



AUSTRALIAN SENATE

FINANCE AND PUBLIC ADMINISTRATION

REFERENCE COMMITTEE

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INQUIRY INTO REGIONAL PARTNERSHIPS AND SUSTAINABLE REGIONS PROGRAMS

REPORT TABLED

The Senate Finance and Public Administration References Committee today tabled its report on the long running inquiry into the Regional Partnerships and Sustainable Regions programs.

"The Committee's report highlights the importance of funding programs complying with robust guidelines and the pitfalls of bypassing proper checks and oversight measures", said Senator Michael Forshaw (ALP, NSW), the Committee Chair.

In six case studies involving grants in excess of \$15.5 million, the Committee uncovered major deficiencies. These case studies included the Tumby Creek dredging project in NSW, the Beaudesert Rail fiasco in Queensland and the now-insolvent A2 Dairy Marketers milk project in the Atherton Tablelands.

"In these projects the Committee found common problems – funding criteria were bypassed, the department and area consultative committees were cut out of the picture and ministers and their advisers intervened to fast track the approval of select projects at the expense of due process", Senator Forshaw said.

"To address these problems the Committee recommends stronger measures to build more rigour and transparency into the governance framework for each program", Senator Forshaw said.

Several projects ineligible for funding, nevertheless received grants with the department and ministers activating the then secret "SONA" (Strategic Opportunities Notional Allocation) guidelines.

"Primary Energy (\$1.2 million) in the electorate of the then minister and Deputy Prime Minister, Mr Anderson, and the National Centre of Science, Information and Communication Technology, and Mathematics Education for Rural and Regional Australia (SiMERR - \$4.95 million), despite being ineligible, were all funded by using the ironically named SONA guidelines", Senator Forshaw said. "The SONA guidelines are a major accountability black hole. The Committee recommends they be abolished".

The Committee also found that the grant to Primary Energy involved Mr Anderson's chief of staff intervening to have the department's advice to the relevant minister changed, an act that breached

departmental requirements that ministers be kept at arm's length from applications originating in their own electorates.

The Committee, which travelled the length and the breadth of the country collecting evidence, also examined the allegations of independent MP, Mr Tony Windsor, that he was offered an inducement not to stand in the 2004 federal election and that political conditions were imposed on grants made in his electorate of New England. The Committee received conflicting evidence on the matter of the alleged inducement. The evidence was also not conclusive as to whether political conditions had been placed on the \$6 million election commitment to the Australian Equine and Livestock Centre in Tamworth.

The Committee found, however, that the University of New England did not act appropriately in having its SiMERR advertisement appear with a Nationals' party political advertisement. It also believes that Senator Sandy Macdonald's attempt to have Mr Windsor excluded from the opening of the Grace Munro Centre, which was not the subject of a regional partnerships grant, was inappropriate.

The Committee makes 26 recommendations to strengthen the procedures and checks in the administration of the two programs and improve transparency (recommendations attached).

The Committee sees the involvement of the ACCs in the application development process as an important safeguard for the RP program. It recommends that it be mandatory for all applications to be developed in consultation with ACCs and for ACCs to have a minimum of ten working days to consider all relevant applications.

Greater transparency around the RP program is also required to allow the Parliament to monitor this significant area of expenditure and as a check on arbitrariness and politicisation. The Committee recommends that a biannual statement be tabled in the Senate that lists information basic to providing an adequate level of scrutiny of the program

While the Committee, on balance, supports the retention of ministerial discretion for each program, it recommends that ministers, parliamentary secretaries and their staff should be prevented from intervening in the assessment of grants. It also recommends strengthening existing measures to keep ministers at arm's length from applications based in their own electorates.

The finding that over half of grants approvals, amounting to over \$70 million in funding, occurred in the three months leading to the federal election announcement in 2004 is another critical area of concern. The Committee recommends improved procedures to enhance the accountability of ministers during the sensitive period leading up to federal election campaigns.

To address loopholes in the current system the Committee recommends that projects must have obtained relevant approvals or licences to be eligible for RP or SR funding and that no program funding be approved for projects that fail to meet either program's guidelines and other tests including proper due diligence. It also calls for due diligence processes and competitive neutrality procedures to be strengthened.

For more information

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Committee webpage: www.aph.gov.au/senate/committee/fapa_ctte/index.htm