

Department of Innovation, Industry Science and Research

ADMINISTRATION OF THE LIQUEFIED PETROLEUM GAS
(LPG) VEHICLE SCHEME

April 2010

Report by the Acting Commonwealth Ombudsman,
Ron Brent, under the *Ombudsman Act 1976*

REPORT NO. **05|2010**

Reports by the Ombudsman

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EXECUTIVE SUMMARY

The Liquefied Petroleum Gas (LPG) Vehicle Scheme is an executive scheme administered by the Department of Innovation, Industry, Science and Research (DIISR). The LPG Scheme provides grants to vehicle owners in the non-business sector to encourage the use of LPG as an alternative transport fuel, either through direct purchase or post-purchase conversion. The LPG Scheme was introduced in 2006 and, as at 30 June 2009, had paid out over \$451 million in grants. A grant is available to owners of new and used vehicles who meet the LPG Scheme's eligibility criteria set out in the *LPG Scheme Ministerial Guidelines* (the Guidelines).

The Ombudsman's office commenced an own motion investigation in June 2009 into the administration of the LPG Scheme. The investigation looked mainly into issues that had arisen in complaints to the office. The aim of the investigation was to gain a broader understanding of the program's design and administration, to identify how these complaints arose, in order to make recommendations about how they could be avoided in the future.

Shortly after the investigation began, DIISR informed the office that the Guidelines had been amended by the Minister for Innovation, Industry, Science and Research (the Minister) to address one of the issues that had arisen in complaints. Specifically, the Guidelines were amended to allow applicants to rely on evidence other than registration to show that they had a proprietary interest in a vehicle at the time of the LPG conversion. The change recognised that the previous criterion that required proof of registration on the day of conversion had not always met the intent of the LPG Scheme.

Although this change to the Guidelines addressed an impediment for future applicants, there was continued concern about how past applicants had been treated under earlier versions of the Guidelines. This led the office to examine how well the change, which created a retrospective benefit for some applicants, had been promoted by DIISR. Examination of the amended criteria revealed that applicants who relied on alternative evidence to prove they maintained a proprietary interest in a vehicle on the day of conversion would now be required to be the current registered owner on the day of application. However, applicants who were registered as the proprietor on the day of conversion were not put to this test. We believe that there was no rational basis for distinguishing between applicants on the grounds that they provided different forms of evidence of ownership at the time of LPG conversion.

The investigation confirmed that under the current Guidelines it is almost impossible for suitably qualified self-installers, or people who previously had an LPG system installed with no labour cost (via a training organisation such as a TAFE), to be considered eligible for the grant. This is despite publicly available information indicating that self-installation is not a bar to entitlement. The impediment for such applicants is an inability to demonstrate they had paid the cost of installation in addition to the cost of parts. Our office questioned why the emphasis in the Guidelines is on proof of payment, rather than proof of installation.

The investigation also looked at the complaint-handling policies applying to the LPG Scheme. DIISR, Centrelink and Medicare all play a role in administering the Scheme.

Our assessment of LPG Scheme complaint-handling processes showed that Centrelink, Medicare and AusIndustry each has sound policies and procedures in

place for the management of complaints. The office was also satisfied that DIISR has reasonable processes in place to enable it to bring together complaints received by different agencies for consideration by its executive.

Following the investigation, the Ombudsman recommends that DIISR take action to address issues of making information available where the Guidelines have changed to make new classes of applicants eligible, and that it review the existing Guidelines to ensure they accurately reflect the intent of the Scheme. We acknowledge that any widening of the criteria can open the system to potential 'rorting' but it is important not to allow this concern to displace the need for a fair, open and accountable scheme.

PART 1—INTRODUCTION

The LPG Vehicle Scheme

1.1 The purpose of the LPG Scheme is to encourage the use of LPG as a transport fuel by providing an incentive for prospective buyers of private use vehicles to purchase new LPG vehicles or to convert an existing petrol or diesel vehicle to LPG.

1.2 In Australia, LPG is a cheaper and more readily available natural resource than petrol.¹ A disincentive for converting a vehicle to LPG is that it can take over 18 months, depending on vehicle use, to recoup the cost of an LPG conversion through fuel savings. The LPG Scheme attempts to address this issue by offering a financial incentive, in the form of a grant, to encourage people to either buy a new car with a factory fitted LPG system or convert an existing vehicle. The grant is available to all applicants with a home address in Australia who own a non-commercial vehicle² that is registered in Australia and used for non-business purposes.

1.3 The criteria used for assessing a person's entitlement to a grant under the LPG Scheme are contained in the Ministerial Guidelines. The first Guidelines were approved and issued on 31 August 2006 by the Hon Ian Macfarlane MP (the then Minister for Industry, Tourism and Resources). Since then, a further five versions of the Guidelines have been issued in:

- September 2006
- September 2008
- November 2008
- March 2009
- June 2009.

1.4 DIISR has overall responsibility for the LPG Scheme, the implementation of which is shared by two divisions within DIISR. The Manufacturing Division has policy responsibility, while management of delivery aspects of the LPG Scheme rests with AusIndustry. Medicare is a point of lodgement for claims and forwards applications to Centrelink for processing. Centrelink, acting as an agent for DIISR, provides the service delivery elements of processing and deciding claims. This means that all decisions regarding entitlement to the grant are made by Centrelink, taking into account policy advice provided by DIISR.

1.5 The LPG Scheme is an executive scheme. An executive scheme is established by executive action (under s 61 of the Constitution) rather than by legislation.³ Funding to support the LPG Scheme is authorised by appropriation acts made by the Parliament.⁴

¹ See LPG Australia website www.lpgaaustralia.com.au.

² Less than 3.5 tonnes.

³ See Commonwealth Ombudsman, *Executive schemes*, Report No. 12|2009 and *Pape v Commissioner of Taxation* [2009] HCA 23 (7 July 2009).

⁴ See for example *Appropriation Act (No 3) 2008–09*.

1.6 Under the LPG Scheme, the amount paid to eligible applicants depends on whether the vehicle was converted before its first registration (in the case of a new vehicle) or at a later date. The date on which the vehicle was purchased or converted to LPG also has an impact on the amount an applicant is eligible to receive under the scheme.

1.7 The LPG Scheme currently provides that:

- a new vehicle fitted with an LPG system prior to first registration and purchased after 10 November 2008 attracts a grant of \$2,000. A new vehicle fitted with an LPG system at the time of manufacture and that was purchased before 10 November 2008, attracts a grant of \$1,000.
- eligible applicants who converted an existing vehicle to LPG prior to 1 July 2009 are entitled to a grant of \$2,000
- registered vehicles converted between 1 July 2009 and 30 June 2010 attract a grant of \$1,750
- the grant amount for conversion of registered vehicles will continue to reduce each year by \$250 until the grant amount equals \$1,000 in 2012
- an applicant has 12 months from the date of LPG conversion or purchase of a new vehicle to lodge an application
- a person can only receive one grant every three years
- applications can be lodged at Medicare and Centrelink offices or posted to the LPG Claim Processing Unit.

Ombudsman oversight of executive schemes

1.8 The Ombudsman's office maintains an interest in executive schemes. Recently, the office published a report setting out best practice principles for agencies that are responsible for the administration of executive schemes.⁵ The Australian National Audit Office (ANAO) has also provided guidance to government on the development and management of non-statutory grant programs.⁶ The Department of Finance and Deregulation has issued guidelines relating to grants.⁷ DIISR has advised that these latter guidelines do not apply to the operation of the LPG Scheme.

1.9 Executive schemes provide government with capacity to implement programs quickly, but this flexibility can have drawbacks. For example, the eligibility criteria in an executive scheme are not necessarily subjected to the same level of scrutiny as for statutory schemes, which are examined by parliament. Also, the people who draft the rules and criteria for executive schemes are often those who provide advice on the administration of the scheme.

1.10 It is common that statutory schemes provide a right of appeal to an external review tribunal such as the Administrative Appeals Tribunal. Generally, there is no opportunity for external review of decisions made under an executive scheme. In effect, the Ombudsman's office is the only administrative law agency with the authority to review decisions made under executive schemes. Therefore, the

⁵ See Commonwealth Ombudsman, *Executive schemes*, Report No. 12|2009.

⁶ Australian National Audit Office, *Administration of Grants: Better Practice Guide*, 2002.

⁷ Department of Finance and Deregulation, *Commonwealth Grant Guidelines—policies and principles for grant administration* July 2009 http://www.finance.gov.au/publications/fmg-series/docs/FMG23_web.pdf.

Ombudsman's office takes a particular interest both in individual complaints, and also in the broader issues that may be common to a number of complaints.

1.11 Before discussing the matters that prompted the office to commence this investigation, it should be noted that the office's previous investigations of individual complaints about the LPG Scheme produced positive changes in program delivery. This included the correction of information contained in the LPG Scheme Application Form and removal of the requirement that a person must be resident in the state in which the vehicle is registered. This report will not further examine those particular issues, as they are discussed in the Ombudsman's recent report on executive schemes.

PART 2—OUR INVESTIGATION

Issues investigated

2.1 As at the end of June 2009, the Ombudsman's office had received 231 complaints about the administration of the LPG Scheme.⁸ Complaints related to a variety of issues, such as the adequacy of explanations, fairness of the eligibility criteria, debts, delay and the decision-making process. In 32.5% of complaints received, the office took no specific action other than to refer the complainant back to the agency complained about or to Centrelink to seek a review of the relevant decision. In 52.8% of complaints received, additional assessment was required before the file was closed. The remaining 14.7% of complaints were investigated.

2.2 Although only a small number of individual complaints were investigated, the sample highlighted some important issues that require attention. In addition, several complaints presented similar issues not amenable to resolution through individual investigation, due to the criteria in existence at the time.

2.3 Based on these complaints, the Ombudsman decided to commence an investigation that focused on the following issues:

- effectiveness of the old and new versions of part 10(b) of the Guidelines in meeting the intent of the LPG Scheme
- public promotion of changes to the LPG Scheme
- assessment of LPG self installers and applicants who have had an LPG system installed at no cost by a training institution
- management of complaints about the LPG Scheme.

2.4 To assist the Ombudsman's office to gain an understanding of the rationale used to assess applications, the office obtained from DIISR copies of internal memorandums, emails and briefings regarding amendments to the Guidelines since 2006. In addition, the office obtained from DIISR written responses to targeted questions and initially met with senior DIISR and AusIndustry staff to discuss the investigation.

2.5 The office was also provided with DIISR's documented complaint-handling procedures and those of agencies acting on its behalf, namely AusIndustry, Centrelink and Medicare. In addition, the office obtained information regarding the number of applications processed and grants approved under the LPG Scheme, along with complaint data.

2.6 The office considered publicly available information about the LPG Scheme and undertook general research about state and territory motor vehicle registration laws. This information was used to assess the adequacy of information provided to the public and to consider whether there were any peculiarities in state and territory laws that the office needed to take into account when assessing the reasonableness of DIISR's administration of the LPG Scheme.

2.7 The information provided by DIISR assisted the office to gain a better understanding of the evolution of the LPG Scheme since it began in 2006. The

⁸ There were also additional complaints received about the scheme that concerned Centrelink and Medicare.

review of different versions of the Guidelines highlighted how executive schemes can be a work in progress. For example, the first publicly available version of the Guidelines issued on 12 September 2006 was relatively broad and ran for only four pages. Although brevity can be an advantage, the lack of detail contained in the original Guidelines seems disproportionate to the size of the program itself. The Ombudsman's office notes that by July 2009 more than \$451 million of public money had been paid out in grants under the LPG scheme.

2.8 The investigation also highlighted that at a preliminary stage it is not easy for agencies to develop criteria and anticipate problems that might occur with a program. However, as will become apparent from the comments below, the flexibility offered by executive schemes can create an environment in which changes designed to address a problem can introduce other difficulties.

Vehicle eligibility

2.9 Of the complaints received about the administration of the LPG Scheme, a number were from people whose grant application had been rejected on the grounds that their vehicle was not registered in their name at the time of the LPG conversion. A significant number of these complainants (prior to the beginning of June 2009) believed that they had met the intent of the LPG Scheme despite being unable to demonstrate they were the registered owner on the day of the LPG conversion.

2.10 Prior to June 2009, the Guidelines at part 10 stated:

A vehicle is an eligible vehicle if ...

(b) for a new or used vehicle converted to LPG—the vehicle was registered in the name of the applicant at the date of LPG conversion and is a vehicle for private use at that time. This means a demonstration or second hand vehicle that was registered to a dealership at the time of conversion is not an eligible vehicle ...⁹

2.11 The number of complaints received about this issue was small in comparison to the number of LPG applications processed by Centrelink (245 404¹⁰) since the LPG Scheme began in 2006. However, the complaints came from a wide cross-section of people, all of whom appeared able to demonstrate a private non-business interest in the vehicle at the time of conversion. The following case studies illustrate this point.

Case study 1

Mr A complained to the office after having his application for the LPG grant rejected. He complained that he had travelled to Victoria from Queensland to buy a car. Before travelling back to Queensland he had the car converted to LPG, to save on fuel costs on the long trip back. Although Mr A owned the car, he was not permitted to transfer the registration into his name in Victoria because he was not a resident of that state. This meant he needed to rely on a temporary permit until he had returned to Queensland and could register the car there.

The above sequence of events resulted in Mr A being ineligible for the grant. Although he had purchased the vehicle, he could not show that he was the registered owner on the day of the LPG conversion. Mr A considered this unfair, given he could provide evidence he had bought the car prior to the conversion and that he had transferred the registration into his name upon return to Queensland.

⁹ Part 10(b) of *LPG Vehicle Scheme Ministerial Guidelines* (23 September 2008).

¹⁰ As at 30 June 2009.

Case study 2

Ms B complained to the office that a debt had been raised against her after Centrelink conducted a post-payment compliance review in late 2007. She explained that she had initially been paid the LPG grant, but that the review found she was not entitled to it because registration had not been transferred into her name until after the LPG conversion had been completed. Ms B told the office that she did not think this was fair, as she could show evidence that she had purchased the car prior to the LPG conversion and remained the registered owner at the time of the debt being raised against her.

2.12 In response to questions by the office about why the LPG Scheme, under DIISR and its predecessor, the Department of Industry, Tourism and Resources (DITR), had required applicants to provide evidence of being the registered owner of the vehicle on the day of LPG conversion, DIISR referred the office to an Ombudsman investigation conducted in 2007. DIISR asserted that this case had influenced its decision to require a person to be the registered owner of the vehicle at the time of conversion prior to June 2009.

2.13 The case that DIISR referred to concerned a complaint from an applicant who had been refused a grant under the September 2006 Guidelines. The application was refused on the ground that although the applicant was the registered owner of the vehicle on the day of the LPG conversion, he had sold the vehicle and transferred the registration prior to lodging an application for the grant.

2.14 The Ombudsman's office recommended that DITR reconsider the decision, as the Guidelines did not state that a grant could be refused on the basis that the applicant was not the registered owner of the vehicle at the time of application. The office suggested that an applicant's ability to demonstrate they were the registered owner of the vehicle on the day of the LPG conversion should be the relevant consideration in that case. DITR accepted that the rejection was not consistent with the Guidelines, and asked Centrelink to review the case. Centrelink subsequently found the complainant was eligible for the grant.

2.15 In response to the above investigation, it seems that DIISR decided to limit eligibility to applicants who could show they were the registered owner of the vehicle on the day of the LPG conversion. Initially this required a change in the way the Guidelines were applied, until they were amended in September 2008 to state specifically that an applicant must be the registered owner of the vehicle on the day of the LPG conversion.¹¹

2.16 It is unfortunate that DITR and then DIISR acted to limit eligibility based on its understanding of the issues this office had raised during that investigation. The redefinition of the criteria had, it seems, given rise to an unintended consequence.

2.17 The Ombudsman accepts that an applicant's ability to demonstrate registered ownership of a vehicle must remain a key indicator in determining entitlement for a grant under the LPG Scheme. This is because vehicle registration is the most reliable means of ensuring that a vehicle exists and is being used on the road. In addition, it shows who holds an interest in the vehicle on or around the time of the LPG conversion. Therefore, in most cases proof of registration on the day of conversion

¹¹ See paragraph 2.10.

will be the most suitable and convenient way of helping to manage associated risks while ensuring the intent of the LPG Scheme is achieved.

2.18 However, a rigid emphasis on proof of registration on the day of LPG conversion can preclude applications from people who own but have not changed the registration of a vehicle into their own name at the time of conversion. It is worth noting that state and territory vehicle registration laws allow a vehicle purchaser 14 days in which to transfer the registration into their name.¹² In short, there was a denial of the grant to applicants who met the intent of the LPG Scheme.

2.19 Shortly after the investigation into the LPG Vehicle Scheme began, DIISR notified the office that part 10(b) of the Guidelines had been changed by the Minister on 10 June 2009. The new criteria provide:

A vehicle is an eligible vehicle if ...

(b) for a new or used registered vehicle converted to LPG:

- (i) the vehicle was registered in the name of the applicant at the date of LPG conversion and is a vehicle for private use at that time; or
- (ii) the vehicle was registered in the name of the applicant at the time of the application under this Scheme and is for private use at that time, but this applies only where the applicant purchased the vehicle before the LPG conversion and the purchase is evidenced by payment of the purchase price. For this subparagraph only, if the conversion occurs between the period between the applicant paying a deposit to a commercial dealer under a written sales agreement and paying the outstanding amount before the vehicle is registered in the applicant's name, the applicant is taken to have paid the purchase price at the time the sales agreement was entered into and the deposit was paid ...¹³

2.20 The Ombudsman's office supports this amendment. It extends eligibility to applicants who can demonstrate they had purchased a vehicle shortly before the LPG conversion had been completed. However, the office remained concerned about applicants who had been disadvantaged by earlier versions of the Guidelines. Further, the office questioned whether the amendment had inadvertently created another impediment to applicants who had sold their vehicle prior to lodging an application for a grant.

Promoting changes to the LPG Scheme

2.21 The web page used by AusIndustry to promote the LPG Scheme highlights only the changes to the grant amount.¹⁴ No mention is made on the web page of the recent amendment to the Guidelines set out at paragraph 2.19 of this report.

2.22 The amendment can extend a benefit to applicants who had considered or tested their eligibility against earlier criteria, so it is appropriate to include on the web

¹² See *Road Transport (Vehicle Registration) Regulation 2000 (ACT)*, r 74; *Road Transport (Vehicle Registration) Regulation 2007 (NSW)*, r 34(1)(b); *Motor Vehicles Act* (as in force 9 April 2009) (NT), s 20; *Transport Operations (Road Use Management—Vehicle Registration) Regulation 1999 (Qld)*, Part 5 r 39(1) and r 40(2); *Motor Vehicles Act 1959 (SA)* s57 (2); *Vehicle and Traffic (Driver Licensing and Vehicle Registration) Regulations 2000 (Tas)*, r 61 (6); *Road Safety (Vehicles) Regulations 1999 (Vic)*, r 230(1)(c) and r 229(3)(a); *Road Traffic Act 1974 (WA)*, s24 (2).

¹³ Part 10(b) of *LPG Vehicle Scheme Ministerial Guidelines* (10 June 2009).

¹⁴ <http://www.ausindustry.gov.au/EnergyandFuels/LPGVehicleScheme/Pages/home.aspx> reviewed website 16 September 2009.

page a specific reference to the new criteria. In the absence of some alert, it is unlikely that people who qualify under the new version of the Guidelines will have cause to access the updated customer information.

2.23 Publicly available information about the LPG Scheme does not make it known that an applicant is able to retest their eligibility at any time within 12 months of the LPG conversion.

2.24 This lack of information could disadvantage applicants who were prompt in lodging an application, compared to those who were not. An owner who converted a vehicle in January 2009, who was not registered as the owner at the time, and who delayed submitting a grant application until after June 2009, would receive a grant under the changes to the Guidelines made in June 2009. By contrast, an applicant in the same position who submitted an application in January 2009 at the time of conversion would not receive a grant unless specifically aware of their right to submit a further application at any time within 12 months.

2.25 In light of the above, the Ombudsman recommends that DIISR consider notifying applicants who were disadvantaged by the previous criteria of the recent amendments. The office is aware that DIISR currently has no means to identify applicants who may have fallen foul of the earlier requirement that the vehicle be registered to them on the day of the LPG conversion. However, the Ombudsman considers that an attempt should be made to identify this category of applicant, given that the amendment was designed to address an unintended consequence for a group who may still have an opportunity to test its entitlement. Some additional consideration should also be given by the Program Delegate to those applicants who would now be deemed ineligible due to the timing of the LPG conversion.

Registration at time of application

2.26 The new version of the Guidelines provides that a person who purchased a vehicle prior to the LPG conversion is eligible for the grant only if they can provide evidence that they remain the registered owner of the vehicle at the date of application.

2.27 The requirement that a person is the registered vehicle owner at the time of application has the potential to produce inconsistent outcomes for certain applicants. This can arise because an applicant who converts a car to LPG shortly after transferring registration into their name is entitled to the grant, regardless of whether they remain the registered owner at the time of application. However, an applicant who transfers registration shortly after purchase and LPG conversion is not eligible for the grant if they are not the registered owner at the date of application, even though both types of applicant may have retained registered ownership of the vehicle for exactly the same period.

2.28 Although registration at the time of application for applicants who fail to transfer registration before the LPG conversion could assist in reducing a cynical use of the LPG Scheme, the Ombudsman considers that the risk of producing inconsistency would outweigh any benefit. A person may purchase a vehicle, have it converted, transfer the registration into their name and then sell the vehicle a short time later (or change its use). However, this situation could equally arise where a person was the registered owner on the day of conversion. Therefore, it is not apparent that distinguishing between the two groups of applicants would substantially reduce any abuse of the LPG Scheme, particularly given that applicants are only entitled to receive a grant once every three years.

2.29 The office is aware that DIISR considers that the small number of genuine applicants who would be disadvantaged by this criterion could be dealt with on a needs basis, namely, through the Program Delegate exercising power to direct Centrelink to grant payment. The office is concerned that reliance on a discretion will only capture applicants that Centrelink brings to the Program Delegate's attention and will provide no assistance to applicants who are dissuaded from applying based on the existence of the criteria.

Self installers and training institutions

2.30 A small number of complaints were received from people who had been unable to demonstrate they had paid for both the cost of parts and installation of the LPG system. As the following two case studies show, there are different reasons a person may be unable to demonstrate they had paid the cost of installation.

Case study 3

Mr C arranged to have his vehicle converted to LPG by the local TAFE college. Mr C paid for the LPG system, while installation was done free-of-charge by students under the supervision of a qualified instructor. Mr C stated that prior to applying for the LPG grant, he contacted AusIndustry to find out whether there was a minimum amount he needed to pay towards the cost of the installation. Mr C stated that he was told by AusIndustry that there was no set minimum amount. Mr C therefore included with his application an invoice showing zero for the cost of installation. Mr C's application was rejected on the grounds that he could not prove he had paid for both the cost of parts and installation. Our investigation was unable to establish the advice given by AusIndustry to Mr C. The office was also unable to establish the minimum amount a person was expected to pay towards the cost of installation, other than it needed to be greater than zero and a 'reasonable' amount.

Case study 4

Mr D complained to this office after his application for the LPG grant was rejected on the grounds that he was unable to provide an invoice showing he had paid for the cost of installation. Mr D installed the LPG system to his private vehicle and had it certified by an accredited gas fitter. On lodging his application, Mr D decided not to provide an invoice for cost of installation, given that such an invoice would be unnecessary. Mr D believed it was unfair that he was excluded from accessing the grant, as he could provide other evidence that he had completed the installation of the LPG system.

2.31 The minimum threshold for the cost of installation is unclear, other than it is not zero. The case studies also highlight the potential difficulty of demonstrating whether or not a person has made a payment to themselves for the cost of installation, raising concern for the office about whether this criterion produces consistent and equitable outcomes for applicants. DIISR recognises that the current Guidelines can preclude a grant being given where a person has personally installed the LPG system, or had it installed by someone else at no cost. The Guidelines require an applicant to demonstrate that they have paid for both the cost of parts and installation. Customer information published by DIISR states:

Can I do an LPG conversion myself and claim the grant?

You are only eligible to apply if you can provide proof of payment for the LPG conversion of your vehicle. You will need to show proof that you have paid for the parts AND installation of the LPG conversion kit. It is not sufficient to provide an invoice for parts and/or compliance certification.¹⁵

2.32 It is understandable that an applicant must be able to demonstrate that the LPG system has been installed in their vehicle. Requiring proof of payment of the installation can guard against a potential abuse of the LPG Scheme. A document showing payment for installation provides the easiest means of confirming that the LPG system has been fitted to the vehicle. However, this focus on evidence of payment (as opposed to proof of installation) can produce an anomalous and inequitable outcome for those who have arranged for a no-cost method of installation. A related risk is that the requirement provides an incentive for dishonesty, as a person may arrange for a false invoice to be prepared by a friend stating that they were paid for the installation. Alternatively, low income earners may end up having to pay for installation when they might otherwise have arranged to pay only for materials. This artificial inflation of the cost to allow access to the grant runs counter to the intention of the scheme to bring down the cost for individuals.

2.33 Nor is it clear how requiring proof of payment towards installation assists in meeting the intent of the LPG Scheme. Publicly available information about the LPG Scheme makes it clear that the grant is not dependent on the overall cost of the LPG conversion:

The full grant is available regardless of the cost of the LPG conversion or the extra cost of a new dedicated LPG vehicle. For example, the \$1,750 is available for an LPG conversion whether you pay \$1,800 or pay \$3,500.¹⁶

Complaint handling

2.34 The Ombudsman's office maintains a close interest in complaint handling by Australian Government agencies. The office has published a guide for agencies on the best practice principles that underpin effective complaint handling.¹⁷ One of the principles is that information obtained from complaints can enable an agency to identify weaknesses in its services, integrate new processes into its core activities and improve program delivery.

2.35 Although at the time of preparation of this report no complaints had been made to the Ombudsman's office about DIISR's handling of LPG complaints, the office was keen to review relevant policies and procedures to gain an understanding of that aspect of program delivery. Complaint handling is particularly important in the LPG Scheme, as administration of the Scheme is split between two divisions within DIISR, and shared with Centrelink and Medicare. The investigation focused on how DIISR captured and analysed information obtained through complaints.

2.36 The investigation confirmed that complaints about the LPG Scheme can be received and dealt with by AusIndustry, Medicare, Centrelink and DIISR. In addition,

¹⁵ LPG Vehicle Scheme, *Frequently Asked Questions* (June 2009)—See <http://www.ausindustry.gov.au/EnergyandFuels/LPGVehicleScheme/Pages/LPGVehicleScheme-FrequentlyAskedQuestions.aspx>.

¹⁶ See note 15.

¹⁷ Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, Better Practice Guide 1, April 2009.

the Minister's office and the Ombudsman's office can become involved in the investigation of complaints about the LPG Scheme.

2.37 A review of information provided by DIISR showed that each agency relies on its own set of complaint-handling policies and procedures. This is understandable, as Centrelink and Medicare play a role in administering legislation and programs for a range of Australian Government agencies. Therefore, operational difficulties could arise if those agencies were expected to adapt policies and procedures to the individual preferences of DIISR. The office has no specific concerns about each agency's complaint-handling policies and procedures.

2.38 In response to a request for complaint data, DIISR provided to the Ombudsman's office individual complaint summaries from Centrelink, Medicare, AusIndustry and DIISR. DIISR advised the office that these summaries are kept in a register and used by its executive to identify systemic program weaknesses. The Ombudsman's office is aware that in addition to use of the complaints register, AusIndustry regularly meets with Centrelink and Medicare to enhance its understanding of any issues emerging from the LPG Scheme. AusIndustry also seeks customer feedback through a range of other means, including focus groups run by Centrelink. Overall, the Ombudsman is satisfied that DIISR has implemented processes designed to harness and use feedback received through complaints about the LPG Scheme. The current system should be reviewed in the next 12 months to ensure it continues to capture all information relevant to the administration of the program.

PART 3—FINDINGS AND RECOMMENDATIONS

3.1 This investigation examined the administration of the LPG Scheme, which is an executive scheme administered under Ministerial guidelines. In a report issued in August 2009, the Ombudsman's office considered some of the problems that can be associated with executive schemes. In the case of the LPG Scheme, the office identified a number of specific concerns. To address these concerns, I made the following recommendations to DIISR:

Remedy for the complainants

Recommendation 1

The Department should take steps to identify applicants who have been refused the LPG Scheme grant because they failed to transfer registration into their name prior to conversion of the vehicle, and advise such applicants of the changed rules and the opportunity to reapply.

Recommendation 2

The Department should place an alert on publicly available information about the LPG Scheme, highlighting that:

- part 10(b) of the Guidelines has changed
- previously unsuccessful applicants should review their applications against the amended criteria
- applicants are able to test their entitlement more than once within the 12 months following an LPG conversion.

Review of policy

Recommendation 3

The Department should review the requirement that an applicant must be the registered owner of the vehicle on the day of application, where transfer of registration occurred after purchase and conversion of the vehicle to LPG. The focus of the review should be on minimising inconsistency of outcomes between applicants.

Recommendation 4

The Department should review the requirement that an applicant must demonstrate that they have paid an amount for the cost of installation of the LPG system. In undertaking the review, consideration should be given to why evidence of contribution towards cost of installation is currently accepted as showing that installation has been completed, while an invoice that honestly declares no such contribution was made is not accepted.

3.2 On 28 October 2009, Mr Mark Paterson AO, Secretary of the Department of Innovation, Industry, Science and Research wrote to me about the administration of the LPG Scheme. As part of the table of information Mr Paterson provided, he responded to the recommendations I made.

3.3 Recommendation 1 was rejected, with the statement that:

- Prior to receipt of the Ombudsman's draft report, DIISR had identified all customer complaints relating [to] the exclusion of customers who purchased a vehicle and converted prior to registration transfer and taken appropriate action.
- There is no cost effective mechanism to identify potential and actual customers who have not made a formal complaint but who may have been disadvantaged by the previous criteria.

Ombudsman comment

In our view, if the cost of providing a fair outcome in accordance with this recommendation is too high DIISR should look for alternatives to allow disadvantaged customers to be treated fairly.

3.4 Recommendation 2 was accepted.

3.5 Recommendation 3 was rejected, with the statement that:

- AusIndustry considers that the current provisions of Ministerial Guidelines clause 10(b)(ii) are appropriate and that suitable arrangements are in place to deal with any customers who are potentially disadvantaged by these requirements.

Ombudsman comment

In our view the discretionary payments that are to be used to cover these cases do not provide the public with a clear picture of eligibility and will therefore discourage applications by those who should be eligible.

3.6 Recommendation 4 was rejected, with the statement that:

- The requirement for customers to demonstrate proof of payment for both parts and installation provides assurance that the conversion has occurred as per the intent of the Scheme.
- There is no nationally available alternate source of independent verification that can be used to establish whether a conversion has occurred.

Ombudsman comment

There is no reason that a statement from an installer that the installation was undertaken at no cost should be less reliable than an invoice from the same installer. Failure to address this issue will encourage fraudulent invoices or encourage those able to access free installation to pay a fee in addition to the cost of parts, thus counteracting the intention of the scheme to make LPG conversions more financially available.