

Chapter 1

Introduction

Terms of reference

1.1 On 2 December 2004, the Senate referred the following matters to the Finance and Public Administration References Committee for inquiry and report by 15 August 2005. On 22 June 2005 the Senate extended the time to report to 6 October 2005.

- (1) The administration of the Regional Partnerships program and the Sustainable Regions program, with particular reference to the process by which projects are proposed, considered and approved for funding, including:
 - a. decisions to fund or not to fund particular projects;
 - b. the recommendations of area consultative committees;
 - c. the recommendations of departmental officers and recommendations from any other sources including from other agencies or other levels of government;
 - d. the nature and extent of the respective roles of the administering department, minister and parliamentary secretary, other ministers and parliamentary secretaries, other senators or members and their advisers and staff in the process of selection of successful applications;
 - e. the criteria used to take the decision to fund projects;
 - f. the transparency and accountability of the process and outcomes;
 - g. the mechanism for authorising the funding of projects;
 - h. the constitutionality, legality and propriety of any practices whereby any members of either House of Parliament are excluded from committees, boards or other bodies involved in the consideration of proposed projects, or coerced or threatened in an effort to prevent them from freely communicating with their constituents; and
 - i. whether the operation of the program is consistent with the Auditor General's 'Better Practice Guide for the Administration of Grants', and is subject to sufficient independent audit.
- (2) With respect to the future administration of similar programs, any safeguards or guidelines which might be put in place to ensure proper accountability for the expenditure of public money, particularly the appropriate arrangements for independent audit of the funding of projects.
- (3) Any related matters.

Background to the inquiry

1.2 This inquiry has its origins in a series of controversies surrounding the administration of the Regional Partnerships Program (RPP) and the Sustainable Regions Program (SRP). In late 2004 concerns were aired in parliament and the media about the programs with the major charge being that they had been used as 'slush funds' during the 2004 federal election campaign.¹ Concerns raised included allegations of serious impropriety in the approval and announcement of certain grants, and the discovery that certain procedures governing the administration of the programs had been concealed from public view.

1.3 Underlying concerns about the administration of these programs were not new. Examination in estimates and other parliamentary inquiries had raised serious doubts about the expenditure of public money through these programs and their predecessors. Allegations made by a member of the House of Representatives that political conditions were placed on several grants made under the Regional Partnerships Program were a further catalyst for the inquiry.²

1.4 The establishment of a Senate inquiry to investigate these matters had cross-party support. Senator Chris Evans, the Leader of the Opposition in the Senate, Senator Andrew Bartlett, then Leader of the Australian Democrats, Senator Bob Brown and Senator Meg Lees gave a joint notice of motion on 1 December 2004 to refer the administration of the Regional Partnerships Program and Sustainable Regions Program to this Committee for inquiry and report.

Previous inquiries

1.5 This is not the first occasion on which it has been necessary for this Committee to examine matters relating to the accountable administration of regional funding. During 2003 the Committee conducted a similar inquiry into a funding matter under the Dairy Regional Assistance Program (Dairy RAP).³ The Dairy RAP was one of eight precursor programs replaced by the Regional Partnerships Program.

1.6 That inquiry highlighted a number of weaknesses in the Dairy RAP project assessment and approval processes. The Committee made recommendations aimed at strengthening Commonwealth grant program guidelines, improving the documentation and transparency of the Dairy RAP assessment procedures undertaken by the Department of Transport and Regional Services (DOTARS) and maximising the

1 See for example, Lenore Taylor, 'Nationals roll out a barrel of porkies', *Australian Financial Review*, 21 November 2004, pp 1 and 8; and Editorial, 'Handouts must be above board', *Australian Financial Review*, 1 December 2004, p. 62.

2 The allegations are examined in Chapter 8 of this report.

3 Senate Finance and Public Administration References Committee Report, *A funding matter under the Dairy Regional Assistance Program*, June 2003.

benefit of the public money spent through the program by incorporating a 'best value' principle into program guidelines.⁴

1.7 In its response to the inquiry, the Government agreed to implement the recommendations, stating:

The Government is committed to transparency and accountability in administering grants programmes. It has accepted the recommendations of the Committee and has ensured these issues have been addressed in the policy and processes for the new Regional Partnerships Programme.⁵

1.8 Despite these assurances, many similar issues and concerns were raised during this inquiry into the Regional Partnerships (RP) and Sustainable Regions (SR) Programs.

Conduct of the inquiry

1.9 The Committee advertised the inquiry on its website and in *The Australian* on 15 December 2004, the *Daily Telegraph*, *Herald Sun*, *Courier-Mail*, *Hobart Mercury*, *Northern Territory News*, and *Adelaide Advertiser* on 18 December 2004, and *The Land*, *Queensland Country Life* and *Stock & Land* on 23 December 2004.

1.10 The Committee wrote to various stakeholders, including relevant Ministers and Parliamentary Secretaries, State Premiers and Territory Chief Ministers, the Australian Local Government Association, DOTARS, all Area Consultative Committees (ACCs), Sustainable Region Advisory Committees (SRACs) and the Australian National Audit Office (ANAO), drawing their attention to the inquiry and inviting submissions. All Senators and Members of the House of Representatives were also invited to make submissions.

1.11 The advertised closing date for submissions was 28 January 2005, although the Committee accepted a large number of submissions after that date. A total of 56 submissions and seven supplementary submissions were received. Most of the submissions were published, although a small number were received in camera. A list of published submissions is at Appendix 1. The Committee also received a voluminous amount of additional information, most of which was published. A list of tabled documents and additional information is at Appendix 2.

Public hearings and site inspections

1.12 Early during the inquiry the Committee resolved that all witnesses would be required to give their evidence under oath or affirmation. Between 2 February 2005

4 Finance and Public Administration References Committee Report, *A funding matter under the Dairy Regional Assistance Program*, June 2003, p. xv.

5 Australian Government, *Government Response to Finance and Public Administration References Committee Report – A Funding Matter under the Dairy Regional Assistance Programme*, tabled 27 November 2003, p. 1.

and 15 September 2005 the Committee conducted nineteen public hearings in Canberra, The Entrance, Brisbane, Cairns, Armidale, Tamworth, Launceston, Port Hedland, Broome and Bunbury. Evidence was taken from 99 witnesses at these hearings. In addition to the public hearings, the Committee held four in camera sessions at the request of witnesses.

1.13 The Committee also conducted site inspections of four Regional Partnerships Program approved projects—Tumbi Creek, Killarney Vale, NSW; The National Centre of Science, Information and Communication Technology, and Mathematics Education for Rural and Regional Australia, The University of New England, Armidale, NSW; the In Town Centre Inc. (also known as the 'Shoestring Café'), Bunbury, WA; and the Karnet Prison Vocational Integration Program, at Harvey Beef abattoir, Harvey, WA.

1.14 A list of the public hearings, including witnesses appearing, and the site inspections conducted by the Committee is at Appendix 3. The *Hansard* transcript of evidence taken at the public hearings is available on the Committee's homepage at www.aph.gov.au/Senate/committee/fapa_ctte/index.htm.

1.15 The Committee takes this opportunity to thank all those who made submissions and gave evidence to the inquiry.

Obstacles to the conduct of the inquiry

Incorrect information provided by DOTARS

1.16 The Committee's examination of the matters referred to it by the Senate was hindered by a lack of cooperation from DOTARS, the department responsible for the administration of the RP and SR programs.

1.17 On a number of occasions, DOTARS failed to provide the Committee with timely and accurate information. At the outset of the inquiry, the Committee requested that DOTARS provide a range of details relating to each project approved, not approved or withdrawn from the RP and SR programs. The Committee sought this information as an important starting point for its examination of the programs, as it would provide the necessary evidence from which to develop further lines of inquiry. The Committee requested the data on the 13 December 2004, asking that it be provided by 21 January 2005.

1.18 The Department provided selected information on 27 January 2005, but refused to provide some of the requested details on the basis that such material would disclose the nature of the department's advice to the Minister.⁶ The following day, the Committee's secretariat was advised that the data provided contained errors. Revised tables were subsequently provided by the department on 2 February 2005. Despite assurances from departmental witnesses as to the accuracy of the revised data, further

6 Mr Dobes, Acting First Assistant Secretary, DOTARS, correspondence, 27 January 2005.

errors were detected. For example, the information provided indicated that in some instances applications had been approved for funding before applications had actually been received.

1.19 DOTARS then undertook a complete check of the data, reconciling the project details against paper records held in its regional offices. Consequently, the Committee did not receive reliable data in response to its original request until May 2005.

Refusal to disclose information

1.20 DOTARS refused to provide the Committee with copies of RPP and SRP applications and ACC and SRAC recommendations regarding applications. As reported in Chapter 3, such information had been disclosed and openly discussed in the course of the Committee's inquiry into a funding matter under the Dairy Regional Assistance Program. Committee members also advised departmental witnesses that the Hon John Anderson MP, then Minister for Transport and Regional Services, had previously released information about funding applications.⁷

1.21 The department's reason for not providing application forms to the Committee was as follows:

...acknowledging the real sensitivities of applicants for government assistance who may be concerned that placing on the public record information for funding bids and non-approved applications may prejudice further attempts to refine or vary their proposals in order to gain financial support for projects.⁸

1.22 While claims for public interest immunity on the ground of damage to commercial interests have been accepted in the past by the Senate and its Committees, the 'blanket' nature of the department's claim was inadequate. Mr Harry Evans, Clerk of the Senate has noted:

The Senate made it clear in its resolution of 30 October 2003 that a claim on this ground must be based on specified potential harm to commercial interests, and in relation to information held by government must be raised by a minister. Statements that information is commercial and therefore confidential are clearly not acceptable.⁹

1.23 DOTARS' justification for withholding ACC and SRAC recommendations from the Committee's scrutiny was that these recommendations were considered advice to the minister:

7 *Committee Hansard*, 2 February 2005, p. 8.

8 Mr Yuile, Deputy Secretary, DOTARS, *Committee Hansard*, 2 February 2005, p. 3.

9 Mr Evans, Clerk of the Senate, *The Senate—Grounds for public interest immunity claims*, 19 May 2005, p. 5.

It is advice we take into account as we prepare our assessment and finalise our advice to the minister. The advice from the ACCs, together with our assessment, forms part of our formal advice to the minister.¹⁰

1.24 It must be noted that the refusal to provide ACC and SRAC recommendations was made by departmental witnesses rather than by the Minister. Following questions from Committee members, departmental witnesses undertook to confirm their approach with the Minister. The Committee was subsequently advised as follows:

CHAIR—It was confirmed by the minister?

Mr Yuile—Yes. The advice we received back through his office was that that was an appropriate position to take.

CHAIR—Was that a written response?

Mr Yuile—No, it was oral advice.

CHAIR—Can you say who from?

Mr Yuile—From one of his members of staff.¹¹

1.25 There was some disagreement between members of the Committee and DOTARS officers as to whether ACCs and SRACs recommendations could be considered advice to Ministers in the formal public policy sense, and therefore whether it was appropriate for departmental officers to withhold this information. As publicly funded bodies with an important role in administering programs through which public money is expended, ACCs and SRACs should be open to the scrutiny of the parliament. The advice of the Clerk of the Senate is again pertinent:

...the mere fact that information consists of advice to government is not a ground for refusing to disclose it. Again, some harm to the public interest must be established, such as prejudice to legal proceedings, disclosure of cabinet deliberations or prejudice to the Commonwealth's position in negotiations. Any general claim that advice should not be disclosed is defeated by the frequency with which governments disclose advice when they choose to do so.¹²

1.26 The department sought to justify non-disclosure of the advice on the basis of the public interest. However, as noted above, a 'blanket' approach was taken, rather than identifying specific applications or advices, or indeed specific reasons for the non-disclosure.

1.27 Apart from the accountability implications of the department's and minister's stance, the refusal to provide this category of information imposed a cost in terms of

10 Mr Yuile, *Committee Hansard*, 10 February 2005, p. 11.

11 *Committee Hansard*, 10 February 2005, p. 11.

12 Mr Evans, Clerk of the Senate, *The Senate—Grounds for public interest immunity claims*, 19 May 2005, p. 5.

time and effort on the Committee as it was forced to seek the information from ACCs and SRACs. This issue is discussed in more detail later in this chapter.

Access to departmental witnesses

1.28 The Committee was inconvenienced a number of times by DOTARS witnesses announcing on the day of hearings that their travel arrangements would require them to leave the hearing before their appearance was scheduled to end. The Committee accommodated these arrangements, but it restricted the amount of time available to question DOTARS witnesses and inconvenienced other witnesses by causing last minute changes to hearing programs.

1.29 The Committee made several requests for DOTARS officers with detailed knowledge and involvement with local projects, for example regional office staff, to give evidence at public hearings. The Committee's reasons for these requests were explained as follows:

Senator O'Brien—...I would hate to get to the situation where we have questions which you need to take on notice when they could be answered directly by having the person here to answer them. From the point of view of the conduct of the inquiry, it would be preferable if we had the information directly and expeditiously and not put the department, the committee secretary and the committee through the process of asking a question, having the question effectively asked from the table to those behind, an answer coming back to witnesses at the table and then that answer coming back to us. I think that affects the conduct of the inquiry. I think it would be preferable, if a responsible officer is here who has the confidence of the department, that the information be given directly.¹³

1.30 DOTARS consistently refused to allow regional office staff to give evidence, on the grounds that it was departmental policy that only staff at the Senior Executive Service level appear before Senate committees.¹⁴ This position was inconsistent with Department's conduct in an earlier inquiry. Regional office staff had appeared and given evidence at a public hearing in the course of the Committee's inquiry into the Dairy Regional Assistance Program.

1.31 The Committee's inquiry was frustrated by the fact that officers who could have assisted the inquiry were present at hearings at The Entrance, Cairns, Port Hedland and Broome, but were not allowed to give evidence. As a result, the precise situation which the Committee had sought to avoid occurred on several occasions. At The Entrance for example, Dr Gary Dolman, Assistant Secretary, Regional Communities Branch, relied heavily on the advice of the regional officer present in the audience to answer questions and to correct his evidence.¹⁵ This meant that although

13 *Committee Hansard*, 2 February 2005, p. 5.

14 *Committee Hansard*, 2 February 2005, p. 4.

15 See for example, *Committee Hansard*, 24 February 2005, pp 91-92.

the relevant officers were present to advise at hearings, the departmental witnesses' lack of first-hand knowledge slowed proceedings and thereby reduced the number and depth of matters the Committee could investigate in the course of the inquiry.

1.32 The Committee requested that departmental witnesses, including officers from the department's Western Australian regional office, give evidence at its public hearing in Broome. DOTARS refused this request on the grounds that it was too difficult to make travel arrangements at short notice and would not be an efficient use of officers' time.¹⁶ The Committee was therefore surprised to note that DOTARS officers were present, apparently at senior executives' request, to observe the hearing in Broome, the previous day's hearing in Port Hedland and the subsequent hearing in Bunbury.¹⁷ The Committee also received evidence that DOTARS staff from the national office were regularly able to attend ACC and SRAC meetings in Western Australia.¹⁸

1.33 In contrast to the above instances of obstruction, the Committee appreciated Ms Leslie Riggs' cooperation in attending hearings in August 2005, even though she was at that time no longer the responsible officer.

DOTARS' advice to the ACCs and SRACs

1.34 The most serious instances of DOTARS' interference and obstruction to the conduct of the inquiry were two occasions on which DOTARS provided misleading advice to ACCs and SRACs regarding the powers of Senate committees and the privileges afforded witnesses providing evidence to committees. The Committee's request for information from ACCs and SRACs and the advice given by DOTARS regarding that request is discussed below.

Request for additional information from ACCs and SRACs

1.35 As the department refused to provide copies of ACC and SRAC comments and recommendations, the Committee wrote to all 56 ACCs and the 8 SRACs requesting that they provide copies of all recommendations concerning Regional Partnerships Program and Sustainable Regions Program applications and minutes of the meetings at which the applications were considered. The request was made on the 4 February 2005 and ACCs and SRACs were asked to indicate their intended agreement to comply or otherwise by 9 February.

1.36 On 7 February, DOTARS sent advice to all ACCs and SRACs indicating that they were not obliged to accede to the Committee's request and that they should consider their responsibilities under legislation such as the Privacy Act and Criminal

16 Ms Riggs, Executive Director, Regional Services, DOTARS, correspondence, 8 July 2005.

17 *Committee Hansard*, 12 August 2005, p. 3.

18 *Committee Hansard*, 15 July 2005, pp 67-68.

Code when making their decision.¹⁹ This advice is included in Appendix 6 of this report. By the deadline of 9 February, 26 ACCs and SRACs had indicated they would comply with the Committee's request. Between 7 and 10 February, 21 ACCs and SRACs informed the Committee they would not provide the requested information. Some ACCs and SRACs indicated that their decision was a direct result of the advice given by DOTARS.

1.37 On 14 February the Committee sent a letter to those ACCs and SRACs that had not indicated their agreement to comply with the Committee's request. This letter clarified a number of points raised in the department's advice, including the obligations to Parliament and its committees carried by any body involved in the receipt and expenditure of public funds, and the extent of the Committee's powers, including that the powers of the Senate and its committees are not affected by Commonwealth legislation such as the Privacy Act. The Committee's letter also reiterated earlier advice regarding the opportunity for ACCs and SRACs to request that information provided be received in camera. A number of such requests were subsequently made and agreed to by the Committee.

1.38 A second email from DOTARS on 17 February caused some ACCs and SRACs to again alter their decision. This email and the subsequent response from the Committee to DOTARS are also included at Appendix 6.

1.39 Eventually, by 11 July 2005 all ACCs and SRACs had provided the requested information, although in some cases this required repeated contact from the secretariat and personal calls from the Chair of the Committee to the ACC/SRAC Chair. As a final resort, the Committee ordered the production of documents from two SRACs and five ACCs.²⁰ The Committee notes that departmental staff did assist the Committee in ensuring compliance with one of the orders, to Melbourne East ACC. By this stage, however, all ACCs and SRACs had provided information but for this one body.

1.40 A number of ACCs at first provided incomplete information. Many of these ACCs stated that they had not provided their recommendations about RPP applications because DOTARS had given them the impression that the Committee had been granted access to this information through the department's electronic TRAX system, which contains all ACC recommendations and comments. All of these ACCs provided the remaining information after a letter from the Secretary or an order for the production of documents from the Committee.

1.41 The Committee acknowledges that meeting the request placed a significant impost on the resources of these predominantly voluntary bodies and expresses its

19 Dr Dolman, DOTARS weekly email to ACC Chairs and Executive Officers, 7 February 2005, tabled document, 10 February 2005, pp 1-3.

20 The Committee ordered the production of documents from the Far North East NSW SRAC, Campbelltown-Camden SRAC, Peel ACC, Orana Development and Employment Council ACC, New England North West ACC, Melbourne East ACC and Far North Qld ACC.

gratitude for their assistance. In some cases, the willingness of ACCs and SRACs to cooperate and provide information to the inquiry reflected the confidence that their administrative practices were sound and accountable. That said, the Committee observed that some ACCs and SRACs were far more willing to cooperate with the inquiry than others. The Committee notes that in some instances this was due to the misleading advice provided by the department.

Delays in departmental evidence

1.42 Apart from providing erroneous evidence, the Committee experienced considerable delays in receiving answers to questions taken on notice by the department. These delays inevitably hindered the Committee's examination of critical aspects of the evidence.

1.43 At the time of finalising the report the Committee was still awaiting answers to a substantial number of questions taken on notice by the department. The Committee understands that the answers had been compiled by the department and provided to the minister's office some time ago. The delays and failure to respond by both the department and the minister are unacceptable as they had had many months to provide the information requested.

Invitations to give evidence declined

1.44 The Hon John Anderson MP, then Deputy Prime Minister and Minister for Transport and Regional Services, declined the Committee's invitation to make a submission to the inquiry. It is also regrettable in light of part 1(i) of the inquiry's terms of reference that the ANAO did not make a submission to the inquiry.

1.45 Although the Committee used its powers to order the production of documents, it did not use these powers to order witnesses to appear. Despite the initial reluctance of several witnesses to give evidence to the Committee, all those witnesses that eventually attended hearings did so at the Committee's invitation.

Possible offence by a witness

1.46 The Committee took evidence from Mr Greg Maguire, a central figure in the allegations of Mr Tony Windsor MP that he was offered an inducement not to stand for the seat of New England at the 2004 federal election. During his appearance before the Committee Mr Maguire claimed that his companies had made contributions to Mr Windsor's state and federal election campaigns. When asked to provide details to the Committee, he refused to answer but instead undertook to provide the information on notice. The information was important for corroborating some of Mr Maguire's evidence and was material to the Committee's examination of the matter.

1.47 Contrary to his undertaking at the hearing, Mr Maguire subsequently failed to provide the information to the Committee. The Committee wrote to Mr Maguire on three occasions to remind him of his undertaking. On the final occasion the Committee drew his attention to Senate procedural resolutions which make it an

offence for a witness to fail to answer questions and provide information when required to do so. Mr Maguire informed the secretariat that he would not be making a response.

1.48 During this process the Committee received fresh evidence which raised serious doubts about the veracity of Mr Maguire's statements. The Committee provided this evidence to Mr Maguire and invited him to comment. Mr Maguire also refused to respond to this material.

1.49 The Committee is deeply concerned by Mr Maguire's evasiveness on this matter. His refusal to provide relevant information made it difficult to not only corroborate his evidence before the inquiry but also to verify whether Mr Maguire had disclosed these election contributions to the Australian Electoral Commission (AEC).

1.50 Given the obligation on both donors and recipients to disclose both cash and in-kind contributions to election campaigns, the Committee is concerned that Mr Maguire may be in breach of the Electoral Act. The Committee is particularly troubled by the conflicting evidence provided by Mr Maguire and Mr Windsor, as well as Mr Maguire's refusal to clarify the matter despite repeated requests by the Committee for him to do so. The Committee intends to write to the Australian Electoral Commissioner asking that the matter be investigated.

Possible matters of privilege

Alleged interference with witnesses

1.51 The Committee received allegations from a witness that he had been threatened as a direct result of giving evidence to the Committee at a public hearing. Following a resolution of the Committee, the Chair wrote to the President of the Senate alerting him to a possible matter of privilege. The Committee asked the witness whether he would be prepared to support his claims were they referred to the Senate Committee of Privileges for investigation, but he chose not to pursue the matter. Accordingly, the Committee was unable to take further action on the complaint.

Possible false or misleading evidence

1.52 As described in Chapter 5, the Committee received evidence in answers to questions on notice which contradicted evidence given by Wyong Shire Mayor, Cr Brenton Pavier, at a public hearing on 24 February 2005. The Committee considered that the answers to questions on notice provided a *prima facie* case that the Mayor's oral evidence was deliberately false and misleading and therefore may have constituted a contempt of the Senate.

1.53 The Committee resolved to raise a matter of privilege under standing order 81, and wrote to the President of the Senate asking that he give precedence to a motion to refer the matter to the Committee of Privileges, in accordance with that standing order.

1.54 The letter to the President set out the principal reasons for raising the issue as a matter of privilege. These included that:

- The matter under examination at the public hearing concerned the ways in which a particular RP grant (the Tumby Creek dredging grant) departed from the normal application process and in particular the extent to which the applications involved direct liaison between the federal minister's office, the local federal member and the applicant, Wyong Shire Council.
- This examination related directly to term of reference (1)(d) of the inquiry - the nature and extent of the respective roles of the administering department, minister and parliamentary secretary, other ministers and parliamentary secretaries, other senators or members and their advisers and staff in the process of selection of successful applications.
- In examining this matter, a Committee member sought to know whether the Mayor had received any indication of a decision, or proposed decision to approve an additional grant for the project, prior to written notification from the Minister (on 26 August 2004). The Mayor's response, 'no', ended the Senator's line of questioning.
- Subsequent evidence showed that in an email of 9 August 2004, the Mayor along with several other individuals including the local federal member had been advised by a ministerial adviser that, 'At 9am on 26 August the full measure of Tumby Creek funding will be announced at the site'.²¹
- The Committee considered that this email contained *prima facie* evidence that Mayor Pavier made a false and misleading statement to the Committee at the hearing when he claimed that he was not aware of approval or expected approval for the additional grant application prior to the formal announcement on 26 August 2004. The Committee also considered that the Mayor's evidence to the hearing obstructed the Committee's work. By deflecting the Committee from further examining the extent to which the Tumby Creek grants process was intermeshed with planning for political campaigning by the local member and the minister's office, the Mayor's answer obstructed the examination of a matter central to term of reference (1)(d).

1.55 The Committee noted a letter received from Mayor Pavier in which he stated that, 'It has never been, nor is it, my intention to mislead a Senate enquiry'. Mayor Pavier also argued in relation to the email received that, 'Neither the extent or details of what was to be announced was divulged to me, but Council obviously required advice that an announcement was to take place so it could plan for a Ministerial visit'.²²

21 Mr Hallett, correspondence 9 August 2004, in answers to questions on notice, received 4 July 2005.

22 Mayor Pavier, correspondence, 11 August 2005.

1.56 Notwithstanding the above letter, the Committee considered that the Mayor's evidence to the hearing was false and misleading and obstructed the Committee's work.

1.57 In referring the case to the President, the Committee understood that its view was not conclusive and that it was for the Committee of Privileges to investigate and determine the matter.

1.58 On 5 September 2005 the President made a determination giving precedence to the motion that the matter be referred to the Senate Committee of Privileges. The motion was put to vote on 7 September 2005 and negatived. This was a highly unusual development. Normally, following a determination by the President such motions are passed without debate. Senator Faulkner, Chair of the Committee of Privileges, said:

I say to the chamber that it is core business of the Senate Privileges Committee to ensure the integrity of evidence and committee processes, particularly the protection of witnesses. In fact, most cases that the committee has dealt with have been on those matters. So I can fairly say that it is core business of the Senate Privileges Committee. There has been no occasion since 1988 when such a matter has not been automatically referred to the Committee of Privileges. Since the passage of the Parliamentary Privileges Act in 1987 and the parliamentary privileges resolutions in 1988, on only one previous occasion—that was in early 1998—has any such referral been negatived. There has been one instance only. So I cannot say to the Senate that to negative such a referral is unprecedented; it is not. It is almost unprecedented.²³

1.59 Senator Faulkner also emphasised the wider implications of the vote:

But I would say to the chamber that the most important reason to support this proposed resolution—the most important reason not to negative it—is that, if it is negatived, it will inevitably degrade the Senate's privilege system.²⁴

1.60 The Committee concurs with this view and records its dismay that the Senate departed on this occasion from longstanding practice.

Structure of the report

1.61 This report examines the administration of the Regional Partnerships and Sustainable Regions Programs, using case studies to illustrate some of the inadequacies and inconsistencies in the programs' administration. While the Committee recognises that many beneficial projects have been funded under these

23 *Senate Hansard*, 7 September 2005, p. 113.

24 *Senate Hansard*, 7 September 2005, p. 114.

programs, the case studies show that there is significant scope for improving the administration, accountability and transparency of each program.

1.62 The Committee did not evaluate the quantitative outcomes of individual projects funded under the RP and SR programs. In accordance with the terms of reference, the inquiry focused on the administration of the programs.

1.63 The report is structured in eleven chapters. Chapter 2 examines the Regional Partnerships Program, including the process by which projects are proposed, considered and approved for funding. Chapter 3 reviews the structure and operations of the Area Consultative Committees—bodies charged with an integral role in RP application development and assessment.

1.64 Chapters 4 to 8 present six case studies, examining in detail the circumstances around the application development, assessment, approval and announcement of RP grants for the following projects:

- The Beaudesert Rail heritage railway;
- Dredging at Tumbi Creek;
- Primary Energy Pty Ltd's grains to ethanol plant proposal;
- A2 Dairy Marketers' milk processing plant proposal;
- The Australian Equine and Livestock Centre; and
- The University Of New England National Centre of Science, Information and Communication Technology, and Mathematics Education for Rural and Regional Australia.

1.65 These case studies point to serious deficiencies in the transparency and accountability of processes by which projects are brought forward, considered and approved for funding under RPP. In some cases, evidence points to cases of undue political pressure to expedite grant approval and announcement at the detriment of sound application development and assessment.

1.66 Chapter 8 also examines allegations that Mr Tony Windsor MP was offered an inducement not to stand for the seat of New England at the 2004 federal election, and claims that political conditions were put on grants made to projects in that electorate.

1.67 Chapter 9 reviews the administrative processes governing the Sustainable Regions Program, including a description of the structure and aims of each of the Sustainable Region Advisory Committees.

1.68 In Chapter 10 the structure and operations of the Atherton Tablelands Sustainable Region Advisory Committee are reviewed in more detail. Issues relating to the operation of the SRP in that region, both in general and in relation to specific projects are examined and contrasted with the operation of the program in the Cradle Coast region.

1.69 In Chapter 11 the Committee draws conclusions from the evidence to the inquiry. A number of serious deficiencies in the accountability and transparency of the administration of the RP and SR programs are identified. The Committee has therefore made recommendations to improve accountability for the expenditure of public money through these programs.

