an advantage over any other.

Recommendation 9

7.41 The committee recommends that, once the national endorsement process for the Victorian Certificate IV course has been completed, for all Green Loans assessors selected to receive grants under any Green Start Program, the government fund an upgrade in their training to Certificate IV level.

Recommendation 10

7.46 The committee recommends that the government urgently clarify whether those individuals who trained and were accredited as assessors under Green Loans, but never received contracts from the government, will be entitled to any government assistance.

Recommendation 11

7.54 The committee recommends that, in consultation with the assessor industry and other relevant stakeholders, the Green Loans assessment tool be redeveloped to address the different objectives of any Green Start Program, and that the tool be tested properly and problems rectified prior to its implementation.

Recommendation 12

7.57 The committee recommends that, prior to the commencement of any Green Start Program, an audit of staffing requirements within the Department of Climate Change and Energy Efficiency be conducted, including consideration of staffing numbers and expertise required to manage the project. The appropriate numbers of experienced project management staff must be employed to manage any Green Start Program from the outset.

Recommendation 13

7.61 The committee recommends that prior to commencing any Green Start Program, the Department of Climate Change and Energy Efficiency conduct thorough and genuine consultation with program stakeholders.

Recommendation 14

7.66 The committee recommends that the government abandon any fixed rate for assessments of \$211 and instead allow the market to determine the most efficient value of assessments.

Recommendation 15

7.74 The committee urges the government to uphold its side of funding agreements under any Green Start Program, including making payments on time, to prevent payments to grant recipients being delayed as they were under Green Loans.

Abbreviations

ABA	Australian Banking Association
ABSA	Association of Building Sustainability Assessors
ANAO	Australian National Audit Office
B2B	business-to-business
CDDA	Scheme for Compensation for Detriment caused by Defective Administration
the committee	Senate Environment and Communications References Committee (formerly the Senate Environment, Communications and the Arts Committee)
DCCEE	Department of Climate Change and Energy Efficiency
DEWHA	Department of Environment, Water, Heritage and the Arts (to 13 September 2010, now DSWEPC)
DSEWPC	Department of Sustainability, Environment, Water, Population and Communities (from 14 September 2010, formerly DEWHA)
GAG	GLACO Assessors Group
GLACO	Green Loans Assessors Co-operative
HSA	Home Sustainability Assessor
MOU	Memorandum of Understanding
NatHERS	Nationwide House Energy Rating Scheme
NGOs	Non-Government Organisations
the program	Green Loans Program
RTO	Registered Training Organisation
SOAP	Simple Object Access Protocol

Chapter 1

Introduction

1.1 The Green Loans Program was announced as part of the Labor government's election platform in 2007 and commenced in July 2009. In essence, the program involved householders obtaining free sustainability assessments of their homes, following which they may have been eligible to receive an interest-free loan with which they could make improvements, or purchase products, which would improve the energy efficiency of their home.

1.2 However, the program was riddled with problems from the outset, with a lack of forethought given to various important issues including assessor numbers, inadequate controls over the quality of assessor training and no way of monitoring the quality or number of assessments. This led to a blow-out in assessor numbers, which put significant strain on the bureaucrats managing the program, as well as on the program's systems—particularly its assessment booking and processing systems.

1.3 By December 2009 almost 10 000 assessors had undergone training and the government's systems proved unable to cope with the level of demand for assessments that even half this number of assessors generated. Assessors were having to wait on hold for up to two and a half hours to book an assessment and up to five months to receive payment for assessments they had completed, and new assessors were waiting as long as six months to be accredited and receive their government contract. Householders were frustrated by not receiving their assessment reports, and accordingly not being able to apply for loans.

1.4 On 19 February 2010 the government responded to these serious problems by cancelling the loans portion of the program and placing caps on the number of assessors and the number of assessments they could conduct. Assessors who had spent an average of \$3000 on participating in the program either found themselves with a greatly reduced income, or with no way of recouping their costs at all. Householders who had received assessments but not reports were no longer able to apply for loans—the very reason for them having requested assessments. On 8 March 2010 responsibility for the program was transferred to a new Minister who recognised the serious problems with the way the program had been planned and managed.¹

1 Ministerial and departmental responsibility for the program was altered on 8 March 2010. Prior to that date, the former Minister for the Environment, Heritage and the Arts, the Hon Peter Garrett MP, and the Department of Environment, Water, Heritage and the Arts (DEWHA) were responsible for the program. As of 8 March 2010, responsibility was transferred to the former Minister for Climate Change, Energy Efficiency and Water, Senator the Hon Penny Wong and the Department of Climate Change and Energy Efficiency (DCCEE). On 14 September 2010, following the Federal election, the Hon Greg Combet MP was sworn in as the new Minister for Climate Change and Energy Efficiency. References within this report 'the minister' should be read as applying to whichever minister had responsibility at the relevant time.

1.5 On 10 March 2010, the Senate referred the matter of the government's Green Loans Program to the Senate Environment, Communications and the Arts References Committee (the committee) for inquiry and report by 21 June 2010. On 21 June 2010 the Senate agreed to extend the reporting date to 6 August 2010. As a result of the prorogation of the 42nd Parliament, the committee tabled an interim report on 6 August 2010 stating its intention to table a final report as soon as practicable in the new Parliament.

1.6 The terms of reference for the inquiry were:

- (a) the Government's Green Loans Program (the program), with particular reference to:
 - (i) the administration of the program from a pricing, probity and efficiency perspective, including:
 - (A) the basis on which the Government determined the amounts of the loan to be made available and Government subsidy thereof,
 - (B) regulation of Home Sustainability Assessment practices, including the promotion of assessments,
 - (C) accreditation of Home Sustainability Assessors,
 - (D) ensuring value for money for taxpayers,
 - (E) waste, inefficiency and mismanagement within the program,
 - (F) ensuring the program achieves its stated aims of improving water and energy efficiency, and
 - (G) the consultation and advice received from financial institutions regarding their participation,
 - (ii) an examination of:
 - (A) employment and investment in Home Sustainability Assessments resulting from the program, including that resulting from Government statements regarding the number of accredited assessors,
 - (B) the effectiveness of the booking system,
 - (C) the effectiveness and timeliness of Home Sustainability Assessment reports being provided,
 - (D) the early reduction by the Government in the number of Green Loans to be offered, and subsequent discontinuation of the loans, including by financial institutions in advance of the Government's announced date of discontinuation,

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- (E) homeowner actions for which Green Loans have been sought and approved,
 - (F) the level of evaluation of homeowner action following any Home Sustainability Assessment, and
 - (G) what advice was provided to the Government on the feasibility and effectiveness of the program, including to what degree the Government acted on this advice, and
- (iii) an analysis of the effectiveness of the program as a means to improve the water and energy efficiency of homes, including comparison with alternative policy measures;
- (b) consideration of measures to reduce or eliminate waste and mismanagement, and to ensure value for money for the remainder of the program, noting the commitment of funding for an additional 600 000 free Home Sustainability Assessments despite the discontinuation of the loans; and
 - (c) other related matters.

1.7 In accordance with its usual practice, the committee advertised details of the inquiry in *The Australian* on 24 March 2010 and 7 April 2010. The committee also contacted a range of organisations, inviting them to make submissions. The committee received 184 submissions from individuals and organisations, listed at Appendix 1, including a large number from Home Sustainability Assessors involved in the Green Loans Program.

1.8 The committee held a public hearing in Sydney on 29 June 2010. Details of the hearing are at Appendix 2. The *Hansard* transcript is available at www.aph.gov.au/hansard.

1.9 During the committee's public hearing on 29 June 2010, the Department of Climate Change and Energy Efficiency (DCCEE) took 14 questions on notice. Two weeks after the hearing, on 14 July 2010, DCCEE was asked to respond to a further six written questions from Senator Milne. DCCEE was asked to provide responses to these oral and written questions by 15 and 21 July respectively.

1.10 DCCEE provided responses to 16 of the committee's 20 questions on 10 August 2010, almost four weeks after the committee had requested the first responses, and six weeks after the public hearing. Responses to the remaining four questions from DCCEE were received on 22 October, almost four months after the committee's hearing. The failure by the department to prepare responses in a timely manner has significantly hindered the work of the committee.

1.11 Furthermore, many of DCCEE's responses to questions at the hearing itself were uninformative and unhelpful. On a number of occasions departmental officers indicated that they did not have sufficient corporate knowledge to provide responses

to the committee's questions.² Many of the issues in question should have been the subject of memos and file notes as they related to key decisions, and the committee views it as unacceptable and disconcerting that senior departmental officers claimed not to have corporate knowledge of such matters.

Report Structure

1.12 Chapter 2 of the report outlines the background to the Green Loans Program, including its objectives.

1.13 Chapter 3 discusses the issues that emerged with the household assessments portion of the program. Chapter 4 examines issues related to the design and administration of the loans aspect of the program.

1.14 Chapter 5 outlines the changes made to the program on 19 February 2010, and considers the impact of those changes on various stakeholders.

1.15 Chapter 6 explores three key problems which underpinned the failings of the Green Loans Program: poor planning; the absence of any audit mechanisms; and a lack of communication and consultation at all stages.

1.16 Chapter 7 concludes the report by outlining the transition to the new Green Start Program and making specific recommendations to government regarding its design and implementation.

Acknowledgment

1.17 The committee would like to thank all of the organisations and individuals who contributed to this inquiry.

2 See for example Mr Malcolm Thompson, Deputy Secretary, Department of Climate Change, and Energy Efficiency (DCCEE), *Committee Hansard*, 29 June 2010, p. 78 (regarding how the numbers of assessments and loans under the program were determined and where the figure of 1000 assessors came from); Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 99 (regarding the government's discussions with Fieldforce about the online assessments booking system); and Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch, DCCEE, *Committee Hansard*, 29 June 2010, p. 99 (regarding the time taken to deliver the online assessment booking system).

Chapter 2

Background to the Green Loans Program

2.1 The Green Loans Program (the program) formed a part of the Labor government's 2007 election commitment, titled *Solar, Green Energy and Water Renovations Plan for Australian Households*.

2.2 Funding for the program was included in the 2008–09 Budget and the program was originally intended to run for five years from 1 July 2009.¹

2.3 There were three interrelated components to the program:

- household assessments;
- green loans; and
- \$50 green rewards cards.

Household Assessments

2.4 The first step of the program was for householders to obtain free sustainability assessments by accredited assessors. In announcing the program, the (then) responsible Minister, the Hon Peter Garrett MP, Minister for the Environment Heritage and the Arts, stated:

The report will contain information on green home improvements, estimates of how much money could be saved by households implementing the ideas in the report and details of the benefits these changes will have for our environment.²

2.5 Home sustainability assessments were undertaken by trained and accredited Home Sustainability Assessors (HSAs) using the 'home sustainability calculator'

1 Department of Climate Change and Energy Efficiency (DCCEE), *Submission 66*, p. 3.

2 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'Green Loans for Aussie Homes', *Media Release*, 13 May 2008, www.environment.gov.au/minister/garrett/2008/pubs/budmr20080513b.pdf (accessed 4 May 2010). Ministerial and departmental responsibility for the program was altered on 8 March 2010. Prior to that date, the former Minister for the Environment, Heritage and the Arts, the Hon Peter Garrett MP, and the Department of Environment, Water, Heritage and the Arts (DEWHA) were responsible for the program. As of 8 March 2010, responsibility was transferred to the former Minister for Climate Change, Energy Efficiency and Water, Senator the Hon Penny Wong, and the Department of Climate Change and Energy Efficiency (DCCEE). On 14 September 2010, following the Federal election, the Hon Greg Combet MP was sworn in as the new Minister for Climate Change and Energy Efficiency and the Hon Tony Burke MP was sworn in as the Minister for Sustainability, Environment, Water, Population and Communities. As a result DEWHA is now the Department of Sustainability, Environment, Water, Population and Communities (DSEWPC). References within this report 'the minister' should be read as applying to whichever minister had responsibility at the relevant time.

computer program supplied by the Department of Environment, Water, Heritage and the Arts (DEWHA).

2.6 Once an assessor had conducted an assessment, a report was sent electronically to DEWHA, which then dispatched the report to the householder. DEWHA did not check the content of the reports, but simply matched them with the assessment booking number for the purposes of record-keeping and payment.³

2.7 In order to become an assessor under the program, a person was required to undertake the Professional Home Sustainability Assessment course and register with an assessor accrediting organisation. In February 2009 the Association of Building Sustainability Assessors (ABSA) was appointed as the 'sole assessor accrediting organisation' under the program.⁴

2.8 Following accreditation, assessors were required to sign a contract with DEWHA in which they agreed to:

- provide assessment services according to relevant standards and code of practice; and
- provide those services at the rates set by DEWHA.⁵

2.9 Bookings for home sustainability assessments were managed by DEWHA through an outsourced call centre. They could be made either by an assessor, or by a householder. In the case of the latter, DEWHA would assign that booking to an appropriate assessor.

2.10 Assessors were to invoice DEWHA for the cost of each assessment and were paid directly by DEWHA. Throughout the program, the government paid assessors \$200 per assessment, comprising a \$150 assessment fee and a \$50 self-assessment fee. It was initially intended that householders could complete a self-assessment, in which case the assessor would only receive \$150. However the self-assessment tool for householders was never developed.⁶ In instances where the householder was not present at the confirmed time, the assessor would be paid \$50. In addition, assessors were entitled to travel fees for travel to households more than 50 kilometres from the nearest post office.⁷

3 Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch, DCCEE, *Committee Hansard*, 29 June 2010, p. 89

4 Mr Wayne Floyd, Chairman, Board of Directors, ABSA, *Committee Hansard*, p. 57.

5 DCCEE, *Submission 66*, p. 9.

6 Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program—Final Report', March 2010, www.climatechange.gov.au/en/publications/green-loans/review-green-loans-resolution.aspx (accessed 29 July 2010).

7 DCCEE website, *Schedule of Fees: Home Sustainability Assessment Services*, www.climatechange.gov.au/government/programs-and-rebates/green-loans/assessors/fees.aspx (accessed 8 June 2010).

2.11 The number of household assessments was initially capped at 200 000, but this was increased to 360 000 in May 2009, prior to the commencement of the program.⁸

Green loans

2.12 Once a householder received their assessment report, they could apply for an interest-free loan of up to \$10 000 in order to implement recommendations made in the report. Minister Garrett stated that the loans were specifically intended 'for the installation of solar, water and energy efficiency products in their homes'.⁹ The loans would be interest-free for up to four years.¹⁰

2.13 The government entered into agreements with 24 financial partners to provide loans under the program.¹¹

2.14 Although Minister Garrett originally announced in May 2008 that 'up to 200 000 working families would be eligible for Green Loans...'¹² when the program commenced on 1 July 2009 the number of loans was capped at 75 000.¹³ The Minister stated that this change was introduced 'in light of the Government's \$4 billion investment in energy efficiency, lower interest rates and major shifts in the global financial markets...to ensure [the program] is better focussed'.¹⁴

Green Rewards Cards

2.15 The third element of the program as announced was a \$50 green rewards card intended to enable participating households with completed assessment reports to purchase low-cost items to improve home energy efficiency, such as compact fluorescent light bulbs.¹⁵

2.16 This element of the program never eventuated while the program was under DEWHA's management. However at Senate Estimates in May 2010, Dr Martin Parkinson, Secretary, Department of Climate Change and Energy Efficiency (DCCEE) stated that the government had:

8 DCCEE, *Submission 66*, p. 3.

9 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'Green Loans for Aussie Homes', *Media Release*, 13 May 2008.

10 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'Australian homes to benefit from green loans rollout', *Media Release*, 8 May 2009, www.environment.gov.au/minister/garrett/2009/mr20090508.html (accessed 3 May 2010).

11 DCCEE, *Submission 66*, p. 6.

12 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'Green Loans for Aussie Homes', *Media Release*, 13 May 2008.

13 DCCEE, *Submission 66*, p. 3.

14 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'Australian homes to benefit from green loans rollout', *Media Release*, 8 May 2009.

15 DCCEE, *Submission 66*, p. 4.

[P]ut in place arrangements to ensure that all eligible households will be able to receive their \$50 green rewards from July [2010].¹⁶

2.17 However, despite this assurance, in June 2010 Mr Malcolm Thompson, Deputy Secretary, DCCEE informed the committee:

The challenge that we face in establishing a green rewards card which could be redeemed at particular retailers selling that sort of merchandise was that there was such a significant and large range of products that people could redeem on that made it difficult to organise and arrange a card that would be redeemable at a large number of retailers...in the end the government decided that it would deliver it through households providing invoices.¹⁷

2.18 As the green rewards cards had not been delivered at the time of drafting this report, no further consideration is given to this aspect of the program in this report. Instead, this report focuses on those aspects of the program that were implemented: household assessments and green loans. Furthermore, there has been an extensive examination of the government's failure to roll-out Green Rewards Cards through the Senate Estimates process.¹⁸

Objectives of the program

2.19 At its inception, the stated objective of the program was to:

...provide people with easy access to practical household improvements that combined could reduce Australia's gas emissions by more than 600,000 tonnes of carbon dioxide equivalent every year.¹⁹

2.20 The Department of Climate Change and Energy Efficiency's (DCCEE) submission to this inquiry stated that the key objectives of the program were to:

- encourage wide-scale improvement of energy efficiency in the existing housing stock;
- provide sound advice to households on the most appropriate actions to reduce the environmental impact of operating their home;
- provide financial assistance to household to gain access to the resources they need to invest in energy and water efficient technologies; and

16 Dr Martin Parkinson, Secretary, DCCEE, *Senate Estimates Hansard*, Senate Environment, Communications and the Arts Committee, 27 May 2010, p. 4. See also Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Delivery of \$50 Green Rewards in 2010–11', *Media Release*, 19 May 2010, www.climatechange.gov.au/minister/previous/wong/2010/media-releases/May/mr20100519a.aspx (accessed 18 October 2010).

17 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 103.

18 See for example Senate Environment, Communications and the Arts Legislation Committee, *Senate Estimates Hansard*, 9 February 2010, pp 140–144; and 27 May 2010, p. 122.

19 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'Green Loans for Aussie Homes', *Media Release*, 13 May 2008.

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- reduce annual greenhouse gas emissions.²⁰

2.21 The DCCEE submission suggests that the changes announced in May 2009 reflect a change in the objectives of the program to:

...place a greater emphasis on trained assessors to provide:

- face-to-face advice on the best energy and water efficiency actions which householders should take;
- professional home sustainability assessment reports;
- advice to direct households to existing rebate assistance schemes; and
- advice on accessing loans to achieve enhanced energy and water efficiency in the home.²¹

Operation of the program

2.22 The Green Loans Program commenced on 1 July 2009.

2.23 The committee received evidence from a range of stakeholders who were involved in the program including: approximately 150 assessors who performed, or were trained to perform assessments under the program; householders who received assessments; and industry bodies representing financial institutions some of which offered loans under the program.

2.24 These stakeholders identified a range of problems and issues with the design, implementation and administration of the Green Loans Program. Chapters 3 and 4 discuss the issues related to each of the two aspects of the program that were implemented: household assessments and green loans, respectively.

Changes to the program since commencement

2.25 A number of important changes have been made to the Green Loans Program since its commencement in July 2009:

- Minister Garrett announced the cancellation of the loans portion of the program; an increase in the number of assessments to a total of 960 000; and caps on the number of assessors and the number of assessments they could perform on 19 February 2010;²²
- responsibility for energy efficiency measures, including the Green Loans Program, was transferred to Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, and to her department, DCCEE from 8 March 2010 (announced 26 February 2010);

20 DCCEE, *Submission 66*, p. 3.

21 DCCEE, *Submission 66*, p. 3.

22 The Hon Peter Garrett MP, Minister for Environment, Heritage and the Arts, 'Significant changes to Commonwealth environmental programs', *Media Release*, 19 February 2010, www.environment.gov.au/minister/garrett/2010/mr20100219.html (accessed 3 May 2010).

- the government released three reviews into various aspects of the Green Loans Program on 8 July 2010;²³ and
- Minister Wong announced on 8 July 2010 that the Green Loans Program would be phased out and transition to a new Green Start Program.²⁴

2.26 On 25 February 2010, the Australian National Audit Office (ANAO) commenced a performance audit of the program. The ANAO tabled its report on the audit on 29 September 2010.²⁵ The ANAO's findings are discussed throughout this report, primarily in chapters 3 and 6.

2.27 Chapters 3 and 4 discuss the program as it was rolled out, and as it operated between July 2009 and February 2010. Chapter 5 considers the impact of the February 2010 changes. Chapter 7 outlines the transition to the Green Start Program.

2.28 The changes made in February and July 2010 mean that the Green Loans Program today bears little resemblance to that which was in operation between July 2009 and February 2010. Accordingly, the committee feels that it is not beneficial for it to make recommendations as to how various aspects of the program might have been improved were the program to continue. Instead the committee considers it much more useful to draw more general conclusions as to the underlying reasons for the failure of the Green Loans Program, and to make specific recommendations for the transition to the Green Start Program. Accordingly, all committee recommendations are made in chapter 6 and 7 of this report, and reflect on the entirety of the Green Loans Program, lessons from that program, and the future of transitioning to Green Start.

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- 23 Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program', *Final Report*, March 2010; Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010; and Protiviti Risk & Business Consulting, 'Internal Audit Review of the Procurement Practices in the Green Loans Program', December 2009. All available at www.climatechange.gov.au/en/publications.aspx (accessed 28 July 2010).
- 24 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Green Loans Transition to Green Start', *Media Release*, 8 July 2010, www.climatechange.gov.au/en/minister/wong/2010/media-releases/July/mr20100708.aspx (accessed 8 July 2010).
- 25 Australian National Audit Office (ANAO), Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010, available at: www.anao.gov.au/uploads/documents/2010-11_Audit_Report_No_9_.pdf (accessed 11 October 2010).

Chapter 3

Household assessments

3.1 Submitters to the inquiry raised concerns with a range of aspects of the design, implementation and administration of the household assessments portion of the program, including:

- the quality of assessor training;
- the number of accredited assessors;
- the process of accrediting assessors, and contracting them to the government;
- the quality of assessments;
- problems with the assessments booking system;
- allegations of misuse of the assessment portion of the program by companies; and
- payments to assessors.

Each of these issues is considered below.

Quality of assessor training

3.2 One of the major concerns expressed by assessors and other stakeholders in respect of the design and operation of the program was that the training received by assessors was not of a sufficiently high quality to enable them to perform high quality assessments. Evidence to the committee focussed on two aspects of assessor training:

- the quality of training courses and training providers; and
- the lack of pre-requisites for aspiring assessors.

Training courses and providers

3.3 A significant number of assessors informed the committee that they had received poor training which did not equip them to perform assessments. For example, Mr Mark Walker, an assessor from NSW, submitted that:

...the 4-day training course for this program was woefully inadequate, and the quality of training materials provided left a lot to be desired. For example, the large ring-binder provided to me contained materials photocopied or downloaded, was poorly organised and had neither a Table of Contents nor page numbers, rendering it virtually useless as a reference tool.¹

1 Mr Mark Walker, *Submission 8*, p. 3.

3.4 Similarly, Dr Roger Severn, an assessor from WA, commented on the lax assessment standards to test the knowledge of newly trained assessors:

Assessment was in the form of an open book test where candidates answered questions with no time limit and full access to the printed material used in the course. Marking of each test was done by each candidate passing their test answers to another candidate who marked the paper based on their own perceptions and some key points made by the instructor as each question was answered. Unsurprisingly, all candidates met the registration criterion even though it was obvious that the knowledge level within the group varied significantly.

My point is that each candidate was not tested sufficiently for anyone to be satisfied that the knowledge required for accreditation had been achieved.²

3.5 These comments regarding the poor standard of assessor training were echoed by numerous other assessors in their submissions to the committee.³

3.6 However, not all assessors were dissatisfied with the quality of training provided under the program. For example Mr Mark Clayton, an assessor from South Australia, submitted that:

I had an advantage of a great deal of prior knowledge but still learnt plenty during the course.⁴

3.7 Similarly, another assessor submitted that:

For the record I would like to note that outside of my university degree Green Skills is the best training provider that I have ever worked with. I do not believe you will find a more committed, experienced, knowledgeable or passionate training provider in the country. Furthermore if every training provider operated with the same level of integrity as Green Skills does this programme would have been a huge success.⁵

3.8 Based on the evidence received by the committee, it is clear that the quality of assessor training differed markedly between training providers. In its submission, the Association of Building Sustainability Assessors (ABSA) explained that one of the reasons for this was that DEWHA:

...did not require the HSAS (Home Sustainability Assessment Scheme) training to be competency based or accredited as a short course, which would have brought the training within the Australian Government's Australian Quality Training Framework...rather, DEWHA signed off on

2 Dr Roger Severn, *Submission 61*, p. 1.

3 See submissions 1, 3, 6, 17, 23, 34, 35, 40, 61, 85, 105, 107, 108, 114, 115, 139, 144, 146, 150, 170 and 171.

4 Mr Mark Clayton, *Submission 79*, p. 1.

5 Name Withheld, *Submission 85*, p. 1.

the training as a non-accredited and content, rather than competency, based short course.⁶

3.9 ABSA also explained that DEWHA did not require that training facilities be Registered Training Organisations, which ABSA argued resulted in some of the training being of poor quality. In September 2009, ABSA itself implemented such a requirement as a pre-requisite for accreditation of assessors.⁷

3.10 Ms Amanda McClelland, the Chief Operating Officer of Fieldforce Services, a key participant in the program which trained and employed over 400 assessors, argued that the quality of assessor training was 'probably the one single big failing' of the Green Loans Program.⁸ Ms McClelland stated that:

It seemed to be that if you were an RTO [Registered Training Organisation] you could go and train anyone. There was no governance over who trained, what they trained and the quality of that training. There was no exam. Basically, I could be an RTO who trained in data entry and, if I went and developed a two-day program, I could go and get 500 immigrant taxi drivers—which was apparently one of the things that occurred—and all of a sudden I have trained 500 assessors, who would be accredited to do energy assessments.⁹

3.11 Both ABSA and Fieldforce recommended to DEWHA that the standard of training needed to be improved, and suggested that the existing Certificate IV level program in Victoria would provide a suitable basis for training.¹⁰ Fieldforce made this recommendation following conducting a pilot training course as early as November 2008.¹¹

3.12 However, the committee was informed that this suggestion was not implemented by government because of pressures to roll out the program quickly:

The concern at the time was...to have the program up and running and to have people who were going to be able to use the assessment tool that the government had commissioned to provide sustainability assessments to households. I think the decision was taken at the time that having a more extensive training schedule or training requirement would take more time.¹²

6 ABSA, *Submission 67*, p. 6.

7 ABSA, *Submission 67*, p. 5.

8 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 21.

9 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 21.

10 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, p. 82; Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 21; ABSA, *Submission 67*, pp 14–15.

11 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 21.

12 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, p. 82.

3.13 ABSA indicated to the committee that the process for nationally endorsing the Victorian Certificate IV course has been slow because 'it is a process of going through the state governments'.¹³ Further, Ms Carmichael, CEO of ABSA indicated that:

[I]t is a process that cannot be cut short. I did hear Senator Wong had asked whether that could be sped up, and it is not a process that can be.¹⁴

3.14 Furthermore, the government apparently had doubts as to whether the Victorian course was appropriate. In response to a question asked at Senate Estimates hearings in February 2010, DCCEE stated that:

The Victorian Course in Home Sustainability Assessment has a broader approach to sustainability issues compared to the Professional Home Sustainability Assessment course, as it incorporates ecological footprints, waste management, garden and environs, transportation and general green living aspects. It is the Department's view that requiring assessors to undertake the broader topics covered by the Victorian course may not necessarily improve the skill sets of the Green Loans assessors as they focus only on the energy and water efficiency performance of houses.¹⁵

3.15 Despite the decision not to require assessors to undergo a formal, nationally endorsed training program—either because of timing, the suitability of the course, or a combination of the two—a number assessors who participated in the program had an understanding that the government intended to upgrade their qualifications to Certificate IV level at some stage.¹⁶ The national accreditation body, ABSA, which was involved in the development of the program from an early stage, has the same apprehension with respect to DEWHA's intention to fund an upgrade in assessor training to Certificate IV.¹⁷

3.16 When questioned at the committee's hearing on 29 June 2010 about why the assessor community had a widespread understanding that the government would pay to upgrade assessor qualifications, Mr Malcolm Thompson, Deputy Secretary, DCCEE, informed the committee:

[T]hat was never government policy and so there has never been a position that the Australian government would pay for an upgrade of training to cert IV for assessors.¹⁸

13 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 71.

14 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 71.

15 DCCEE, Answer to Question on Notice, number CC57, Additional Estimates, Senate Environment, Communications and the Arts Legislation Committee, received 25 May 2010, www.apf.gov.au/Senate/committee/fapa_ctte/estimates/add_0910/climate_change/index.htm.

16 See for example Mr Helmut Schiretz, *Submission 42*, p. 5; Mr Muhammad Irfan, *Submission 131*, p. 6.

17 ABSA, *Submission 67*, pp 14–15.

18 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, p. 82.

3.17 In response to a question taken on notice on the matter, DCCEE provided an unhelpful answer, referring the committee to its response to the Hawke¹⁹ and Faulkner²⁰ reports in which DCCEE simply stated that 'action is currently underway to investigate potential breaches identified in this report'.²¹

3.18 However, DCCEE provided further information on this matter to the Australian National Audit Office (ANAO). In its performance audit of the Green Loans Program, the ANAO confirmed that email advice was sent to an assessor in July 2009 by a DEWHA officer 'indicating that when an accredited training course is available, assessors will be offered the necessary additional training at no cost'.²²

3.19 In response to questioning about how the government proposes to rectify the misinformation given by departmental officers to assessors and ABSA on this matter, DCCEE informed the committee that 'action is currently underway to investigate potential breaches identified in the Faulkner report'.²³ DCCEE stated that it would:

...conduct any necessary investigations to follow up actions where further potential breaches of the APS Code of Conduct, the Financial Management and Accountability Act and the Criminal Code are identified.²⁴

Pre-requisites for assessor training

3.20 Many assessors, even those satisfied with the quality of training provided to them, commented that the training was inadequate without prior knowledge and/or experience in a related field. For example, Mr Jeff Wormald, an assessor from NSW, commented:

While the HSA training course that I attended was small in number of attendees and well delivered with a very knowledgeable trainer and quite a lot of extremely useful input from the course participants, I would be at a complete loss if this were to be my only source of expertise to draw upon for the purposes of conducting an assessment. The real qualifications necessary for conducting an accurate and useful Home Sustainability

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- 19 Allan Hawke, 'Review of the Administration of the Home Insulation Program', 6 April 2010, at www.climatechange.gov.au/~media/publications/energy-efficiency/Home-Insulation-Hawke-Report.ashx.
- 20 Patricia Faulkner, 'Independent Inquiry-Green Loans Program: Review of procurement practices and contractual arrangements', June 2010, at www.climatechange.gov.au/~media/publications/green-loans/green-loans-faulkner-report.ashx.
- 21 DCCEE, 'Department of Climate Change and Energy Efficiency's Response to the Hawke Report on the Home Insulation Program and the Faulkner Inquiry into the Green Loans Program', July 2010, at www.climatechange.gov.au/~media/publications/energy-efficiency/departmental-response-to-hawke-and-faulkner.ashx.
- 22 ANAO, Performance Audit Report No. 9, 2010–11: Green Loans Program, 29 September 2010, p. 75.
- 23 DCCEE, answer to question on notice, Question 1—Assessor Certification, 29 June 2010 (received 10 August 2010).
- 24 DCCEE, answer to question on notice, Question 1—Assessor Certification, 29 June 2010.

Assessment may not be extremely high, but some level of proficiency in [building design or thermal performance, with energy efficiency, clean energy generation or home sustainability] is an essential if this or similar types of programmes are to have any real relevance to the house holder for use as a real and effective tool for energy efficiency and sustainability, although the importance of people skills must never be underestimated as this is after all an educational process.²⁵

3.21 A number of submitters and witnesses indicated that at the beginning of the program, it was understood that assessors would be required to have pre-requisite experience and/or knowledge in addition to completing assessor training.²⁶ However, the omission of such a pre-requisite was argued by some to have undermined the quality of assessors. For example, Mr Mark Walker, an assessor from NSW, submitted:

...the removal of the initial restriction on prior qualifications allowed for an influx of under-qualified, uninterested, self-focused individuals whose only real motivation was accumulating capital as quickly as humanly possible. The lack of real regulation and lack of auditing of so-called training organisations, made a farce of the accreditation process.²⁷

3.22 Similarly, Ms Leanne McIntosh, a GLACO assessor, stated:

I have a uni degree and three trade qualifications. I expected, when I went to training, to have a roomful of people with those sorts of qualifications. There were nurses. There were insulation installers who just wanted to tack on the \$200 and be in and out within five minutes. They were open about what they were doing at the training course. To me, it should have been enforced that you had an adequate background to be able to advise people. That was definitely one of the faults, no doubt at all.²⁸

3.23 ABSA explained that requiring assessors to have experience in the building industry was 'mooted' at the initial stages of developing the program as originally:

...it was considered that the tool to do Green Loans was going to be similar to what is called the NatHERS [Nationwide House Energy Rating Scheme] tool, which is all about building fabric.²⁹

3.24 However, as the program and assessment tool developed, Ms Carmichael explained that Green Loans was quite different from NatHERS:

...in that you actually wanted people who would go into households and engage intelligently and sensitively with householders. So just setting a

25 Mr Jeff Wormald, *Submission 103*, p. 4.

26 See for example Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 3.

27 Mr Mark Walker, *Submission 8*, p. 3.

28 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 14.

29 Ms Alison Carmichael, Chief Executive Officer, ABSA, *Committee Hansard*, 29 June 2010, p. 59.

whole lot of building prerequisites became less and less appropriate as the Green Loans Program and the tool rolled out.³⁰

Committee comment

3.25 Based on the evidence received by the committee, it is clear that there were serious problems with the quality and regulation of assessor training. While some assessors no doubt received excellent training by qualified and experienced training providers, the fact that assessor training was almost entirely unregulated meant that the government has no assurances as to the quality and knowledge of assessors trained under the Green Loans Program.

3.26 The committee is of the view that the lack of regulation or quality standards in relation to assessor training was largely the result of pressure on DEWHA to roll out the program within tight deadlines.³¹ Had DEWHA been given the opportunity to wait until a national Certificate IV level assessor training program had been developed and accredited, these more rigorous training standards would have discouraged some of the 'sharks and shonks'³² from taking advantage of the program.

3.27 Furthermore, had the government allowed more time for the roll-out of the program, it would have been clearer what skills would be required of assessors. This would have enabled the department and other stakeholders to better manage the expectations of assessors. The committee makes recommendations about the necessary standards of assessor training under the Green Start Program in chapter 7, in order to prevent the failings of the Green Loans Program from re-occurring.

Number of accredited assessors

3.28 A common issue raised by many submitters was the number of assessors accredited under the program. Initially, Minister Garrett indicated that there would be 1000 assessors 'ready to begin work' from 1 July 2009.³³ Some assessors submitted that this figure of 1000 assessors was in fact expressed at the start of the program to be an upper limit.³⁴ Other assessors claim to have had an understanding, based on

30 Ms Alison Carmichael, Chief Executive Officer, ABSA, *Committee Hansard*, 29 June 2010, p. 59.

31 On this issue, see also Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 39.

32 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 13.

33 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'Australian homes to benefit from green loans rollout', *Media Release*, 8 May 2009.

34 See for example Mr Graham Palmer, *Submission 1*, p. 1; and Name Withheld, *Submission 100*, p. 2.

information from either their trainer, or the government's website, that there would be a cap of 1500, 2000 or 3000 assessors.³⁵

3.29 In evidence to the committee, Mr Malcolm Thompson, Deputy Secretary, DCCEE stated that:

[T]here was no expected target of 1,000... My recollection...is that Minister Garrett had a press release that indicated we had up to 1,000 assessors ready to go in the early period just prior to the launch of the program. There was never a statement that I am aware of from the minister or from the government that we were aiming for a target of 1,000 assessors.³⁶

3.30 However, assessors claim to have been induced into joining the program on the basis of their understanding that there would be a cap on assessors. For example, Mr David Cumming, an assessor from NSW, submitted:

From a personal perspective, I funded my retraining to become a Home Sustainability Assessor on the strength of the representations made on the Green Loans website, and in the official Green Loans Style Guide... Had I known that ABSA and DEWHA were not managing the numbers of registered HSA's I certainly would not have committed myself to the program. I think it is fair to say that many people completing their accreditation saw this as a foothold in an ongoing (though term-limited) market with a limited supply of service providers.³⁷

3.31 Organisations involved in the program, including Fieldforce, which was involved in the program from the outset and assisted in its development, were under a similar apprehension about the number of assessors that would be trained:

When the program first started, the indication—given, I believe, to everybody—was that there was going to be no more than 1,000 assessors in the program.³⁸

3.32 When pressed on where this belief came from, Ms McClelland, Fieldforce's Chief Operating Officer stated that it came from 'conversations with the department and ABSA'.³⁹

3.33 In its submission, ABSA stated that:

35 See for example Mr Shayn Harkness, *Submission 2*, p. 1; Mrs Tiffany Bennett, *Submission 4*, p. 2; Mr Mark Walker, *Submission 8*, p. 1; Mr Kevin Foss, *Submission 88*, p. 3; Mr Richard Swinton, *Submission 114*, p. 1; and Mr Muhammad Irfan, *Submission 131*, p. 1.

36 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 78.

37 Mr David Cumming, *Submission 150*, p. 10.

38 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 21.

39 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 22.

At the time of DEWHA's acceptance of ABSA's application to become an Assessor Accrediting Organisation, DEWHA estimated that the program would attract approximately 800 assessors.⁴⁰

3.34 When questioned, Ms Alison Carmichael, Chief Executive Officer of ABSA, informed the committee that ABSA was never informed by DEWHA of the basis for the figure.⁴¹

3.35 Ms Carmichael further informed the committee that in the initial stages of the program:

The feeling at the time was that nobody had any idea whether there would be any interest in this program. In fact the sense from the department was the fear that they would not get enough people. It was kept low and they were very hopeful that there would be 800 to 1,000 at the end of the first year.⁴²

3.36 In response to why there was a wide-spread understanding amongst stakeholders that there would be 1,000 assessors, Mr Malcolm Thompson, Deputy Secretary, DCCEE stated:

...it was considered at the time that 1,000 assessors would be the minimum that the government would need to deliver this program and that is why 1,000 became significant in that sense...

There may have been discussions with departmental officials. I know some stakeholders have made reference to that. We, in our search of our records, cannot find definitive evidence of that. I am not saying that it is not the case, but if it was the case then, as far as I am aware, it was not government policy.⁴³

3.37 Yet, the independent inquiry into procurement processes and contractual arrangements under the program by Ms Patricia Faulker, found that DEWHA had briefed Minister Garrett in December 2008 on various options for delivery of assessment services under the program, and in that brief indicated that 'up to 2,000 assessors were envisaged'.⁴⁴

3.38 The difference between the figure given to the Minister in December 2008 (2000) and that given to ABSA in February 2009 (800) has not been explained by the government. While DEWHA clearly gave thought to the number of assessors that were required or likely to become involved in the program, the government has not been able to explain what these estimates were based on. Yet it is evident that

40 ABSA, *Submission 67*, p. 7.

41 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 59.

42 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 60.

43 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 79.

44 Ms Patricia Faulkner AO, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 27.

different estimates were given to different stakeholders at different times, whether officially or unofficially. These estimates naturally affected the decisions of assessors and organisations to become involved with the program and expend money in order to participate.

3.39 It is also clear that there was no thought given early on in the program to the risk that many more than the projected 800 or 1000 or 2000 assessors would train and apply for contracts under the program. ABSA submitted that:

By August 2009, ABSA was aware of 2,000 individuals who had undertaken HSAS training seeking accreditation as HSAS assessors. ABSA repeatedly raised its concerns with DEWHA from August 2009 regarding the number of assessors relative to the number of funded assessments over the life of the Green Loans program and the number of assessors originally estimated by DEWHA.⁴⁵

3.40 In response to ABSA's concerns:

DEWHA made it clear to ABSA that it did not have a view about how many assessors should be trained and accredited.⁴⁶

3.41 In evidence to the committee, officers from DCCEE commented:

It certainly was the position that the government and the department considered that this was a matter for ABSA, as the accrediting agency, to settle. We were concerned to ensure that there were enough assessors available to deliver the program, not only as to the total number of assessments in a quantity sense but also to give a reasonable geographic spread of assessments across the country.⁴⁷

3.42 ABSA then 'decided to take the matter into its own hands' and in early November 2009 advised DEWHA that it proposed to only accredit those who submitted their application by 24 December 2009. ABSA submitted that this decision led to ABSA receiving legal threats from training providers and potential applicants. As a consequence ABSA pushed back the date at which applications closed to 21 January 2010 for those who completed training prior to 24 December 2009.⁴⁸

3.43 ABSA projected that this moratorium would result in there being a total of 4500 registered assessors (3000 who had already registered, plus 1500 registering between its announcement and 21 January 2010). However, instead of receiving 1500 additional applications during December and January, ABSA received 6500 applications for accreditation prior to 21 January 2010 (making a total of 9500 assessors).⁴⁹

45 ABSA, *Submission 67*, p. 7.

46 ABSA, *Submission 67*, p. 7.

47 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 79.

48 ABSA, *Submission 67*, pp 7–8.

49 ABSA, *Submission 67*, p. 8.

3.44 The almost twelve-fold difference between the number of assessors initially projected by DEWHA versus the actual number of accredited assessors led to a much greater number of assessments being performed in a shorter space of time than anticipated. ABSA submitted that of the 360 000 assessments that were intended to be funded over the 4-year life of the program, 288 170 of these had been booked by 22 January 2010.⁵⁰ This equates to more than 80 per cent of the entire program's allocated assessments which were conducted in less than 15 per cent of the program's lifespan.

3.45 A number of submitters blamed the blow-out in assessor numbers on ABSA and/or assessor training organisations. For example, Dr Roger Severn, an assessor from WA, submitted that:

Accreditation authority has been vested in a private organisation. This has meant that to be accredited an individual must become a member of that organisation paying significant fees for the privilege. In order to protect the income earning capacity of their members it is now argued that accreditation should be limited. It is true because of the enthusiasm of the training contractors far too many people were encouraged to enrol in training with unrealistic expectations of income earning.⁵¹

3.46 Mr Mark Walker, an assessor from NSW, argued that the oversupply resulted from:

...less scrupulous and (comparatively) unregulated training organisations had no vested interest in limiting the number of potential assessors trained and so, lacking appropriate advice or regulation from Government, attracted as many potential assessors as possible to their training courses.⁵²

3.47 ABSA responded to these arguments by noting:

We wanted to shut off in August [2009]. In the end, when we did close off, we absolutely did not want any more.⁵³

3.48 According to the ANAO, a draft report by PricewaterhouseCoopers, which the government has not yet publicly released, on ABSA's compliance with the protocol for the Assessor Accrediting Organisation under the program found that while ABSA had not been fully compliant with certain aspects of the protocol, '...areas of non-compliance were primarily due to factors beyond ABSA's control'.⁵⁴ The PricewaterhouseCoopers report is subject to an order for the production of documents in the Senate.⁵⁵

50 ABSA, *Submission 67*, p. 8.

51 Dr Roger Severn, *Submission 61*, pp 1–2.

52 Mr Mark Walker, *Submission 8*, p. 2.

53 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 62.

54 ANAO, Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010, p. 82.

55 *Journals of the Senate*, No. 5, 26 October 2010, p. 209.

3.49 Ms Amanda McClelland, Chief Operating Officer, Fieldforce, attributed the problem to the lack of clarity between the responsibilities of ABSA and DEWHA:

The line of responsibility between ABSA and DEWHA was sometimes very blurred. I would talk to ABSA and they would say that it was not their responsibility to cap the number of assessors but DEWHA's responsibility. Then DEWHA would say that ABSA is the accrediting body. I would have assumed that they would have ironed that out during program design.⁵⁶

3.50 The Department of Climate Change and Energy Efficiency submitted that:

On 19 February 2010, the Government announced a cap of 5,000 on the number of assessors participating in the program. This will ensure a sustainable level of assessment activity for contracted assessors.⁵⁷

3.51 DCCEE's submission suggests that this cap was possible because, of the approximately 9500 assessors who had applied to ABSA for accreditation, only approximately 4000 had been contracted to the government to work as assessors at that stage.⁵⁸

3.52 The government gave no indication as to how it would decide which of those assessors accredited by ABSA but not yet contracted to the government would be formally contracted, and which would not. Minister Wong suspended the issuing of new contracts to assessors in March 2010. Mr Malcolm Thompson, Deputy Secretary, DCCEE informed the committee that Minister Wong was not going to make a decision regarding the issuing of further contracts until the PricewaterhouseCoopers audit of ABSA's accreditation processes and the Faulkner review of contracting arrangements under the Green Loans Program had been considered.⁵⁹

3.53 The committee notes that the Faulkner review was released on 8 July 2010, simultaneously with Minister Wong's announcement that the Green Loans Program would be phased out and transition to a new Green Start Program (discussed in chapter 7). Yet, in a media release that day, the Minister announced that the suspension on new assessor contracts 'will continue'.⁶⁰ The government has made it clear that some Green Loans assessors will likely be successful in obtaining grants under the new program, and has released limited details about a retrenchment package available to those assessors not chosen to participate in Green Start. However questions remain about the status of uncontracted assessors. These issues are discussed in chapter 7.

56 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 23.

57 Department of Climate Change and Energy Efficiency, *Submission 66*, p. 10.

58 Department of Climate Change and Energy Efficiency, *Submission 66*, p. 10.

59 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 79.

60 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Green Loans transition to Green Start', *Media Release*, 8 July 2010.

Committee comment

3.54 The huge blow-out in assessor numbers that occurred under the Green Loans Program is arguably one of its most significant failings. The demand that that blow-out created in household assessment bookings; the resulting numbers of assessment reports; and the huge number of invoices that needed to be processed by the departments were all significant flow on effects. DEWHA's management systems were simply not designed to handle this huge number of assessors and the resulting deluge of assessments. The combination of these factors led to the program's funding being exhausted well before its planned end date, which has left thousands of assessors without the income they had anticipated from the program.

3.55 DCCEE has stated that the government did not, at any stage, have an official policy on how many assessors should be contracted. Yet it is clear that various projections of assessor numbers were given by DEWHA officers to individuals and organisations during the course of the program. On the strength of these representations, individuals and organisations invested substantial resources into the program, and made business decisions on the basis of these projections. It is the committee's firm view that members of the public should be able to rely on information given to them by government.

3.56 Furthermore, the committee finds it unacceptable that the federal government would embark on a program of this size and scope without having firm projections of the number of assessors likely to be involved and clear agreements with partner organisations as to whose responsibility it was to ensure that sustainable numbers were not exceeded. If the government was not going to monitor assessor numbers, it should have made it clear to ABSA that this was part of their role, and given ABSA ownership of any related aspects of the program.

3.57 The fact that neither ABSA nor DEWHA considered themselves responsible for assessor numbers is another indication of the lack of planning that went into the Green Loans Program.

3.58 The arrangements put in place once the government became aware of this enormous problem—of capping the number of contracts at 5000 and suspending the issue of new contracts—are simply unacceptable from the point of view of assessors who trained under the program expecting to be contracted to the government under the program. This decision has left over 5000 Australians in limbo since February 2010. The committee makes various recommendations as to how similar problems caused by a lack of communication and planning may be avoided under the Green Start Program in chapter 7.

Accrediting and contracting assessors

3.59 A large number of assessors who submitted to the inquiry complained about the time it took both ABSA and DEWHA to process paperwork relating to accreditation and contracting respectively.

3.60 Some assessors claim to have waited for six months or more after undertaking training and submitting the relevant documentation, to obtain the accreditation and contract, without which they were not able to perform assessments under the program. For example, Mr Mohamed Hawli, an assessor, submitted:

Upon submitting my application to ABSA, it took approximately 10 weeks to receive the [Home Sustainability Assessor] numbers and cards. After a long and drawn out effort to obtain the [Home Sustainability Assessor] numbers I promptly sent off my contract to the Green Loans Program. I sent off the contract in the first week in February [2010] and have been waiting since for some indication but nothing has come through.⁶¹

3.61 A list of the periods that various assessors claim to have had to wait for the government to approve their paperwork is at Appendix 3.

3.62 Like Mr Hawli, many other assessors complained of not yet having been contracted to the government, despite being accredited by ABSA and having paid the requisite training, accreditation and insurance fees. Based on DCCEE and ABSA's submissions, there are between 5300 and 5500 assessors in this position.⁶²

3.63 Based on the submissions received by the committee, the average assessor would have spent between \$2000 and \$3000 on training, insurance, police checks, ABSA fees and other costs, prior to being contracted with DEWHA and being allowed to begin performing assessments under the program.⁶³

Committee comment

3.64 As discussed above, the length of time it took for DEWHA to approve assessors' contracts was likely to have been a flow-on effect of the lack of projections and controls on assessor numbers.

3.65 It also reflects poor resourcing decisions by the government. In order for an agency usually focussed on policy to undertake a project of the size and complexity of Green Loans, it is obvious that substantial additional resources would be required. It appears that not nearly enough resources were provided to the team managing the project within DEWHA. Indeed, this was a finding of both the Faulkner review and the review of the program by Resolution Consulting.⁶⁴

61 Mr Mohamed Hawli, *Submission 64*, p. 1.

62 Department of Climate Change and Energy Efficiency, *Submission 66*, p. 10; ABSA, *Submission 67*, p. 8.

63 See submissions 12, 13, 31, 36, 37, 38, 47, 48, 51, 52, 54, 56, 59, 60, 63, 68, 72, 77, 90, 99, 101, 106, 111, 122, 128, 130 and 133.

64 Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 4, Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program', *Final Report*, March 2010, p. 5.

3.66 In chapter 7, the committee makes recommendations about resourcing and planning of the Green Start Program, in order to prevent the failings of the Green Loans Program from re-occurring.

Quality of assessments

3.67 Another significant concern, raised by both assessors and participating householders, was the quality of home sustainability assessments. Problems with the quality of assessments are argued to have arisen as a result of the:

- quality of assessor training (discussed above at paragraph 3.2 ff);
- design of the assessment tool required to be used; and
- speed at which some assessors performed assessments.

Design of assessment tool

3.68 A number of assessors submitted that the assessment tool was flawed, and did not account for climate variations across the country and various other important factors in the environmental performance of a house. Ms Enga Lockey, an assessor from Victoria submitted that:

The assessment tool has so many flaws as to make any resultant information supplied to the homeowner worthless.⁶⁵

3.69 Similarly, Mr Sam Tuck, another assessor from Victoria, submitted:

The assessment books were so irrelevant to the information required by the online tool they were useless. A massive waste of resources...

The biggest reductions in energy use in homes I have assessed would be gained from implementing draft proofing and insulation effectively – but this is very limited in the scope of the report. There is no priority given to measures to improve the householder's emissions in the report, which is our area of expertise.⁶⁶

3.70 Mr Darryl Smith, a participating householder, analysed the report he received under the program and found 'a significant number of issues' with it. These 'issues' include:

- Many of the measures recommended by the report project cost and energy savings in excess of actual expenditure. For example, Mr Smith currently spends \$104 on hot water electricity annually. The report recommends that he purchase a solar or heat pump, and projects that he would save \$190 per year if he did so.⁶⁷ There are a number of similar examples of both projected

65 Ms Enga Lockey, *Submission 40*, p. 1.

66 Mr Sam Tuck, *Submission 17*, p. 1.

67 Mr Darryl Smith, *Submission 49*, p. 3.

power and monetary savings being above Mr Smith's current actual costs throughout his report.

- The use of incorrect tariffs in calculating the potential savings of recommendations within the report.⁶⁸
- Incorrect usage data being recorded on the report. For example, the report received by Mr Smith records his annual electricity consumption as approximately 14 680 kWh, whereas his actual electricity consumption is 13 395 kWh. Mr Smith has calculated that this error is likely to be a result of a recording error by his assessor.⁶⁹
- Recommendations that would increase the energy used in Mr Smith's home, such as replacing his existing top loading washing machine with a new front loading device, which the report states would save -8 kg (i.e. use an additional 8 kg) of greenhouse gas equivalent per annum.⁷⁰
- Savings figures calculated on fanciful assumptions. For example, his report recommends that if Mr Smith installed a grey water tank, he would only use approximately 8 litres of water per day. Mr Smith has calculated that this figure assumes that he shower for approximately 1 minute per day and rarely wash his clothes.⁷¹
- The fact that the energy savings arising from the recommendations made in the report are not cumulative, so that a householder cannot choose to implement all the recommendations to achieve the sum of the listed savings.⁷²

3.71 Assessors argued that the time it took to complete the report did not justify the value of the end product. For example, Mr Michael Lewin, an assessor from Victoria, submitted:

The software tool is simplistic and perhaps has to be. Most receivers of the report have found it hard to relate to and don't see it as being worth investing several hours to get.⁷³

3.72 Similarly, Mr Sam Tuck, another assessor from Victoria, submitted:

The data entry for a typical household took over an hour (much much longer initially!). Repetition, data loss etc. wasted so much of our time. The fixes took months, and IT savvy colleagues commented on the archaic manner the online tool operated.⁷⁴

68 Mr Darryl Smith, *Submission 49*, p. 3.

69 Mr Darryl Smith, *Submission 49*, p. 4.

70 Mr Darryl Smith, *Submission 49*, p. 4.

71 Mr Darryl Smith, *Submission 49*, p. 8.

72 Mr Darryl Smith, *Submission 49*, pp 8–9.

73 Mr Michael Lewin, *Submission 55*, p. 1.

74 Mr Sam Tuck, *Submission 17*, p. 1.

3.73 Assessors reported that the poor quality of reports reflected poorly on the ability of assessors and on the program generally:

Some assessment reports were so deeply and obviously flawed that they inevitably caused the householder to doubt the capability of the assessor. I was embarrassed by some householder's disappointment in the reports. Many held me responsible for the inaccurate statements/recommendations they received. As such they would not recommend my services, or the program, to others. My reputation in my local community, for both home assessments and any future business, has been negatively affected by DEWHA's flawed assessment software and slow/non-delivery of reports.⁷⁵

3.74 The media reported on one extreme example of the failings of the assessment tool, and the lack of even basic audit of it, involving a Brisbane man being told he could save more than \$31 million per year by installing a new air conditioner and ceiling fans, when his quarterly power bills only totalled \$195 and he already had ceiling fans in most rooms.⁷⁶

3.75 The software for the assessment tool was developed by RMIT, under a contract with DEWHA. The Faulkner review of procurement practices and contractual arrangements under the program found serious flaws with the awarding and managing of contracts under the program.⁷⁷ The findings of the Faulkner review are discussed in chapter 6.

3.76 A particular concern was that the tool did not take account of air leakage. DCCEE advised the committee that:

...the tool has always included both questions relating to the level of air leakage in the dwelling and recommendations to improve this aspect of the dwelling as is appropriate...

Air leakage has always been considered as part of the building thermal load calculation (heating and cooling), and this module has been subject to upgrades during delivery of the program.⁷⁸

3.77 The committee was also made aware of potential issues related to the loadings given to various technologies in the assessment tool, and how preferences for various technologies were made in the design of the tool. The committee questioned DCCEE about whether any persons or organisations had corresponded with either the department or RMIT about the loadings to be given to various technologies by the tool, and was informed:

75 Ms Larissa Nicholls, *Submission 98*, p. 1.

76 Sophie Elsworth, 'Brisbane retiree promised \$31m in power bill savings by Government sustainability report', *The Courier Mail*, 21 June 2010.

77 Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010.

78 DCCEE, answer to question on notice, Question 5—Air leakage, 29 June 2010 (received 10 August 2010).

RMIT has advised that all technologies included (or not included) in the assessment tool have been based on the available research in the field of residential building energy use.⁷⁹

3.78 The review of the program by Resolution Consulting Services found that:

The assessment software appears to be one of the key failures of the system in two ways. Firstly, the development of the software appears to have breached a number of procurement processes within the Department. Secondly it did not work to a standard that could be expected and this was not detected until after the trial was completed and the program had gone live.⁸⁰

3.79 The ANAO's performance audit of the program found that a key reason for the problems experienced with the assessment tool was the fact that it was developed so late in the program-development phase. RMIT was only engaged three months prior to the start date for the pilot program, and was asked to develop an online component for the assessment tool only three weeks before the 'go-live' date for the entire program.⁸¹ Accordingly, the full tool was not available for the pilot program and there was no testing phase for the assessment tool which would have enabled modifications, which are standard on a software program of this scale and type, to be made.⁸²

Committee comment

3.80 Based on the evidence from householders, assessors and the reviews conducted by Resolution Consulting Services and Ms Patricia Faulkner, it appears to the committee that the tool was inappropriate, inadequate and highly faulty. The key reason for the problems experienced with the assessment tool, however, appears to be the fact that the developer was not given sufficient time to develop and test it. This resulted from DEWHA's tardiness in contracting the developer, as well as the speed at which the program was implemented.

3.81 The committee is disappointed that the government wasted money on the development and implementation of an assessment tool that was not able to give constructive feedback about how householders might save energy. In the committee's view, the provision of sub-standard assessments has undermined the effectiveness of the Green Loans Program and nullified any benefit that it may have had.

79 DCCEE, answer to question on notice, Question 20—Assessment Tool, 14 July 2010 (received 10 August 2010).

80 Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program', *Final Report*, March 2010, p. 11.

81 ANAO, Performance Audit No.9, 2010–11: Green Loans Program, 29 September 2010, p. 99.

82 ANAO, Performance Audit No.9, 2010–11: Green Loans Program, 29 September 2010, p. 101.

3.82 The committee makes a recommendation about the assessment tool to be used in Green Start in chapter 7, in order to prevent failings that occurred in relation to the quality of assessments in Green Loans from being repeated.

Speed of assessments

3.83 A further issue with the quality of assessments under the program related to the time taken for assessments to be conducted. DEWHA paid assessors \$200 per assessment, and it appears from the submissions that this figure was based on each assessment, including travel to and from the assessment by the assessor, taking a total of two hours.⁸³ The Sustainability Advice Team, an ACT company which has been conducting energy audits and assessments of households since 2004, submitted that:

The two hour time allowed for the assessment and travel is insufficient to do a competent and complete job of collecting and entering the very large amount of data required by the assessment tool, except for very small houses.⁸⁴

3.84 Under the program, assessors were able to contract individually to DEWHA, or conduct assessments as a nominee of their employer. The second arrangement seems to have typically involved a company arranging and booking assessments for assessors, in return for a portion of the assessment fee. For example, Fieldforce entered into arrangements with assessors whereby it marketed and booked assessments on their behalf in return for \$100 of the \$200 assessment payment.⁸⁵

3.85 Mr Mark Walker, an assessor from NSW, submitted that assessors engaged under these arrangements were routinely required to perform up to five assessments per day.⁸⁶ Mr Walker submits that the short timeframe this left for assessments resulted in assessors being unable to perform thorough, high quality assessments:

It is widely known that many organisations involved actively encouraged their employed assessors to perform in excess of 5 assessments per day, in as little time as it was possible to do so, and claims of half hour assessments and 'ghost' assessments are common.⁸⁷

3.86 The evidence received from Mr Chorazy, a Fieldforce assessor, confirms that:
...the Assessment scheme provided the opportunity for 5 assessments per day per assessor and Fieldforce contractors were achieving these levels.⁸⁸

83 Where assessors were required to travel more than 50 km or 100 km from the nearest post office, they were entitled to additional fees of \$25 and \$50 respectively, www.climatechange.gov.au/government/programs-and-rebates/green-loans/assessors/fees.aspx (accessed 27 June 2010).

84 Sustainability Advice Team Pty Ltd, *Submission 105*, p. 5.

85 Mr Roland Chorazy, *Submission 138*, p. 1.

86 Mr Mark Walker, *Submission 8*, p. 2.

87 Mr Mark Walker, *Submission 8*, p. 2.

88 Mr Roland Chorazy, *Submission 138*, p. 1.

3.87 Energy Makeovers submitted that it was not only companies encouraging assessors to perform as many assessments as possible at the expense of quality, but also individual assessors:

Further, there is an opportunity for unscrupulous assessors seeking to minimise time on site (to reduce costs) to overly rely on “default settings” at the expense of accuracy of the assessment outcome.⁸⁹

3.88 As part of its performance audit of the program, the ANAO surveyed householders who received assessments under the program. Almost half of those who responded indicated that the assessment took less than an hour.⁹⁰ Even more concerning was the small proportion of householders surveyed who stated that they did not receive assessments under the program at all.⁹¹ Issues related to misuse of the program are discussed in further detail below.

3.89 Submitters argued that these practices impacted on the quality of assessments and the integrity of the program.⁹²

3.90 A number of submitters made the point that many of these issues with the quality of assessments may have been prevented if there had been a system for auditing assessors.⁹³

3.91 In its submission, DCCEE informed the committee that it has been directed by Minister Wong, who assumed responsibility for the program on 8 March 2010, to provide her with 'options to assure and improve the professional standard of assessors contracted to the program'.⁹⁴

3.92 However, the Minister's media release of 8 July 2010, announcing that the Green Loans Program will be phased out but that assessments will continue in the meantime, did not include any details of how these issues will be addressed while assessments continue to be performed.⁹⁵

89 Energy Makeovers Pty Ltd, *Submission 143*, p. 1.

90 ANAO, Performance Audit No.9, 2010–11: Green Loans Program, 29 September 2010, p. 110.

91 210 of the 1746 respondents said that they had not received an assessment. ANAO, Performance Audit No.9, 2010–11: Green Loans Program, 29 September 2010, p. 109.

92 See for example Mr Mark Walker, *Submission 8*, p. 2; Mr Robert J Andrews, *Submission 77*; Name Withheld, *Submission 85*, p. 1; and Energy Makeovers Pty Ltd, *Submission 143*, p. 1.

93 See for example Mr Mark Walker, *Submission 8*, p. 1; Mr Helmut Schiretz, *Submission 42*, p. 6; Energy Makeovers Pty Ltd, *Submission 143*, p. 2; and Mr Darren Harris, *Submission 144*, p. 2.

94 Department of Climate Change and Energy Efficiency, *Submission 66*, p. 21.

95 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Green Loans Transition to Green Start', *Media Release*, 8 July 2010, www.climatechange.gov.au/minister/wong/2010/media-releases/July/mr20100708.aspx (accessed 8 July 2010).

Committee comment

3.93 In the committee's view, the issues relating to the quality of assessments performed under the Green Loans Program would have been prevented had basic processes been followed and implemented from the outset.

3.94 Like a number of the other problems with the program discussed above, had the government not placed so much pressure on DEWHA to roll-out the program by July 2009, RMIT would have been given more time to develop and test the assessment tool and problems with the tool could have been ironed out prior to the system being rolled out nationally.

3.95 The committee further considers that had DEWHA followed the proper legal procurement procedures, it is possible that some of the issues with the assessment tool may also have been avoided.

3.96 With respect to issues related to individual assessors performing substandard assessments, the committee's view is that this issue would have been avoided had adequate training and audit systems been in place.⁹⁶ In addition to quality training, the government needed to have a system in place whereby assessors were audited in order to ensure their quality. While the government repeatedly promised that such an audit program would be put in place, to date, more than 12 months after the program's commencement, and seemingly right before its demise, no such program has eventuated. The committee finds this unacceptable.

3.97 The committee makes a recommendation in chapter 7 on the need to establish audit systems from the outset of the Green Start Program in order to ensure the quality of assessments delivered under that program.

Problems with the booking system

3.98 Household assessments could be booked either by the assessor (or an organisation acting on their behalf) or by a householder requesting an assessment. Bookings were made through an outsourced call centre which was managed by the Department.⁹⁷

3.99 It was initially intended that bookings would be made online, however the online booking portal was not developed until December 2009 to January 2010, immediately before the demise of the program, at a cost of over \$1.3 million.⁹⁸ Instead, the telephone booking system developed for the Household Insulation Program was used throughout the Green Loans Program.

96 Issues related to the quality of assessor training are discussed above.

97 DCCEE, *Submission 66*, p. 8.

98 ANAO, Performance Audit No.9, 2010–11: Green Loans Program, 29 September 2010, p. 69.

3.100 Almost every assessor who submitted to the inquiry complained about the booking system and call centre. Predominantly, assessors were angered by the amount of time it took them to book assessments while waiting on hold. Assessors also noted flaws with other aspects of the booking system including its accuracy and the lack of an online booking portal.

3.101 Assessors submitted that they waited on hold for up to three hours in order to book assessments during December 2009 and January 2010.⁹⁹ The Sustainability Advice Team, based in the ACT, submitted that:

Phoning to book assessments was extremely difficult. At the worst, hold times were well over an hour. Between December [2009] and the end of February [2010] we made a total of 201 calls, many very lengthy, to the 1800 Green Loans line in order to try and register our assessments, from which we eventually booked about 30 assessments. From the 9th of February to the 9th of March [2010] we made 136 calls to undertake a total of 10 assessments.¹⁰⁰

3.102 The ANAO's performance audit contains details of the performance of the call centre over the life of the program.¹⁰¹ At its peak, in January to February 2010:

- only one quarter of calls were entered into the call centre's queue;
- three quarters of callers received a busy signal;
- only 6.3 per cent of calls from assessors were answered within the target timeframe of 20 seconds; and
- the longest wait time was 2 hours and 35 minutes.¹⁰²

3.103 Mr Tom Livanos, an assessor from NSW, submitted that when he called the booking centre:

I was greeted with a message that the call centre had reached its maximum capacity, that I should call again at another time and the call then proceeded to an engaged tone. This is an event which is without precedent in my life. It occurred repeatedly. When I did get through, it took over 90 minutes to speak to a call centre consultant.¹⁰³

3.104 Ms Leanne McIntosh, a GLACO assessor, gave evidence that the long delays experienced by assessors with the booking system were a key reason for assessors

99 See for example: Mr Shayn Harkness, *Submission 2*, p. 1; Mr Gregory Thomas, *Submission 3*; Mrs Tiffany Bennett, *Submission 4*, p. 2; Mr Mark Walker, *Submission 8*, p. 9; Mr Adam Jones, *Submission 14*, p. 1; Mr Rob Brook, Newcastle Home Sustainability Assessments, *Submission 20*.

100 Sustainability Advice Team Pty Ltd, *Submission 105*, p. 5.

101 ANAO, Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010, p. 104.

102 ANAO, Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010, p. 104.

103 Mr Tom Livanos, *Submission 23*, p. 8.

contracting with marketing companies, including GLACO, which booked assessments on their behalf. Ms McIntosh stated:

Seriously, three-quarters of the week was literally trying to get the AN (Assessment Number) numbers and hit redial on the phone endlessly and wait hours in the phone queue. If you were with GLACO they did that, so you could be out assessing and actually working as opposed to sitting on the phone with a sore finger.¹⁰⁴

3.105 Mr David Cumming, Principal Consultant from Sustainable Evolution, an assessor from NSW, argued that the booking system was 'emblematic of the inefficiency of the Green Loans Program execution as a whole'.¹⁰⁵ Mr Cumming explained:

In the age of the internet, online data, validation and analytics, the Green Loans Booking Process was bizarre. No commercial enterprise would force their field agents to phone a number in order to dictate basic booking information to an operator to in-turn transcribe into a booking system.¹⁰⁶

3.106 In addition to long delays, assessors also complained about various inaccuracies within the booking system:

Inadequate operation of the Department's booking system meant that on a number of occasions assessors did not receive email alerts of an assessment booked by the system until the day of the booking or even, on some occasions, after the assessment was supposed to be conducted. This made the business delivering the assessments, and the individual assessor, look very poor.¹⁰⁷

3.107 Mr Cumming outlined various inherent problems with the booking system, being that it was:

Slow – dictating, transcribing, correcting basic data input;

Error-prone – as operators inevitably made transcription errors, which could subsequently impact programming invoicing and validation procedures;

Costly – involving call costs many time more expensive than online alternatives, and requiring the employment of a dedicated operator to enter information that the caller could have so readily entered themselves via an online portal;

Susceptible to Overloading – the obvious possibility of hundreds if not thousands of assessors making multiple attempts to phone through and then tying-up available lines while transcribing booking information.¹⁰⁸

104 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 7.

105 Mr David Cumming, Principal Consultant, Sustainable Evolution, *Submission 150*, p. 7.

106 Mr David Cumming, Principal Consultant, Sustainable Evolution, *Submission 150*, p. 8.

107 Sustainability Advice Team Pty Ltd, *Submission 105*, p. 5.

108 Mr David Cumming, Principal Consultant, Sustainable Evolution, *Submission 150*, p. 8.

3.108 Assessors involved since the beginning of the program informed the committee that at the start the booking system 'seemed to be working well', and that it was only the changes made in late 2009 plus the increasing number of assessors using the system that led to its problems.¹⁰⁹

3.109 However, the committee received evidence that certain actions by DEWHA compounded the problems. For example, DEWHA announced as late as 24 December that the booking line would be closed over the Christmas and New Year's period. Many assessors were angry about this late notice. For example, Ms Larissa Nicholls, an assessor from Victoria submitted:

On Christmas Eve assessors were given less than 2 hours by DEWHA that the Green Loans booking line would be closed for an extended period. Access to the assessor's online assessment bookings calendar had also been removed. Assessors were required to lodge bookings with the call centre before performing assessments so this unexpected closure prevented booking and working for over 3 weeks. When the call centre reopened it was inundated. It took several hours, or several days, of dialling and waiting on hold to book a maximum of 5 assessments. Bookings were lost as householders were unimpressed by the unexplainable delays.¹¹⁰

3.110 Apparently, in response to complaints about the booking system being shut down for Christmas, DEWHA informed assessors that they should undertake assessments and obtain booking numbers afterwards via email.¹¹¹ However, Mr Walker, an assessor from NSW informed the committee that:

These "January email bookings" have largely been neither recognised, nor provided with booking numbers, much less paid, leaving many assessors seriously out of pocket for work they performed – with the best intentions and with the Department's tacit approval – and yet no solution has been offered to rectify this gross oversight.¹¹²

3.111 With respect to these January 2010 email bookings, DCCEE informed the committee that 'significant progress' has been made in processing them, and the 'majority of valid assessment bookings received in the period 14 January 2010 to 1 February 2010, when the temporary email booking system was in place, have been processed'.¹¹³

109 Mr Simon Walsh, *Submission 139*, pp 1–2.

110 Ms Larissa Nicholls, *Submission 98*, p. 2.

111 Mr Mark Walker, *Submission 8*, p. 6; Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 3.

112 Mr Mark Walker, *Submission 8*, p. 6.

113 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 76.

3.112 Assessors submitted that they had great difficulty contacting DEWHA to discuss and resolve these problems with the booking system.¹¹⁴ For example, Mr Trevor McTaggart, the director of GLACO, an organisation which booked assessments on behalf of assessors, submitted:

We could not connect with a Manager in the [call centre]. They diverted their phones, redirected their emails or didn't bother to respond. Complaints to the then Ministers [sic] Office bought no reply. The Management were clearly hiding. They left the 'dirty business' to their staff.¹¹⁵

3.113 A number of assessors submitted that at the outset of the program, assessors were led to believe that an online booking system would be implemented.¹¹⁶ However, this online booking system never eventuated, at least for individual assessors.

3.114 Ms Anne Leo, Acting Assistant Secretary, DCCEE, informed the committee:

I understand that the IT module to allow [online bookings] to happen was developed, but it was ready around the same time that problems started to emerge with the bookings over January and February [2010]. Part of the problem at that time—what was slowing the performance of the booking system—was releasing some of the modules. I was concerned that it would further affect the performance of that system. Our focus at the time was on trying to make sure we had a system whereby all assessors could make bookings quickly and efficiently.¹¹⁷

Arrangements with Fieldforce

3.115 It has been alleged, both by assessors in their submissions,¹¹⁸ as well as in media reports,¹¹⁹ that one company, Fieldforce, was given priority access to the booking system through an online portal.

114 See for example Mr Sam Tuck, *Submission 17*, p. 2; Ms Kim Maree, *Submission 146*, p. 2; Mr David Cumming, Sustainable Evolution, *Submission 150*, p. 7; and Mr Trevor McTaggart, *Submission 165*, p. 3.

115 Mr Trevor McTaggart, *Submission 165*, p. 3.

116 Mr Mark Walker, *Submission 8*, p. 1.

117 Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch, DCCEE, *Committee Hansard*, 29 June 2010, p. 99.

118 See for example, Mrs Tiffany Bennet, *Submission 4*; Mr Mark Walker, *Submission 8*, p. 2; Mr Edmund Hapsburg, *Submission 23*; and Sustainability Advice Team, *Submission 105*.

119 Tom Arup, 'Green home loan scheme in shambles', *The Age*, 5 February 2010, www.theage.com.au/national/green-home-loan-scheme-in-shambles-20100204-ng78.html (accessed 15 June 2010); 'Green Loans: A Disaster Story', *Sydney Morning Herald Online*, 8 February 2010, www.smh.com.au/opinion/blogs/greenlines/green-loans-a-disaster-story/20100208-nnfp.html (accessed 15 June 2010).

3.116 Reports of Fieldforce's 'special treatment' angered assessors who were forced to wait for hours on the phone to book assessments. For example, Mr Simon Walsh, an assessor from NSW, submitted that:

Field Force being given a direct link into the Department's computer systems is unthinkable and highly inappropriate. While a small business like ours was forced to endure call-waiting times in excess of 60 mins, Field Force were given special treatment and eventually siphoned away a huge amount of the program's allocated funds. The Department's preferential treatment of Field Force was unethical, highly inappropriate and I suspect it is illegal according to laws that bind Federal Government Departments.¹²⁰

3.117 DCCEE did not respond to this allegation in its submission. However, on 3 February 2010, Senator the Hon Joe Ludwig, then Special Minister of State and Cabinet Secretary, informed the Senate that:

Fieldforce is the single largest operator under the Green Loans Program, and to accommodate this, they make bulk bookings which are processed by the Department once a week.

These bookings are subject to a weekly limit, in order to ensure there is adequate work for all assessors.

Jobs are available to all assessors, whether they are individuals or part of a company.

Over half the assessors contracted to the Department (59 per cent) choose to operate as sole traders, and are provided with bookings generated via the call centre. Work is allocated equitably.¹²¹

3.118 Mr Roland Chorazy, an assessor who participated in the program through Fieldforce, outlined the benefits of working with Fieldforce. He stated that:

Press reports indicate that the committee has had many complaints from individual assessors of 'unfair' competition from Fieldforce which has been very effective in this market. I seek to give some balance to the committee's evidence by presenting the experience of a Fieldforce assessor...

Fieldforce has the great advantage of a professional marketing team and a large database freeing me from cold calling and selling. It is no surprise to me that many independents are having difficulty.¹²²

3.119 In its evidence to the committee, Fieldforce explained how they had come to have online access to DEWHA's booking system. Ms McClelland, Chief Operating Officer, Fieldforce, informed the committee that Fieldforce had repeatedly raised concerns about the booking system during August and September 2009:

120 Mr Simon Walsh, *Submission 139*, p. 2.

121 Senator the Hon Joe Ludwig, Special Minister of State and Cabinet Secretary, *Senate Hansard*, 3 February 2010, p. 300.

122 Mr Roland Chorazy, *Submission 138*, p. 2.

In September I rang the department and asked them for a meeting. I travelled to Canberra and provided them with a large document of issues with the program... [Officers from the department] suggested that we start to work with them on alternative ways to redesign some of the processes.¹²³

3.120 Ms McClelland told the committee that the department suggested that Fieldforce develop a 'SOAP' interface¹²⁴ 'to interface our system into their system'.¹²⁵ The department attempted to develop its own portal, but according to Ms McClelland, they 'got it all wrong', and 'at that stage they decided that the best way to do it was for us to do a B2B [business-to-business] interface via SOAP into their system'.¹²⁶ This involved Fieldforce implementing 'five daily file transfers' from 7 December 2009 forward.¹²⁷

3.121 Mr Timothy Ryerson, Executive General Manager, Fieldforce, further explained that:

...because we [Fieldforce] were so intimately involved from the beginning—we were actively providing advice—that, when the department saw that they were starting to have issues with their call centre and the number of people involved in it, they actively pursued a solution which would enable the assessors working for Fieldforce to reduce the burden on their call centre. This is the reason why they entered into what was called a call centre agreement, which effectively was just a file transfer of our appointments.¹²⁸

3.122 Furthermore, Mr Ryerson gave evidence that if any other company had approached DEWHA requesting the same arrangement as Fieldforce, Fieldforce would not have objected as 'trying to find alternatives in any way possible at the height of the program was probably a good idea'.¹²⁹ Ms McClelland stated that she

123 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 18.

124 SOAP, or Simple Object Access Protocol, was developed by Microsoft, and is a way for a program running in one operating system to exchange information with a program running in the same or another operating system using World Wide Web programming language. SearchSOA.com, 'SOAP', at <http://searchsoa.techtarget.com/> (accessed 19 June 2010).

125 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 18.

126 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 18.

127 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 19.

128 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 19.

129 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 19.

had assumed the department was 'talking to other organisations about B2B interfacing between the systems'.¹³⁰

3.123 When asked how Fieldforce came to be in the position of having this 'special arrangement' and whether they had provided any payment to DEWHA, Mr Ryerson stated:

Fieldforce were involved in providing advice because we are experts. We have been running these programs for 17 years, so naturally [DEWHA] came and gravitated to us to ask for help. We have received nothing apart from the contract that we signed [to train 300 plus assessors].¹³¹

3.124 Ms McClelland also informed the committee that on numerous occasions Fieldforce offered their booking system to DEWHA free of charge:

I could have set up our system with every assessor. It would have taken me a week and they could have gone online, typed in their HO number and a booking. It would have fed via the five-fold transfer process that we set up in December [2009] automatically into the DEWHA systems and we could have solved a lot of the problems.¹³²

3.125 Yet DEWHA apparently chose to ignore the solution proposed by Fieldforce. When asked why the government did not take up Fieldforce's offer, DCCEE advised that it does not have any record of having received such an offer from Fieldforce.¹³³

3.126 The Faulkner review of procurement processes and contractual arrangements found no misconduct with respect to the arrangement between Fieldforce and DEWHA. According to that review the Memorandum of Understanding (MOU) between the organisations did not involve any financial obligations.¹³⁴

3.127 However, regardless of the fact that no money was exchanged in return for this special arrangement with Fieldforce, the ANAO has found that 'it allowed Fieldforce to gain a market advantage'.¹³⁵

130 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 19

131 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 19.

132 Ms Amanda McClelland, Chief Operating Officer, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 24.

133 DCCEE, answer to question on notice, Question 7—Fieldforce Booking System, 29 June 2010 (received 10 August 2010).

134 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 33, www.climatechange.gov.au/media/whats-new/green-loans.aspx (accessed 8 July 2010).

135 ANAO, Performance Audit No.9, 2010–11: Green Loans Program, 29 September 2010, p. 105.

Committee comment

3.128 As discussed above, the problems experienced with the booking system were directly related to the government's lack of foresight and planning regarding controlling assessor numbers.

3.129 Furthermore DEWHA was obviously not prepared, nor resourced, to handle the significant escalation of the program when it occurred. According to the Faulkner review, the contract for the call centre blew out from \$770 000 to \$3.4 million.¹³⁶ A cost blow-out of this scale clearly shows that DEWHA lacked the project management expertise to plan for and manage a program of this nature and size.

3.130 While it is understandable, particularly from Fieldforce's perspective, how the arrangement between Fieldforce and DEWHA came to be at a time when the call centre was under significant pressure, the committee is not satisfied that the arrangement was appropriate. It is possible that the arrangement reduced the call centre constraints by diverting what would otherwise be a significant percentage of assessment bookings. However, any small advantage this may have provided to assessors generally, was more than offset by the disadvantage they experienced by having to book through the inefficient call centre.

3.131 The arrangement was also far from transparent: the Faulkner review found that the DEWHA Executive and Minister Garrett were not informed of the arrangement;¹³⁷ and no other assessors or assessor organisations were offered such an arrangement. This lack of transparency casts doubt on the findings of the Faulkner review that the agreement was reached 'in good faith'.¹³⁸

3.132 Thus, in the committee's view, while perhaps not illegal, the entry into a special arrangement with Fieldforce by DEWHA was grossly unfair to other assessors and highly improper. The committee makes a recommendation to this effect in chapter 7, in order to prevent the problems that occurred under Green Loans from being repeated in the Green Start program.

Misuse of the program

3.133 The submissions received by the committee contain allegations of the program being 'rorted' in various ways. These 'rorts' included:

- aggressive cold calling, and using misinformation to generate assessments;

136 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 20.

137 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 33.

138 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 33.

- certain companies using the program predominantly to promote their products; and
- companies which employed assessors requiring them to perform five or more assessments per day, as discussed above at paragraph 3.83 ff.

3.134 It was suggested by a number of submitters that some of the companies which entered into 'organisation contracts' under the program and marketed and booked assessments on behalf of their assessors, used dishonest means to urge householders to book assessments.

3.135 For example, as the operator of the ACT home energy advisory service, the Sustainability Advice Team received complaints about the program of:

...aggressive cold calling from lists apparently compiled as a result of previously supplying compact fluorescent light bulbs under the NSW Greenhouse Gas Abatement Scheme, followed by setting times against the will of the householders (a particular concern of elderly householders).¹³⁹

3.136 The committee also received anecdotal evidence of assessors misleading householders into believing that if they did not agree to an assessment now, they would be required to pay for an assessment themselves in the future:

I have heard stories of assessors door knocking, cold calling and marketing practices in retirement villages using mandatory disclosure and a “get it done now or you’ll have to pay for it later” tactic being employed.¹⁴⁰

3.137 A number of assessors also alleged that some companies which manufacture or sell environmental products, such as solar panels or water heating systems, became involved in the program as a means of promoting their products.¹⁴¹ For example, Dr Roger Severn, an assessor from Western Australia submitted that:

Many of the candidates [in the Assessor training course] were sales support employees of companies engaged in selling environmental services such as solar panels and hot water systems.¹⁴²

3.138 This conflict of interest is argued to have diminished the value of the assessments performed by those companies, and to have been in contravention of the contract that assessors signed with DEWHA.¹⁴³ Mr Mark Walker, an assessor from NSW argued:

It is also clear that these many organisations blatantly breached the conflict of interest provisions of the Contract by encouraging their ‘assessors’ to

139 Sustainability Advice Team, *Submission 105*, p. 7.

140 Mr Rohan Rickards, *Submission 87*, p. 2.

141 See for example Dr Roger Severn, *Submission 61*, p. 2; and Energy Makeovers Pty Ltd, *Submission 143*, p. 1; Mr Aaron Nielsen, *Submission 145*, p. 8.

142 Dr Roger Severn, *Submission 61*, p. 2.

143 See for example Mr Robert J Andrews, *Submission 71*.

up-sell products and services of their own or linked businesses, contrary to the specific terms of the Contract.¹⁴⁴

3.139 Specifically, subclause 17.1 of the DEWHA assessor contract provides that:

(a) The Assessor must act impartially at all times and provide Assessments that are accurate, independent and free of commercial influence.¹⁴⁵

3.140 Subparagraph 17.1(b)(ii) further states that Assessors must not:

...direct Householders towards a range of products or services developed or supported by an enterprise with which the Assessor is associated or from whom the Assessor receives a commission or other benefit.¹⁴⁶

3.141 These obligations are also included in the Assessor Code of Professional Practice.¹⁴⁷

3.142 However, there was no auditing of assessors or the quality of their assessments under the program, or of their compliance with the Code of Professional Practice.¹⁴⁸

3.143 Dr Severn submitted that he questioned DEWHA on this issue, and was told that:

...it was alright to re-contact the householder on behalf of an employer once the Household Assessment Report had been issued. In other words, the information received in order to carry out the household assessment can then be used for another purpose namely as a sales lead. This advice from DEWHA is at odds with their own contracts and the code of practice for assessors.¹⁴⁹

Committee comment

3.144 As with many of the other problems that occurred within the Green Loans Program, the issue of misuse of the program would likely have been circumvented had an audit system been built into the program.

144 Mr Mark Walker, *Submission 8*, p. 2.

145 DEWHA Green Loans Individual Contract—provided by ABSA, *Submission 67*, attachment 6, p. 16.

146 DEWHA Green Loans Individual Contract—provided by ABSA, *Submission 67*, attachment 6, p. 17.

147 Assessor Code of Professional Practice, May 2009, paragraph 6.6, pp 7–8, available at www.climatechange.gov.au/government/programs-and-rebates/green-loans/assessors/accreditation.aspx (accessed 15 June 2010).

148 See for example Mr Mark Walker, *Submission 8*, p. 1; Mr Helmut Schiretz, *Submission 42*, p. 6; Energy Makeovers Pty Ltd, *Submission 143*, p. 2; and Mr Darren Harris, *Submission 144*, p. 2.

149 Dr Roger Severn, *Submission 61*, p. 2.

3.145 In the committee's view it is unacceptable, but entirely predictable given the lack of program regulations and controls, that such practices were allowed to take place under a federal government program.

3.146 The committee makes a recommendation in chapter 7 about the necessity of implementing proper audit processes in the Green Start Program right from the outset, in order to prevent widespread misuse such as occurred under the Green Loans Program.

Payments to assessors

3.147 Under its contract with individual assessors, DEWHA agreed to 'make payment of a correctly rendered invoice within 30 days after receiving the invoice'.¹⁵⁰

3.148 However, according to many assessors, this did not occur. For example, Mr Shayn Harkness, an assessor from Tasmania, submitted that he is yet to receive payment for assessments conducted in November 2009, and 'cannot access a responsible person by phone or email to resolve this problem'.¹⁵¹

3.149 In response to this issue, DCCEE stated in its submission that:

The 30-day timeframe for payment applies from the date at which a complete and correct invoice is received. Some delays in relation to the payment of invoices have been experienced by some assessors, while there have also been problems with some assessors submitting incorrect invoices.¹⁵²

3.150 In order to address these delays, DCCEE informed the committee:

...a template has been developed for assessors to use, along with a step-by-step guide to filling in the template. Departmental staff have also been contacting assessors directly if they have submitted an incorrect invoice to explain what needs to be fixed... In addition, the Department is allocating additional resources to invoicing. As a result, the throughput of invoices has increased by 50 percent in recent weeks. Overtime shifts are planned until the backlog of invoices has been cleared.¹⁵³

3.151 At the committee's public hearing on 29 June 2010, Mr Malcolm Thompson, Deputy Secretary, DCCEE further informed the committee that:

Correctly rendered invoiced are currently being paid within the 30-day time frame. There has been a significant reduction in the number of outstanding

150 DEWHA Green Loans Individual Contract—provided by ABSA, *Submission 67*, attachment 6, p. 12.

151 Mr Shayn Harkness, *Submission 2*, p. 1.

152 DCCEE, *Submission 66*, p. 10.

153 DCCEE, *Submission 66*, pp 10–11.

inquiries and complaints, although a reasonable number of those remain and we are working on reducing those further.¹⁵⁴

Committee comment

3.152 The committee expresses its strong disappointment with the government not meeting its payment obligations to individual contractors. The government's tardiness would undoubtedly have created serious cash-flow problems for many assessors.

3.153 As with call-centre delays and delays in issuing contracts, the government's delay in paying assessors was a direct result of the lack of control DEWHA had over various aspects of the program, and particularly assessor numbers. It also reflects the serious lack of project management expertise within DEWHA.

3.154 In chapter 7, the committee makes a recommendation on payments to assessors, in addition to recommendations about ensuring that DCCEE has appropriate expertise within the staff managing the Green Start Program, in order to prevent the failings of the Green Loans Program from re-occurring.

154 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 76.

Chapter 4

The loans component

4.1 The second component of the Green Loans Program, the green loans after which the program was named, was cancelled by Minister Garrett on 19 February 2010 as a result, according to the Minister, of it being unpopular.¹

4.2 Organisations representing the financial institutions which participated in the program noted various issues with the design of the loan product, a lack of consultation in the government's development of the program, as well as serious communication issues with DEWHA, which they argued contributed to problems with the operation of the loans aspect of the program. For example, Mr Mark Degotardi, Head of Public Affairs, Abacus Australian Mutuals (Abacus), commented:

Abacus believes that this program had both design and implementation issues and we remain disappointed with the performance of the Department of the Environment, Water, Heritage and the Arts in designing and administering the program.²

4.3 Furthermore, the evidence received by the committee with respect to various stakeholders' experience with the loans component of the program, does not correspond with the evidence that the committee received from householders, assessors and participating financial institutions, all of whom largely blamed the low uptake of loans on the slow return of assessments.

4.4 This chapter sets out the concerns of financial institutions and other submitters with the development of the green loans product; the issues experienced by participating financial institutions throughout the program; and evidence received by the committee regarding the experience of householders and financial institutions with the uptake of green loans.

The green loan product

4.5 Under the program, once a householder had received their home sustainability assessment report from DEWHA, they could apply to a participating financial institution for an interest free green loan of up to \$10 000. According to DCCEE's submission, 'agreements existed with 24 financial institutions to cover payment of the interest and administrative costs of the loans, and for the financial institutions to report the loans approved'.³

4.6 The Australian Banking Association (ABA) and Abacus, which represent 23 of the 24 financial institutions involved in the program—two banks and 21 credit unions, mutual building societies and friendly societies respectively—each

1 The Hon Peter Garrett MP, Minister for Environment, Heritage and the Arts, 'Significant Changes to Commonwealth Environmental Programs', *Media Release*, 19 February 2010.

2 Mr Mark Degotardi, Head of Public Affairs, Abacus—Australian Mutuals (Abacus), *Committee Hansard*, 29 June 2010, p. 41.

3 DCCEE, *Submission 66*, p. 4.

made submissions to the inquiry, and appeared before the committee at its public hearing.

4.7 Both organisations informed the committee that before the program commenced they had identified a range of design and implementation issues with the loans. These issues included:

- various technical and administrative constraints, which required financial partners to develop new products with non-standard rules and payment features;
- the processes and systems required for banks to provide green loans were not aligned with their existing systems and processes for other loans; and
- the implementation period did not enable financial institutions to conduct feasibility studies.⁴

4.8 Furthermore, the way the loans were set up, and specifically the fixed administration fee of \$150 and fixed interest rate, required banks to absorb significant costs in managing the loans as well as carry the risk of the loan:

Financial Partners [were asked] to provide an unsecured loan at a large discount to usual unsecured rates, with no flexibility to alter the rates or charges. This meant that Financial Partners carried the additional risk and capital cost for the loans, which in hindsight considering later events, have borne out in terms of sovereign risk.⁵

4.9 With respect to the \$150 administration fee, the ABA submitted:

At the time, banks indicated that the fee restrictions would result in a bank being required to absorb the additional administration and servicing costs. It was noted that loan origination and set up costs for all unsecured personal loans are fixed, which means these costs are more difficult to recover on small loans, even at current interest rates.⁶

4.10 The ABA thus explained:

The proposed loan subsidy model was based on a calculation being the cash rate plus 5% as specified by the Government. The subsidy amount provided to financial partners was 50% of the funds dispersed on each application. At the time, banks indicated that current interest rates for unsecured lending were in excess of this subsidy, implying that a bank would be required to carry the capital cost of the difference between the commercial rate available at the time and the loan subsidy.⁷

4 Australian Banking Association (ABA), *Submission 65*, pp 2–3.

5 Abacus, *Submission 147*, pp 1–2.

6 ABA, *Submission 65*, p. 3.

7 ABA, *Submission 65*, p. 3.

4.11 According to both Abacus and the ABA, these issues created a disincentive for financial institutions to become involved with the program.⁸

4.12 Both organisations told the committee that the issues with the structure of the loans could have been addressed had the government consulted with the lending industry prior to rolling out the program. Mr Steven Münchenberg, Chief Executive Officer, ABA stated:

...we believe the program would have been stronger if the government had consulted earlier with the banking industry on the structure of the program and the design of the product. It is possible to deliver government programs through the banking system, but this can only be done effectively if the industry is involved early in the product design.⁹

4.13 According to Mr Münchenberg, the ABA was consulted about the program 'belatedly', however by that point:

...more important design features of the program already appeared to have been settled upon and it would have been preferable to have had those discussions earlier, before decisions or assumptions were made by the government as to how the program and the product were to operate.¹⁰

4.14 Similarly, Mr Degotardi, Head of Public Affairs, Abacus, stated with respect to the consultation that they were involved in with DEWHA from September 2008 that 'we do not think that it was an effective consultation'.¹¹ Mr Degotardi further commented:

The view from our side of the consultation was that, while we had quite considerable experience as financial institutions—and that is only one perspective—that experience was not being considered.¹²

4.15 Mr Münchenberg explained that because of the government's lack of early consultation:

[W]hat was put on the table to us by the government really did not make a lot of commercial sense to the banks and we had to do a lot of work to make changes and modifications to enable the banks to deliver those loans.¹³

8 ABA, *Submission 65*, p. 3; Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 41.

9 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 28.

10 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 32.

11 Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 47.

12 Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 47.

13 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 29.

4.16 However, Mr Münchenberg continued:

In contrast, had the government come to us early on and said, 'This is overall what we would like to achieve. What products do you have that might already be suitable that can be quickly rolled out or that just need a few modifications?' then we would have been in a situation where we would have had both a commercial and a social incentive to provide those loans rather than a whole pile of difficulties to overcome before those loans could be provided.¹⁴

Lack of regulation of householders' use of loans

4.17 Submitters also raised concerns about the lack of regulation surrounding the loans portion of the program. Specifically, it was argued that as that there was no regulation or verification mechanism to ensure that loan funds were spent on improving the energy efficiency of households, there was no way of ensuring householders used the loans as intended.

4.18 For example, a householder who received an assessment but whose report was delayed by DEWHA, preventing him from obtaining a loan, submitted:

It is open to abuse as the householder decides how much is allocated to each eligible item. If ten items at your house were eligible, a person could decide to spend 100% of the loan on one item, such as "Install external shading for north facing windows". There is nothing to stop a person building an elaborate \$10,000 pergola over two windows. The item selected by the household could have been the least effective method of reducing the household energy costs on their list.¹⁵

4.19 Mr Jeff Wormald, an assessor from NSW, emphasised the need for verification of the green loan expenditure:

I would strongly suggest that as a minimum for checking and validation of the Green Loan spend, the Green Loan funds are only made available by way of bank cheque or electronic transfer direct to supplier or installer of energy efficiency technology and that in this way there is at least some accountability of the use of the Green Loan funds and some means of verification put in place as the funds are spent.¹⁶

4.20 According to DCCEE:

Applicants were required to sign a Green Loan Declaration that the loan funds received from the financial institution would only be used for eligible actions as identified in a valid assessment report.¹⁷

14 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 29.

15 Name Withheld, *Submission 9*.

16 Mr Jeff Wormald, *Submission 103*, p. 3.

17 DCCEE, *Submission 66*, p. 7.

4.21 However, there was no mechanism in place to verify that householders had spent the loans amount in the manner in which they declared they would. Mr Münchenberg, Chief Executive Officer, ABA confirmed:

We are not aware that the banks took any role in confirming that customers had actually expended the money as they had indicated.¹⁸

4.22 Yet he noted, that it 'is not unusual' for there to be no checks on the way customers spend bank loans:

Even if we lend money to you to buy a car, we do not necessarily go around to make sure you actually bought a car.¹⁹

Financial partners' experience of the program

4.23 The majority (87.5 per cent) of the financial institutions involved in the program were credit unions, mutual building societies and friendly societies rather than banks. Abacus submits that these financial partners put significant resources into developing, complying with and marketing their products.²⁰ However, according to Abacus, its members had significant problems with their interactions with DEWHA during the course of the program, including:

- difficulty in communicating with DEWHA, 'telephone contact numbers were often forwarded to the switchboard, and often messages were not returned at all';
- inadequate marketing and support for the green loans component of the program; and
- the speed at which assessments were returned to householder 'significantly hindered' the ability of financial partners to promote and distribute the product.²¹

4.24 Furthermore, Abacus submitted that a number of financial partners:

...were not paid for the loans they had provided for months, despite providing the necessary information to the Department. Abacus is advised that in most cases, institutions did not receive any of their funding between October 2009 and February 2010 when the loan component of the program was withdrawn.²²

4.25 Mr Degotardi, Head of Public Affairs, Abacus, attributes some of this non-payment to DEWHA's inadequate invoice payments system, and noted an

18 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 35.

19 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 35.

20 Abacus, *Submission 147*, p. 2.

21 Abacus, *Submission 147*, p. 2.

22 Abacus, *Submission 147*, p. 2.

instance where one financial partner 'was due an outstanding subsidy payment of over \$1 million for its involvement'.²³

4.26 The experience of the two banks involved in the program seems to have been identical:

There were ongoing issues at the time that the program ran. There were some technological problems with it [the program], which resulted in delays in the processing of applications.²⁴

4.27 The lack of communication and consultation from DEWHA to its financial partners under the program is demonstrated by the fact that financial partners were not informed of the closure of the program until the day it was publicly announced. Both Abacus and the ABA informed the committee that they and their members first became aware of the cancellation of the loans portion of the program 'via media release that the involved banks and I [Ms Dianne Tate, Director, Financial Services, Corporations, Community, ABA] were provided with'.²⁵

4.28 Mr Mark Degotardi, Head of Public Affairs, Abacus, commented that the 'unilateral way in which the program was withdrawn' along with the numerous other problems with the program experienced by financial partners meant that the program 'turned out to be a very disappointing engagement with the government'.²⁶ Mr Degotardi further stated:

It is also unlikely that participating institutions will be so keen to participate in partnerships in the future without more binding agreements on both parties.²⁷

Cancellation of the loans

4.29 As noted above, the cancellation of the loans portion of the program was announced on 19 February 2010. Participating financial institutions were told to stop offering loans as of 22 March 2010.²⁸

4.30 In announcing the cancellation of the loans, the then responsible Minister, the Hon Peter Garrett MP, stated that the loans had been a 'less popular component' of the program, and ceasing them would 'provide for the significant boost to assessment availability'.²⁹

23 Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 42.

24 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 34.

25 Ms Diane Tate, Director, Financial Services, Corporations, Community, ABA, *Committee Hansard*, 29 June 2010, p. 36; Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 43.

26 Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 42.

27 Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 42.

28 DCCEE, *Submission 66*, p. 4.

29 The Hon Peter Garrett MP, Minister for Environment, Heritage and the Arts, 'Significant Changes to Commonwealth Environmental Programs', *Media Release*, 19 February 2010.

4.31 The submission from DCCEE echoed Minister Garrett's statements regarding the end of the green loans portion of the program, stating that:

This followed the low take-up of loans experienced to that date under the Program. As at 4 April 2010, participating financial institutions reported that 2,527 loans had been issued to householders.³⁰

4.32 DCCEE outlined 'factors contributing to householders' decisions in relation to the take-up of loans', which included:

- householders' reluctance to take out loans due to the global financial situation;
- householders choosing to fund low-cost changes from their own resources;
- householders choosing to adopt no-cost behavioural changes (this may include simple behavioural changes such as having shorter showers and turning off equipment when not in use);
- householders not meeting the financial partners' lending requirements; and
- householders choosing to apply for rebates under other government programs at the Commonwealth, state/territory or local level.³¹

4.33 However these statements by Minister Garrett and DCCEE do not accord with the experiences of householders and financial institutions who participated in the program. Stakeholders who discussed the issue unanimously commented that the loans were more popular than expected and blamed DEWHA's slow return of assessments for participating householder's inability to access loans.

The return of assessments to householders

4.34 Under the program, once an assessor had conducted a household assessment, they sent the electronic assessment report to DEWHA, which then sent an official copy of the assessment report to the householder. This official copy was required for the purposes of obtaining a green loan.

4.35 A significant number of assessors and participating householders commented on the time that it took for the DEWHA to return assessments to householders.³² Assessors and householders suggested that this was a key reason for householders not being able to take up the loans. For example, Ms Dot Green, an assessor from Victoria submitted:

The majority of my clients were keen to obtain a Green Loan to implement the recommendations of the report generated from the assessment. However the official report was required to apply for the green loan, not one of my

30 DCCEE, *Submission 66*, p. 6.

31 DCCEE, *Submission 66*, p. 6.

32 See submission numbers 8, 9, 15, 33, 41, 45, 56, 58, 61, 78, 84, 94, 95, 100, 103, 105, 114, 118, 119, 120, 131, 132, 134, 135, 146, 170, 173 and 174.

clients received the report from the Green Loans Scheme and they were therefore not able to apply...

The main reason stated for the termination of the green loans component of the scheme was lack of uptake of the green loans component of the scheme. Based on the experience of my clients I believe the Department was either not aware that the reports were not being sent, or conveniently ignored that fact in its public communications.³³

4.36 This view was echoed by Mr Mark Walker, an assessor from NSW who submitted:

It appears from my own experience, contrary to Minister Garrett's statement that the "loans were unpopular", that this was, in fact, a popular component of the program.

The basis on which his statement appears to have been made is that, at the time of making the statement, only 1100-odd Green Loans had been approved and paid by the Department.

Yet the moment he announced the axing of the loan component, the financial institutions, individual assessors and assessor organisations were flooded with requests from householders who did not wish to miss out on the opportunity. Add to this the approx. 110,000 householders who had received an assessment but were yet to receive the Assessment Report, from the Department, enabling them to apply for a Green Loan, and the Minister's statement is clearly fatuous at the least, if not actually disingenuous.³⁴

4.37 These comments were corroborated by submissions from householders. One submitter who received an assessment in November 2009 informed the committee that they had repeatedly asked DEWHA for the assessment in order that they could obtain a loan, and did not receive it until March 2010.³⁵

4.38 Another householder, Mr Bradley von Xanten, informed the committee that he received an assessment on 30 August 2009. He repeatedly followed up the report with the assessor and DEWHA until:

I contacted the relevant department in late October 2009. They stated that there had been a backlog however I should receive mine shortly. In mid November I contacted them again and they stated that they would place my name on a list of reports not yet received and that it would be escalated...

In late January 2010 I did manage to speak to a person and they again stated that she would place me on a list of reports not yet received and that it would be escalated...

Early February [2010] after listening and reading some media reports on the green loans scheme I contacted my assessor and voiced my concerns to him and that I was still waiting for the assessment report without which I was

33 Ms Dot Green, *Submission 56*, p. 2.

34 Mr Mark Walker, *Submission 8*, p. 2.

35 Name Withheld, *Submission 9*, p. 1.

unable to access the green loans scheme. The assessor was kind enough to provide a copy of his report. I took his report to the bank and was successful [sic] with the green loans application...

On 24 March 2010 I received the assessment report from the Department of the Environment, Water, Heritage and the Arts. The envelope [sic] was postdated 23 March 2010 [sic]. The report was an exact copy of the report that the assessor provided me with which was the report he forwarded on to the department on 31 August 2009. There was no covering letter or information letter with the assessment report.³⁶

4.39 In summary, it took almost six months from the date of assessment for Mr von Xanten to receive his report from the Department, which was an exact copy of what the assessor had done. By the time he received his report, the green loans portion of the program had been discontinued.³⁷

4.40 Mrs Patricia Smith³⁸ and Mr Brian Peters³⁹ recounted similar stories in their submissions.

4.41 The experience of participating financial institutions corroborates the views expressed by assessors and householders. In its submission, the ABA stated:

...adequate resources should also have been provided within the Department to deal with other program logistics, including addressing outstanding issues, implementing agreements with financial partners, and processing of loans (i.e. verification of assessment data).⁴⁰

4.42 In fact, according to ABA's two members involved in the program, customer demand for the loans exceeded initial expectations:

...those banks that did ultimately make the investment in the product found that the uptake of the product was actually more than they had anticipated and there was clearly demand for the product as well...⁴¹

4.43 Similarly, Mr Mark Degotardi, Head of Public Affairs, Abacus, stated that the experience of Abacus members was that:

...there was strong consumer interest in the Green Loans Program. I think the fact that many people got assessments on their houses done is an indicator of that. We certainly had strong consumer interest at our financial institutions. It would appear to us, again, anecdotally, that the process of getting the assessments out was a major contributor to the lack of take-up.⁴²

36 Mr Bradley von Xanten, *Submission 15*, p.1.

37 The loans portion of the program was discontinued from 22 March 2010 – DCCEE, *Submission 66*, p. 7.

38 Mrs Patricia Smith, *Submission 95*.

39 Mr Brian Peters, *Submission 104*.

40 ABA, *Submission 65*, p. 2.

41 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 33

42 Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 44.

4.44 When asked why the government had taken such a long time to send audits back to householders, DCCEE officials explained that the delays were due to the contract between the government and the distributor, which was limited to dispatching 10 000–15 000 reports per week.⁴³ DCCEE did not check or value-add to the reports in any way.⁴⁴

4.45 On 10 March 2010, Minister Wong 'aired the dirty laundry' on the Green Loans program when she made a comprehensive and damning ministerial statement about program in the Senate.⁴⁵ Included in the minister's speech was a revelation about the 'unacceptable' delays in sending out home assessment reports. The minister stated:

As at 28 February 2010, 305,327 home sustainability assessments had been booked and, of these, 210,864 had been completed. This is clearly a very popular element of the program. However, only around 84,000 reports produced as a result of those home sustainability assessments had been sent out to households as at 28 February 2010. There are currently around 100,000 reports that have been submitted to the Department of the Environment, Water, Heritage and the Arts but which had not yet been sent out to households at the time responsibility moved to the Department of Climate Change and Energy Efficiency. The remaining reports have not yet been submitted to the department by assessors following completion of the home sustainability assessment. The delay in sending reports is unacceptable...⁴⁶

4.46 Mr Malcolm Thompson, Deputy Secretary, DCCEE informed the committee that the government had made significant progress in this area since the change of minister:

We are working to clear the backlog of home sustainability assessment reports, with over 170,000 reports dispatched to householders in May 2010. This brings the total number of assessment reports sent to households to around 280,000. New arrangements now aim to see assessment reports sent to households within 10 business days of being sent to the department by assessors.⁴⁷

Committee comment

4.47 In the committee's view, the development and operation of the loans aspect of the Green Loans Program suffered from a severe lack of consultation by the government from beginning to end.

43 Ms Alex Rankin, First Assistant Secretary, Demand Driven Programs Division, DCCEE, *Committee Hansard*, 29 June 2010, p. 100.

44 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 89.

45 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, *Senate Hansard*, 10 March 2010, pp 1517–22. The 'dirty laundry' comment was Senator Simon Birmingham's assessment of the Minister's speech at p. 1522.

46 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, *Senate Hansard*, 10 March 2010, p. 1518.

47 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 75.

4.48 From the outset of the program, it is evident that the government did not pay sufficient regard to the views and experiences of its financial partners in designing the loans. This resulted in the loans component of the program having serious design flaws from the perspective of participating financial institutions, and discouraged many national lending institutions from participating in the program. In the committee's view, if the government intends to use private financial institutions to deliver a government program, it is essential to involve the private sector in a genuine consultation and take on board their views.

4.49 The government's lack of engagement with its financial partners was also evident throughout the operation of the program—in financial institutions' experience of not receiving payment; problems with departmental invoicing systems; and their difficulties in contacting DEWHA. The committee is greatly concerned that the financial sector's experience of the Green Loans Program will discourage financial institutions from becoming involved in future government programs.

4.50 Finally, the committee is appalled by the fact that the government did not consult with its financial partners and the industry bodies representing them, prior to announcing its decision to cancel the Green Loans Program. While the government has said the loans were cancelled due to being unpopular, this in no way accords with the experience of stakeholders under the program. By all accounts the loans were far more popular than anticipated.

4.51 Furthermore, any disparity between the popularity of household assessments and loan applications was, according to the unanimous view of stakeholders involved in the program, purely due to the government's own tardiness in providing household assessment reports to householders. Yet, instead of addressing this problem with its own systems and processes, the government unilaterally decided to cancel the loans.

4.52 This decision has left a great many individuals as well as a number of financial institutions in a significantly worse-off situation, simply because they chose to become involved in a government program.

Chapter 5

Changes to the program from February 2010

5.1 On 19 February 2010, Minister Garrett announced a range of changes to the Green Loans Program including:

- an additional 600 000 assessments to be funded by government, making a total of 960 000 assessments under the program;
- the discontinuation of the loans component of the program;
- a cap of 5000 assessors;
- a weekly cap of 15 000 assessment bookings, and individual caps for assessors of three per day and five per week; and
- changed booking arrangements to allow only individual assessors to make bookings.¹

5.2 Mr Malcolm Thompson, Deputy Secretary, DCCEE explained the rationale for the various caps to the committee:

I think the figure of 5,000 [assessors] emerged in advice to the government prior to the decision on 19 February [2010] because we were trying to manage a significant spike in demand under the program through January and February of that year...

...the number of assessors contracted under the program was helping to drive demand for assessments and therefore steps had to be taken to try to manage the program within its budgetary limitations.²

5.3 Mr Thompson also commented:

In terms of managing demand and leading to a more orderly operation of the program...the caps have been successful.³

Impact of changes on assessors

5.4 Ms Alison Carmichael, CEO, ABSA, informed the committee that assessors had mixed reactions to the changes to the Green Loans Program announced in February 2010:

...some were quite pleased, feeling that it had slowed down the program and was making it manageable, and others were worried that they could not make a living from it.⁴

1 The Hon Peter Garrett MP, Minister for Environment, Heritage and the Arts, 'Significant Changes to Commonwealth Environmental Programs', *Media Release*, 19 February 2010.

2 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 80.

3 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 81.

4 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 67.

5.5 However, those assessors that submitted to the committee were generally unhappy with the changes to the program announced in February 2010. One assessor submitted that:

The changes that came into effect on 19th of February had a huge impact on the sector. Most disappointing of all, was the fact that there was no prior consultation with the Assessor industry. The ongoing uncertainty and continued lack of communication has been incredibly stressful for Assessors and their families. I have personally considered seeking compensation.⁵

5.6 Assessors argued that the cap of five assessments per week per assessor means that assessing is no longer viable full-time employment. For example, Mr Robert Gelok AM, an assessor from Western Australia submitted:

With the five assessments per week cap there is little incentive to pursue the assessor role as a business venture – two per day – ten per week would be more realistic and would still only provide an average income after the expense of running a small business. The cap of five was obviously a bureaucratic decision made by a bureaucrat with no experience of small business and the daily fight for financial survival.⁶

5.7 Similarly, Ms Larissa Nicholls, an assessor from Victoria stated:

I support a limit on assessor bookings to help ensure quality of assessments and longevity of the program. However the limit of 5 assessments per week does not equate to sufficient income to justify business set up and administrative costs. With the 5 assessments per week limit I am earning less than in my previous full time job, have significant costs, and severe financial insecurity. I support a limit of 10 assessments per week.⁷

5.8 The proposed limit of 5000 assessors contracted to the government also raises questions regarding which of the approximately 5500 assessors who have undertaken training will be awarded the approximately 1000 remaining contracts. (See discussion at paragraph 3.50 ff in chapter 3).

5.9 Furthermore, assessors have submitted that the cancellation of the green loans portion of the program has undermined the program, and removed the major incentives for householders to book assessments. For example, Ms Nicholls submitted:

The program has not been renamed and to this date (April) approved marketing and assessment documents are still labelled as 'Green Loans'. It is exceedingly difficult for an assessor to promote a program that is publicly perceived as finished. Additionally the 'Green Loans' assessments promise a benefit to householders which is unavailable. Householders are put off by attempted explanations by an assessor. Householder reluctance to participate in the program is often linked to their perception that the

5 Name Withheld, *Submission 109*, p. 2.

6 Mr Robert Gelok AM, *Submission 86*, p. 1

7 Ms Larissa Nicholls, *Submission 98*, p. 2.

insulation rebate scheme was poorly administered and wasted public money.⁸

5.10 Other assessors corroborated Ms Nicholls' statements regarding householders now being reluctant to book assessments.⁹

5.11 Assessors submitted that they had spent significant amounts of money to establish businesses which are no longer viable. Most assessors submitted that their costs were between \$2000 and \$5000.¹⁰

5.12 However, some assessors claim to have spent significantly more on establishing assessment businesses and training a number of employees. For example, Mr Rob Brook, Manager of Newcastle Home Sustainability Assessments, submitted that he spent a total of \$68 610 to establish his assessment business, including on marketing, office premises, equipment and training.¹¹ Mr Phil Press submitted that he spent \$42 000;¹² Mr Jim Chua \$10 000;¹³ and Mr Mohamed Hawli \$30 000.¹⁴

5.13 Other assessors submitted that they resigned from other employment on the understanding that performing assessments under the program would be a viable form of income for at least three years.¹⁵

5.14 Assessors submitted that the changes made in February 2010 have significantly impacted their lives, affecting their ability to make mortgage repayments and conduct businesses. For example, Mr Matthew Dowd, an assessor, explained:

Assessors can only book 5 assessments per week. At best this is 10 hours work each week (less than a part time position). Often assessments are cancelled by householders, thus reducing the income an assessor can earn for that week. At times I have had three cancellations in one week, reducing my families weekly income to \$400 Gross (tax and petrol costs to get to each assessment must come out of this). No family can pay a mortgage, bills and petrol costs on this income.¹⁶

5.15 Mr Aaron Nielsen, an uncontracted assessor told the committee:

8 Ms Larissa Nicholls, *Submission 98*, p. 2.

9 See for example Sustainable Home Designs & Assessments, *Submission 34*; Mr Lou Hatton, *Submission 43*; Ms Robyn Fleming, *Submission 51*; Ms Dot Green, *Submission 56*; and Mr Kenneth Williams, *Submission 115*.

10 See submissions 12, 13, 31, 36, 37, 38, 47, 48, 51, 52, 54, 56, 59, 60, 63, 68, 72, 77, 90, 99, 101, 106, 111, 122, 128, 130 and 133.

11 Newcastle Home Sustainability Assessments, *Submission 20*, p. 3.

12 Mr Phil Press, *Submission 22*.

13 Mr Jim Chua, *Submission 44*.

14 Mr Mohamed Hawli, *Submission 64*.

15 See for example Ms Alison Wall, *Submission 168*.

16 Mr Matthew Dowd, *Submission 167*, p. 1.

Many of us, uncontracted or not, are struggling financially if not always emotionally... All of this happened, simply because of a government which changed its mind and took its time doing so.¹⁷

5.16 Another uncontracted assessor, Mr Chris Hutton similarly submitted:

The retrospective decision by the previous Minister Peter Garrett to cap assessor numbers to 5000 has caught many people including the managing body ABSA. This decision has caused me family distress, financial hardship, loss of job security, anxiety and anger.¹⁸

Impact of changes on GLACO Assessors

5.17 The changes to the program on 19 February 2010 appear to have had a particularly detrimental impact on assessors who had contracts with the Green Loans Assessors Co-operative Pty Ltd (GLACO).

5.18 GLACO was a company which provided assessment booking and administration services to independently registered assessors. Each assessor paid for training and ABSA membership themselves, and entered into a contract with GLACO (in addition to the assessors contract they had with DEWHA). Each GLACO assessor had their own assessor number and could continue to book assessments outside of their arrangement with GLACO.

5.19 GLACO would market the program to householders and book assessments for assessors. It would then invoice DEWHA on the assessor's behalf and pay the assessor their fee minus GLACO's \$47.50 booking fee. Under the contract between GLACO and its assessors, the remaining amount (\$152.50) was to be transferred electronically to the assessor within 24 hours of receipt by GLACO.¹⁹

5.20 Assessors paid \$200 to GLACO as a 'joining fee'. The contract between GLACO and assessors states that this entitled assessors to 2000 shares in the co-operative, and a proportional share of 20 per cent of GLACO's net annual profit.²⁰

5.21 At its peak, GLACO was contracted with 73 assessors.²¹

5.22 The principal complaint by GLACO assessors was in relation to GLACO's conduct following the changes to the program announced by Minister Garrett on 19 February 2010. Following Minister Garrett's announcement, on 9 March 2010, GLACO emailed its assessors informing them that the changes 'make the GLACO blueprint unworkable'. Assessors were told in the same email that they would receive payment for assessments conducted in February on 1 April 2010.²²

5.23 Assessors were given the option of joining the new company 'Green Australia Marketing Pty Ltd', or having their \$200 joining fee returned along with their

17 Mr Aaron Nielsen, *Private Capacity, Committee Hansard*, 29 June 2010, p. 52.

18 Mr Chris Hutton, *Submission 178*, p. 1.

19 Ms Leanne McIntosh, *Supplementary Submission 164*, pp 3–8.

20 Ms Leanne McIntosh, *Supplementary Submission 164*, pp 27–8.

21 Mr Trevor McTaggart, *Submission 165*, p. 2.

22 Ms Leanne McIntosh, *Submission 164*, p. 2.

February payments on 1 April 2010. Based on this information, assessors submitted invoices for the assessments they had conducted in February.

5.24 However, on 1 April, Mr McTaggart, the Director of GLACO, emailed assessors informing them that GLACO had been paid by DEWHA for assessments conducted in February, but did not have sufficient funds to pay assessors. Ms Leanne McIntosh, a GLACO assessor who states that she acts on behalf of all GLACO assessors in a group named the 'GLACO Assessors Group' (GAG), estimated that GLACO assessors are owed a total of \$511 000 for assessments that they conducted between December 2009 and March 2010 for which they have not been paid.²³

5.25 Some GLACO assessors attempted to stop DEWHA from paying GLACO as early as March 2010, as a result of not having received full payment from GLACO for earlier assessments.²⁴ According to Ms McIntosh, these assessors voiced their concerns regarding GLACO not paying them, or not paying in full, and requested that they be paid directly. However, Ms McIntosh submitted that the assessors were told by call centre staff that they could only be paid through GLACO.²⁵

5.26 Mr McTaggart was given the opportunity by the committee to respond to the allegations made about him and GLACO by assessors. In his response, Mr McTaggart stated that 'GLACO failed as a result of the Government announcement of 19 February 2010 where they changed the maximum number of appointments from 5 per day to 5 per week'.²⁶

5.27 In his email to assessors on 1 April 2010, Mr McTaggart cited the problems with the green loans call centre as a major reason for GLACO's failure. He argued that the delays resulted in significantly increased costs for GLACO, which meant that the model on which it was based was not viable.²⁷ Mr McTaggart stated in his submission to the committee that this led to GLACO's costs for booking each appointment to increase from \$10 to \$600.²⁸

5.28 Mr McTaggart submitted that as a result of the 19 February 2010 decision, GLACO lost around 3000 appointments.²⁹

5.29 Mr McTaggart also stated in his email to assessors on 1 April 2010 that GLACO was owed \$700 000 by DEWHA as a result of 'missing AN numbers'. These relate to assessments conducted during January 2010 over the period in which assessors were asked to email assessments to DEWHA after they had been completed.

23 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 2.

24 Ms Leanne McIntosh, *Submission 164(B)*, p. 13.

25 Ms Leanne McIntosh, *Submission 164(B)*, p. 13.

26 Mr Trevor McTaggart, *Submission 165*, p. 1

27 Ms Leanne McIntosh, *Submission 164*, p. 11.

28 Mr Trevor McTaggart, *Submission 165*, p. 3.

29 Mr Trevor McTaggart, *Submission 165*, p. 2.

Apparently many were never assigned numbers and so cannot be claimed.³⁰ The government has denied this claim.³¹

5.30 Ms Leanne McIntosh, who also appeared before the committee, agreed with Mr McTaggart regarding the fact that a key reason for the situation of GLACO assessors was the government's decision to end the program:

[O]n 19 February 2010 the government made overnight changes to the program to solve the political problem they had of too many assessors and too much demand. A program that was supposed to last for four years was almost out of money at the eight-month mark. The new five-per-week cap effectively pulled the rug out from every assessor's business model and destroyed GLACO's viability.³²

5.31 Ms McIntosh argued:

If they [the government] had not made the changes in the program, I believe GLACO could probably have traded out of difficulty. They were under significant cash-flow problems because of the problems within the government system; that is what caused it.³³

5.32 Ms McIntosh explained that 'having destroyed the viability of Green Loans businesses', the government:

...then failed to heed all the warnings given to them by various GLACO assessors about the security of their upcoming payments through GLACO.³⁴

5.33 Ms McIntosh went on to explain the content of these warnings which occurred when GLACO assessors were informed [on 9 March 2010] that GLACO was adopting a new company structure:

Numerous assessors...immediately started phoning and emailing the department and ABSA to alert them to the situation and demanding, very clearly, that the department needed to hold back the February payments to GLACO and pay us directly. GLACO were never entitled to all our money, just a booking fee. ABSA also asked the department to withhold payment on our behalf. We never received any response from the department. They paid all our money to GLACO over the top of our warnings and objections and our money was lost.³⁵

5.34 However, Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch, DCCEE, claimed in evidence that she had not become aware of GLACO's situation until 2 April, when she was notified by ABSA.

30 Ms Leanne McIntosh, *Submission 164(B)*, p. 8.

31 Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch, DCCEE, *Committee Hansard*, 29 June 2010, p. 93.

32 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 3.

33 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 10.

34 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 3.

35 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 4.

Ms Leo stated that the more junior members of her team with whom GLACO assessors had been communicating their concerns had not passed those issues on to her.³⁶

5.35 According to Ms McIntosh, while most GLACO assessors were told that they could only be paid through GLACO, and that the department would not consider paying them directly, one assessor was able to receive direct payment.³⁷

5.36 Ms McIntosh further argued that by insisting that GLACO assessors invoiced through GLACO rather than directly, the government breached its duty of care to assessors:

The Commonwealth's duty of care was to us [assessors] because we had the contract direct with the government. We told them that the contracts we had with GLACO were no longer in place, yet they still paid them.³⁸

5.37 According to Ms McIntosh:

The members of GAG (GLACO Assessors Group) are collectively now owed at today's date [29 June 2010] approximately \$511,000 for work done in good faith on behalf of the federal government under the Green Loans Program. The sole reason for these moneys being outstanding is because the government mismanaged the design and implementation of this program and failed to act prudently and reasonably in response to our warnings and alarms about GLACO operations in February and March 2010.³⁹

Impact of changes on financial partners

5.38 In its submission, the Australian Bankers Association (ABA) informed the committee of the impact of the changes to the program on participating financial institutions. These impacts included:

- direct and indirect costs of cancellation being carried by the financial institutions;
- customers part way through the loan process being uncertain as to whether or not they would gain access to a loan; and
- uncertainty for business customers who were provided with credit as a result of being 'engaged to provide goods and services as part of the Government's various environmental and home sustainability programs'.⁴⁰

5.39 The ABA highlighted the importance of business certainty in its members' future interactions with the Commonwealth Government, and stressed that:

36 Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch, DCCEE, *Committee Hansard*, 29 June 2010, p. 93

37 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 12.

38 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 11.

39 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 2.

40 ABA, *Submission 65*, p. 3.

Early consultation and ongoing dialogue with the banking industry is vital if market-based initiatives are to be successfully designed, especially programs which are to be delivered through the banking system. A lack of consultation leads to sub-optimal outcomes, which in this case has led to business disruption and inconvenience to bank staff that are subsequently required to deal with disgruntled customers.⁴¹

5.40 Mr Steven Münchenberg, Chief Executive Officer, ABA, was critical of the unexpected termination of the program stating:

The abrupt cancellation of the program, without notice to those banks that offered Green Loans, left many loan applicants dissatisfied and, unfortunately, some of this reaction was directed at banks and their staff. We were also very surprised by the decision given the investment made by banks at the behest of the government to develop and offer a green loan product.⁴²

5.41 According to Mr Münchenberg, as a result of the abrupt cancellation of the green loans component, the banks involved in the program are 'probably out of pocket'.⁴³ Similarly, Mr Mark Degotardi, Head of Public Affairs, Abacus, explained:

Significant resources go into developing a new financial product, including staff training and development, additional HR, systems development implementation, legal and compliance works, and marketing and promotion...

The investment by Abacus members in the Green Loans Program is now lost and it seems unlikely that they will be given an opportunity to recoup those costs.⁴⁴

Other groups impacted by the changes

5.42 The implications of the government's changes to the Green Loans Program extend beyond assessors and financial institutions.

5.43 For example, longstanding and successful businesses which became involved in the program in good faith told the committee that they had suffered damage to their reputation and financial viability by being involved in the program. Fieldforce, in particular, argued that:

[I]t is our considered assessment that the Green Loans Program has been damaging to our business, damaging to our reputation and damaging to our employees and subcontractors. We entered into the program and invested in good faith and we have not been able to recoup that investment. The abrupt changes to the program announced without consultation, the current lack of

41 ABA, *Submission 65*, p. 6.

42 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 28.

43 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 37.

44 Mr Mark Degotardi, Head of Public Affairs, Abacus—Australian Mutuals, *Committee Hansard*, 29 June 2010, p. 42.

certainty around the program, the caps on the number of assessments, the pulling of the loans and all the other operational issues are now making it very difficult to continue operating in the program.⁴⁵

5.44 In addition, it seems that other businesses that provided goods and services to assessors were negatively impacted by the changes as assessors were no longer able to pay for their goods and services. For example, Mr Walter Dobrowolski, from Budget Colour Printers submitted to the committee that his business has lost \$380 on an unfulfilled printing contract with an assessor.⁴⁶

5.45 Some householders who did not receive their assessments prior to the 22 March 2010 cut-off for the loans expressed their anger and disappointment that they had undergone assessments in vain. For example, Mr Brian Peters, a householder from NSW who received an assessment in January 2010, but whose assessment report was delayed by DEWHA and so was not received prior to the cancellation of the loans, expressed the view that he now sees the assessment as a waste of time and money and an invasion of his privacy. Mr Peters submitted:

Pay the assessor for the assessment, waste my time in having it completed (whilst it may not have seemed onerous at first it actually took four hours to complete!), invade my privacy by going through my house and recording all the information from my various bills, make me sign a form giving the Government ongoing access to my information and then cancel the Green Loans Programme. Not only do I feel annoyed at being duped but also I am HIGHLY offended at the invasion of my privacy. This is morally wrong to collect this data and not even provide me with a report never mind the opportunity to apply for a Green Loan. At the time I regarded the assessment as a necessary evil but, in light of the cancellation of the Programme, I now regard it as a total invasion of my privacy.⁴⁷

Committee comment

5.46 The impact of the changes to the Green Loans Program, announced by the government on 19 February 2010, were significant for many of the stakeholders involved in the program—in particular assessors and financial partners. Yet, as noted by a range of stakeholders and industry partners involved in the program, including Fieldforce,⁴⁸ the ABA,⁴⁹ Abacus,⁵⁰ as well as assessors⁵¹ and ABSA,⁵² there was no

45 Mr Timothy Ryerson, Executive General Manager, Fieldforce, *Committee Hansard*, 29 June 2010, p. 17.

46 Budget Colour Printers, *Submission 117*.

47 Mr Brian Peters, *Submission 104*, p. 1. See also Mrs Patricia Smith, *Submission 95*; Mr John Woodger, *Submission 118*; Name Withheld, *Submission 120*; Mrs Helen F. Hughes, *Submission 132*; and Name Withheld, *Submission 174*.

48 Mr Timothy Ryerson, Executive General Manager, Fieldforce, *Committee Hansard*, 29 June 2010, p. 17.

49 Ms Diane Tate, Director, Financial Services, Corporations, Community, ABA, *Committee Hansard*, 29 June 2010, p. 36.

50 Mr Mark Degotardi, Head of Public Affairs, Abacus—Australian Mutuals, *Committee Hansard*, 29 June 2010, p. 43.

discussion or consultation with those that would be affected prior to the government's announcement.

5.47 Thousands of assessors who invested substantial savings into training, based on information from the government that the program would run for five years, have found themselves without their anticipated income, or with no income at all, from the program. Furthermore, for more than five months,⁵³ the government refused to give assessors any certainty or information about their financial future in the industry. The committee is appalled by the government's disregard for the situation of thousands of Australians who were prepared to engage in this government program in the hope that they might be able to contribute to a more sustainable future.

5.48 The government's decisions have also detrimentally affected dozens of Australian companies, including companies in the industry whose reputations have been damaged and which have suffered financial losses as a result of their involvement,⁵⁴ and financial partners which have lost the money they invested into the program.⁵⁵ The flow-on effects have also damaged related Australian businesses.⁵⁶

5.49 A number of those detrimentally affected by the government's decisions have made compensation claims against the government. DCCEE informed the committee that a total of thirteen claims for compensation had been made as at 29 June 2010, including by:

...various groups of assessors, and there are a few non-contracted assessors in there; GLACO has made a claim, which I think is in the public domain; financial institutions; and other individual assessors.⁵⁷

5.50 The GLACO Assessors Group submitted a copy of their claim made under the Scheme for Compensation for Detriment Caused by Defective Administration (CDDA) to this inquiry. The claim (which was made to DCCEE which currently has responsibility for the program, although it predominantly relates to the actions of DEWHA), argues the following factors, among other things, resulted in GLACO assessors suffering detriment as a result of DEWHA's defective administration:

- an absence of effective program leadership;
- a lack of sufficient resourcing within DEWHA;
- poor program design and management;

51 See for example Name Withheld, *Submission 109*, p. 2.

52 Mr Wayne Floyd, Director, ABSA, *Committee Hansard*, 29 June 2010, p. 67.

53 From 19 February 2010 to 26 July 2010, when details of the most recent changes to the program were announced, and indications were given regarding what will happen to assessors not involved in Green Start—discussed in chapter 7.

54 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 17.

55 Mr Steven Münchenberg, Chief Executive Officer, ABA, *Committee Hansard*, 29 June 2010, p. 37.

56 Budget Colour Printers, *Submission 117*.

57 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 98.

- a failure to establish the adequate information technology systems required for proper implementation and management of the program;
- improper favourable treatment of Fieldforce;
- inadequate communication within DEWHA;
- misrepresentations made to assessors by DEWHA; and
- a lack of reasonable and prudent due diligence by DEWHA with respect to GLACO.⁵⁸

5.51 The committee gave DEWHA and DCCEE the opportunity to respond these claims which were placed on the public record by the GLACO Assessors Group. The Secretary of DEWHA, Ms Robyn Kruk responded:

As the submission in question relates to another department [DCCEE]...I believe it is not appropriate for me to respond to the issues raised.⁵⁹

5.52 Ms Kruk also noted that many of the arguments made in the claim relate to findings of the Faulkner Report, to which the DEWHA has responded.⁶⁰

5.53 The Deputy Secretary of DCCEE, Mr Malcolm Thompson, similarly directed the committee to its responses to the Faulkner Report, on which many of the GLACO Assessors Group's claims are based.⁶¹ Mr Thompson also commented that:

The Department has made a significant effort to support the Green Loans Home Sustainability Assessors impacted by the cessation of GLACO. The Department's approach has included establishing a dedicated unit to support the GLACO assessors in regards to addressing their enquiries and any issues or concerns raised, as well as working through on an individual basis outstanding payment issues.⁶²

5.54 With respect to the GLACO Assessors Group's claim under the CDDA, Mr Thompson submitted that DCCEE 'is involved in discussions with representatives of the GLACO Assessors Group regarding those claims',⁶³ and 'does not necessarily accept the various assertions and claims' made by the Group.⁶⁴

5.55 In addition to the various compensation claims that have been made, the committee questions whether individuals and businesses which have suffered financial

58 GLACO Assessors Group, *Submission 182*.

59 DEWHA – Response to Submission 182, *Submission 184*.

60 DEWHA's response to the Faulkner Report is available at www.environment.gov.au/about/publications/review/index.html (accessed 22 September 2010).

61 DCCEE – Response to Submission 182, *Submission 183*, p. 1. DCCEE's response to the Faulkner Report is available at: www.climatechange.gov.au/publications.aspx (accessed 22 September 2010).

62 DCCEE – Response to Submission 182, *Submission 183*, p. 1.

63 DCCEE – Response to Submission 182, *Submission 183*, p. 1.

64 DCCEE – Response to Submission 182, *Submission 183*, p. 2.

and reputational damage from their involvement in the program are likely to be willing to become involved in similar government programs in the future. The government's poor management and poor decision-making in the Green Loans Program may well have driven away many of the best and brightest in the industry, or at least made them wary of partnering with government in the future.

5.56 Mr Timothy Ryerson, Fieldforce's Executive General Manager, effectively summed up the disastrous impact of the program when he told the committee:

In a nutshell, the changes to the Green Loans Program have effectively killed a fledgling industry which was meant to be good for Australians, good for business and good for the environment.⁶⁵

65 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 17.

Chapter 6

Conclusions on the Green Loans Program

6.1 Despite the numerous problems with the design and implementation of the Green Loans Program, many of the assessors and organisations that contributed to this inquiry maintained that the program was a good concept. For example, Ms Leanne McIntosh, from the GLACO Assessors Group, told the committee:

It was a very, very good program concept—poor implementation, brilliant idea. It was very effective in our area. Low-income people love it. They absolutely love the concept of saving money and helping the environment—a brilliant concept.¹

6.2 Ms Carmichael also outlined the benefits of assessments:

I think deep inside most of us is a wish to be more sustainable. How do we do that? You just look at your house and think: 'Where do I start? Where do I start in my life?' By having a green loans assessment, you got a lovely little list of priorities as somewhere you could start, and even a method. The loans were there, so even some funding towards that. That is the sense I got. And also how sustainable am I? How do I rate?²

6.3 Similarly, Mr Timothy Ryerson, Executive General Manager of Fieldforce Services, commented:

We want to be clear that we believe that the Green Loans Program was a great idea in principle. It offered a concrete way for people in Australia to reduce their rising energy use and rising energy bills, now and into the future, reduced demand on network infrastructure and cost-effectively tackled climate change.³

6.4 The Australian Bankers Association and its members similarly supported the aims of the program:

I would also like to emphasise that the banking industry support the policy objective of addressing climate change, and we believe the Green Loan Program could have been a useful measure to encourage and help households reduce their environmental footprint.⁴

6.5 However, while the policy underpinning the Green Loans Program may have been a 'good concept', based on the evidence received by this inquiry, the three reports

1 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 9.

2 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 69.

3 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 16.

4 Mr Steven Münchenberg, Chief Executive Officer, Australian Bankers Association Inc., *Committee Hansard*, 29 June 2010, p. 28.

into the program that the government has released,⁵ as well as the ANAO's performance audit,⁶ there were problems at every stage and with every aspect of the program. These problems have: undermined the objectives of the program; wasted enormous amounts of government resources; and detrimentally affected thousands upon thousands of Australian individuals, households and businesses.

6.6 The changes made to the program in February 2010, and the transition of the program to the new Green Start program, mean that the Green Loans Program as it exists today bears little resemblance to that which operated between July 2009 and February 2010. Thus, despite the substantial evidence the committee collected with respect to the flawed design, management and operation of the program, it would be of little benefit for this committee to make recommendations as to how particular aspects of that now defunct program might be improved.

6.7 Instead, the committee considers that it is more useful to draw broader conclusions about the underlying reasons for the failure of the Green Loans Program. By focussing on these underlying problems, the committee hopes that the substantial problems that plagued the Green Loans Program and led to the government wasting huge quantities of taxpayer money might be avoided in the future.

6.8 Based on the evidence found in this inquiry, as well as on the four other major publicly-released reviews of the Green Loans Program, the committee has identified three key problems which led to the failure of the Green Loans Program:

- poor planning;
- the absence of any audit mechanisms; and
- a lack of communication and consultation at all stages.

6.9 While in recent announcements the government claims to have begun dealing with some of these issues, in the committee's view more needs to be done to address these very serious fundamental problems.

Poor planning

6.10 As discussed throughout this report, many of the key problems that arose throughout the operation of the program were a direct result of a lack of adequate planning by the government. The inadequate planning was in part the result of the speed at which DEWHA was required to deliver a large and complex program, without adequate resources or expertise.

5 DEWHA and DCCEE arranged for a total of 6 reviews of various aspects of the Green Loans Program, see the list in Australian National Audit Office, Performance Audit Report No. 9, 2010–11: Green Loans Program, 29 September 2010, p. 34. The three of these that were publicly released are available at www.climatechange.gov.au/en/publications.aspx (accessed 28 July 2010).

6 Australian National Audit Office, Performance Audit Report No. 9 2010–11: Green Loans Program, 29 September 2010.

Speed of implementation

6.11 The committee heard that there was significant pressure on DEWHA to roll-out the program within a specified time frame.⁷ This meant that various aspects of the program were implemented prior to being properly tested or before they were ready, including:

- a sub-standard assessor training program being implemented because the government did not want to wait until the process of developing and accrediting a course to certificate IV could be undertaken;
- the poorly targeted and tested assessment tool which resulted in householders being issued with reports making ludicrous and nonsensical recommendations; and
- the booking system being rolled out before the online portal had been developed, meaning that the system was later not able to handle the number of bookings.

6.12 In addition, the relatively short timeframe that DEWHA was given to develop and plan for the program meant that it was not able to conduct an adequate risk-assessment. This led to aspects of the program which contained significant risks not being given sufficient thought or preparation, such as:

- a lack of fore-thought being given to the likelihood that more than 1000 or 2000 assessors would be keen to take part in the program, which in turn created problems with the booking, payments and report distribution systems; and
- the inadequacy of risk-management strategies⁸ which were put in place for the very real and (in the committee's view, obvious) risk that less-reputable individuals and organisations would misuse the program.

6.13 The pressure on DEWHA to roll-out the program in a relatively short time frame was also a direct contributor to the appalling procurement practices which occurred throughout the program. The Faulkner review of procurement processes and contractual arrangements under the program found a huge number of significant breaches of Commonwealth procurement guidelines and laws, notably:

- 96 per cent of contracts being procured through direct source rather than tender processes;
- widespread 'contract splitting' in order to avoid requirements for authorisation/oversight by senior management;

7 See for example Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 82.

8 Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program', *Final Report*, March 2010, p. 5.

- systemic breaches of the *Financial Management Act 1997*, *Financial Management Regulations 2004*, and Commonwealth Procurement Guidelines;
- poor contract management and record-keeping; and
- substantial cost escalations including the service centre contract increasing from \$770,000 to \$3.4 million and the interim logistics contract increasing from \$77,000 to \$1.46 million.⁹

6.14 The Faulkner review found that one of the principal reasons for these flawed contract management practices was the tight timeframes DEWHA was given to deliver the program:

The pressure to achieve outcomes within tight timeframes appears to have led to the adopting of "short cuts" to deliver the Program – that is, minimising steps which required approvals outside the program area.¹⁰

6.15 Had the government not imposed such strict and tight deadlines on DEWHA, which was not experienced in running programs of this kind or size, it is likely that many of the problems that occurred within the program may have been avoided through better planning and practices which did not attempt to 'short cut' necessary approvals. In implementing programs of the scale and complexity of Green Loans, it is imperative to ensure sufficient time is given to prepare, consider and address risks. The lack of effective risk-mitigation strategies was a major failing of the Green Loans Program, and can be directly attributed to the pressure that the government put on DEWHA to roll-out the program quickly.

6.16 In its inquiry into the Energy Efficient Homes Package (ceiling insulation), and specifically the Home Insulation Program aspect of that package, this committee found that very similar issues regarding short implementation timeframes were a major cause of the serious failures that occurred in that program.¹¹ Clearly, based on the fact that two major programs administered by the same portfolio suffered from similar problems, this is an issue which needs to be addressed at the highest levels of government. It is unacceptable for the government to invest the amounts of money that it did in these two programs—over \$2.6 billion on the two programs combined¹²—only to have both programs fail spectacularly as a result of government officials charged with implementing them having insufficient time to work through implementation issues.

9 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010.

10 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 3.

11 Senate Environment, Communications and the Arts References Committee, *Inquiry into the Energy Efficiency Homes Package (ceiling insulation)*, July 2010, p. 27.

12 Comprising budget allocations of \$2.45 billion to the Home Insulation Program and \$175 million to the Green Loans Program.

6.17 When undertaking programs of the size and complexity of Green Loans in future, the committee urges the government to give project planners and managers sufficient time to develop a sound program which contains robust risk-mitigation strategies.

6.18 The committee acknowledges that there is often a need to roll-out programs quickly, but Green Loans was not such a program. The program was originally designed to run over a five year period, from 2009 until 2013. There is no reason that the committee can see for the strict timeframes imposed on DEWHA. Furthermore, even in the instance of a program that needs to be implemented fast, it is possible for thorough risk-assessments to be undertaken, proper project plans to be developed and for aspects outside of the government's expertise to be outsourced.

Resourcing issues

6.19 A second aspect of the government's poor planning of the Green Loans Program, alluded to above, was the clear lack of thought given to resourcing issues within DEWHA.

6.20 The committee heard from a number of stakeholders that a central problem with the operation of the program was the lack of expertise and staff shortages within DEWHA. For example, Mr Timothy Ryerson, Executive General Manager, Fieldforce, which worked extensively with the department during the development of the program, argued that the key problems with the program were in its implementation rather than in its design:

[W]e believe that the evidence shows that the program was poorly executed by the department, largely because they were asked to go beyond their core capabilities by being required to run a complex operational program...

I think they bit off more than they could chew. They really needed to pull in industry to run a program like this. Nationally, it is a huge task. It is very complex, the training, safety issues, the booking systems and the reports. To try to get feedback through one email address and one call centre number to thousands of people who are engaged in this is not acceptable.¹³

6.21 A similar assessment was given by Mr Wayne Floyd, Chairman of ABSA:

In our view, the program was implemented too quickly, shortcuts were taken, roles were not well defined and the later changes actually damaged the scheme.¹⁴

6.22 The Faulkner review into procurement processes and contractual arrangements agreed that staffing was a key reason for the poor procurement practices

13 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, pp 16–17 and 25.

14 Mr Wayne Floyd, Chairman, Board of Directors, ABSA, *Committee Hansard*, 29 June 2010, p. 57.

that occurred during the program. The review suggested that the level at which the program was managed within the department (Executive Level 2, that is middle management) was inappropriate, and found that there had been a turn-over of eleven Assistant Secretaries of the relevant area within a 22 month period.¹⁵

6.23 Furthermore, the public servants managing the program were subject matter experts and 'lacked the suitable procurement and project management expertise and experience to manage this kind of Program...'¹⁶

6.24 The ANAO reached a similar conclusion, finding that a central reason for the failure of the program was the lack of effective governance:

The primary cause for the administration problems encountered by the program was, to a very large extent, an absence of effective governance by DEWHA during the program's design and early implementation. DEWHA had no previous experience in designing and delivering a program with features similar to the Green Loans program.¹⁷

6.25 The ANAO further found that DEWHA's senior management and the then Minister were not fully informed about the design and progress of the program. The quarterly status reports provided to the DEWHA senior executive about the program provided 'a false sense of assurance that the program was being managed within an agreed planning framework'.¹⁸ Additionally and more damningly:

[T]he former Minister received incomplete, inaccurate and untimely briefings on program design features and implementation progress, challenges and risks. Suffice it to say here, the former Minister was not well served by his department in this respect during the period from July 2008 to late 2009 due to the poor quality briefings he received.¹⁹

6.26 DCCEE informed the committee that it has now addressed some of these shortcomings by providing additional resources to the area responsible for managing the Green Loans Program including an additional division head and three additional assistant secretaries. Mr Malcolm Thompson, Deputy Secretary, DCCEE stated:

15 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 4.

16 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 4.

17 Australian National Audit Office, Performance Audit Report No. 9, 2010–11: Green Loans Program, 29 September 2010, p. 18.

18 ANAO, Performance Audit Report No.9, 2010–11: Green Loans Program, 29 September 2010, p. 18.

19 ANAO, Performance Audit Report No.9, 2010–11: Green Loans Program, 29 September 2010, pp 18–19.

The decision to bolster staff numbers reflects recognition of the pre-existing work pressures and challenges which the government has placed an imperative on addressing.²⁰

6.27 However, in the committee's view, this is clearly too little too late. In fact, with the phase-out of the program, the committee questions whether the provision of additional resources at this juncture is simply a further waste of government funding.

6.28 This committee found that very similar staffing issues were a key reason for the failure of the Home Insulation Program.²¹ Again, given the fact that the same issues arose within DEWHA in the delivery of two key programs, it appears that there may be serious systemic issues within that department that need to be addressed by the government. The committee makes a recommendation on this matter at the end of this chapter.

6.29 The government needs to find ways to be far more responsive and dynamic with respect to resourcing issues, and improve the capacity of government departments and agencies to acquire resources quickly when necessary.

Lack of cost-benefit analysis

6.30 A third element of the government's poor planning of the Green Loans Program, which in the committee's view has wasted up to \$175 million in taxpayer funding was the lack of any cost-benefit analysis of the Green Loans Program.

6.31 At no stage before or during the implementation of the Green Loans Program did the government undertake a cost-benefit analysis of the program. This meant that there was no clear and publicly available budget breakdown of various elements of the program, and no assessment of whether the project was a worthwhile investment by government.

6.32 As discussed in chapter 2, the program was changed substantially prior to its implementation and its budget revised down from \$300 million over five years in the 2008–09 budget to \$175 million over five years. The changes included decreasing the number of loans available from 200 000 to 75 000 and increasing the number of assessments from 200 000 to 360 000. Yet, when questioned on the basis for these changes in targets and budgets Mr Malcolm Thompson, Deputy Secretary, DCCEE stated that '[t]he numbers for assessments and for loans really derive from the total budget for the program...'²² rather than from any analysis of likely take-up of the program or consultations.

20 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 76.

21 Senate Environment, Communications and the Arts References Committee, *Inquiry into the Energy Efficiency Homes Package (ceiling insulation)*, July 2010, p. 28.

22 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 77.

6.33 DCCEE argued that the lack of clear budget breakdown and planning was because:

This was uncharted territory in a sense: we did not know what the uptake of the loans was going to be or how quickly that would roll out. Likewise we did not have a clear, definitive view of how many assessments may occur in any particular period. So we were able to dedicate funds accordingly to where the budget pressures were.²³

6.34 However, the lack of such controls and planning meant that there were no 'warning bells' when the program began to substantially exceed anticipated demand. Had a cost-benefit analysis been done with a proper breakdown of the program's budget and the projected spending by month, it would have been clear to the government far earlier than February 2010—and likely as early as August or September 2009 when ABSA began to notice the blow-out in assessor numbers—that the number of assessments was significantly outstripping expected demand. This would have allowed DEWHA to introduce mitigation strategies much earlier, and would likely have minimised the substantial problems that later occurred with the booking, payment and assessment distribution systems.

6.35 The ANAO's audit discussed the budgetary impact of this lack of analysis and planning:

An examination of the program's budget in early 2010 led to the realisation that the program had exceeded its 2009–10 program budget and would require an additional \$100 million to fully fund the Government's policy commitments over the program's life.²⁴

6.36 This issue was exacerbated by the various changes that were made to the program throughout its life, for which no proper funding analysis was undertaken. For example, the ANAO found that when the standard fee for assessors was increased from \$150 to \$200 as a result of the self-assessment portion of the assessment tool not being developed, 'at no time did DEWHA revisit the program's administered funding budget'.²⁵

6.37 Mr Malcolm Thompson, Deputy Secretary, DCCEE informed the committee that while there was no cost-benefit analysis of the program, this is not unusual with respect to election commitments: 'We do not always do cost-benefit analyses of every program that we implement.'²⁶

23 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 84.

24 ANAO, Performance Audit Report No. 9: Green Loans Program, 29 September 2010, p. 19.

25 ANAO, Performance Audit Report No. 9: Green Loans Program, 29 September 2010, p. 42.

26 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 85.

6.38 In fact, Mr Thompson later added, 'it is typical for cost-benefit analyses not to be carried out—especially on election commitments, but on many programs which governments decide on'.²⁷

6.39 While the committee does not doubt Mr Thompson's statement in this regard, it cannot emphasise strongly enough the importance of undertaking thorough budget planning and analysis prior to the implementation of a program of the size and nature of Green Loans. The fact that no such cost-benefit analysis was undertaken, in the committee's view, meant that an important control, which may have assisted DEWHA in rectifying problems with the program more quickly, was absent.

6.40 Furthermore, without a cost-benefit analysis of major government programs, Australian taxpayers have no way of knowing that their money is being spent on programs that will have a net benefit to the nation. In hindsight, it is clear that the Green Loans Program did not have such a net benefit. Instead, the government spent up to \$175 million on flawed assessments, which provided limited guidance to homeowners, and which were largely not returned in sufficient time to enable householders to obtain a loan. If a cost-benefit analysis had been undertaken at an early stage, this may have become clear to the government, or, alternatively, may have provided a means for rectifying what later became significant obstacles to the program's success.

Absence of audit and evaluation processes

6.41 In the committee's view, the lack of any audits or suitable checks and balances built into the program was another central cause of the serious problems that developed and continued over its life. As Ms McIntosh, a GLACO assessor explained:

When you have no checks and balances put in place before the program starts, you attract every shark and shonk in Australia. You put out the welcome mat and say, 'Come and rip us off.' It is as simple as that.²⁸

6.42 The lack of audit processes meant that the government had no controls over various aspects of the program including: the quality of assessor training; the quality of home assessments; and the misuse of the program by individual assessors and companies. As discussed in chapter 3, these issues later turned into significant problems, and undermined the integrity of the entire program.

6.43 For example, had an audit process been implemented at the outset of the program for assessor trainers and the standard of assessments, it is highly likely that less assessors would have been trained, and that the quality of assessments under the program would have been higher and more consistent. Similarly, as Ms McIntosh suggested, even a basic audit of assessment reports and assessors would have

27 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 88.

28 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 13.

identified the 'sharks and shonks' who used the program as a means of making a quick buck or to promote their own products.

6.44 Furthermore, the absence of audit processes meant that there were limited indicators of various aspects of the program hampering its effectiveness, for instance had an ongoing audit process been in place, DEWHA may have had more information indicating that assessor numbers were out of control.

6.45 The review of the implementation and design of the program by Resolution Consulting confirms the committee's views:

The program plan should have specifically designed the audit program as part of the implementation plan with audit services scheduled to provide timely feedback at an early point in the process... Had this occurred, there may have been recognition earlier of faults with the assessment tool and it may have reduced complaints.²⁹

6.46 Many of the stakeholders engaged in the program understood that the government intended for auditing and review processes to form part of the program. This is reflected in the Resolution Consulting review of the program which found that it is clear from the government's contracts with assessors and financial partners that audits of assessors were anticipated. That review stated that audit programs are essential to the proper management of any program, and indicated that negotiations were underway at the time it reported in December 2009.³⁰

6.47 However, the Faulkner review into procurement practices and contractual arrangements under the Green Loans Program found that no audit program was implemented until 23 April 2010.³¹

6.48 Similarly, the committee notes that no evaluation processes were included in the program's design. This means that not only did the government have no way of monitoring the ongoing progress of the program, but it also had no plans to later assess whether or not the program had worked.

6.49 In June 2010, Mr Thompson, Deputy Secretary, DCCEE, informed the committee that the government was negotiating with KPMG 'to explore options for a monitoring and evaluation program for the Green Loans Program' which would include 'the issues of how households are implementing improvements that have been recommended to them under the sustainability assessment'.³²

29 Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program—Final Report', March 2010, p. 20.

30 Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program—Final Report', March 2010, p. 20.

31 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 29.

32 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 86.

6.50 However, in the committee's view, any such evaluation at this point is too little, too late, and simply a further waste of government resources. In the form that the program was implemented, it would have been possible to evaluate its success based on the loans component, by following up how people used the loan funds. However, under the program as it has operated since February 2010, other than counting the overall number of assessments conducted—which, given the issues with the quality of the assessments, does not say much about value for money—there does not appear to be any way in which the government can measure the impact of the program.

6.51 The committee considers it deplorable that no audit or evaluation processes were implemented as an integral component of the Green Loans Program, and finds that such processes may have prevented the program from wasting significant government resources. Furthermore, it is simply unsatisfactory that once the need for an audit program was identified in December 2009, it still took DCCEE until the end of April 2010 to implement an audit. It is equally unsatisfactory that the government would now consider conducting an evaluation of the program, when there appears to be nothing meaningful left to evaluate.

Lack of communication and consultation

6.52 The third key issue that, in the committee's assessment, underpinned and compounded many of the problems with the Green Loans Program was the lack of communication and consultation by the government.

6.53 As discussed in chapters 3 and 4, the government's failure to consult and communicate with stakeholders before and during the program meant that obvious flaws with the program design were not addressed. For example, the government failed to take account of the concerns expressed by financial institutions with respect to the structure of the loans under the program and failed to have regard to ABSA's concerns about assessor numbers.

6.54 If the government wishes to engage the private sector in order to co-deliver major programs like Green Loans, it is imperative that there be real and meaningful consultation at the outset. The committee heard from the government's financial partners that no such consultation took place, and that participating financial institutions felt that their advice and concerns were simply not taken into account by the government.

6.55 Similarly, the committee heard that Fieldforce attempted to engage with DEWHA throughout the program in order to develop technical solutions to the IT problems being experienced by assessors. Fieldforce identified these issues well before they became major problems, yet DEWHA did nothing to address them, and

according to Fieldforce, even refused their offer of a free technical solution (although it should be noted that DCCEE found no record of this decision).³³

6.56 ABSA also raised its concerns about issues including assessor numbers and assessor training with DEWHA, which again, they failed to act upon until the problems became so severe as to undermine the integrity of the entire program. The committee considers that this disregard for the experience and expertise of those in the field demonstrates a major reason for the failure of the program as a whole.

6.57 The committee has serious concerns that the way in which key private sector stakeholders including financial institutions, ABSA and Fieldforce were treated by the government throughout the Green Loans program will make these stakeholders less willing to engage with government in future programs. Mr Mark Degotardi, Head of Public Affairs, Abacus, commented that:

Across the spectrum of participating members, there is certainly a feeling of somewhere between disappointment and modest irritation about the program. I would not categorically say that our members would never do this sort of thing again, because that is just not true. We will always look at proposals. I guess some members will either be a little more reluctant than perhaps they were or seek more assurances about the way the program will run.³⁴

6.58 It is essential that where the government wishes to use the private sector to roll out publicly-funded programs, the government have regard to the experience and expertise of the private sector, and take on board their concerns at an early stage.

6.59 According to stakeholders involved in almost every aspect of the program, communication issues with DEWHA persisted throughout the program. Assessors,³⁵ ABSA,³⁶ and participating financial institutions³⁷ all commented that they have had enormous difficulties contacting and communicating with DEWHA.

6.60 The committee heard that DEWHA frequently failed to respond to emails and return phone calls, which caused a great deal of frustration for stakeholders. In the committee's view, this lack of communication compounded many of the problems with the program, for example the frustrations experienced by assessors and financial partners with late payments and invoicing.

33 See discussion at para 3.124.

34 Mr Mark Degotardi, Head of Public Affairs, Abacus—Australian Mutuals, *Committee Hansard*, 29 June 2010, p. 44.

35 See for example, Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 13.

36 ABSA, *Submission 67*, p. 9.

37 See for example, Mr Mark Degotardi, Head of Public Affairs, Abacus, *Committee Hansard*, 29 June 2010, p. 42.

6.61 The committee was informed that with the shift in responsibility to Minister Wong and DCCEE, communication improved.³⁸ However serious issues still remain, for example, Ms Leanne McIntosh, a GLACO assessor, stated:

[DCCEE] do not talk to us. We get emails demanding endless amounts of information, probably six or seven different formatted invoices of the same information, and that is it. They do not share information with us, they just demand...³⁹

6.62 It is also clear that serious communication issues existed between officers within DEWHA, and between DEWHA and the Minister's office. For example, Ms Anne Leo's comment that while members of the Green Loans team had been aware of GLACO's financial situation from early March 2010, she, as Acting Assistant Secretary, had only become aware of GLACO's situation on 2 April,⁴⁰ demonstrates a shocking lack of communication within the DEWHA and later DCCEE.

6.63 The ANAO found numerous examples of poor communication within DCCEE and DEWHA over the life of the Green Loans Program, particularly from the Green Loans team to senior management regarding the state of the program.⁴¹ Perhaps most worryingly, the ANAO found that the Green Loans team 'at times, took steps to avoid' the 'involvement or intervention' of specialised central units of the department that oversee issues such as procurements and contracting, IT, finance and legal aspects of projects.⁴² The ANAO also uncovered serious problems with the departments' record-keeping procedures such that it was difficult to identify when decisions were made and by whom.⁴³

6.64 The Faulkner review of procurement practices and contractual arrangements found that the lack of communication between the Green Loans team and DEWHA's executive, as well as between DEWHA executives and the Minister's office, was a reason for the poor procurement practices that occurred throughout the program.⁴⁴ That review found that various issues and concerns had been raised at the Assistant Secretary level and not passed on, and no appropriate actions were taken. The review also found that DEWHA's senior executive failed to pass on concerns that the program's outcomes could not be realistically achieved within the deadlines to the

38 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 68.

39 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 13.

40 Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch, DCCEE, *Committee Hansard*, 29 June 2010, p. 93

41 ANAO, Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010, pp 43–44.

42 ANAO, Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010, pp 62–64.

43 ANAO, Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010, p. 40.

44 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, pp 41–42.

Minister's office. These issues were not raised until July 2009, when the program had already begun. Furthermore, the review found evidence of DEWHA having provided incorrect information to the Minister about budget issues.⁴⁵

6.65 The same communication issues within DEWHA and between DEWHA and Minister Garrett also plagued the Home Insulation Program and meant that many of the risks that resulted in the tragic outcomes of that program were either never communicated to, or never acted on, by the highest levels of government.⁴⁶

6.66 DEWHA has responded to the findings of the Faulkner review, including its findings as to the underlying causes of the problems with the Green Loans Program which include poor communication. DEWHA's *Response to the review of...the Independent Inquiry into the Green Loans Program (the Faulkner review)*⁴⁷ contains a table which sets out 'key DEWHA reforms' against issues raised in the Faulkner review. The table suggests that all of the underlying causes for the procurement and probity failures identified in the Faulkner review have been dealt with through the creation of a Management Board with three committees—a Finance and Operations Committee, a Workforce Management Committee, and an Information Management Committee. DEWHA also suggests that it has 'clarified and strengthened' the 'roles and responsibilities of the central DEWHA corporate functions'.⁴⁸

6.67 In the committee's view, this response is completely inadequate and does not treat genuinely the very serious issues identified in the Faulkner review. The findings of the Faulkner review, as well as the other reviews of various aspects of the program—the internal audit of procurement practices by Protiviti,⁴⁹ the review of the program by Resolution Consulting⁵⁰ and the ANAO performance audit⁵¹—indicate there are serious problems within the culture of DEWHA that have resulted in departmental officers attempting to take short-cuts to avoid scrutiny by senior

45 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, pp 41–42.

46 Senate Environment, Communications and the Arts References Committee, *Inquiry into the Energy Efficiency Homes Package (ceiling insulation)*, July 2010, pp 32–33.

47 DEWHA, 'Doing our Business Better: Response to the review of the Administration of the Home Insulation Program (the Hawke review) and the Independent Inquiry into the Green Loans Program (the Faulkner review)', 8 July 2010, www.climatechange.gov.au/publications/energy-efficiency/response-to-hawke.aspx (accessed 8 July 2010).

48 DEWHA, 'Doing our Business Better: Response to the review of the Administration of the Home Insulation Program (the Hawke review) and the Independent Inquiry into the Green Loans Program (the Faulkner review)', 8 July 2010, pp 4–5.

49 Protiviti Risk & Business Consulting, 'Internal Audit Review of the Procurement Practices in the Green Loans Program', December 2009.

50 Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program—Final Report', March 2010.

51 ANAO, Performance Audit No. 9, 2010–11: Green Loans Program, 29 September 2010.

managers.⁵² These findings are corroborated by the fact that the same issues underpinned the failure of the Home Insulation Program. The committee does not see how these serious cultural issues, in addition to the myriad of other underlying issues identified by the Faulkner review, the ANAO audit and this inquiry, can possibly be addressed by a new management board with three committees, and a 'clarification' of roles.

6.68 The committee is appalled by the array of communication problems that plagued the Green Loans Program from its outset. The committee supports the findings of the Faulkner, the ANAO and Resolution Consulting Services reviews in particular, finds that these problems reflect serious systemic issues within DEWHA that have not been adequately addressed. Furthermore, the committee is of the view, having conducted inquiries into both the Green Loans and Home Insulation programs, that widespread and systemic problems exist within DEWHA that were major causes the failure of both programs.

6.69 Furthermore, the committee understands that when the program was moved from DEWHA to DCCEE, many of the DEWHA staff and managers were simply moved across to DCCEE. Therefore, in the committee's view, it is not sufficient for DEWHA alone to respond to the failures that occurred under Green Loans given the team responsible for the program now works in DCCEE, some of the systemic issues in DEWHA may also exist within DCCEE as well.

6.70 Accordingly, the committee considers it would be appropriate for the Commonwealth Ombudsman to consider conducting an own-motion investigation into these cultural issues within DEWHA (which was recently renamed the Department of Sustainability, Environment, Water, Population and Communities—DSEWPC) and DCCEE.

6.71 While there have already been a number of reviews of the program, the committee considers that an investigation by the Commonwealth Ombudsman is necessary because of the systemic issues identified as existing within DCCEE and DEWHA/DSEWPC. Despite its serious findings, the ANAO chose not to make any recommendations because of the fact that both departments have already announced changes to practices and policies to take account of the myriad of problems encountered during the Green Loans Program.⁵³ However, as noted above, this committee is not satisfied that the departments' efforts will be sufficient in changing what appear to be wide-spread and deeply entrenched problems within the relevant departments. Furthermore, as will be discussed in chapter 7, DCCEE appears to be repeating many of these mistakes in the new Green Start Program, in particular rolling

52 Ms Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010, p. 3; Resolution Consulting Services, 'Department of the Environment, Water, Heritage and the Arts: Review of the Green Loans Program—Final Report', March 2010, p. 17.

53 ANAO, Performance Audit No. 9 2010–11: Green Loans Program, 29 September 2010, p. 22.

out the overly ambitious phase one of the new program out in a very short space of time. Accordingly, the committee considers it would be appropriate for the Commonwealth Ombudsman, who is expert in advising government on matters of administration, to inform DCCEE and DSEWPC about how to address the administrative failings identified in this and other reviews.

Recommendation 1

6.72 Given the publication of the Auditor General's report into the Green Loans Program and subsequent to the conduct of this inquiry, the committee recommends that the Commonwealth Ombudsman consider conducting an own motion investigation into the administrative actions and arrangements within the Department of Sustainability, Environment, Water, Population and Communities and the Department of Climate Change and Energy Efficiency, that resulted in the serious problems with governance and communication endemic throughout the Green Loans Program.

6.73 Perhaps the key problem within DCCEE and DEWHA/DSEWPC identified by the numerous reviews of Green Loans was the lack of budgetary and other controls over the program. The lack of any form of budgetary evaluation or analysis of the program means that no proper assessment was ever done to determine whether the environmental and other benefits of Green Loans justified its \$175 million price tag.

6.74 The lack of any form of analysis of the environmental, economic and social costs and benefits resulted in the objectives of the program being unclear. As the program modified, there was no method in place to re-assess those changes in light of their potential benefits to the taxpayer. It also meant that the program lacked important budgetary controls.

6.75 The committee strongly urges that before the government wastes further taxpayer resources on environmental programs so flawed in design and administration so as to deliver little or no benefit to either the environment or householders, an extensive analysis of any proposed new environmental programs be undertaken. Prior to any new environmental program being implemented, the government must demonstrate to taxpayers that the environmental, social and economic benefits delivered by the program justify its cost.

Recommendation 2

6.76 The committee recommends that the government not implement any environmental programs without prior completion of an evaluation which shows either net environmental benefits and/or a program cost which gives taxpayers value for money.

Chapter 7

The transition to Green Start

7.1 On 8 July 2010, the Minister then responsible for the Green Loans Program, Senator the Hon Penny Wong, then Minister for Climate Change, Energy Efficiency and Water, announced that the Green Loans Program would be phased out.¹

7.2 Minister Wong announced that the end to the program 'follows consideration by the Government of a series of reviews, including the inquiry by Ms Patricia Faulkner AO into the Green Loans program'.²

7.3 According to Minister Wong, the government intends to phase out the Green Loans Program while transitioning to a new program, called the 'Green Start Program'. The Green Start Program will include two rounds of Commonwealth grants:

- the first will fund energy assessments for households through grants 'awarded to accredited assessors and organisations who can deliver high quality assessments through a competitive process'; and
- the second will 'seek proposals from community and welfare sector NGOs and other organisations to provide practical help to low-income and disadvantaged Australians to improve their energy efficiency'.³

7.4 On 26 July 2010, the Department of Climate Change and Energy Efficiency issued 'Program Guidelines' for round one of Green Start, and opened applications under that program.⁴

7.5 This chapter considers the proposed Green Start Program and makes recommendations on how the government might avoid the recurrence of many problems that resulted in the failure of the Green Loans Program.

Outline of the Green Start Program

7.6 The Green Start Program was first announced by then Minister for the Environment, Heritage and the Arts, the Hon Peter Garrett MP, on

1 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Green Loans Transition to Green Start', *Media Release*, 8 July 2010, www.climatechange.gov.au/en/minister/wong/2010/media-releases/July/mr20100708.aspx (accessed 8 July 2010).

2 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Green Loans Transition to Green Start', *Media Release*, 8 July 2010.

3 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Green Loans Transition to Green Start', *Media Release*, 8 July 2010.

4 www.climatechange.gov.au/government/programs-and-rebates/greenstart.aspx (accessed 28 July 2010).

25 November 2009.⁵ Minister Garrett stated that the program would include \$130 million in funding to 'help improve the energy and water efficiency of low-income and disadvantaged Australian households'.⁶ Minister Garrett's proposal included: free supply and installation of energy and water efficiency products; personalised help to access local, state, territory and Australian Government water and energy efficient rebates; and advocacy and support to help householders deal with landlords, real estate agents and tradespeople to implement water and energy efficiency measures.⁷ This appears to mirror the second grants round as announced by Minister Wong on 8 July 2010.

7.7 The first round of the program announced by Minister Wong includes none of these things. Instead the first round of Green Start appears to be a simplified continuation of the Green Loans Program which attempts to limit the government's involvement in order to avoid many of the problems that plagued Green Loans.

7.8 In essence, under round one of Green Start, the government is seeking funding proposals from individuals and organisations to deliver home energy assessments to households. The Program Guidelines emphasise a particular focus will be on providing assessments to 'all geographic areas, including remote and regional Australia'... 'that were not well serviced under the Green Loans program'.⁸ Households which received assessments under Green Loans will not be eligible.⁹

7.9 The proposed Green Start Program will include between 300 000 and 500 000 home assessments, to be completed by 30 June 2011.¹⁰

Committee comment

7.10 The committee has serious concerns about numerous aspects of the proposed Green Start Program. Chief amongst these concerns is the fact that the various reviews have unveiled serious and endemic governance and communication issues within both DSEWPC and DCCEE. As discussed in chapter 6, the committee is not satisfied that either department's attempts to resolve these problems will be sufficient. Accordingly the committee has grave doubts about the ability of either department to manage programs of the nature of Green Loans and Green Start.

5 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'A green Start for vulnerable Australians' *Media Release*, 25 November 2010, www.environment.gov.au/minister/garrett/2009/mr20091125.html (accessed 28 July 2010).

6 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'A green Start for vulnerable Australians' *Media Release*, 25 November 2010.

7 The Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts, 'A green Start for vulnerable Australians' *Media Release*, 25 November 2010.

8 DCCEE, Green Start Program Guidelines—Round One, July 2010, pp 2 and 5, www.climatechange.gov.au/government/programs-and-rebates/greenstart.aspx (accessed 27 July 2010).

9 DCCEE, Green Start Program Guidelines—Round One, July 2010, p. 6.

10 DCCEE, Green Start Program Guidelines—Round One, July 2010, p. 3.

Recommendation 3

7.11 The committee recommends that due to the failures of:

- **the Green Loans Program to realise its goals;**
- **the Department of Sustainability, Environment, Water, Population and Communities and the Department of Climate Change and Energy Efficiency to demonstrate a capacity to implement programs of this nature; and**
- **the government to manage programs of this nature, such as Green Loans and Home Insulation programs;**

the Green Start Program not proceed.

7.12 Should the government disregard recommendation 3 and decide to continue with the Green Start Program, the committee has a number of recommendations as to how Green Start ought to proceed in order to avoid the problems which resulted in the failure of the Green Loans Program.

7.13 First and foremost, the committee has serious concerns that the government is repeating its previous errors in the design of Green Start. The government has thus far failed to demonstrate any benefit that Australian taxpayers have received from the home assessments performed under the Green Loans Program, which are set to continue under Green Start. Evidence to this committee clearly indicates that there were serious problems with the household assessment process under Green Loans, particularly with the home assessment tool and the quality of assessments, which prevented assessments from delivering any real benefits to either householders or the environment, and hence taxpayers.

7.14 Accordingly, the committee urges that prior to implementing Green Start, the government undertake an extensive analysis of environmental, economic and social impacts of the program. After wasting over \$2.6 billion on the Green Loans and Home Insulation programs, the committee considers it incumbent upon the government to demonstrate that the net environmental or other benefits justify the price-tag of Green Start.

Recommendation 4

7.15 Should the government disregard recommendation 3, the committee recommends that the government undertake an extensive analysis of the environmental, economic and social costs and benefits of Green Start Program prior to its commencement. If substantial benefits cannot be shown, the committee recommends that Round 1 of the Green Start Program be cancelled so as to avoid further waste of taxpayers' money.

7.16 In the event that, despite the foregoing recommendations, the government decides to proceed with the Green Start Program, then the committee recommends that the Green Start Program proceeds in accordance with recommendations 5 to 15.

Issued identified with the Green Start Program

7.17 Should the government decide to proceed with Green Start, despite the committee's strong recommendation that it not, the committee has identified a range of aspects of the project which must be rectified in order to avoid the government repeating the same mistakes it made with the Green Loans and Home Insulation programs. These relate to the aspects of:

- audit and evaluation;
- appropriate timeframes for the program;
- treatment of assessors;
- conflicts of interest;
- the assessment tool;
- departmental staffing and resourcing;
- communication;
- the tender process;
- bookings and assessment reports; and
- payments.

Audit and evaluation

7.18 As discussed in chapter 6, had audit and/or evaluation processes been incorporated into Green Loans, many of the serious issues that developed with that program may have been prevented. Accordingly it is absolutely critical that proper audit and evaluation processes are built into Green Start right from its commencement.

7.19 The Program Guidelines state that DCCEE will conduct activities to 'monitor adherence to the funding agreement' by grant recipients. The guidelines state that:

This will include random and targeted samples of various aspects of the program such as quality of the assessments, householder satisfaction, accreditation of assessors and the correctness of the milestone report and associated request for payment.¹¹

7.20 Under the draft Funding Agreement for organisations and individuals selected under the first round of the proposed Green Start Program, grant recipients will be required to assist these audits by providing documents and responding to reasonable requests.¹²

11 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 12.

12 DCCEE, Funding Agreement: Green Start Program (Round One), www.climatechange.gov.au/government/programs-and-rebates/greenstart/applicant-information.aspx (accessed 28 July 2010), clause 2.5.1, pp 11–12.

Committee comment

7.21 The committee notes, however, that similar audits formed part of the assessor contract under Green Loans,¹³ yet this did not mean that audits were conducted. In fact, the committee has found that the government's failure to monitor and evaluate the program was a key reason for its monumental failure.

7.22 Accordingly, the committee urges that before Green Start commences, DCCEE and the Minister for Climate Change, Energy Efficiency and Water publicly provide detailed information on audit and evaluation processes which form part of the Green Start Program.

Recommendation 5

7.23 The committee recommends that prior to commencing any Green Start Program, the Minister for Climate Change and Energy Efficiency and the Department of Climate Change and Energy Efficiency develop and publicly disclose details of:

- **a comprehensive audit process for the Green Start Program, so that the government can effectively monitor the progress of the program; and**
- **a comprehensive evaluation process for the Green Start Program, so that the government can measure the benefits delivered by the program.**

Implementation timeframe

7.24 The committee is surprised by the government's stated proposal to complete 300 000 to 500 000 assessments in such a short space of time. Applications for grants under Round One of Green Start closed on 20 August 2010. At the time of writing (late September 2010) no announcement had been made on successful applicants. This leaves at best nine months for 300 000 to 500 000 assessments to be completed.

7.25 This compares with the 305 327 assessments that were conducted in eight months of Green Loans between July 2009 and the end of February 2010,¹⁴ which proved to be substantially beyond the government's capacity to manage. The speed at which assessments were conducted under Green Loans is not something that the government should seek to repeat. It is very surprising to the committee, and seems extremely unwise that the government would seek to repeat the Green Loans experience in this way.

7.26 Furthermore, the committee sees absolutely no reason or justification for the speed of the proposed rollout or for the first round to be completed by mid-2011. Accordingly, the committee's primary recommendation with respect to Green Start is

13 See DEWHA Green Loans Individual Contract—provided by ABSA, *Submission 67*, attachment 6, clause 19, pp 17–18.

14 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, *Senate Hansard*, 10 March 2010, p. 1518.

that the government spread the program across a more realistic timeframe. After the experience of Green Loans, the committee stresses that it is critical that Green Start not be rushed, and that administrators have sufficient time to plan and operate the program in accordance with Commonwealth laws, guidelines and best-practice principles.

7.27 Furthermore, the proposal to complete such a huge number of assessments in such a short space of time will undoubtedly have significant negative effects on the home sustainability assessment industry. This is an industry that, as a result of the government's mismanagement of Green Loans, has already undergone substantial trauma. To invest in up to 500 000 assessments over only 9 months means that the industry will experience a huge boom, followed by a catastrophic bust when the funding stops in July 2011. The government's proposal to fund so many assessments in such a short timeframe shows a lack of foresight, and a lack of concern for the development of this important industry.

Recommendation 6

7.28 The committee recommends in the strongest possible terms that the government spread Green Start across a more realistic timeframe, in order to:

- **allow time for proper project planning and management;**
- **allow time for proper consultation with relevant stakeholders;**
- **prevent the program from exceeding the government's administrative capacity; and**
- **ensure the home assessment industry does not hit a brick wall when funding ceases on 1 July 2011.**

Treatment of assessors

7.29 All assessors performing assessments under Green Start are required to be accredited by ABSA,¹⁵ which means that a substantial proportion of, if not all, applicants under Round 1 are likely to be Green Loans assessors and companies that employed them, like Fieldforce.

7.30 According to the Program Guidelines 'all complete applications that meet the eligibility requirements will be assessed through a competitive and comparative process against the merit criteria of the program'.¹⁶ These criteria include:

- demonstrated skills, experience and expertise of assessors;
- demonstrated ability of the proposal to contribute to Green Start objectives, particularly in regional and remote areas;

15 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 5.

16 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 10.

-
- 'demonstrated skill, capacity and experience in delivering projects to agreed timelines and with the allocated budget'; and
 - value for money.¹⁷

7.31 Organisations and individuals selected under the process will then be required to sign a funding agreement with the government, a draft of which has been released by DCCEE.¹⁸ They will also be asked to provide financial statements and/or a bank bond amounting to 20 per cent of the total funding they have requested.¹⁹

7.32 In other words, the government is asking Green Loans assessors and companies to now put forward funding proposals demonstrating to how they will deliver home sustainability assessments to households. DCCEE will then choose based on a 'competitive and comparative process' which assessors and companies to fund, and have them sign a new contract with the government to perform these assessments. Funding will then be provided in lump sums in accordance with the agreement reached between the assessor/company and government, on the basis of assessors completing 'milestone' reports.²⁰

Committee comment

7.33 While this process seems to involve significant replication of the processes that assessors went through in order to take part in Green Loans, if conducted properly, and on merit, it may be a convoluted way of allowing some of the best and most dedicated assessors to continue performing home assessments. However, the committee has a number of reservations about whether the selection process will be properly conducted, as well as recommendations as to how various problems that arose under Green Loans might be avoided.

7.34 The committee is uncertain whether the government will conduct the procurement process for assessors fairly and based on merit, given its track record on the issue.²¹ The committee urges that DCCEE implement appropriate oversight mechanisms at the highest level to ensure that the selection process is conducted fairly and in accordance with relevant procurement and other Commonwealth laws and guidelines.

17 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 10.

18 DCCEE, Funding Agreement: Green Start Program (Round One), www.climatechange.gov.au/government/programs-and-rebates/greenstart/applicant-information.aspx (accessed 28 July 2010).

19 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 10.

20 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 12.

21 Patricia Faulkner, 'Independent Inquiry – Green Loans Program: Review of procurement processes and contractual arrangements', June 2010.

Recommendation 7

7.35 The committee recommends that the Department of Climate Change and Energy Efficiency implement appropriate oversight mechanisms, at the highest level, to ensure that the allocation of Green Start funding is merit-based and is conducted in accordance with all relevant procurement laws and guidelines.

7.36 The committee also emphasises the importance of no special deals being done under Green Start, which would undermine the integrity of the program from the outset, as it did with Green Loans.

Recommendation 8

7.37 The committee recommends that no preferential deals are done under any Green Start Program, which unfairly give one grant recipient an advantage over any other.

7.38 The committee also has concerns about the requisite training of assessors under Green Start, based on the experience of Green Loans. While the committee considers it appropriate that Green Loans assessors be given the opportunity to receive funding under Green Start, concerns remain as a result of the significant variances between Green Loans training courses. The government's lack of regulation of Green Loans training means some assessors will have received better training than others.

7.39 However, there is no way for the government to determine which assessors have been well trained. Accordingly, the committee considers it would be appropriate for the government to fund further training, to Certificate IV level, of all assessors, including assessors employed by companies, who trained under Green Loans, and are selected to perform assessments under Green Start.

7.40 Noting the fact that the process for nationally endorsing the Victorian Certificate IV course is underway but that it is a slow 'process of going through the state governments',²² the committee considers this as another reason for the government to delay the roll-out of Green Start.

Recommendation 9

7.41 The committee recommends that, once the national endorsement process for the Victorian Certificate IV course has been completed, for all Green Loans assessors selected to receive grants under any Green Start Program, the government fund an upgrade in their training to Certificate IV level.

Assessors not selected under Green Start

7.42 The funding model for Green Start removes the risk of one of the main problems experienced in Green Loans from recurring—assessor numbers. Because

22 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 71.

grants are determined before assessments are conducted, there will be a natural limit on the number of assessors under the program.

7.43 However this means that many of the 9500 assessors who paid on average \$3000 for training under the Green Loans program will not be funded to perform home assessments under Green Start.

7.44 For those Green Loans Assessor, who are not successful in obtaining grants under Green Start, the government has announced that they 'will receive immediate access to Stream 2 services (or higher) from Job Services Australia under the Compact for Retrenched Workers'.²³

Committee comment

7.45 It is unclear to the committee whether those approximately 5500 individuals who underwent assessor training, but were not awarded government contracts as a result of the cap on assessor numbers as of 19 February 2010, will be eligible for any assistance. These are people who spent significant resources to train as assessors with an expectation based on government statements that they would be able to work under the Green Loans Program and, because of a government decision of which they had no prior warning, were not able to work under that program.

Recommendation 10

7.46 The committee recommends that the government urgently clarify whether those individuals who trained and were accredited as assessors under Green Loans, but never received contracts from the government, will be entitled to any government assistance.

Conflicts of interest

7.47 It seems that in order to avoid the rotting that went on under Green Loans, the government has included requirements in the Green Start Program Guidelines that any conflicts of interest must be declared,²⁴ as well as a condition in the funding agreement that recipient must not:

[Direct] the Householder toward a range of products or services developed or supported by an enterprise with which the Recipient or Assessor is associated or from whom the Recipient or Assessor will receive a commission or other benefit.²⁵

7.48 Furthermore, assessors and companies will not be allowed to use telemarketing to book assessments. The draft Funding Agreement states that they must not:

23 www.deewr.gov.au/Employment/Programs/Pages/GreenStart.aspx, (accessed 28 July 2010).

24 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 4.

25 DCCEE, Funding Agreement: Green Start Program (Round One), subclause A.2.18.k, p. 34.

...make unsolicited direct approaches to members of the public to elicit assessment business, such as by way of cold-calling, email, door-knocking or any other form of unsolicited direct marketing to potential customers.²⁶

7.49 While the committee notes that this removes a key problem with Green Loans, it does raise the question of what will happen if assessors are not able to effectively market the program. The committee heard evidence from assessors that they had significant trouble marketing the program without the green loans component and given the poor public perception of the program (see paragraph 5.9 ff). The committee urges the government to consider this issue, and specifically, to consider what will happen if assessors are unable to perform the work they have been contracted to do. The committee feels that it would be unreasonable if, because of the government's own maladministration of the Green Loans program, assessors are unable to perform as many assessments as they contract to under Green Start, and the government treats that as a breach of contract. DCCEE and the Minister need to work through this issue and develop a clear and transparent policy so that applicants know what they are signing up for before they are awarded grants under Green Start.

Assessment Tool

7.50 The Program Guidelines note that assessments 'must be undertaken, using the Home Sustainability Assessment Tool, and reports prepared for householders using the Home Sustainability Template (both of which will be provided by the department to successful grant recipients)'.²⁷

7.51 No further detail has been provided on whether the assessment tool will be the same as that used in Green Loans.

Committee comment

7.52 Given the serious inaccuracies and other problems with the Green Loans assessment tool (discussed in chapter 3), the committee recommends that, in consultation with the assessor industry, the tool be entirely redeveloped, and these issues be addressed prior to the implementation of Green Start. The committee also urges that adequate time be given to the developer of the tool to properly test it and address any issues prior to its national release.

7.53 It is also important to note that the assessment tool for Green Loans was designed with a different objective than what is required for Green Start—Green Loans was designed in large part to give householders an idea of what products they could usefully purchase with a loan; whereas Green Start does not contain a loan component. The difference is important, as without the prospect of an interest-free loan, householders under Green Start are likely to be more interested in free and less-costly products and solutions as to how to save water and energy.

26 DCCEE, Funding Agreement: Green Start Program (Round One), clause A.2.8, p. 32.

27 DCCEE, Green Start Program Guidelines—Round One, July 2010, p. 5.

Recommendation 11

7.54 The committee recommends that, in consultation with the assessor industry and other relevant stakeholders, the Green Loans assessment tool be redeveloped to address the different objectives of any Green Start Program, and that the tool be tested properly and problems rectified prior to its implementation.

Departmental staffing and resourcing

7.55 As discussed throughout this report, and in chapter 6 in particular, many of the serious problems with Green Loans, including the long delays in paying assessors, resulted from significant under-resourcing of the team in DEWHA, and later DCCEE, charged with running the program.

Committee comment

7.56 In order to avoid these issues recurring under Green Start, it is imperative that prior to the commencement of any new program, DCCEE undertake an extensive assessment on staffing requirements—including both numbers of staff and project management expertise. It is critical that the team charged with managing Green Start have sufficient skills and resources to properly and professionally manage the project right from the outset.

Recommendation 12

7.57 The committee recommends that, prior to the commencement of any Green Start Program, an audit of staffing requirements within the Department of Climate Change and Energy Efficiency be conducted, including consideration of staffing numbers and expertise required to manage the project. The appropriate numbers of experienced project management staff must be employed to manage any Green Start Program from the outset.

Communication

7.58 As discussed throughout this report, and highlighted in chapter 6, DEWHA's and later DCCEE's lack of communication with stakeholders and within their own departments was a key reason for the failure of the Green Loans Program.

Committee comment

7.59 The government must ensure that the massive communication failures, both between the department and stakeholders and within the department, are not repeated.

7.60 In addition to the committee's recommendation that the Commonwealth Ombudsman consider investigating this systemic problem in DEWHA (which was recently renamed the Department of Sustainability, Environment, Water, Population and Communities) and DCCEE, the committee also recommends that prior to

commencing Green Start, DCEEE conduct genuine consultations with the various stakeholders with an interest in the new program.

Recommendation 13

7.61 The committee recommends that prior to commencing any Green Start Program, the Department of Climate Change and Energy Efficiency conduct thorough and genuine consultation with program stakeholders.

Tender process

7.62 Under round one of the Green Start Program companies and individuals have been invited to apply to perform assessments. According to the Program Guidelines:

It is intended that grant funding under the Green Start program will be allocated to a range of qualified, experienced individuals and/or organisations across Australia.²⁸

7.63 Applicants were asked to submit funding proposals demonstrating how they will perform assessments. In addition to the cost of performing assessments (specified in the Program Guidelines to \$211 per assessment²⁹), applications may include funding for administration costs, marketing, equipment, travel and training.³⁰

Committee comment

7.64 The committee has very serious concerns about this proposed funding model. First and foremost, the committee questions why the government has specified a fixed rate for assessments (\$211), if it intends to undertake a competitive tender process for assessment funding. Why would the government not allow the market to decide the going rate for assessments?

7.65 Furthermore, in addition to this \$211 'going rate', the government proposes to allow applications to add on further funding for administration and other expenses. This will make the cost to government per assessment substantially higher than it was under Green Loans. The committee notes that there were no problems in finding assessors willing to work for \$200 per assessment, and questions why the government would now pay substantially more per assessment under this new program. The government has failed to demonstrate that spending \$200 per assessment delivered any value for money to the taxpayer. How can spending significantly more than this be expected to now deliver value for money?

28 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 5.

29 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 3.

30 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 6.

Recommendation 14

7.66 The committee recommends that the government abandon any fixed rate for assessments of \$211 and instead allow the market to determine the most efficient value of assessments.

Bookings and Assessment Reports

7.67 Under the Green Start Program, assessors will be required to take bookings directly from householders, and to provide assessment reports directly.³¹ This appears to be a response to the problems experienced under Green Loans in relation to the booking centre and distribution of reports.

7.68 It is proposed that DCCEE will publish the details of assessors on its website, so that householders can contact assessors directly to book appointments.³² With respect to reports, assessors will be required to provide them in a template provided by DCCEE.³³

Committee comment

7.69 While the committee acknowledges that requiring assessors to make their own bookings and issue reports will take a significant burden off DCCEE, it appears that the process may result in gaps in audit and quality control. It is critical to the integrity of the program that the government maintain strict checks and quality controls throughout the operation of Green Start, in order to ensure that householders are receiving high quality assessments in a timely manner.

7.70 A recommendation about audit and evaluation was made above (recommendation 5).

Payments

7.71 The Program Guidelines state that the funding agreement between the government and successful grant applicants 'will include a budget and a payment and reporting schedule'.³⁴ The guidelines state that:

Budgets can include a reasonable advance payment, payable in late 2010. Subsequent grant payments would then be made at intervals based on eligible expenditure incurred, with each payment subject to satisfactory completion of payment milestones, substantiation and compliance generally with the funding agreement.³⁵

31 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 5.

32 DCCEE, Funding Agreement: Green Start Program (Round One), clause A.2.5, p. 32.

33 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 5.

34 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 12.

35 DCCEE, Green Start Program Guidelines–Round One, July 2010, p. 12.

7.72 In order to receive payment, assessors will have to invoice the department, as they did with Green Loans, along with the relevant milestone report. The draft funding agreement provides that the department will pay correctly rendered invoices within 30 days.³⁶

Committee comment

7.73 Neither DCCEE nor the Minister have released any information on how the government will ensure that the problems with payments to assessors that occurred under Green Loans do not recur. The committee stresses the importance of the government honouring its obligations under the contract, particularly with respect to timely payment. As the committee heard in evidence during the inquiry, the government's late and non-payment of invoices resulted in serious financial hardship for many assessors and their families. This is a completely unacceptable situation, which the government must do everything possible to ensure is not repeated.

Recommendation 15

7.74 The committee urges the government to uphold its side of funding agreements under any Green Start Program, including making payments on time, to prevent payments to grant recipients being delayed as they were under Green Loans.

**Senator Mary Jo Fisher
Chair**

36 DCCEE, Funding Agreement: Green Start Program (Round One), clause B.3.5, p. 38.

Government Senators' Minority Report

Government Senators welcome scrutiny of the Green Loans Program. We note that a number of reviews and audits of various aspects of the program have already been undertaken, including the Faulkner review of procurement processes and contractual arrangements, a performance audit by the Auditor-General, the Protiviti review of procurement practices, a review of the program's implementation and design by Resolution Consulting, an audit by PricewaterhouseCoopers of ABSA's accreditation processes, and this Senate inquiry.

Government Senators note that significant changes have been made to the Green Loans Program reflecting the recommendations of earlier reviews and audits of the program, and in particular the Faulkner review of procurement processes. Substantial changes have also been made to the management structures of the departments of Climate Change and Energy Efficiency (DCCEE) and Sustainability, Environment, Water, Population and Communities (DSEWPC, formerly the Department of Environment, Water, Heritage and the Arts) in response to the findings of the various reviews and audits.¹

Changes to existing Green Loans Program

In her statement to the Senate on 10 March 2010, the former Minister for Climate Change and Energy Efficiency, Senator the Hon Penny Wong, spoke frankly about the problems with the Green Loans Program and stated that 'since assuming responsibility for this program, I have put in place an immediate process to fully identify and get to the bottom of these problems'.²

Since March 2010, the delivery of the existing Green Loans Program has been substantially improved, with:

- more than 170 000 home sustainability reports having been distributed between May and July 2010 and DCCEE now aiming to deliver reports within 10 business days.³

1 DSEWPC, Formal comments on the proposed report or extracts of the proposed report, ANAO Performance Audit Report No.9: Green Loans Program, 29 September 2010, p. 137; DCCEE, Formal comments on the proposed report or extracts of the proposed report, ANAO Performance Audit Report No.9: Green Loans Program, 29 September 2010, pp 137–145.

2 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, Ministerial Statement, *Senate Hansard*, 10 March 2010, p. 1517.

3 Mr Malcolm Thompson, Deputy Secretary, Department of Climate Change and Energy Efficiency (DCCEE), *Committee Hansard*, 29 June 2010, p.75.

- reduced call wait times for booking appointments: 'since March 2010 average wait times for the booking centre and the inquiries line have not exceeded 35 seconds';⁴
- correctly rendered invoices from assessors now being paid within 30 days;⁵
- the commencement of an audit program;⁶ and
- arrangements being made for the delivery of the \$50 Green Rewards.⁷

Government Senators note that none of these important improvements have been mentioned in the majority report, yet they have made significant improvements in the delivery of the program.

Government Senators also note that all of the issues that arose with the Green Loans Program were dealt with by both Minister Wong and the former Minister for Environment, Heritage and the Arts, the Hon Peter Garrett MP, quickly and transparently as soon as the relevant minister became aware of them. For example, upon learning of the problems with over-demand for assessments and assessor numbers, Minister Garrett quickly made changes to the program to address these problems.⁸ And upon assuming responsibility for the program, Minister Wong indicated an intention to address and solve the problems with it as soon as possible.⁹

The ministers responsible for the Green Loans Program have at all times acted appropriately based on the knowledge and information available to them. Both ministers, once aware of the problems with the program acted decisively to resolve them, and did so in an upfront and transparent manner. Minister Wong instigated reviews, audits and inquiries into every aspect of the Green Loans Program and has acted thoroughly and promptly on the recommendations and findings of those reviews.

The government has now re-fashioned the Green Loans Program, and expects over coming months that it will transition into the Green Start Program. In doing so, the Government intends to continue to support the most important element of the original program—the household energy assessments. The new program is being designed to

4 Mr Malcolm Thompson, Deputy Secretary, Department of Climate Change and Energy Efficiency (DCCEE), *Committee Hansard*, 29 June 2010, p. 76.

5 Mr Malcolm Thompson, Deputy Secretary, Department of Climate Change and Energy Efficiency (DCCEE), *Committee Hansard*, 29 June 2010, p. 76.

6 Mr Malcolm Thompson, Deputy Secretary, Department of Climate Change and Energy Efficiency (DCCEE), *Committee Hansard*, 29 June 2010, p. 76.

7 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, 'Delivery of \$50 Green Rewards in 2010–11', *Media Release*, 19 May 2010, www.climatechange.gov.au/minister/previous/wong/2010/media-releases/May/mr20100519a.aspx (accessed 21 October 2010).

8 The Hon Peter Garrett MP, Minister for Environment, Heritage and the Arts, 'Significant Changes to Commonwealth Environmental Programs', *Media Release*, 19 February 2010.

9 Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water, Ministerial Statement, *Senate Hansard*, 10 March 2010, p. 1517.

deliver high quality assessments in a format which overcomes the problems with the previous program. The government has taken into account the findings of the several completed reviews into the Green Loans Program in the design of the new Green Start Program.

Improving legacy issues within government departments

The Faulkner and ANAO reviews in particular highlighted several serious issues within DCCEE and DSEWPC that contributed to the problems with the Green Loans Program. Specifically, the ANAO found that Minister Garrett 'was not well served by his Department when it came to the quality of briefing provided'.¹⁰

The government has demonstrated its commitment to addressing the issues within DCCEE and DSEWPC that were identified in the various reports on the Green Loans Program. Both departments responded to the Auditor-General's report and outlined the processes that have been put in place to prevent a recurrence of the problems that occurred during the Green Loans Program.

DSEWPC indicated that it is making changes 'to improve its business and project management' including in the areas of:

...an executive governance framework, organisational reform; procurement arrangements; training; and internal audit arrangements.¹¹

DSEWPC similarly stated that it 'has been working continuously to address the suite of legacy issues associated with the Program'.¹² That department detailed some of the key changes that it has made to address these legacy issues, which include:

- new governance arrangements throughout the agency;
- establishment of a contract register to capture contracts and procurement plans;
- improved documentation of new procurements and contract variations;
- delivery of contract and procurement training to staff;
- investing in significant improvements to business systems; and
- implementing formal complaints handling mechanisms.¹³

10 Australian National Audit Office, Performance Audit Report No. 9: 2010–11: Green Loans Program, 29 September 2010, p. 46.

11 DSEWPC, Formal comments on the proposed report or extracts of the proposed report, ANAO Performance Audit Report No. 9: Green Loans Program, 29 September 2010, p. 137.

12 DCCEE, Formal comments on the proposed report or extracts of the proposed report, ANAO Performance Audit Report No. 9: Green Loans Program, 29 September 2010, p. 138.

13 DCCEE, Formal comments on the proposed report or extracts of the proposed report, ANAO Performance Audit Report No. 9: Green Loans Program, 29 September 2010, pp 138–145.

At Senate Estimates recently, the Secretary of DCCEE, Dr Martin Parkinson, elaborated on the measures being undertaken by the department:

I have spent the vast bulk of my time since 8 March [2010] working on these issues directly around HIP and Green Loans but more generally around ensuring that the department has in place the proper processes, governance arrangements and appropriate training levels for people so that under our watch these risks are minimised and that we deliver on the rectification tasks that we have been charged with...

[DCCEE] have just had Tony Blunn, a very experienced former secretary, come in and look at what we are doing. He also said that if we are able to deliver on what we have started on, we are doing very well in terms of the risk management. I publicly committed in the past that in 12 months time I am going to have an independent assessment of the department to see how much progress we have made.¹⁴

Furthermore, the Minister for Climate Change and Energy Efficiency, the Hon Greg Combet AM MP, in his response to the Auditor-General's report announced that:

Given the serious nature of the report's findings, I am asking Mr Dreyfus, Parliamentary Secretary for Energy Efficiency, to assume responsibility for overseeing all existing and future energy efficiency programs to ensure we prevent any future failings.¹⁵

The government is strongly committed to addressing the systemic issues identified in the various reports on the Green Loans Program.

The importance of household sustainability assessments

Government Senators feel that it is essential to highlight the importance of household audits in contributing to a greener future for Australia. Despite many of the problems with the Green Loans Program, stakeholders continue to overwhelmingly support the objectives of that program.

Assessors,¹⁶ the banking industry,¹⁷ ABSA¹⁸ and Fieldforce¹⁹ all spoke in very positive terms about the objectives of Green Loans, and the benefits of household

14 Dr Martin Parkinson, Secretary, Department of Climate Change and Energy Efficiency, *Proof Committee Hansard*, Senate Environment and Communications Committee, Supplementary Budget Estimates, 18 October 2010, p. 65.

15 The Hon Greg Combet AM MP, Minister for Climate Change and Energy Efficiency, 'Release of Green Loans ANAO report', *Media Release*, 29 September 2010, at www.climatechange.gov.au/minister/greg-combet/2010/media-releases/September/mr20100929.aspx (accessed 25 October 2010).

16 Ms Leanne McIntosh, GLACO Assessors Group, *Committee Hansard*, 29 June 2010, p. 9.

17 Mr Steven Münchenberg, Chief Executive Officer, Australian Bankers Association Inc., *Committee Hansard*, 29 June 2010, p. 28.

18 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 69.

energy audits. For example, Mr Timothy Ryerson, Executive General Manager of Fieldforce Services commented:

We want to be clear that we believe that the Green Loans Program was a great idea in principle. It offered a concrete way for people in Australia to reduce their rising energy use and rising energy bills, now and into the future, reduced demand on network infrastructure and cost-effectively tackled climate change.²⁰

Household energy audits, conducted by trained and experienced assessors, have provided Australians with information about how to improve the energy performance of their home. Many of the recommendations made in the assessments conducted under Green Loans can be implemented at no or minimal financial cost, and are capable of saving significant amounts of greenhouse gases, as well as reducing householders' power bills.

This information is empowering to householders who want to be more sustainable, but simply do not know where to start, as emphasised by Ms Alison Carmichael, CEO, ABSA:

I think deep inside most of us is a wish to be more sustainable. How do we do that? You just look at your house and think: 'Where do I start? Where do I start in my life?' By having a green loans assessment, you got a lovely little list of priorities as somewhere you could start, and even a method. The loans were there, so even some funding towards that. That is the sense I got. And also how sustainable am I? How do I rate?²¹

The significant benefit to householders of the Green Loans assessments is proven by the sheer popularity of that aspect of the program. As was identified in the independent review of the program by Resolution Consulting, the unprecedented demand for assessments was a key reason for DEWHA's difficulties in delivering the program.²² DEWHA's program management systems and expertise simply were not capable of handling the popularity of the assessments: of booking new assessments; sending out reports for completed assessments; and paying assessors for completed assessments. Green Loans demonstrated the huge community appetite for knowledge about what action can be taken to reduce household carbon footprints.

Furthermore, as part of its performance audit of the Green Loans Program, the Auditor-General surveyed householders who received assessments under the program, finding an almost 80 per cent satisfaction rate with the conduct of assessments. According to the survey, around 75 per cent of householders were provided with

19 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 16.

20 Mr Timothy Ryerson, Executive General Manager, Fieldforce Services, *Committee Hansard*, 29 June 2010, p. 16.

21 Ms Alison Carmichael, CEO, ABSA, *Committee Hansard*, 29 June 2010, p. 69.

22 Resolution Consulting Services, 'Review of the Green Loans Program: Final Report', March 2010, p. 5.

practical and helpful advice.²³ The high rate of householder satisfaction with assessments is corroborated by PricewaterhouseCoopers' review of the program.²⁴

The household assessments conducted under the program have equipped hundreds of thousands of Australian households with important knowledge about the sustainability of their homes, and tips to improve efficiency. The government has recognised the importance of continuing these household energy audits in order to provide Australians with that information.

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

Recommendation 1—Ombudsman investigation

Government Senators reject Recommendation 1 of the majority report.

Given the high level of scrutiny already being applied to the Green Loans Program through numerous inquiries into every aspect of the program, we do not believe further investigation by the Ombudsman is warranted.

Furthermore, we note that the government has already identified and responded to the matters raised in the Faulkner review relating to systemic issues within DEWHA.

Rather than recommending further reviews and inquiries, government Senators believe Recommendation 1 should be rephrased to say:

New Recommendation 1

The committee welcomes the high level of scrutiny being applied to the Green Loans Program.

The committee urges the government to continue to respond in full to the findings of completed inquiries, and to address systemic issues identified in those inquiries.

Recommendation 2—evaluation of all environmental programs

Government Senators reject Recommendation 2 of the majority report.

23 ANAO, Performance Audit Report No. 9 2010–11: Green Loans Program, 29 September 2010, p. 110.

24 DCCEE, answer to question on notice, Question 2, 29 June 2010 (received 22 October 2010).

This recommendation is the Coalition's recipe to do nothing to improve Australia's environmental performance. It would force unnecessary delays and impose unwarranted costs and red-tape on the roll out of many important environmental measures.

Cost-benefit analyses inevitably rely on a range of assumptions and simplifications. They typically involve the expression of all benefits and costs in a common scale or denominator, so that they can be compared with each other, even when some benefits and costs are not traded on markets and hence have no established dollar values.

In some policy areas these calculations can be robust and reliable. However, environmental values are notoriously difficult to monetise, subjecting analyses in this area to a high degree of uncertainty and inaccuracies. This would potentially undermine, or expose to criticism, any results that flow from the analysis.

Government Senators acknowledge that there may be occasions when a cost-benefit or triple bottom line analysis is warranted. However to do so for all proposed environmental programs is patently ludicrous.

Recommendation 3—cancellation of Green Start

Government Senators reject Recommendation 3 of the majority report.

As discussed by the Auditor-General, the government and agencies involved in Green Loans have demonstrated a commitment to making the improvements necessary to ensure that systemic issues are addressed and mistakes are not repeated.²⁵

Furthermore, as outlined above, the delivery arrangements for the Green Start Program are being designed to alleviate the key difficulties experienced by the government in the delivery of Green Loans including:

- removing managerial pressure from the department;
- addressing the issue of conflicts of interest amongst assessors;
- strong audit controls; and
- assessor quality.

Accordingly, government Senators see no basis for Recommendation 3. The Government has stated repeatedly that it has drawn upon the lessons identified in other inquiries in shaping the Green Start program. This includes the support of an appropriate mechanism to identify risks. Should risks be identified in any stage of the

25 ANAO, Performance Audit Report No. 9: 2010–11: Green Loans Program, 29 September 2010, p. 22.

process, they will be dealt with immediately. We propose, therefore, that the recommendation should read:

New Recommendation 3

The committee recommends that due to the:

- **benefits that household assessments under the Green Loans Program have been shown to have provided householders;**
- **the government's demonstrated commitment to addressing the issues identified in the various reviews of the Green Loans Program; and**
- **the delivery mode of the proposed Green Start Program;**

the Green Start Program proceed, subject to implementation of appropriate policies and procedures to address issues that have been identified in the completed reviews of the Green Loans Program.

Recommendation 4—budgetary evaluation of Green Start

Government Senators note the comments of Mr Thompson, Deputy Secretary, DCCEE, that it is not unusual for cost-benefit or triple-bottom-line analyses not to be undertaken, particularly of election commitments.²⁶

Furthermore it would be pointless for the government to undertake a cost-benefit or triple-bottom-line analysis of a program to be delivered through grants which are yet to be determined. We believe that by asking grant applicants to undertake full budget costings and outline their plans for delivering assessments, that the government undertaking an additional analysis of costs and benefits would simply repeat this work.

Accordingly, we suggest that the recommendation be amended as follows:

New Recommendation 4

The committee recommends that, in processing grant applications under Green Start, the Department of Climate Change and Energy Efficiency ensure that each successful application properly demonstrates the benefits to be delivered and the budget breakdown.

26 Mr Malcolm Thompson, Deputy Secretary, DCCEE, *Committee Hansard*, 29 June 2010, p. 85.

Recommendations 5 through 15

Government Senators believe that the committee is not in a position to make these recommendations. These proposed recommendations go to the design, administration and implementation of the Green Start program that are the responsibility of the Department. The Department will need to make decisions relating to the implementation of Green Start based on its respective risk management and assessment processes and other advice it receives.

In this context, Government Senators note that the Auditor-General elected against making any recommendations in his report, observing instead that the Government was acting appropriately in responding to the reviews already conducted, particularly the review undertaken by Ms Patricia Faulkner:

The audit has not made any recommendations to the departments as DEWHA and DCCEE announced changes to improve corporate and program governance, enhance internal control mechanisms and systems, and strengthen accountability frameworks. Better engagement of centrally-maintained subject matter expertise, such as risk management, procurement, ICT, compliance and communications, by program areas is also being encouraged to provide greater support for program managers.²⁷

Government Senators also note that DCCEE has engaged Mr Anthony Blunn AO to examine and report on the adequacy of the response of the Department to the Hawke Report into the Home Insulation Program and the Faulkner Inquiry into the Green Loans Program. Mr Blunn, the former Secretary of the Attorney-General's Department, has extensive knowledge of, and experience in legal, financial, commercial and consumer issues acquired during his career in the Public Service.

Senator Doug Cameron
Deputy Chair

Senator Dana Wortley

Senator Anne McEwen

27 ANAO, Performance Audit Report No. 9: 2010–11: Green Loans Program, 29 September 2010, p. 22.

Dissenting Comments

Australian Greens Senator Christine Milne

The Greens have long advocated strong energy efficiency policies and the Green Loans Scheme has many similarities to a Greens' 2007 election initiative to drive the uptake of household energy efficiency through household energy audits. The mismanagement of the scheme has therefore been a significant disappointment. To ensure that the causes for the mismanagement are fully understood and avoid repetition in future schemes, I wrote to the Auditor General in February 2010 asking for an immediate and comprehensive investigation into the gross mismanagement of the Green Loans Scheme by Minister Peter Garrett and the Department of Environment, Water, Heritage and the Arts.

The Auditor General's report, released in September 2010, confirmed the concerns I had raised, from poor governance and weak budgetary control, to lack of probity in procurement, and the fact that Fieldforce received a clear market advantage. Further, everything that I alleged in the Senate about inadequate training and quality control of assessors as well as the shortcomings of the assessment tools were confirmed.

Overall, the findings of this Senate inquiry are similar. I regard the body of the report to be a sound exposition and analysis of the Green Loans Program and the issues surrounding the pending Green Start Program. It is a different matter, however, with the recommendations.

The Greens do not support Recommendations 3 and 4. The contention of Recommendation 3, that the Green Start should be abandoned based on the maladministration of the Green Loans Program is not constructive and if effected would deny the opportunity for the public service to learn from that experience. Given the extensive analysis now available to inform the Department of Climate Change and Energy Efficiency, we believe it makes far more sense for this information to be utilised to build the capacity of the public service to implement similar programs in the future. The other recommendations from this inquiry provide clear parameters within which such implementation would be appropriate and likely to succeed.

The extensive cost-benefit analysis outlined in Recommendation 4 is also unduly onerous given that several programs both overseas and within Australia have already demonstrated the value of a program such as Green Start.

We therefore support the subsequent Recommendations (5–9, 11–13, and 15) which stipulate clear parameters for ensuring that Green Start is implemented, operated and evaluated effectively.

We also reject Recommendation 14, as it seems redundant given that the Green Start tendering process has already required applicants to place a market value on each assessment.

With regard to Recommendation 10, we believe that in particular the Auditor-General's report into the Green Loans Program has established a clear basis for compensation for assessors. Therefore we contend that Recommendation 10 should read:

7.46 The committee recommends that the government offer all individuals who can provide evidence that they completed a training course to become a Home Sustainability Assessor under the Green Loans Program the opportunity to be trained at government cost in the new Certificate IV national qualification; or refund them the cost of their original training and any ABSA accreditation costs they incurred.

Senator Christine Milne

Appendix 1

Submissions, additional information and answers to questions taken on notice

Submissions

- 1 Mr Graham Palmer
- 2 Mr Shayn Harkness
- 3 Mr Gregory Thomas
- 4 Mrs Tiffany Bennett
- 5 Mr Peter Buckland
- 6 Mr Alexander Richards
- 7 Mr Nathan Mansfield, Buildrate
- 8 Mr Mark Walker
- 9 Name Withheld
- 10 Name Withheld
- 11 Mr Behzad Aziz
- 12 Mr Salikin Zilani
- 13 Mr Muhammad Asif
- 14 Mr Adam Jones
- 15 Mr Bradley von Xanten
- 16 Name Withheld
- 17 Mr Sam Tuck
- 18 Ms Pauline Bos

- 19 Name Withheld
- 20 Mr Rob Brook, Newcastle Home Sustainability Assessments
- 21 Mr Robert Dalton
- 22 Mr Phil Press
- 23 Mr Tom Livanos
- 24 Name Withheld
- 25 Mr Ian Duvenage
- 26 Mr Edmund Hapsburg
- 27 Name Withheld
- 28 Mr Liam O'Neill
- 29 Name Withheld
- 30 Mr Paul Destro
- 31 Mr Denis Hillman
- 32 Mr Jackson Munro
- 33 Ms Eloise Lamond
- 34 Sustainable Home Designs & Assessments
- 35 Mr Les Pink
- 36 Name Withheld
- 37 Mr Raad Toma
- 38 Name Withheld
- 39 Mr James Watts
- 40 Ms Enga Lockey
- 41 Ms Anne Marie Wallage

- 42 Mr Helmut Schiretz
- 43 Mr Lou Hatton
- 44 Mr Jim Chua
- 45 Name Withheld
- 46 Mr Jeffrey Stokes
- 47 Name Withheld
- 48 Mrs Rachele Whelan
- 49 Mr Darryl Smith
- 50 Ms Elizabeth Bossley
- 51 Ms Robyn Fleming
- 52 Mr John Skelly
- 53 Ms Nicole Kelly
- 54 Mr Sharjeel Siddiqui
- 55 Mr Michael L Lewin, Lewin Consulting
- 56 Ms Dot Green
- 57 Mr Paul Flowers-Smith
- 58 Mr Graham White
- 59 Miss Joanna Olsson
- 60 Mr William Brecht
- 61 Dr Roger Severn
- 62 Name Withheld
- 63 L & A Earth Smart
- 64 Mr Mohamed Hawli

- 65 Australian Bankers' Association Inc
- 66 The Department of Climate Change and Energy Efficiency
- 67 The Association of Building Sustainability Assessors (ABSA)
- 68 Name Withheld
- 69 Name Withheld
- 70 Mr Michael Rayner
- 71 Mr Robert J Andrews
- 72 Ms Laine McLaren
- 73 Name Withheld
- 74 Name Withheld
- 75 Mr Dan Mahony
- 76 Name Withheld
- 77 Name Withheld
- 78 Ms Petra Fagan
- 79 Mr Mark Clayton
- 80 Mr Ian Johnson
- 81 Mr Brian Hibben
- 82 Confidential
- 83 Mr James Brittain
- 84 Mrs Sharon Bolland
- 85 Name Withheld
- 86 Mr Robert Gelok AM
- 87 Mr Rohan Rickards

- 88 Mr Kevin Foss
- 89 Green Made Easy
- 90 Name Withheld
- 91 Mr Takeshi Umezu
- 92 Dr Kevin Cox
- 93 Name Withheld
- 94 Mr Anthony Collins
- 95 Mrs Patricia Smith
- 96 Confidential
- 97 Mr Michael Rifat
- 98 Ms Larissa Nicholls
- 99 Name Withheld
- 100 Name Withheld
- 101 Mr Samuel Bradley
- 102 Mr Guanyu Lai
- 103 Mr Jeff Wormald
- 104 Mr Brian Peters
- 105 Sustainability Advice Team Pty Ltd
- 106 Name Withheld
- 107 Mr Richard Hammond
- 108 Name Withheld
- 109 Name Withheld
- 110 Name Withheld

- 111 Name Withheld
- 112 Mr Michael Davis
- 113 Ms Bobbi McKibbin
- 114 Mr Richard Swinton
- 115 Mr Kenneth Williams
- 116 Name Withheld
- 117 Budget Colour Printers
- 118 Mr John Woodger
- 119 Name Withheld
- 120 Name Withheld
- 121 Name Withheld
- 122 Yaubula
- 123 Name Withheld
- 124 Mr Geoff Ludbrook
- 125 Mrs Sharon Bolland
- 126 Mr Bill Wells
- 127 Ms Shelley Mino
- 128 Ms Beverley Aitkins
- 129 Insurance Builders Australia Pty Limited
- 130 Mr Deva Anand Ezekiel
- 131 Mr Muhammad Irfan
- 132 Ms Helen F Hughes
- 133 Mr Deveron Broxup

- 134 Ms Chloe Evans
- 135 Name Withheld
- 136 Ms Denise Storey
- 137 Mr Christian Krombholz
- 138 Mr Roland Chorazy
- 139 Mr Simon Walsh
- 140 Ms Heather Bailey
- 141 Mr Robert Oakeshott MP, Federal Member for Lyne
- 142 Electrical Trades Union of Australia Victorian Branch
- 143 Energy Makeovers Pty Ltd
- 144 Mr Darren Harris
- 145 Mr Aaron Nielsen
- 146 Ms Kim Maree
- 147 Abacus - Australian Mutuals
- 148 Mr Kashif Ahmed Malik
- 149 Mr Mohammed Imtiaz Shah, Iera Group Pty Ltd
- 150 Mr David Cumming, Sustainable Evolution
- 151 Department of Premier and Cabinet Tasmania
- 152 Name Withheld
- 153 Name Withheld
- 154 Ms Alison Carlile
- 155 Name Withheld
- 156 Name Withheld

- 157 Name Withheld
- 158 Name Withheld
- 159 Name Withheld
- 160 Ms Lindy Stanistreet
- 161 Mr Art Koopman
- 162 Mr Diego Rondinone
- 163 D Dilger
- 164 Ms Leanne McIntosh
- 165 Mr Trevor McTaggart, Green Loans Assessors Co-operative Pty Ltd (GLACO)
- 166 Name Withheld
- 167 Mr Matthew Dowd
- 168 Ms Alison Wall
- 169 Ms Michelle Nisbet
- 170 Ms Natalie Scott
- 171 Mr Paul Maslin-Bownas
- 173 Mr Mark Ballesteros
- 174 Name Withheld
- 175 Name Withheld
- 176 Confidential
- 177 Confidential
- 178 Mr Chris Hutton
- 179 Mr Patrick Moroney
- 180 Confidential

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- 181 Name Withheld
- 182 GLACO Assessors Group
- 183 Department of Climate Change and Energy Efficiency
- 184 Department of the Environment, Water, Heritage and the Arts

Additional information

- 1 Submission from Fieldforce to ANAO
- 2 Appendices to Fieldforce's submission to ANAO

Answers to questions taken on notice

- 1 Fieldforce - Answers to questions taken on notice from public hearing of 29 June 2010
- 2 Abacus - Australian Mutuals - Answers to questions taken on notice from public hearing of 29 June 2010
- 3 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – assessor certification
- 4 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – audit function
- 5 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – assessments
- 6 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – air leakage
- 7 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – PwC Audit
- 8 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – Fieldforce booking system
- 9 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – online booking system
- 10 DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – distribution house

- 11** DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – rebate model
- 12** DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – consultations
- 13** DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – investigations
- 14** DCCEE - Answer to questions taken on notice from public hearing of 29 June 2010 – assessment tool
- 15** DCCEE - Answers to questions taken on notice from public hearing of 29 June 2010

Appendix 2

Public hearings

Tuesday, 29 June 2010 – Sydney

Ms Leanne McIntosh (Private capacity)

Mrs Victoria Whiteman (Private capacity)

Fieldforce Services

Mr Timothy Ryerson, Executive General Manager

Ms Amanda McClelland, Chief Operating Officer

Australian Bankers' Association Inc

Mr Steven Munchenberg, Chief Executive Officer

Ms Diane Tate, Policy Director, Financial Services, Corporations, Community

Abacus-Australian Mutuals

Mr Mark Degotardi, Head of Public Affairs

Mr Matthew Gijselman, Senior Adviser, Policy and Public Affairs

Mrs Trypheyne McShane (Private capacity)

Mr Aaron Nielsen (Private capacity)

Association of Building Sustainability Assessors

Ms Alison Carmichael, Chief Executive Officer

Mr Wayne Floyd, Chairman, Board of Directors

Department of Climate Change and Energy Efficiency

Mr Malcolm Thompson, Deputy Secretary

Ms Alex Rankin, First Assistant Secretary, Demand Driven Programs Division

Ms Anne Leo, Acting Assistant Secretary, Sustainability Assessment Programs Branch

Appendix 3

Waiting times for the government to process contracts

- Mr Tom Livanos, *Submission 23*, waited 2 months for a contract.
- Name Withheld, *Submission 27*, waiting for contract since December 2009 (submission received 26 March 2010).
- Mr Liam O'Neill, *Submission 28*, waiting since 11 January 2010 for contract (submission received 26 March 2010).
- Ms Eloise Lamond, *Submission 33*, waited 3 months for accreditation and contract.
- Name Withheld, *Submission 36*, waiting since 12 February 2010 for contract (submission received 26 March 2010).
- Name Withheld, *Submission 38*, waiting since 8 February 2010 for contract (submission received 27 March 2010).
- Mrs Rachele Whelan, *Submission 48*, waiting since 18 February 2010 for contract (submission received 29 March 2010).
- Mr John Skelly, *Submission 52*, waiting since 8 February 2010 for contract (submission received 31 March 2010).
- Mr Sharjeel Siddiqui, *Submission 54*, waiting since 10 February 2010 for contract (submission received 1 April 2010).
- Name Withheld, *Submission 68*, waiting since 28 January 2010 for contract (submission received 25 March 2010).
- Name Withheld, *Submission 77*, waiting since 1 February 2010 for contract (submission received 9 April 2010).
- Mr Kashif Ahmed Malik, *Submission 148*, waiting since January 2010 for contract (submission received 14 April 2010).
- Mr Mohammed Imtiaz Shah, *Submission 149*, waiting since early February 2010 for contract (submission received 22 April 2010).
- Ms Michelle Nisbet, *Submission 169*, waiting since early February 2010 for contract (submission received 14 April 2010).

