

What the Auditor Couldn't See

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Canberra public servants need to get out into the real world. This is what the ANAO report into the Home Insulation Program should have made clear, writes Ian McAuley.

Earlier this month the Commonwealth Government Auditor (ANAO) released its report (pdf) on the Home Insulation Program. We can all remember how strongly the shortcomings of the program featured in the election campaign. After all the fuss the Auditor's findings come as something of an anti-climax.

The Auditor gives the program a reasonable report card: 1.1 million roofs were insulated and 6000 to 10000 short-term jobs were created, widely dispersed geographically. As a stimulus program, it succeeded. The main problems were patchy quality and fraud, and consequent damage, reputational damage in particular, to the insulation industry.

It found that the Department of the Environment, Water, Heritage and the Arts (DEWHA) lacked expertise in project management, was under too much pressure to get the program underway (after all, it was a stimulus program), and failed to understand the technical and business risks in the program — particularly the enticement to fraud and sloppy work when a sudden demand is placed on an industry with few barriers to entry.

Some may be surprised that the report gave little prominence to the morbid details — the four deaths incurred by installers and the 144 ceiling fires following installation of subsidised insulation. Were we not led by newspapers, by talkback journalists, by the opposition and by the television images of ceiling fires to believe that the government — the "Labor" government to use the Murdoch emphasis — had placed us at risk of fire and electrocution?

If the report had covered these matters in any detail, it may have drawn our attention to the general safety record of the building industry, or to the fact that the rate of ceiling fires associated with insulation installation was almost certainly lower under the program than it had been before, even before new regulatory requirements were imposed.

Where the report falls short, however, is in its consideration of the program's administrative failings. It considers only the proximate problems of public administration, failing to get down to some of the structural problems in the public service — problems which are relevant to energy-saving policies in general, and to the relationship between government and its constituents.

It is useful, therefore, to delve a little further than the Auditor does. Two issues, one related to policy and the other relating to administration, come to mind.

The first issue is a long-standing government aversion to regulation. The Report identifies the "low regulatory requirements that existed within the insulation installation industry" as a problem. Competency standards for installers became mandatory only in early 2010, largely as a response to the problems which came to light in the program.

Industry lobbyists, economic ideologues, and dogmatic politicians have been united in opposition to industry regulation — particularly when it is applied to the small business sector which has a sacred status with conservative politicians. The failures in the insulation program, which encouraged the entry of unscrupulous fly-by-night operators, show that the costs of puerile "anti-regulation" policies are borne by all in the industry.

As economists point out, there are regulations relating to safety and quality which protect consumers and ethical operators alike. Possum Comitatus reminds us that the Home Insulation Program, in stimulating a regulatory response, has probably improved the safety of the insulation industry — an outcome overlooked by partisan media.

The second issue is a basic administrative problem. The failings identified by the Auditor are those of a bureaucracy detached from the real world.

The program was run entirely from Canberra. DEWHA had no presence in the states (apart from some people associated with conservation programs). There seems to have been no-one in any Commonwealth agency who went to look at some of the installations, particularly in the program's early stages, to get some feel of how the program was travelling. Had they done so, the program could have been modified early on,

without the subsequent adverse outcomes — the political costs of the government's panicked response, the damage to the industry, and the abandonment of an environmentally useful program.

The Canberra bureaucrats undoubtedly had contact with peak industry associations and unions, but how many of them had first-hand knowledge of the industry? How many had worked in the construction industry? How many had even visited insulation firms? How many were able to pick up the phone and talk to someone with first-hand knowledge — the proprietor of a small firm, a state government inspector? The Commonwealth had contemplated using state governments to deliver the program, but they feared that the states would be too slow to get moving.

It was 34 years ago that the Royal Commission on Australian Government Administration identified as problematic the concentration of the public service in Canberra. Even though most Commonwealth public servants were in state capitals, all the well-paid jobs with promotion ladders were in Canberra. This has not changed.

Adding to this isolation is the loss through privatisation and contracting out of most government business enterprises which once gave openings to practical people to move into policy and senior administrative positions.

Furthermore, programs of public-private sector interchange have gone by the board. In the contemporary public service rewards and status go to professional managers and to those with a sharp turn of phrase who can write for the minister a speech or a few paragraphs of sophistry in anticipation of parliamentary or journalists' questions. Those with mere technical skills — the engineers, ecologists, and scientists — have no place in this brave world of "new public management".

I recall, in my undergraduate days, Don Dunstan, the then opposition leader in South Australia, coming to our university to chat about public policy. One student asked him what he saw as a threat to public administration: his response was to outline the danger which would be posed by the second-generation Canberra public servant, born in Canberra of public servant parents, schooled in Canberra, educated in a school of administration, and, he might have added, technically ignorant of the wattage ratings of light bulbs and the conductivity of aluminium foil.

These technical shortcomings, in themselves, indicate some serious knowledge gaps, not only among public servants and insulation installers, but also among householders who surely have some interest in what is happening in their roofs. The technical risks would have been evident to anyone who had been even half awake during their early high school science classes. The house fires revealed that many people were taking the trouble of installing insulation, while overlooking the simpler energy and cost saving initiative of replacing high wattage downlights with low wattage fluorescent downlights, generating far less waste heat. This revelation of community ignorance on energy matters does not bode well for our ongoing need to reduce our household carbon footprint.

To return to the general problem of bureaucratic isolation, just a few days before the Auditor reported, Ken Matthews, former head of several Commonwealth agencies, gave his valedictory address ([pdf](#)), which included a strong commentary on the shortcomings of the public service.

He was particularly concerned about its ability to respond to the challenges of regional policy — challenges raised not only by the political ascent of the rural independents, but also by issues such as water scarcity. Constituents, he said "will want to know by name their contact officers in the APS and will be impatient with agencies' constant re-organisations and staff changes" — problems which were writ large in DEWHA. The need cuts two ways, for public servants will need their contacts on the ground.

Unfortunately, the Auditor's report itself is a document generated on Canberra's desktops. Those who wrote it live in the same detached world as those on whom they are reporting. If our public servants are to respond to the challenges of environmental and regional policy, they have to get up from their desk chairs and out into the real world.