



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES  
COMMITTEE

**Reference: Regional Partnerships Program**

WEDNESDAY, 29 JUNE 2005

TAMWORTH

BY AUTHORITY OF THE SENATE



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## SENATE

### FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Wednesday, 29 June 2005

**Members:** Senator Forshaw (*Chair*), Senator Watson (*Deputy Chair*), Senators George Campbell, Heffernan, Moore and Murray

**Substitute members:**

Senators Barnett and Johnston for Senators Watson and Heffernan

Senator Carr for Senator George Campbell

Senator O'Brien for Senator Moore

**Participating members:** Senators Abetz, Bishop, Brandis, Boswell, Brown, Carr, Chapman, Colbeck, Conroy, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Fifield, Harradine, Knowles, Ludwig, Lundy, Sandy Macdonald, Mackay, Mason, McGauran, McLucas, O'Brien, Payne, Robert Ray, Sherry, Stephens, Tchen, and Webber

**Senators in attendance:** Senators Barnett, Forshaw, Murray and O'Brien

**Terms of reference for the inquiry:**

To inquire into and report on:

- (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.

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**Committee met at 9.07 am****INGLIS, Mr Glenn Ronald, General Manager, Tamworth Regional Council****TRELOAR, Mayor James Morison, Mayor, Tamworth Regional Council**

**CHAIR (Senator Forshaw)**—I declare open this public hearing of the Senate Finance and Public Administration References Committee. I welcome all in attendance here today. Today's hearing is part of the committee's inquiry into the administration of the Regional Partnerships program and the Sustainable Regions Program. The committee has previously held 10 public hearings and has published a number of submissions, which are available on the committee's web site. Today we will be taking evidence from a number of organisations and individuals as listed in the program, commencing with Mr Glenn Inglis and Mayor Treloar of the Tamworth Regional Council. I welcome you, gentlemen, to the hearing this morning.

Evidence that is given to the committee is protected by parliamentary privilege. This means that witnesses are given broad protection from action arising from what they say and that the Senate has the power to protect them from any action which disadvantages them on account of the evidence that they may give to the committee. I also remind all witnesses that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. We prefer to conduct our hearings in public. However, if at any stage witnesses wish to discuss a matter with the committee in private, they should make a request at that time and we will then consider it. The committee decided at the outset of the inquiry that evidence given by all witnesses to this inquiry should be given under oath or by way of affirmation.

A submission was provided to the committee by Mr Wayne Collins, the acting general manager of the Tamworth Regional Council. That has been made public. Before we go to your opening statements, are there any additions or alterations that you wish to make to the written submission?

**Mr Inglis**—None.

**Mayor Treloar**—There is a statement in there that I made where I said I did something as mayor. At that moment, I was actually the administrator of the Tamworth Regional Council, not the mayor.

**CHAIR**—Are you able to draw that to the committee's attention?

**Mayor Treloar**—I will provide you with that detail later.

**CHAIR**—I invite you to make an opening statement and then we will proceed to questions. Who would like to lead off?

**Mr Inglis**—The only opening statement I wish to make is to indicate, as has already been indicated, that the Tamworth Regional Council, on 20 January 2005, made a submission to the Senate committee. That submission, basically, was a chronology of events leading up to the funding commitment by the coalition government. With that chronology, we also attached a copy of the business plan for the project. The only other matter that would seem appropriate to bring

to your attention—as was, again, indicated by the chair—is that at the time of that submission Mr Wayne Collins was the acting general manager and the signatory of that letter. In February 2005 I became the General Manager of Tamworth Regional Council.

**CHAIR**—Mayor Treloar, do you wish to add anything?

**Mayor Treloar**—No.

**CHAIR**—Could I just clarify that, at the time the submission was prepared and lodged, Mr Collins was the acting general manager. Who was the mayor?

**Mr Inglis**—Correct. Mr Collins was the acting general manager at that time. The mayor at the time was Mayor James Treloar. The earlier reference that the mayor made to administration related to the period ending with the election of the council in October 2004. On 17 March 2004 Tamworth Regional Council was formed as the amalgamation of five previous local government authorities. An administrator was appointed at that time, as is normally the case until local government elections. So between 17 March and the elections, the previous mayor of Tamworth City Council, James Treloar, was the administrator and Mr Wayne Collins, for most of that period, was the acting general manager.

**CHAIR**—Can you remind me when the elections were. Local government elections were delayed initially, from my recollection, from September 2003 to, generally, 2004. Then they took place at various times across the state. When were the elections here in Tamworth for the expanded regional council?

**Mr Inglis**—In October 2004.

**CHAIR**—So between March and October you were the administrator, Mayor Treloar.

**Mayor Treloar**—That is correct.

**Senator O'BRIEN**—Thank you for appearing today. I want to be clear on the relationship between the council and the National Equine and Livestock Centre. It is a project of council, isn't it?

**Mr Inglis**—Correct.

**Senator O'BRIEN**—This inquiry has heard references to an equine centre task force and an equine centre board. Has it had both?

**Mr Inglis**—No. There is no board of the equine centre. That is a word that I have heard used loosely. It is the intention, at a point in the future, to put in place a board to run the equine centre, but the council has not done that. All the council has done to date, with regard to groups, boards and working parties, is to form a working party. In fact, it has done that on two occasions: once in January 2001, which was when the initial working group was formed, and, on a second occasion, in February 2004, when another working group was formed to replace the previous working group.



**Senator O'BRIEN**—What are the current project management arrangements? Are they the same?

**Mr Inglis**—When you say 'current project management arrangements', do you mean where we are at currently with the equine centre?

**Senator O'BRIEN**—Yes.

**Mr Inglis**—Earlier in the year, the council sought public tenders from interested architects either to design and construct or to design only. We have done that. Subsequent to that, the council, in accordance with the Local Government Act, is going down the selective tendering path, which the Local Government Act enables us to do. We have short-listed three architectural firms to go to the next stage. We had a pre-tender briefing with those short-listed architects recently. They are currently putting together their conceptual designs and there is a presentation due to be made to the council on 19 July. This presentation on those three conceptual designs will be made to the equine centre working group and councillors by the short-listed architects. From that presentation, the council will pick the architect they believe can best do the task. We hope to have that ratified at the monthly council meeting in July. The architect will then be engaged formally to prepare the plans and the workings and all the rest of it. We have a projected timetable on construction times and all that sort of thing.

**Senator O'BRIEN**—And we will not hold you to that.

**Mr Inglis**—We are fairly keen to stick to it.

**Senator O'BRIEN**—As all project proponents are. Am I correct in my understanding that the first working group was chaired by Mr Tony Windsor, who was the then state member for Tamworth, and that it was formed to try to get the project up?

**Mayor Treloar**—That is not quite correct. Tony Windsor brought together a group of horse users and council et cetera. I think the initial meeting may have been chaired by Tony Windsor, but ultimately Peter Botfield was elected the chairman to move that forward.

**Senator O'BRIEN**—A couple of competing versions about the progress of this project have been put to the committee. I will summarise them as best I can, at least according to my own understanding. The first version—championed by Mr Anderson, the current Deputy Prime Minister, and Mr Maguire—is that the first proposal put to government was hopeless and had no chance of success and that the second proposal, the one that gained Regional Partnership funding, bore little relation to the first. The second version, championed by Mr Windsor and others, is that the proposal changed little over time, the initial application was worthy and the ultimate outcome was entirely driven by politics. Can you tell me whether the council supported the first proposal, which was rejected by Professor Chudleigh and Mr Anderson?

**Mayor Treloar**—Yes, the council did support the first proposal. The council had significant input in that proposal and we were optimistic that the proposal would achieve its funding. It achieved state government funding. We had had it audited. Unfortunately, we probably did not have the finance in place that would have allowed it to succeed. At the time of lodging the proposal to the federal government, there was an indication that the state might support it to the

tune of \$3.35 million, and we were seeking \$3.35 million from the federal government as well. But the project cost was \$14 million, and we had not been able to identify the other sources of funding. I would suggest that that was probably the biggest error that Professor Chudleigh found in relation to it.

When we presented the report, the Deputy Prime Minister said that he would like to have it overviewed by Professor Chudleigh. As mayor at the time, I gave full support to Professor Chudleigh's findings and said that we would accept them. In hindsight, I think Professor Chudleigh's report was accurate. There were difficulties in terms of the ongoing capacity to repay funding. The report identified that no provisions had been made for repairs and maintenance or depreciation. In the first year of operation we had anticipated a usage of 131 days, which is roughly what the current usage is. In the second year of operation we had anticipated a usage of 202 days, so there was a belief that there would be significant growth in the usage of the facility. By the third year, it was anticipated that there would be 237 days of usage. They were optimistic figures. I think they were potentially achievable, but they were very optimistic. The size of the project changed significantly. The first concept plan was a design of a facility that was 100 metres by 40 metres. Because of the limited usage, the second proposal then had a plan of 80 metres by 40 metres, so it was reduced in size by 20 metres—about a 20 per cent reduction in its length.

That did not change the usage capacity that we currently have. It possibly changed some of the optimistic usage that we might have been able to encourage, but there was no guarantee that that usage would be in place. It changed from a 5,000 seat facility to a 3,100 seat facility. The number of horse stables decreased from 600 to 500. It changed from having a vet room—which we did not necessarily have to have, but it would have been nice—to not having one. A complete business plan was presented. Take an Olympic swimming pool and the swimming pool in somebody's backyard, yes, people swim in them. They are pretty similar but, when you look at the underlying facts, they are vastly different.

Funding for the project changed so significantly. The user groups committed \$2 million to the project. I can announce that yesterday three of those user groups paid their first instalment, despite the fact that they are not even at the stage when those instalments would be required. But the fact that four of the major user groups each committed half a million dollars to the project meant that there was an ongoing commitment for them to now use the project. As Professor Chudleigh identified in his report, because they were not committed to the project financially, what was the requirement for them to remain and to use the facility? You have built into your business plan the fact that there will be ongoing usage by these groups but what commitment is there? What guarantee is there? And that was a fact that we had to address when we resubmitted the project in another format.

**Senator O'BRIEN**—When you told the local paper on 9 June that this proposal was never going to work, was that based on what you have just told us about the differences in the project?

**Mayor Treloar**—Yes. Financially the project would have struggled enormously to work because of the capacity to repay debt. There was potentially a \$5 million loan on the project in the first proposal. We wanted the project to succeed. We had an enormous desire; there was an enormous benefit to our community and our region to have an adequate equine facility in this region. We looked at it in an optimistic, positive way. When you had somebody look at it, I

suppose, in a more critical fashion and fully test the business plan, I think the findings of the Chudleigh report were very valid.

**Senator O'BRIEN**—The New South Wales government committed \$3.5 million to the project in March 2002.

**Mr Inglis**—It was \$3.35 million.

**Mayor Treloar**—But that was conditional.

**Senator O'BRIEN**—What was it conditional on?

**Mayor Treloar**—It was conditional that it be matched by the federal government and conditional that it be the last 3.35 that went into the project.

**Senator O'BRIEN**—In other words, they did not want to have to put more in?

**Mayor Treloar**—No, it was conditional in that we had to find all the other funding before they would put their funding in, which in a sense gave them a safeguard of ensuring that the funding would be subject to the total funding being found before they made a commitment.

**Senator O'BRIEN**—Before the council's Regional Partnerships application, under which federal programs did it seek funding for the equine centre, not including funds sought for feasibility studies?

**Mayor Treloar**—I believe it was a budget submission.

**Mr Inglis**—There was one other submission.

**Mayor Treloar**—The general manager says there was another submission as well. I will accept his far more learned advice.

**Mr Inglis**—There was an application made on 18 October 2001 to the federal Regional Tourism Program. A couple of months after that there was an actual budget submission.

**Senator O'BRIEN**—The Regional Tourism Program is a relatively small program, isn't it?

**Mr Inglis**—Yes. I was a bit surprised to see that one. For many years local government has got very used to trying to source funds from whatever program would seem to offer some opportunity.

**Senator O'BRIEN**—Could the committee have copies of the funding submissions that the council has put in for funding for the equine centre, including those that predate the Regional Partnerships application?

**Mr Inglis**—Certainly.

**Senator O'BRIEN**—When did the council first talk to the New England North West Area Consultative Committee about the equine centre project?

**Mr Inglis**—We would have to take that on notice but I think, from my recollection after reading the files, the first contact was probably to do with the application to seek funding to do the first business plan. There was an application put in for about \$33,000 to engage a firm of consultants to do the first business plan. There actually is an application on the file to the ACC seeking those funds. Off the file all I can say is that would seem to be the first official contact. Unofficially I could not answer.

**Senator O'BRIEN**—Okay. Your submission says that the ACC told the council that its initial assessment of your original application for equine centre funding out of Regional Partnerships program fell outside the guidelines. How it they say it fell outside the guidelines?

**Mayor Treloar**—Who made that statement?

**Senator O'BRIEN**—I think it was the North West Area Consultative Committee. Your submission says:

June 2003 ... Council's application will be assessed under that programme—

that is, Regional Partnerships—

however an initial assessment of the application does not meet the new guidelines.

That is on page 2 of the abridged chronology.

**Mr Inglis**—I will have to check that. Obviously, in respect of what that is talking about, there was a change in the grant programs. The Regional Partnerships program was a new program that commenced on 1 July 2003. We must have a letter on file that indicates that the application does not meet the new guidelines. I would have to source that document to see exactly where it claims it failed. But I am presuming that there must have been a letter from DOTARS indicating where it failed. I would imagine that would be on the record.

**Senator O'BRIEN**—Does that mean that your proposal was subsequently amended in some way?

**Mr Inglis**—It could mean that. It could also mean that there was a failure to interpret the guidelines correctly. Until I see that letter—

**Senator O'BRIEN**—Sure. If there were some changes made to your application as a result of that exchange with the area consultative committee, could you let us know what the iterations of the application proposal were, as affected by that?

**Mr Inglis**—No, I cannot, but I can make a general comment. It is not uncommon to make applications for a whole range of federal and state programs. Any council that is making good grant applications should always talk to whomever it is sending the application to before sending in the application to find out if the questions being answered are fully understood and what they

are looking for. It is a fairly normal procedure in astute grant funding applications now to find out exactly what the respective body is looking for and that the criteria are understood so that you do not send it in and waste time. It is not uncommon to make sure that you fully understand what that department requires. There would have been a fair bit of that going on. One beauty of having a local ACC, particularly in Tamworth, is that they are just down the road. You can walk down the road, sit down with the people and say: 'We are interested in this program. Can you tell us about it?'

**Senator O'BRIEN**—Sure. You would understand that in this inquiry we are looking at the performance of ACCs and we are interested as to how they have responded to particular applications, how they have interpreted the guidelines, whether their interpretations have been accurate and whether they have been helpful, unhelpful, misleading or have taken you down the right path. That is where I am headed with questions like that.

**Mr Inglis**—My general comment on that is that my engagement with our local ACC has always been a very positive one. As I said, you can go down there, knock on the door, sit down with the people and talk about these things one on one. That is the best way to get an understanding of what is required of you. From a council perspective, we get on very well with our ACC. They are very cooperative. They are always there. We are lucky that they are in town. They have regular briefing sessions in which they go around with the board, you get invited along and they give you the floor to put forward any matters you are happy or unhappy with.

**Senator O'BRIEN**—I am sure they will be buying you a coffee for your ringing endorsement after today's hearing.

**Mr Inglis**—I am only telling it the way I see it.

**Senator O'BRIEN**—I am sure you are. Can you tell us if there have been any other Regional Partnerships program applications of which the council has been the proponent, given that the program started on 1 July 2003?

**Mayor Treloar**—Is that in relation to the equine industry in general?

**Senator O'BRIEN**—In relation to anything.

**Mr Inglis**—In relation to anything?

**Senator O'BRIEN**—Yes.

**Mr Inglis**—One of the questions on the application form is that exact question. We would have answered that question on our application form, because I am sure there is a question there that actually asks that. It is a nice way for them to make sure that you are not getting too many licks of the lolly.

**Senator O'BRIEN**—There may have been one since then. That would not necessarily give us the complete picture today, so I ask that now.

**Mr Inglis**—One that I am aware of is that there was an application made for the original business plan for the first proposal. From memory, that was for about \$33,000. That certainly was an application and that would be on the—

**Senator O'BRIEN**—That would not have been under Regional Partnerships, would it?

**Mr Inglis**—It was not called that then. I think it was called Regional Solutions. It even had the word 'assistance' in there as well. There was a bit of a rebranding of that. The only other application that I am aware of is the main one. That was the one for the \$6 million.

**Mayor Treloar**—We may have given support to other organisations who have sought funding through that program. I would instance somebody like the PNA.

**Senator O'BRIEN**—Sure. But I am asking specifically about the council making applications.

**Mr Inglis**—From checking the Australian government applications to that date, there was one through regional services, territories and local governments for an amenities building for baseball and softball for \$212,000. That is the only federal one.

**Senator O'BRIEN**—Will you let us know if something pops up after the hearing? Thanks. What meetings did the council or the equine centre working group have with Mr Anderson or Mrs Kelly to discuss the council's Regional Partnerships application?

**Mr Inglis**—The council itself?

**Senator O'BRIEN**—Yes, or the working group.

**Mr Inglis**—None that I am aware of. The council set up the working group to do all those matters.

**Senator O'BRIEN**—So the council was not involved. If there were any meetings, they would have been with the working group or someone from it.

**Mr Inglis**—They would have been the working group, yes.

**Mayor Treloar**—As a member of the working group, I do not believe we had any of those. In fact, I would suggest that it even goes further than that. When the submission was ready to be lodged for the equine centre's second application, we actually contacted the Deputy Prime Minister's local office in Canberra and asked if they would like a presentation of that submission before it was lodged. They rang back and said that under no circumstances would they be interested in that submission and that that would be inappropriate. They said the correct course of action would be for it to go through the process. That course of action was to lodge the full application with the office in Orange, where it would be assessed and then forwarded to Canberra.

**Senator BARNETT**—Which office in Orange?

**Mayor Treloar**—The DOTARS office in Orange, I believe—the Regional Partnerships office. It would go through the process. It was not a political process; it was a process of accurately being able to address the matters in the guidelines of the program. The application would have to satisfy the criteria and would be assessed, along with other projects that were being applied for by regions across New South Wales.

**Senator O'BRIEN**—Was that in 2003 or 2004?

**Mayor Treloar**—2004.

**Senator O'BRIEN**—Can you tell us roughly what month?

**Mayor Treloar**—Can I ask? I have staff members here who—

**Senator O'BRIEN**—If someone can help you, that is fine.

**Mayor Treloar**—I would suggest that it was early August.

**Senator O'BRIEN**—Early August 2004?

**Mayor Treloar**—Yes.

**Senator O'BRIEN**—That is remarkably different to the approach to the University of New England project, where the Deputy Prime Minister was involved. I say that because we took that evidence yesterday in Armidale.

**Mayor Treloar**—We were not involved in that project.

**Senator O'BRIEN**—I understand that. I am surprised that in May the Deputy Prime Minister was meeting officials of UNE about their proposal but you were told by the Deputy Prime Minister's office—if I understand you—that it was totally inappropriate for him to be involved.

**Mayor Treloar**—When the submission was to be lodged, that was what we were advised. A group of us went to the Deputy Prime Minister's office early in 2004.

**CHAIR**—Which office?

**Mayor Treloar**—The Gunnedah office.

**CHAIR**—The Gunnedah electorate office.

**Mayor Treloar**—We went to address the issues in relation to the Chudleigh report.

**Senator O'BRIEN**—This is the working group?

**Mayor Treloar**—No, not the whole working group. I am relying on my memory, I am sorry, but I think there was the former chairman of the working group.

**Senator O'BRIEN**—Who was that?

**Mayor Treloar**—Peter Botfield. I think that the new state member, John Cull, was there. Patrick Maher and I were there. I cannot identify the others but I know that those people were there. At that meeting, we were advised that this was not a political process that you now had to go through; you had to address the issues identified in the Chudleigh report. You needed to relook at it and if you could make it satisfy the guidelines and be financially viable—so it would not be a drain on the community in terms of the Tamworth City Council at that stage—you would be welcome to resubmit the program and go through the Regional Partnerships program to do that resubmission. That meeting may have been in 2003.

**Senator O'BRIEN**—Could you let us know when that meeting took place?

**Mayor Treloar**—Okay.

**Senator O'BRIEN**—I am sure there is a diary or minutes somewhere that can help you. According to the council's submission, the formal Regional Partnerships application for this project, the equine centre, was lodged on 13 August 2004—that is what your chronology tells us on page 3. Was it lodged directly with the Department of Transport and Regional Services?

**Mayor Treloar**—No. It was an electronic submission direct to Orange.

**Senator BARNETT**—But was that to the department in Orange?

**Mayor Treloar**—It was to the Regional Partnerships office in Orange. It was electronically submitted and a hard copy was posted and delivered as well.

**Senator O'BRIEN**—Can you tell us what contact the council and/or the working group had with the department between that lodgment on 13 August and the funding announcement on 21 September, during the election campaign?

**Mayor Treloar**—With the department?

**Senator O'BRIEN**—Yes.

**Mayor Treloar**—Of the Regional Partnerships program?

**Senator O'BRIEN**—Yes.

**Mayor Treloar**—There was a full submission made to the local ACC board—a slide presentation, a full copy of the business plan and the submission. That was provided to the ACC regional office. I cannot answer whether there was any further follow-up in relation to questions that may have arisen out of that submission. The only response that we got in relation to the submission was that it was one of the most professional and best presented submissions that had ever been presented to the ACC in this area.

**Senator O'BRIEN**—I asked you about dealings with the department. The ACC is supposedly—



**Mayor Treloar**—The area consultative committee.

**Senator O'BRIEN**—a community body, not the department.

**Mayor Treloar**—I am not aware of any with the department.

**Mr Inglis**—The briefing that the mayor is referring to with the local ACC was on 10 August. Through their processes they have to sign off on whether they agree or disagree with it as a fundable grant. That was held on 10 August here in Tamworth. As to direct contact with the department, on 16 August we received notification from the department that the application had been received and was being assessed. That was a routine matter. As to direct contact with the department after submission, other than probably the odd phone call about where it was at—which is fairly normal procedure so that you can highlight to them that you are very eager to get an answer—I am not aware of any specific contact with the department.

**Senator O'BRIEN**—Since the election, what contacts has the council had with the department? What details has the department sought from council?

**Mr Inglis**—Since the original election announcement?

**Senator O'BRIEN**—Yes.

**Mr Inglis**—We got advice from the department on 21 December confirming the election commitment. That was a standard letter, which I think is fairly normal procedure when an announcement is made initially by media release. So, on 21 December 2004, there was written confirmation of the election commitment of the \$6 million. On 24 December 2004—again my understanding is that this is routine—a pro forma was received from the department, DOTARS, seeking confirmation on information in relation to the election commitment. I think what they do there is, where a minister makes, say, a media release commitment, the department then as a matter of course has to put in place the procedures to get that through the system. I remember ringing them about the pro forma, and the way they explained it to me was that they have to commence the paperwork on that. They send this pro forma off to the office of the minister who made the announcement to get them to sign off to make sure that the departmental people processing it have got it right—that it is what you said, it is what you approved and all that sort of thing.

As part of that process, they contact the applicant and give you a look at the pro forma to make sure that they have transcribed correctly from the application to the pro forma. We are very pleased that they did that because in fact we corrected quite a few things. There were some transformation errors from the application to the pro forma. That went back and forth a couple of times, on 7 January as well, just to get it right. On 9 March 2005 we got a letter from DOTARS advising that the election commitment was now subject to a financial viability assessment, and we thought, 'Here we go.' Then on 25 May there was our next written contact from DOTARS, and that was that the funding agreement was received by the council for execution. On 17 June 2005 the council returned that funding agreement with appropriate signatures.

**Senator O'BRIEN**—Have you been paid any money yet?

**Mr Inglis**—Yes, we have.

**Senator O'BRIEN**—How much?

**Mr Inglis**—With GST, \$2.2 million, in accordance with the funding agreement, if the funding agreement has in it a cash flow, and the first instalment was \$2.2 million GST inclusive. That was received about a week ago.

**Senator O'BRIEN**—Thank you for that update on where the project is. This inquiry has heard allegations of inducements offered to the member for New England, Mr Windsor, to quit his seat at the last election. Mr Treloar, for a short period last year you performed the role of de facto spokesperson for Mr Maguire, who was the alleged conduit for the offer of an inducement to Mr Windsor to leave politics. Did Mr Maguire ask you to act as his spokesman?

**Mayor Treloar**—No.

**Senator O'BRIEN**—What personal knowledge do you have of the now famous meeting between Mr Maguire and the Deputy Prime Minister and the subsequent discussions between Mr Maguire and Mr Windsor?

**Mayor Treloar**—I have no personal knowledge of it other than what I have read in media reports.

**Senator O'BRIEN**—So the only knowledge you have is from reading the reports. Is that what you are saying?

**Mayor Treloar**—That is correct.

**Senator O'BRIEN**—How did you get involved? Did Mr Maguire ask you to speak to the media on his behalf?

**Mayor Treloar**—No.

**Senator O'BRIEN**—So how did you become involved?

**Mayor Treloar**—The media rang me in relation to it.

**Senator O'BRIEN**—On the night of 20 September 2004—the night before the Deputy Prime Minister, Mr Anderson, announced the funding for the equine centre—did you receive a phone call from Stephen Hall alerting you that Greg Maguire was considering resigning as chairman of the working group?

**Mayor Treloar**—I would not be able to answer that. I speak to Stephen Hall reasonably regularly. Did I receive a phone call from him advising me that Greg Maguire was thinking about resigning as chairman? I was aware of that, but I think I was aware of it because Greg had told me, not Stephen. But it may have been confirmed through Stephen as well.

**Senator O'BRIEN**—Were you then aware that statements made by Mr Windsor about allegedly being approached by an intermediary offering an inducement not to stand at the federal election actually related to Greg Maguire?

**Mayor Treloar**—I am not sure of the date, but I was aware of it before it became public knowledge, yes.

**Senator O'BRIEN**—So you were aware of it the night before?

**Mayor Treloar**—I think I might have been aware of it even prior to that.

**Senator O'BRIEN**—Did you have contact with Greg Maguire immediately before the announcement of the funding for the equine centre—the day before?

**Mayor Treloar**—I had contact with Greg Maguire the morning of the funding announcement. We were both at the funding announcement together. So I would have been in his company that day as well. Did I have contact with him in relation to what prior to that?

**Senator O'BRIEN**—Perhaps about considering resigning as chairman of the working group.

**Mayor Treloar**—He discussed it with me and I said, 'That's not going to achieve the objective that we are here for and I think you should give consideration to that again.' We probably had a chat about it and at the end of the day he said, 'You're probably right: we need to make sure that the funding announcement for this project is not the completion; it is the start of it and we really need to see this through.' So he agreed with me on that and I think he accepted that he would still be an ideal person to proceed the project through to its completion.

**Senator O'BRIEN**—When Mr Windsor named names in the parliament on 17 November, did you phone Stephen Hall on that evening, prior to Mr Windsor's announcement, telling him that you were thinking of him and Helen Tickle?

**Mayor Treloar**—On the morning that it became public knowledge I had been working on a tractor and I had my phone on but I was unable to acknowledge the rings. When I got off that tractor I had 17 calls on the phone that had been missed between about six o'clock in the morning and eight o'clock in the morning. That is somewhat unusual for my phone. I think the second call on that phone was from Stephen Hall, saying, 'Before you talk to anybody, could you talk to me?' I think the fourth phone call that was missed was also from him, suggesting I talk to him before I make any statements.

**Senator O'BRIEN**—Was that on 18 November?

**Mayor Treloar**—I cannot give you the date, but Mr Windsor made the announcement in parliament as to who the supposed person was at roughly eight o'clock or 10 o'clock at night—I cannot remember, but it was in the evening. The following morning is when those phone calls took place. I cannot give you the date, but that was the time frame in which it happened.

**CHAIR**—These were messages left on your phone, were they?

**Mayor Treloar**—Yes. I would suggest probably 12 of them were from journalists and reporters. I do not know how they got my name and I do not know where that involvement came from, but I got them pretty quickly. That is when I became what you referred to as the ‘de facto media person’ for him—because I made one statement to one media organisation and I think they put it on AAP or something. That is what happened.

**Senator O’BRIEN**—My original question was: did you phone Stephen Hall on the evening before that morning when you are now saying you got the 17 messages on your mobile phone?

**Mayor Treloar**—Yes, in fact, I did. I was going to a meeting at Barraba or Manilla, and on my way out there I heard it on the seven o’clock news—no, it must have been a later news service than that. I phoned him on my way out and asked what he knew about it. Yes, I did.

**Senator O’BRIEN**—How much time did you spend with Mr Maguire in the lead-up to him making his media statement following that statement by Mr Windsor?

**Mayor Treloar**—Not a great deal. I went out and picked him up the morning of him making a media statement and drove him back into town. I would have been with him probably for half an hour only.

**Senator O’BRIEN**—Was that a pre-arranged thing or did he ask you to pick him up?

**Mayor Treloar**—No, I said I would come out and get him.

**Senator O’BRIEN**—Why?

**Mayor Treloar**—Because he is a mate.

**Senator O’BRIEN**—How has this matter changed your relationship with Mr Maguire and Mr Windsor, if at all?

**Mayor Treloar**—I do not think it has. I still respect both of them enormously. My relationship with Tony has remained as one a mayor and a federal member would have, I would hope. I have tried not to take sides, because I was not at the meeting and I do not know what was said. But I accept both of them as being honest and reputable people and, if there has been a misunderstanding, I accept that and acknowledge it.

**Senator O’BRIEN**—In fairness, I want to put to you a matter that appeared in Margo Kingston’s *Sydney Morning Herald Webdiary* on 19 November last year. I can tell from your demeanour that you are familiar with it.

**Mayor Treloar**—I am not at all familiar. But it is going to be exciting—I can guarantee you.

**Senator O’BRIEN**—Not at all.

**CHAIR**—You said you are not familiar with it?

**Mayor Treloar**—I am not familiar with it.

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**Senator O'BRIEN**—I saw you smile and I thought, 'That means you must have read it.' Let me make you familiar with it.

**Mayor Treloar**—If I read or believed everything about myself in the paper, I would be a pretty nervous person by this stage.

**Senator O'BRIEN**—They are two different things. Reading it is one thing; believing it, I understand, might be another.

**Mayor Treloar**—I have not seen the article.

**Senator O'BRIEN**—That article suggested that you sided with Mr Maguire's version of events because you were 'ticked off'—those are the words in the article—that Mr Windsor had failed to support you when you stood for his former state seat as an independent.

**Mayor Treloar**—That is absolutely, totally incorrect. Mr Windsor gave me enormous support when I stood independently for the seat of Tamworth. He gave me enormous support. He backed me over another independent candidate. That is widely acknowledged in Tamworth. It caused some angst with that other independent candidate. An article could not be further from the truth. Mr Maguire also supported me in that campaign in a similar fashion to how he has supported other independent members in campaigns.

**Senator O'BRIEN**—It is good to have given you the opportunity to respond to something that is on the public record.

**Mayor Treloar**—Does something published in the local rag make it the public record?

**Senator O'BRIEN**—No, the *Sydney Morning Herald*.

**Mayor Treloar**—I would have to say that even they can come down to the lowest levels of the local rag, can't they?

**CHAIR**—If you had been successful, you would have been able to correct the record in parliament. At least you have had the opportunity today, from your perspective.

**Senator O'BRIEN**—Going back to the project, Mr Windsor has told this committee he has long been a strong supporter of the project. Is that a fair assessment?

**Mayor Treloar**—Yes, that would be a fair assessment.

**Senator O'BRIEN**—We have some evidence from Mr Windsor about the role he played on the working group. When and how did his role end?

**Mayor Treloar**—I am relying on my memory. If I had known this was going to happen, I could have taken good notes, but I did not because I was not expecting to be here for something like this. When the first submission failed, Tony, I and a few other user groups—I cannot name them all—got together and said: 'We need to move this forward again. We can't just give up and let it collapse, as it has.' At that stage, I think Tony may have invited Greg Maguire to take on

the role of heading this new working group. We formed a meeting of some of the old working group and some new members. I think at the first meeting in Tony's office it was suggested that Greg Maguire would become the chairman of that organisation. Greg accepted that, and I think all subsequent meetings were then moved to Greg's offices from Tony's offices. That was to directly distance ourselves from a public perception of who was running this agenda.

I think Tony may have attended one meeting of the new working group in Greg's offices. I think at that meeting it was probably suggested that this was no longer a political process—lobbying a minister, lobbying the government would not be the way that this project was to move forward. It was to be based purely on its merits and it would have to stand up to the Regional Partnerships program and the scrutiny of that program. I think at that stage both Tony and Peter Draper ceased to attend the meetings. Whether it was because they were asked to or whether it was because they also believed that it was no longer a political process and that that was the way it would have to progress, I do not know. Whether it was like a footballer who has run his race and does not get selected for the team any longer, I am not sure. I am not sure how it actually happened, but there was no anxiety or problem with the fact that it was moving forward. I think at that particular stage we also brought some other people into the working group. I think one of those was a person from Gunnedah, Dick Cameron, who had knowledge of the livestock industry as opposed to the equine industry. I think Terry Keating, who is the chairman of the Tamworth Development Corporation, came on board at that stage. It was a revamped group that had business expertise and equine industry expertise. I was there as the local mayor.

**Senator O'BRIEN**—Mayor Treloar, you made some comments on the ABC's *AM* program about Mr Windsor's role on the equine centre board that were broadcast on 19 November last year. You said that Mr Maguire told you that, in relation to conversations he had had with Mr Anderson about Mr Windsor, 'the only mention we had about him was we had to make sure the equine facility didn't become a political debate like it did last time'. Is that statement based on Mr Maguire's advice to you?

**Mayor Treloar**—That was something I was well aware of. I was conscious that it was no longer a political debate as to whether it was or was not good for the region or whatever; it was more a debate now as to whether this thing could stack up. I was conscious of that from the meeting with John Anderson in the Gunnedah office. I think I had informally seen him at some breakfast—maybe it was a post-budget breakfast release or something—so I was conscious of that.

**Senator O'BRIEN**—But you said—and I will read you the full sentence:

He said you know, the only mention we had about him was we had to make sure the equine facility didn't become a political debate like it did last time.

That seems to me as though you are saying Mr Maguire had said something. The words you used were 'he said'.

**Mayor Treloar**—Greg may have reinforced to me again that we had to ensure that it did not become a political issue.

**Senator O'BRIEN**—To ensure that the project was not politicised, you went on to say in that interview:

And we knew that from a long way out and that's why neither Tony Windsor nor Peter Draper were actually on the equine taskforce—

You used the term 'task force'—

to try and raise the funds.

Is that your view or Mr Maguire's view?

**Mayor Treloar**—That would be my view and it may well be his view as well.

**Senator O'BRIEN**—Yes, it is ambiguous: it could be either in the transcript. It says 'we knew'.

**Mayor Treloar**—I think we would have shared that view at the time, anyway.

**Senator O'BRIEN**—In either case, can you tell us why the involvement of the federal and state members would not assist a project like this to get support from government?

**Mayor Treloar**—State-wise, the funding had already been announced. I think in some senses they felt that the race had been run from a state level. On top of that, the Premier had come to Tamworth and further announced that the funding would not be subject to federal funding but would be subject to being the last lot of funding that went in. So the state government had already announced that it did not matter where the funding came from, they were not going to tie it to being matched federally. So in a sense the state had already committed their funding to it and there was no further role for a state member to play. At the federal level it was felt that the advice that we had been given was that the project had to stack up under the guidelines of the Regional Partnerships program. It was no longer a lobbying process of going to see ministers and trying to get the funding. It had to be an accountable process where it would stack up.

**Senator O'BRIEN**—You said in that broadcast on 19 November last year:

I know that at the very start of the task force we were advised that we couldn't have any political interference so that's basically what happened.

I want to find out when you were advised of that.

**Mayor Treloar**—I could not give you a definite answer on that. I would not be surprised if I became aware of that when Professor Chudleigh came to Tamworth and announced the failure of the first project. He identified why the project had failed and suggested that we relook at the showground as an alternative option. We went down the path of re-exploring the showground as an option. Sinclair Knight Merz did a study on it. The council funded that study, which said, 'This facility is not suitable.' I think at that stage, when I started making inquiries about the process of moving the project forward, I was advised: 'It is not a political process; this process

has to be accountable under the Regional Partnerships program, where you will now have to seek the funding for this project.' That would be my first understanding of—

**Senator O'BRIEN**—Political interference?

**Mayor Treloar**—It was a political process. It was not going to be a lobbying process. We could not use the process of going down to parliament and visiting. I think the previous project had tried to go through the minister for tourism and had lobbied in some other areas in Canberra to get that funding. I was advised, 'Don't waste your time doing that because that is not the process that you have to go through now.' I was told that a political lobbying process was not the process that had to be followed.

**Senator O'BRIEN**—You were advised of that by Professor Chudleigh?

**Mayor Treloar**—I became aware of it and I think I was probably made even more aware of it by the ACC.

**Senator O'BRIEN**—Who from the ACC would have told you that?

**Mayor Treloar**—I am not one hundred per cent certain but it was something that was reasonably well known to me and other members of the working group on the equine centre.

**Senator O'BRIEN**—Is this the second working group?

**Mayor Treloar**—Yes.

**Senator O'BRIEN**—Would your discussions with the ACC have been as part of the second working group? I want to put it in a time frame.

**Mayor Treloar**—It would have been as part of the second working group.

**Senator O'BRIEN**—Is that from the beginning of 2004?

**Mayor Treloar**—It was ratified in council in February 2004. It may have been formed a fraction before that.

**Senator O'BRIEN**—So it was very early in 2004. Senator Barnett has previously asked witnesses who have come before this inquiry about their political connections. In fairness, I would like to ask you simple, direct questions in the same vein. Have you ever been a member of the National Party?

**Mayor Treloar**—Yes, I have.

**Senator O'BRIEN**—Are you currently a member?

**Mayor Treloar**—No.



**Senator O'BRIEN**—Has there been any colouration of your evidence by the intention on your part to contest National Party preselection for the seat of New England or Gwydir?

**Mayor Treloar**—No. I would not be eligible to do that in my understanding of their rules of eligibility to contest the preselection. I would suggest that you would have to be a member.

**Senator O'BRIEN**—I suppose in both cases that is a possibility for the future but I do not know the rules either. In terms of the project itself, did anyone suggest at any time that the equine centre had a greater chance of attracting funding from the current federal government if Mr Windsor was not associated with the project?

**Mayor Treloar**—I have heard that assumption but I do not think I was ever told that by anybody. I have read it in different places but I certainly was not told it by anybody. The ACC never told me that. It never came out of any office that I am aware of. I was never told that but, as I said to you, it was made quite clear to me that it was not a political lobbying process any longer.

**Senator O'BRIEN**—That was early in 2004 and—

**Mayor Treloar**—It may have been. As I said, I think when Chudleigh handed down his report it became very clear that the process was not a political lobbying process. In the interim, when the report was handed to Professor Chudleigh through the office of the Deputy Prime Minister, I was made aware that this was not going to be a political opportunity. It had to go through the correct channels, it had to stand the report by Chudleigh, and I gave an undertaking to the Deputy Prime Minister then that, whatever the outcome of the Chudleigh report was, we would accept it. So I suppose in a sense I was saying, 'I'm not about to badmouth you if it is not in our favour.' We were very optimistic that it would be and I felt that, once the state government had looked over it, it was going to be somewhat a formality. In a sense, it was a shock that it was not, but that is history now.

**Senator O'BRIEN**—Okay. I understand that. Thank you for that evidence. I only sought to put it in context. You have already told us that when the working group sought to deal with the question of the application with the Deputy Prime Minister's office they said, 'We can't talk to you about that.' That was in August 2004.

**Mayor Treloar**—Yes. Mr Coote, who presented the business plan and everything, was in the process of submitting the application and he was quite clearly advised that it would not be appropriate for that office to be looking at that presentation.

**Senator BARNETT**—The last time I was in Tamworth was in March and it involved the Pollie Pedal—and a very good time it was, but much drier, so it is great to be back here and to see a little bit of rain underfoot. In today's *Northern Daily Leader*, the article 'Dynamic approach to tourism' says that Tamworth is already poised to become one of the fastest growing centres in regional Australia. It talks about the Australian Equine and Livestock Centre due to open in January 2007 as being the 'jewel in the crown'. In this front page story it says:

The \$14 million project would be about 2½ times bigger than the TREC site, including a 3,500 seat arena. Mr Maguire said it would be one of the top three equine centres in the world, generating \$550 million over its first 10 years. Subject to second-stage approval, arena capacity would increase to 5,000 and the site would double in size to more than 40 hectares.

That sounds very encouraging news for Tamworth. Do you support the statements and are they accurate?

**Mayor Treloar**—That statement would have come out of the business plan presented to the submission. The equine industry is estimated to be worth somewhere in the vicinity of \$45 million annually to Tamworth. If you amortise that over the 10-year period, then with some growth I would suspect that that figure of \$500 million over 10 years would be an accurate estimation.

**Senator BARNETT**—Since the application went in, was granted and approval was given, have there been any further developments that you would like to put on the record? Mayor Treloar, you referred to an announcement by the user groups committing \$2 million and the deposits being made. Can you expand on that announcement and the funds that are being provided to the project?

**Mayor Treloar**—Part of the requirement of the facility, and the Chudleigh report identified it, is that you need to show that there is a commitment from the equine industry to this facility—not just the facility but the facility being in Tamworth. As such there were memorandums of understanding that had to be signed by four of the major equine user groups—the Australian Quarter Horse Association, the National Cutting Horse Association, the ABCRA and the Rough Riders Association. Two of those are basically rodeo groups that would use a fair amount of livestock and the other two are horse equine associations which would also use a large amount of livestock in the running of their events.

The memorandums of understanding require those groups to provide \$0.5 million each towards the project. Because the project has been delayed a little because of what Mr Inglis said in relation to a further financial review, those memorandums of understanding were supposedly to request those organisations to contribute their first quarter payment at the commencement of the project. We were hoping the project would have commenced by now. Even though those memorandums of understanding suggest that there was a date and some project achievement for those commitments to be made, three of those organisations have honoured that commitment already without the project having got to the level of achievement that would have required them to instigate that payment. I think it is a good indication of the commitment by those organisations towards the project.

**Senator BARNETT**—It is a sign of confidence from those participants in the project in the success of the project. Are there any other material changes since the application was approved and granted? I think Mr Inglis said that you have received the first tranche of funding from the Australian government. Are there any other material changes that you want to alert the committee to? Do you still support 100 per cent the business plan and the figures in it which demonstrate the material benefits to the local community and the Australian community generally?

**Mayor Treloar**—The business plan is very conservative but it is accurate on what we actually know. It anticipates usage of 130 days and grows marginally. It recognises in years 9, 10 and 11 a significant re-injection of funding into that project to allow alterations, significant repairs and maintenance. I am talking figures in the vicinity of \$850,000 in year 9. I think it is \$450,000 in year 10 and \$450,000 in year 11.

So the business plan has addressed the issues that were not addressed in the Chudleigh report. It is not an optimistic business plan. It is actually a realistic business plan based on what current usage there is of the facility and with the knowledge that once these user groups have invested half a million dollars into the project you would expect that they would be committed to the project for many years to come. They are not going to invest half a million dollars and then suddenly decide that they are going to have their main event in Warwick, or something like that. So, in that sense, it has literally tied those groups in. For those memorandums of understanding to actually be activated now, I think that gives a very strong commitment by the equine industry to the facility.

**Senator BARNETT**—So everything is going to plan? That is what I am trying to ascertain from you. You have put in an application that is based on certain terms and conditions of funding from different groups—the New South Wales government, the Australian government, these user groups—and based on certain targets that need to be met. We are now down the track a little bit. Is it going to plan? Are the benefits still going to flow through to the community as expected or are they better than expected or about the same? Can you put that on the record for us.

**Mayor Treloar**—Whilst the actual benefits of the equine centre and everything are a little bit behind time frames, yes, I believe everything else is in place. Some of the benefits that we had not anticipated have already started to flow through. You will find a reasonably significant increase in property values within probably a 20-kilometre radius of Tamworth, where they are smaller property lots—from 50 to 200 acres, I would suggest—where you are now starting to find the development of equine related facilities.

**Senator BARNETT**—You can say that is due, in part or substantially, to this project?

**Mayor Treloar**—Very much so. Only on Monday I had a meeting with a group from Canberra who are looking to relocate. Isn't that just about the best news you could have—somebody leaving Canberra to come to Tamworth to live? It is an equine related industry—warm blood horses, so they will be looking at dressage and showjumping. That would be an indication of the facility now starting to attract significant interest—for other reasons.

**Senator BARNETT**—You referred to the funding from the Australian government. The New South Wales government: what has happened to their funding and when is that expected?

**Mayor Treloar**—We have written to the New South Wales government to advise them exactly where the funding is at now in relation to the federal government. We have not received a response, but that funding was committed—I think it was last year that they wrote to us asking if it would be anticipated in this current financial year. We said it would more likely be in the financial year 2005-06 that they would need to allow for it in the budget, so we would be expecting some funding early in July this year, in the new financial year.

**Senator BARNETT**—I want to turn now to the issue of the first and second proposals. You have said twice this morning, Mayor Treloar, that the first proposal was a failure. It was subject to the Chudleigh report—Professor Chudleigh’s review—and, based on the recommendations of the review, certain changes were made and a funding application was subsequently made. I want to walk through with you the differences between the first and second proposals, because it has been put to us that there was either no or a very marginal difference between the first and second proposals and it has been alleged to us in a number of submissions that the only difference was as a result of political interference and political pressure. I would like you to respond to that and then we will go through Professor Chudleigh’s report.

**Mayor Treloar**—I hope I did not say that the first proposal was a failure. There were some shortcomings which we had to address, but it certainly was not a failure. It was an attempt which was unsuccessful. In terms of the statement that the projects were the same, at the end of the day it is going to be a horse arena with stables attached. We do not even have a specific design at this stage; we have a conceptual design only. Yes, there are similarities between the two conceptual designs, without a shadow of a doubt. Both designs were for horse arenas which had seats around them and had stables. But, looking at the underlying information that backs each proposal, I would have to say they are significantly different. Just a walk through the Chudleigh report demonstrates the difference.

So somebody who said the proposals were the same could only be talking about the fact that they had the same conceptual design, and I would concede that. Conceptually, yes, they are very similar, even to the extent that each plans on using the same block of land. In that sense—conceptually—yes, they are quite similar. I do not know whether you could even draw a comparison between the two submissions on the basis of the funding, the business plan and the underlying information they contain. If you look at the two drawings, you could say, ‘Yes, they look pretty much the same,’ but if you look at the underlying information there is a significant difference.

**Senator BARNETT**—But was the success of the project in terms of funding based on political pressure and political intervention, or was it based on the report by Professor Chudleigh—in response to his recommendations? I am going to walk you through Professor Chudleigh’s report in a minute, but an allegation has been made that the funding was the result of political pressure. I am asking you to respond to that allegation.

**Mayor Treloar**—I would have to say that if we had proceeded with the first proposal our community would now be carrying a significant debt and the council would be the last remaining body propping it up. As mayor of this regional council area I can say, ‘I thank Professor Chudleigh,’ because we would have gone down a path that financially would have been quite devastating to our community.

**Senator BARNETT**—In your submission, the abridged chronology says for April 2002:

Professor Chudleigh on behalf of Federal Government visited Tamworth to investigate and report on feasibility of AELC—

the equine centre. For May 2002, it says:

Professor Chudleigh reported to Minister Anderson rejecting new equine centre. Supports upgrading current facilities at the Showground.

Do you want to add anything about those comments before we walk through the report?

**Mayor Treloar**—No. That is correct; that is what happened.

**Senator BARNETT**—A proportion of the funding for the first stage of the project was to cover debt. Is that correct? I am looking at the Chudleigh report findings, as per your application for Australian government funding in 2004.

**Mr Inglis**—If I could clarify something for the mayor so he knows what you are reading from: Senator Barnett is reading from a PowerPoint presentation to the ACC to describe the new business plan. The purpose of the slides that I think you are about to go through was to show the local ACC the key differences between the new business plan and the previous business plan. That was a very intelligent way to go about it, because the history was there. In fact, I think there are two slides there where you will see quotes from the Chudleigh report. They were addressed in the presentation to the ACC so that we could show the key differences in a fairly succinct way.

**CHAIR**—Mr Inglis, Senator Barnett might be able to see this document but other members of the committee cannot because we do not have it.

**Mr Inglis**—It was sent in. It was part of our submission.

**Mayor Treloar**—This was part of the submission. It is on the net now as an attachment to the submission. Senator, you might be interested to know there are actually two PowerPoint presentations.

**Senator BARNETT**—I have the business plan.

**CHAIR**—Let us just clarify this. We have your written submission.

**Mr Inglis**—If you go to the second page of our submission, under ‘Enclosures’, you will see enclosure 1 is the business plan and enclosure 2 is ‘AELC presentation to New England ...’, which is the document I am referring to.

**CHAIR**—I can see that it is noted on the submission. We do not have a copy of that with the papers I have here.

**Mayor Treloar**—I have spare copies if you would like one.

**CHAIR**—Thank you. The original submission said, ‘Number of pages: 5’; and attachments: ‘Australian Equine and Livestock Centre business plan’ and ‘Australian Equine and Livestock Centre application for Australian government funding 2004: 31 pages.’ Is this a third document? Do you have a spare copy?

**Mayor Treloar**—I have just handed it to your secretary. You may also be interested to know there was another presentation very similar to that, but we had to work backwards in a sense.

This presentation initially had a little bit of debt in it as well, and we had to abandon that project because we could not make it stack up, even with just a little bit of debt.

**Senator BARNETT**—What is the document referring to, and when was it presented?

**Mayor Treloar**—It was not presented, but it was the first concept for the new equine centre management project and, even with a little bit of debt, it did not stack up. We will go through the Equine and Livestock Centre PowerPoint presentation. You will see that this was done for two purposes. Firstly, it addressed the issues of the Chudleigh report. It went through them one by one and said, ‘This was a failing in the last one, this is how it is now being addressed and this is what we have done to address it.’ So it actually ticked off all those line items, I suggest, and allowed the project to move forward.

**Senator BARNETT**—That is what I want to ask you about. Thank you very much for that introduction. When was this report completed, and when did you present this to the ACC?

**Mayor Treloar**—This was presented to the ACC on 10 August 2004.

**Senator BARNETT**—Is that when the ACC said that this was one of the best presentations that they had ever seen?

**Mayor Treloar**—Yes.

**Senator BARNETT**—Okay, let’s just walk through this. Can you explain this PowerPoint presentation: the 2001 proposal characteristics?

**Mayor Treloar**—Firstly, the PowerPoint presentation gives you a background and that is where you will find the benefits to Tamworth as being \$45 million-plus, and it gives you the proposal characteristics of the 2001 project.

**Senator BARNETT**—It is \$45 million-plus, plus jobs. Have you got the figures available on jobs, or can you present them at a later time if you have not got them now?

**Mr Inglis**—Specifically to do with construction, or thereafter, or both?

**Senator BARNETT**—Both.

**Mr Inglis**—That information has been provided to DOTARS, but I am happy to provide you with a copy of that as well.

**Mayor Treloar**—Then you have got the 2001 proposal characteristics, then you have got the Chudleigh report findings. In summary, I would have to say that that report said there was ‘too high a risk’ in the project.

**Senator BARNETT**—You have got in quotes, under the first dot point, ‘too high a risk’. Has that come directly out of the Chudleigh report?

**Mayor Treloar**—Yes, that is pulled straight out of the Chudleigh report.

**Senator BARNETT**—Then you have got a dot point under that: Bplan. Is that the business plan?

**Mayor Treloar**—Yes.

**Senator BARNETT**—And it says ‘no debt—minimal risk’.

**Mayor Treloar**—That is correct. So—understanding that this was just a PowerPoint presentation; there was commentary that went with it is well—‘too high a risk’ was a Chudleigh finding and in the business plan ‘no debt—minimal risk’ is how we addressed that ‘too high a risk’.

**Senator BARNETT**—When was the business plan completed? Was it at the time of the Chudleigh report?

**Mayor Treloar**—No, it was well after.

**Senator BARNETT**—Was it a result of the Chudleigh report?

**Mayor Treloar**—This was the business plan that was presented to go with the submission. It would have been completed either in very early August or at the end of July.

**Senator BARNETT**—But after the Chudleigh report?

**Mayor Treloar**—Yes.

**Mr Inglis**—Just for the record, Bevan Coote and Associates, who prepared the business plan, were appointed by council in June 2004. So they prepared that business plan between June and 10 August, when it was presented. It was done over that five- or six-week period.

**Mayor Treloar**—What I am holding here is the business plan that was presented and the appendices that are attached to the business plan. That is basically what was submitted. Our submission provided a full copy of this. The document is the Australian Equine and Livestock Centre business plan, dated 12 August 2004. It is a 29-page document and it is a full summary of a 10-year business plan and projected cash flows of the equine centre as proposed at that date.

**CHAIR**—You have included that in your submission to this inquiry?

**Mayor Treloar**—Yes, that is part of the attachments to the submission by the Tamworth Regional Council.

**CHAIR**—This committee has received thousands and thousands of pages of material. I just want to ensure that that is amongst those papers.

**Mayor Treloar**—The second document I am referring to is the Australian Equine and Livestock Centre appendices, also dated 12 August. It is a 23-page document and it identifies some of the other issues.

**Senator BARNETT**—Have you submitted that second document as part of your submission?

**Mayor Treloar**—Yes, both of those were submitted.

**Senator BARNETT**—I have your business plan dated 12 August 2004 in front of me, so I am familiar with that document. If we go back to the Chudleigh report findings, they are quite revealing. It says there is too high a risk. What is that referring to? Is it referring to the debt? Can you expand on that finding?

**Mayor Treloar**—It is referring to not only the debt but also the reasonably high usage expectation. As I mentioned earlier, the usage expectation is 131 days. I am referring to the 2001 equine centre proposal. That proposal anticipates an increased usage in the second year of 202 days. In that proposal we could not actually specifically state what that was going to be, but there was anticipated additional usage. I would suggest that that is fair—you would anticipate greater usage—but we had not been able to specifically identify another horse group that was coming and we had not been able to identify a breeder group that was coming. We would anticipate those, and I would still anticipate those to come, but there is a risk factor attached to it. To require an additional 70 days usage per annum on that expectation was a high risk.

**Senator BARNETT**—The next dot point says it is ‘not commercially viable’.

**Mayor Treloar**—That was in relation to the repayment of debt. We had particularly identified that there were loans of \$5 million, but we had also had private investment of \$1 million which had not been able to be identified at that particular stage. There was the possible commitment from the local government area of \$1 million, which had not been committed either, and so there was a concern in that area. Also, the project had not identified any depreciation and nor had it identified any repairs and maintenance. That was something that Professor Chudleigh specifically identified as not making it commercially viable on that basis.

**Senator BARNETT**—On your last two points, on depreciation, according to the business plan, depreciation for the financial year 07 was \$240,000 and for the financial year 11 it was \$270,000. They are big figures in anybody’s books. According to the Chudleigh report, in relation to the inadequate maintenance allowance, the business plan escalated to \$139,000 per annum in financial year 11. Again, in anybody’s books they are substantial figures, and there a big difference between proposal 1 and your business plan.

**Mayor Treloar**—That is correct.

**Senator BARNETT**—The other one says here, ‘Could be shortfall in funds to complete project.’

**Mayor Treloar**—That is a correct statement too. The original project did not completely identify what the funding source would be. It said private investment but it actually had not sourced that private investment. So there were no memorandums of understanding in place when that submission was made.

**Senator BARNETT**—The next one is that ‘servicing depends on 240 days of utilisation’. The business plan had 112 days in year 1 and 149 days in year 2. Is that correct?



**Mayor Treloar**—Yes.

**Senator BARNETT**—We are talking about double.

**Mr Inglis**—Again that is just referencing the key difference between them. Your predicted incomes are based on your usage days, and you will see in the second business plan, the latest proposal, the usage days were wound back significantly to be more conservative. More importantly, it was based on known events. We felt that the business plan for at least the first two years should be based on known events, in other words the events that you are absolutely confident you are going to be able to hold. They were wound back, whereas in the first business plan—and as Chudleigh pointed out, of course—those increased usage numbers over your known events: what are they going to be? They were not identified. So we said in the second business plan: ‘Let’s not fall for that. Let’s for the first two years put in known events,’ in other words, events you can point to that are already held and you know will bring in an income.

**Senator BARNETT**—We will not go through all the rest of them because they are there on the record. But it is clear that Professor Chudleigh’s report caused a dramatic change in what you did in terms of your business approach to gaining funds and the fact that instead of \$3.35 million you needed the \$6 million from the Australian government. Was that a key reason for that application and that funding increase request?

**Mayor Treloar**—Yes, that would be a true statement. The business plan that was presented by Bevan Coote and Associates identified the very limited capacity for the facility to repay debt. On the understanding that the overall return on investment is 1.48 per cent, you can understand that if there is any debt in that project it would be highly unlikely that the project would succeed in its own right and probably would have been a significant debt that the council would have had to prop up for many years to come if we had proceeded along those lines.

**CHAIR**—Do you have an idea of what that debt would have been for the council?

**Mr Inglis**—Potentially it was \$5 million that we would have had to raise external funds for, but I think the report identified the very limited capacity for that to ever repay debt and in fact quite limited capacity to actually run profitably. So potentially we could have had the \$5 million debt to repay and be propping up the facility if it did not achieve its 240 days usage by the second year.

**Senator BARNETT**—Thank you. I have got the business plan in front of me and have not been through the figures but it is my understanding that you are starting off without any debt.

**Mayor Treloar**—That is correct. In its first year of operation I suppose it is important to relate that there is a cash surplus of \$46,800 and it grows to \$222,675 in its second year. Those figures sound nice for the household budget, but when you are talking about a project that has \$14 million invested in it then obviously a \$220,000 return is not a financially commercial project, and that is why the funding was so essential from all sources.

**Senator BARNETT**—We will move to the Regional Partnerships program and funding. It is \$13.95 million for the project and \$6 million from the Regional Partnerships program, based on

partners putting in. To clarify where the other funding is coming from, New South Wales is \$3.35 million?

**Mr Inglis**—Correct.

**Mayor Treloar**—That is correct.

**Senator BARNETT**—Tamworth Regional Council, \$2.6 million?

**Mr Inglis**—Correct.

**Senator BARNETT**—Is that in cash or in kind?

**Mr Inglis**—Cash.

**Mayor Treloar**—Part cash and part purchase of land.

**Mr Inglis**—But in an accounting sense, cash.

**Senator BARNETT**—And then the equine industry, \$2 million?

**Mr Inglis**—Correct. There is \$500,000 from each of the four equine associations that the mayor referenced earlier.

**Senator BARNETT**—And that is cash again?

**Mayor Treloar**—Yes.

**Mr Inglis**—That is cash paid by four instalments of \$125,000.

**Senator BARNETT**—Can we go now to your involvement with the area consultative committee—when that first started, your involvement with them, your work with them and your application to them. I think you said you presented to them on 10 August 2004. What involvement did you have with them before that occasion?

**Mayor Treloar**—Me personally?

**Senator BARNETT**—No, the council, the applicant.

**Mayor Treloar**—The bulk of the dealings with the ACC would have been by Bevan Coote and Associates, who were reworking the plan for us. They basically took over from Sinclair Knight and went right through the Chudleigh report, addressed the issues, presented a business plan and then made that submission on behalf of council to the ACC.

**Senator BARNETT**—When was your first involvement with the ACC? How long back? I cannot see from this chronology when that might have occurred. Was it at an early stage, stage 1 or stage 2, proposal 1 or proposal 2?

**Mayor Treloar**—It would have been in relation to proposal 2 that we started having dealings with the ACC, because that was where it had been identified, that the program would have to fall into the rural partnerships program and that is where the funding would be coming from. That is when we commenced discussions with the ACC to find out what the criteria were and whether we could address them. It started off in some, I would suggest, informal discussions and then led to more formal discussions once we started to get a business plan presented and revised the project.

**Senator BARNETT**—Your submission says that in May 2000:

Tamworth P&A offered assistance from the New England North West Area Consultative Committee ... for funding through the Regional Programme.

In August 2002:

NENWACC writes to Tamworth City Council expressing the need to address concerns raised in Professor Chudleigh's report.

So it sounds like you have had quite a long period of involvement in terms of the relationship.

**Mayor Treloar**—I think, having raised the P&A—the show society—it should be made clear that, after the failure of the first project and the suggestion from Chudleigh that we revisit the showground, the show committee also relooked at the possibility of doing the project on the showground site but maybe on a slightly lesser scale, because you obviously would not be able to build it to the same complexities. They sought discussions with the ACC independently of the equine and livestock association. It was not until Greg Maguire was made chairman of the equine and livestock committee that he was actually able to bring full support from both the show society and the equine users group to relocate. There had been tacit support in the past. The show society had been agreeable to supporting the project but had not been able to commit to the project. They had been supporters of it. More recently there has been a total commitment from them in the board electing a new chairperson on the basis that this chairperson very much supported the equine centre with the knowledge that that equine centre would be built on a greenfield site not incorporating land from the show society.

**Senator BARNETT**—It was in April 2004 that Mr Maguire was named the new chairman of the working group, according to the chronology that you have sent in.

**Mayor Treloar**—The council does not meet in January. It might have missed a meeting; we might not have discussed it in February. I suspect he was probably appointed slightly earlier than that, but that is when the council would have ratified that decision of a working group.

**Senator BARNETT**—Yes, I am with you. And you are saying that he gave increased impetus to the project as a result of his chairmanship and his vigour? What are you saying?

**Mayor Treloar**—It was a new committee and we had different people involved. The pro rodeo organisation currently have their event in Warwick. He managed to get support from that organisation for this event in Tamworth. That was significant. It was important because that organisation had said: 'We will never come back to Tamworth again. The facilities are not

adequate.’ He managed to change that and get back the support of that organisation. In that sense, his role as chairman brought the organisations together. That was one of the requirements of the program. It had to be able to identify community support and support from within the industry. That is one of the things that he was able to bring together—all the user groups under one umbrella to give support to the project.

**Senator BARNETT**—The 10 August meeting with the ACC was obviously a very positive meeting. You said that they said that it was one of the best applications they had seen. Were you feeling very confident at that stage that the project would be funded, based on their response?

**Mayor Treloar**—I would have to say that, on the understanding that it satisfied all the criteria, I was optimistic, but I also understood that we had been knocked back for \$3.35 million and suddenly we were putting our hand up for \$6 million. So whilst I was optimistic, I was also conscious that it was a fairly significant ask in that sense and that the project would have to be exceptional to get that funding.

**CHAIR**—It would have to be one of the best submissions ever made, wouldn’t it, having been developed for at least two or three years?

**Mayor Treloar**—When the ACC said, ‘This is one of the best presentations we have seen,’ I was given a degree of confidence.

**Senator BARNETT**—You obviously met all the criteria, because on 27 August 2004 your project received a priority rating of four by the ACC. I know, but tell us what four means.

**Mr Inglis**—Four means it is pretty mickey mouse.

**Mayor Treloar**—To be quite honest, four meant that not only did it satisfy the criteria in terms of the ACC’s regional commitment but it also met the requirements regionally. They had also identified the equine industry as a significant industry for this region. It meant that it was not only a very good submission but it satisfied the criteria that the ACC had already identified as saying: ‘This is something that this region can offer. This is something that is quite unique to this region and, because of our central location on the east coast, we can draw people from Queensland and Victoria.’ It was satisfying more than just the criteria of the program; it was satisfying criteria for what the region had to offer as well. Four was a very important rating to get on that basis.

**Senator BARNETT**—I want to move now to the allegations that have been made on cash for comment and the allegations that have been made that this whole process is fraught with political intrigue and requires political intervention.

**CHAIR**—Senator Barnett, you are free to ask your question but as to your reference at the outset to allegations of cash for comment, to my knowledge that phrase has not been used at all with regard to this project. It related, rather, to the project that we were looking at yesterday. Just to be clear: it is a separate project.

**Senator BARNETT**—Thank you, Chair, you have made an appropriate comment. A media release by Mr Windsor on 5 August 2004 is headed ‘Cash for comment allegations levelled at UNE’. Are you aware of that statement?

**Mayor Treloar**—I am aware of the statement, but I cannot comment on it. I do not have any involvement in it.

**Senator BARNETT**—How did you respond to that in light of the allegations made and its potential impact on your project? Did you have any response or view that it might have an impact on your project?

**Mayor Treloar**—No, I did not think it was going to impact on this project. But I can say the calling of the Senate inquiry in relation to this project concerned me, because it was indicated to me that whilst the Senate inquiry was on it might delay any funding announcements that had been made and committed to and it might even potentially not allow funding to be released until the Senate inquiry has been completed. In that sense I was concerned about potential delays in the project—and it has delayed it by about three months now. I was conscious of the potential delays, but I did not think the happenings in the UNE were going to affect this project.

**Senator BARNETT**—You are aware that the professors involved strongly denied the allegation?

**Mayor Treloar**—I heard that today on the radio.

**Senator BARNETT**—Senator O’Brien referred to the alleged inducements by the Deputy Prime Minister to the local member to leave politics. Can we go back to your relationship with the Deputy Prime Minister. What relationship do you have with him and when did it begin?

**Mayor Treloar**—It could go back to when I was a member of the National Party and he was a member of the National Party. I would suggest it was probably even prior to him becoming the member for Gwydir. I knew him. I have never known him extremely well, but he is the federal member in the electorate next door. I have some contact with him in a social manner as his daughter and my daughter go to the same school and they are in the same year at that school, but other than that I would suggest there is not a very close relationship at all—other than the fact that I know him. I would be able to go up to him and say hello and he would recognise me enough to say hello back.

**Senator BARNETT**—From what you know of him, how did you respond to those allegations? Did you think they were appropriate or not appropriate? How did you respond at the time?

**Mayor Treloar**—I know both John Anderson and Tony Windsor, and I also know Greg Maguire. I have the highest regard for all three of them. I do not know what was said at the meeting. I only know what I have read, I have to be honest. I once raised the subject with Greg Maguire as to what happened. He said: ‘James, it’s a misunderstanding. I know the statement that’s been quoted I made. I certainly didn’t make it on behalf of anybody else.’ I said, ‘Fine.’ That is the full understanding I have of it, other than what I have read in relation to it. That has

been my total involvement with the discussions that had supposedly taken place between those three members. I do not think I have spoken to other people in relation to it.

**Senator BARNETT**—Mr Anderson has a reputation of the highest order for being honest and credible. Do you agree with that?

**Mayor Treloar**—I would fully support that, yes.

**Senator BARNETT**—You have been around long enough in politics to know that when mud is thrown it sometimes sticks. You do not have to respond to that.

**CHAIR**—If you ask a question, he should.

**Mayor Treloar**—My smirk then was because in local government we like to think we are not political; we like to think that we might be community leaders instead.

**Senator BARNETT**—Are you aware that the Federal Police investigation with respect to this purported inducement cleared Mr Anderson and said that he had no case to answer?

**Mayor Treloar**—I am aware that the Federal Police finding was that there was no case to answer and the evidence was inconclusive and nothing would proceed from there. That is my understanding.

**Senator BARNETT**—If A was to make an allegation of criminal behaviour about B based on a conversation between A and C, and both B and C deny the allegation, do you think A should apologise?

**CHAIR**—Before you answer that, Mayor Treloar, are you a lawyer?

**Mayor Treloar**—No.

**CHAIR**—You are free to answer the question, but what seems to be being put to you here is a hypothetical proposition. We do not normally allow or accept hypothetical questions of such a nature in the Senate and it seems to me that, at least in part, it involves potential legal interpretation about hearsay evidence and how people should respond to it or deal with it. If you want to answer the question I do not object, but I do not think the question is appropriate or assists the committee in any way.

**Mayor Treloar**—Thank you for that, Senator. I dare say my response to that would be on the procedures to be observed by the Senate in this whole procedure. I dare say I could have pulled question 10 out and said, ‘What is the relevance of this?’ right from the word go, couldn’t I? I would have to question that very much in my own mind.

**CHAIR**—What is the relevance of what?

**Mayor Treloar**—The relevance of questions that go to my knowledge of events. Unfortunately, I have to say I have a good knowledge of what happened in relation to the equine

centre; I have very limited knowledge of events that may have taken place between Mr Windsor, Mr Maguire and Mr Anderson. But I am happy to—

**CHAIR**—Yes, but you have put that—

**Mayor Treloar**—I am not going to avoid answering the question.

**CHAIR**—You have made that clear in your answers. The issues have been raised before this committee, they have been raised in the parliament, so it is not beyond the terms of reference or inappropriate that questions may be asked of witnesses with regard to their knowledge of the allegations, counterallegations and responses that have been made. You have put your position clearly on the record. Any further questions, Senator Barnett?

**Senator BARNETT**—No, Chair.

**CHAIR**—We will have a short adjournment.

### **Proceedings suspended from 11.03 am to 11.20 am**

**CHAIR**—I now call Senator Murray.

**Senator MURRAY**—Mayor Treloar, I will give you a summary of the kinds of allegations that have been made to this committee. They fall into three lots. The first lot are allegations that there was an offer of criminal inducement—and I use the word ‘criminal’ because it is a crime—of Mr Tony Windsor, who holds this federal seat, to vacate his seat. The second range of allegations could be classified as either hinting at corruption or political rorts. That is, the Regional Partnerships program had a political objective, which was to get members of the National Party either elected or re-elected. The third lot of allegations are in the area of accountability. That is, the administration of the program by the department and the minister concerned—or ministers, in this case—has been slack; they have not abided by the criteria and there has been excessive use of ministerial discretion. Those are the three broad areas. I will not deal with these allegations at great length, but I do want to cover them off with you.

Firstly, there was the allegation of an inducement which was alleged to have flowed from the Deputy Prime Minister and a senator for New South Wales, through Mr Maguire to Mr Windsor. The committee has received no evidence from any witness of any clear knowledge of or backing for the view that the inducement came from the Deputy Prime Minister and the senator for New South Wales, which leaves only Mr Maguire in the frame. As you have outlined, he has denied that, both to the committee and to the media. He classifies it as a misunderstanding. Allegations relating to Mr Maguire were also made by a witness which constituted another crime: threatening a witness to prevent them reporting a matter to the police. That matter has never been taken up with the police, I might say. I want to briefly confirm with you: you have known Mr Maguire for many years?

**Mayor Treloar**—Yes.

**Senator MURRAY**—In your dealings with him, have you found that he ever operates outside what you would regard as a normal ethical framework?

**Mayor Treloar**—No.

**Senator MURRAY**—Have you ever experienced Mr Maguire making threats or behaving in a threatening manner in his commercial or community relationships? I am not talking about the normal discourse that goes on in pubs and other social circumstances; I mean on a more serious scale.

**Mayor Treloar**—Mr Maguire and I have not always seen eye to eye on every matter. In fact, probably the most significant development proposal in this city was the development of a shopping complex on the other side of Tamworth. Mr Maguire and I fell at opposite ends of that debate, to the extent that he publicly supported a rally against the council to develop that complex. I am aware that, whilst I have known him and been a friend of his for many years, we do not see eye to eye on every matter. However, even during that process, which was a very bitter and fairly damaging debate, he never made anything of it other than saying, ‘We share a different view on this, James.’ I would have to say that our positions on that issue would probably be as far apart as you could ever get in relation to a matter. I have to say that, whilst I have known him and been friends with him for a long time, we do not see eye to eye on every matter.

**Senator MURRAY**—These sorts of questions are awkward to answer, but the fact is that three witnesses to the committee made allegations concerning Mr Maguire’s character and reputation. He has had the opportunity to refute those on the record. The committee will have to come to a judgment as to who to believe and, therefore, it is important that people who know him and have dealt with him at a community level, a personal level and a business level are able to give us their opinion. Do you have anything to add?

**Mayor Treloar**—If you are looking for a background of the person—

**Senator MURRAY**—No, I am not. I want specifically to know if you have experienced behaviour which would be typical of a man who would offer an inducement to a politician or who would threaten a witness.

**Mayor Treloar**—No. I am not aware of behaviour that would suggest that. He serves on several committees with the council, including the equine centre working group. It might be interesting to know that he is also the deputy chairman of our tourism body in this area. Both those organisations have been very successful in the way they have operated. I do not think people on those boards have ever found him to be anything other than very supportive of the development of those organisations that he is representing.

**Senator MURRAY**—The second thing that the committee has had to deal with is the allegation that this Regional Partnerships grants program was primarily developed to give kudos to a political party and to get benefits from that. That is an allegation; it is not a conclusion of the committee, so you must understand that. Mr Inglis and Mayor Treloar, have you at any time felt that you have either had an explicit or implicit understanding that, in return for this equine project being approved, there was a political quid pro quo required, in terms of publicity, favourable mention or promotion of a personality or anything of that sort?

**Mr Inglis**—Absolutely not.



**Senator MURRAY**—Mayor Treloar?

**Mayor Treloar**—No, I am not aware of that. I have read some of those allegations. I think you should also be aware that, at the announcement of the funding for that equine centre, I acknowledged the early commitment from the state Labor government to the project. If there was supposedly political kudos for anybody, I tell you that the state Labor government probably got as much as the federal government, because I acknowledged the support that Premier Carr gave to this project at a very early instance.

**Senator MURRAY**—Mr Inglis, your chronology indicates that on 13 August 2004 the Tamworth Regional Council formally submitted the Regional Partnerships application form, together with a business plan and associated documents, to the Department of Transport and Regional Services. Were you certain at that time—had you been advised either formally or informally—that you were likely to get the money?

**Mr Inglis**—No, not at all.

**Senator MURRAY**—And on 21 September 2004, your chronology indicates that funding of \$6 million was announced to establish the equine centre and was committed by the coalition government. That is correct, isn't it?

**Mr Inglis**—Yes, that was by way of media release.

**Senator MURRAY**—Did you regard that as abnormally quick or normal time?

**Mr Inglis**—No. Because there was an election coming up, it did not come as a surprise to me.

**Senator MURRAY**—I do not know your background, Mr Inglis. Are you a longstanding member of this community?

**Mr Inglis**—I have lived in Tamworth since 1993.

**Senator MURRAY**—It might be difficult for you to answer because I am asking for your opinion but, in your experience, is the announcement of such a program during an election campaign likely to be a vote winner? Is it the sort of thing that will make people change their votes or their minds?

**Mr Inglis**—From my experience, yes.

**Senator MURRAY**—Turning to the issue of slack administration and not abiding by funding criteria, have you at any time had any criticism of the administration, liaison or professionalism of DOTARS, or the way in which they have dealt with this matter?

**Mr Inglis**—Not at all. Remembering that I have only been with Tamworth Regional Council now for about a year—so I have not had any actual involvement in relation to the first groups and submissions; I have only gone off what I have read in files and from my individual research, although I have also had this experience with other councils that I have worked at—my observations, in fact, are that the processes are often very convoluted if anything. One thing I did

notice with this particular project was that it did seem to take on some extraordinary efforts to financially analyse the business plans and the various financial arrangements.

**Senator MURRAY**—Are you saying it was almost overcautious?

**Mr Inglis**—Absolutely, yes, particularly in relation to the Chudleigh matter and him actually coming to Tamworth. Quite some effort went into that. Then, of course, after all that, we submitted another business plan and found out—as I think we mention in the chronology—that they put it, again, under another financial viability assessment process. They really put it through the mill, but I guess when you are asking for \$6 million that is fair enough. My observations, as a bureaucrat, were that it did seem to go through some fairly extensive and rigorous checks and balances to make sure that, if it was going to get the tick, it was going to work.

**Senator MURRAY**—Did I understand you to say, earlier in evidence, that you had served both the regional council and the town council at Tamworth?

**Mr Inglis**—No. I was previously the General Manager of Parry Shire Council, which was previously based in a sort of donut arrangement around the city. Then, on 17 March 2004, there was an amalgamation of five councils, and that is when I became an acting employee of the new regional council, because there is certain state based legislation to do with amalgamations. Then, in February 2005, I was appointed as the general manager of the new regional council.

**Senator MURRAY**—Then from that experience you would be aware that it is quite often the case that leading figures in the community are often also leading figures in business and politics—local, state and federal. Can you tell me if the regional council and other councils, from your knowledge, have proper registers of interests, declarations for any conflicts of interests—for instance, if they have political and commercial interests—codes of conduct, and that sort of thing?

**Mr Inglis**—As you are probably aware, local government legislation is state based, so it varies between states. But in the state of New South Wales there is in fact quite comprehensive legislation to ensure that councils conduct their business in a non-corrupt way. That has been built up over many years. For example, we have to make a declaration of interest, which is referred to as a section 449 return—that being the relevant section of the Local Government Act. That is where a councillor must fill out a pecuniary interest document which lists things like what property they own and what debts they have. It is quite extensive about their personal details, and it can get very personal. That is mandatory if you are an elected member. It is also mandatory for what we call section 355 committees. So, if a council sets up a community committee under the Local Government Act, members of that committee also have to fill out those returns.

There is a code of conduct for local government in New South Wales as well. It is again quite comprehensive and has been built up over many years. The act itself has a whole range of provisions in it about when pecuniary interests have to be declared, the reasons why you are not allowed to vote and you are not allowed to even sit in the chamber upon declarations and a whole range of material like that. There are a lot of training programs for councillors in that sort of stuff. So, yes, there is a fairly rigorous regime, in New South Wales anyway, in relation to those matters.

**CHAIR**—From my own knowledge—and you can confirm this—councillors are required to declare pecuniary interests but also are expected to declare a potential conflict of interest which may not necessarily be a pecuniary interest. They may be, for instance, a member of a particular association.

**Senator MURRAY**—Or political party.

**CHAIR**—I am thinking particularly in relation to development applications and funding grants, or if they own a property which may be near another property being developed. That is correct, isn't it?

**Mr Inglis**—That is correct. Councillors now have to declare—and this stuff was all reviewed last year—pecuniary and non-pecuniary interests. Basically, 'pecuniary interest' means there is some form of potential financial advantage. If you have a pecuniary interest, you are out of the chamber and you cannot participate. You leave. 'Non-pecuniary interest' brings in things like you might be a member of the local golf club and on your business paper you have an application from the golf club for something. You can declare that as a non-pecuniary interest because you are declaring that you are a member of the golf club but it is an immaterial matter or an insignificant matter. Then you have a range of options. You can declare your interest, stay in the chamber, debate but leave for the vote. You can stay for the vote but not participate in the debate. The non-pecuniary provisions have in fact got quite complicated.

**CHAIR**—I should declare that my wife is a councillor in another council in New South Wales.

**Senator MURRAY**—I am sure your relationship with your wife is nonpecuniary, Chair! How are councillors protected when they deal with noncouncillors? Take this task force that was formed of leading community figures, people in civil society, people with business links or perhaps political links. With the council dealing with such a task force, is there a flow-on mechanism where it is expected that people will declare any conflicts of interest, either pecuniary or nonpecuniary, or potential difficulties? Or is it just run on an honour system?

**Mr Inglis**—It is basically run on an honour system. I did mention section 355 committees. A council may set up a working group—and this does happen, in fact, so it is probably worth mentioning—under section 355 of the Local Government Act, which is basically a delegations power, and it will get terms of reference. The 355 committee is like the council. The same rules apply—meeting procedures, codes of conduct et cetera. The working group in this example was not set up under 355; it was just set up as a pure working group, and that is also a common thing done in local government. As to why you would set up a 355 versus a non-355, it often depends on how long that committee is going to be around. It is fairly normal practice in local government that, where you set up a sunset group—in other words, where it has a set purpose, a set job and a limited period of time—it is generally a working group, and those normal provisions that I spoke about do not apply.

**Senator MURRAY**—But you would expect, wouldn't you, that where a group—I forget the term the mayor used; you did not use the term 'interest groups' for these groups that were participating—may, as an organisation or as individuals, benefit from council approval and applications, they should declare all possible conflicts of interest?

**Mr Inglis**—Not necessarily. Again, it was a group set up as a working group for a set purpose, which was to put together an application, get interested groups as part of the team and all the rest of it. That group will end and I think, as I mentioned very early on today, it is the intention then—and it is spoken about in the business plan—to set up a formal board which will run the equine centre. That is when you are getting into the formalities. A decision has not been taken yet on what form that board will take, in a legal sense, but it is intended that it be a completely separate legal entity to the council and it is likely that it will follow something like the Tourism Tamworth model—that is, it will be set up as a company under the New South Wales corporations act, be limited by guarantee, have its own constitution and operate under a contractual deed of agreement from the council to ensure that there are proper accountability provisions. That is the likely model for the board, but that board will probably not be put in place until the middle of next year, maybe earlier.

We have to report to council about when they would see it as opportune to put that in and we are saying to the council now, ‘We don’t want to wait until the centre is built and then start marketing it; we should be doing that now.’ Construction is going to start shortly, so we need to be marketing it and promoting it, because, as mentioned in the business plan, in year 1 there are only about 112 days. There are a lot of other days left in that year that we do not have booked up yet and we have to do that, so we have to start on that sooner rather than later. That is when the board is going to have to be put in place. As I say, it is not uncommon, where you have a group that is just to do a set job for a limited time leading to the next phase, for it to be set up as a working group, as was done here.

**Senator MURRAY**—Mayor Treloar, the difference between the first application and the second application is that in the second application the risk was lowered, from the perspective of the council. What Professor Chudleigh said was that it was a high-risk project and the way in which the risk was lowered so that it became a lower risk project was by diminishing the scale of the project somewhat, so there was less seating required, fewer facilities required—that sort of thing. Secondly, you got a larger grant of \$2.65 million from the federal government. Is that how you put the proposition at the meeting you had with the Deputy Prime Minister: ‘We need a lower risk. Give us more money,’ to put it in a businesslike frame?

**Mayor Treloar**—I think in the very initial stages we were optimistic about not needing that size of grant. The second submission was optimistic about achieving it on a federal government grant of \$4 million. So it was never actually intended that we would need additional funding. There were other reasons that we had lowered the risk. We had identified a few things, such as that fact that WT partnerships had done a costing on it. So we had had a quantity surveyor cost the project, which had not been done in the past. That lessened the risk, and they knew the thing could be constructed for the anticipated dollars.

We had actually employed Timothy Court and Associates as the architect this time to do the concept because they were an equine design architect. They had specifically worked on equine projects, so they were able to better understand the project. In reducing the size of it we had only very marginally reduced the usage. You can still have an indoor showjumping event in an arena that is 80 by 40 metres. So we actually had not taken away all the opportunities. It did reduce some of them but it did not take them away in total.

**Senator MURRAY**—But essentially your projections for usage between proposal 1 and proposal 2 were unchanged. What was most changed was the facilities, which would therefore cost you more to build, and the greater funding that came in.

**Mayor Treloar**—I think you should understand that the two proposals were very similar funding wise, cost wise.

**Senator MURRAY**—Sorry; by funding I meant the amount of funds available to you, not what the project would cost.

**Mayor Treloar**—The two projects were both going to cost about \$14 million in round figures.

**Senator MURRAY**—But you took out the vet's room and reduced the seating.

**Mayor Treloar**—That is right. Once we got it costed—I think this is where Chudleigh was coming from—it is a high-risk project: you have not done all the work you need to satisfy those requirements. In other words, it had not been costed by a quantity surveyor. It had been costed by a builder but it had not been costed by an internationally recognised quantity surveyor, as WT partnerships would be. When he was referring to the high risk of the project, there was a lot of risk involved in the project still.

**Senator MURRAY**—But isn't the greatest reduction in risk resulting from the higher grant from the federal government?

**Mayor Treloar**—It is partially that, yes. It is part of it. Understand that there is also a \$2 million commitment from the equine user groups which was not there before. The commitment from the council rose from \$1 million to \$2.6 million. Yes, there was the increased funding from the federal government, from a request of \$3.35 million to \$6 million. All those things added to the factor that there was going to be no debt in the project.

**Senator MURRAY**—I have been in business for about 30 years, and the more money I have got in my pocket the more feasible my project is.

**Mayor Treloar**—Very much so.

**Mr Inglis**—On a recurrent basis—this was important in the business plans, particularly in the second one—there was a major difference in the 'expected use' days in the prediction of what income the centre could generate. Submission 1, for example, in year 3 was predicting a usage of 237 days. The second business plan dropped that to 130 days, which is a substantial decrease. In other words, it is a very conservative estimate of expected income source. They will do much better than 130 days, but it was kept at 130. Just looking at your P&L on a recurrent basis, the income predictions for the first proposal were fairly optimistic. We wound that right back to have a very conservative estimate on income to give that buffer. If you do get extra business, that is going to add to your bottom line, so do not start off at a high scenario. That was a major change in the recurrent side of the P&L between the two proposals.

**Senator MURRAY**—Nothing either of you have said in response to my questions deters me from my view that this project was much more financially feasible from the council's

perspective as a result of a near doubling of the federal government grant, in which case obviously my next question would be to the department: why did they think it useful to agree with that near doubling of the grant? I can see it from your perspective. It makes perfect business sense; it makes perfect council sense. I am now interested in the department's view.

**Mr Inglis**—I think they saw it as a significant regional economic development project and could see just what it was going to do for this part of regional Australia. It is a significant regional development project and I am very grateful for their support because it is going to do wonderful things for this region.

**CHAIR**—Can I just quickly follow this up. This intrigues me: what would lead you to consider an application for \$6 million of federal government grant money when you had been effectively rejected for \$3.35 million with the first proposal and when the proposal, despite the points you have made, was for, as you said, conceptually the same project? It is a matter of logic, one would assume. You go along and you ask for—I do not want to use A, B and C or X and Y—say, \$3.35 million and you get knocked back and Professor Chudleigh says that the option that should be considered is to have a look at the showground and see what can be done there. That option is not taken up and you actually go forward with a more professional and more developed business plan for a project, assessed by a quantity surveyor, which effectively asks for almost double the money. I am finding it hard to understand how people could have perceived that there was even a chance that that might be successful, given the first rejection.

**Mayor Treloar**—You need to go back to and understand the funding component of the first proposal. The first proposal was: 'We think we can build an equine centre for \$10 million.' This is very round commentary. How are we going to get \$10 million? If we get one-third from the state, one-third from the feds and one-third from our community, we need to go and ask the state and federal governments for \$3.3 million each. We rounded up so we could have a little bit of fat in it. The council says, 'We believe we have a commitment of one-third.' So they offer their \$1 million, and the other two-thirds of that remaining third have to come from community and other organisations. That was, in very broad terms, what we were hoping we could get when we first looked at this project.

When we started to further develop the concept, it grew from a \$10 million project to a \$14 million project to, maybe, stages that could make it a \$24 million project. We had that commitment to that sort of funding. There was no methodology and there was no good science as to why we should be asking the federal government for \$3.35 million. I think, as the Chudleigh report clearly identified, we were nowhere near the ballpark, because when the project grew from \$10 million to \$14 million we did not actually address where that extra \$4 million was going to come from, either. We were just going to borrow it. In a sense, it was a very, very optimistic submission.

When the second submission was looked at, we had to address those issues in the Chudleigh report. I suppose the view from our committee was that the last resort was the federal government. The council had to significantly increase their funding component from \$1 million to \$2.6 million. We have actually gone to industry groups and asked for significant contributions from them. We went back optimistically, hoping the federal government might be able to further review the benefits to not just this region but also New South Wales in understanding that many of these events attract international participants. There was an international component, so there

was a national benefit through our community. We hoped that we had expressed that in such a way that the government would be able to see the overall benefit. As Senator Barnett rightly said, this is potentially \$500 million to this community over a 10-year period. That is a significant return on a very minor investment of \$6 million.

**CHAIR**—Thank you, Mayor Treloar and Mr Inglis.

[11.55 am]

**BOTFIELD, Mr Peter Noel, Private capacity**

**CHAIR**—Welcome. You are appearing in a private capacity, but it has been noted in the evidence that at one stage you were the chairman of the area consultative committee in Tamworth. Were you here this morning at the start of the proceedings?

**Mr Botfield**—Yes.

**CHAIR**—So I do not need to repeat the statements with regard to parliamentary privilege and the giving of evidence to the committee. I remind you that we prefer all of our evidence to be heard in public but, if at any stage there is an issue you believe you need to deal with in camera, please advise us at that time and we will consider the request. We have received from you a written submission, which has been published by order of the committee. Are there any additions or alterations that you wish to make to that submission?

**Mr Botfield**—No, not really. By way of background: I was approached in the mid-nineties by the then manager of the CES to consider taking the position of the inaugural chair of the ACC under the Labor Party's Working Nation, and I was finally appointed by Simon Crean. It was a non-political appointment as I was the retired chairman of a company that I founded many years ago and it was one of the larger employers of Tamworth.

**CHAIR**—Thank you. I now invite you to make some opening comments, if you wish, and then we will proceed to questions.

**Mr Botfield**—I do not have much more to offer than what I have written in my submission to you. It is a matter of history of how I was involved in the area consultative committee and then became the original chair of the equine working group. That group was originally started in this room in a meeting that was called by Tony Windsor to look at the prospect of developing an equine centre. It was badly needed in the community. The P and A—that is, the show society—had been working very hard over many years to develop the equine industry, but the facility they then offered was becoming inadequate and it was necessary to consider an upgraded facility of an international standard. From that committee, a subcommittee was developed and I was asked, at that point, to chair the equine working group.

As has been discussed at length, that group developed a submission. It was then rejected under the Chudleigh report. I believe that was the knock-back we had to have. It made all the groups pull together and it created more resolve to make sure that this much needed facility would be created. However, along the way there were a few concerns that I had. One was that, when I was replaced as the chair of the ACC, it was a political decision. That was relayed to me by one of the bureaucrats that ran the department at the time. I was phoned on a Saturday morning to be told that I was being replaced by Patrick Maher. I have known Patrick for some 30 years, and I know his political leanings. I asked if this was a political decision and they said, yes, it was. I said that I was disappointed and I was disappointed in the way they went about it.



I do believe that the ACC has followed a political path from that point on. However, in relation to the equine centre, I am quite chuffed at the fact that they did get all of the funding because, under the Chudleigh report, the operation of the facility would have been difficult without full funding. The real difference in my mind between the two submissions is that there is an argument for total funding in the current submission, whereas there was some debt funding in the previous submission.

**Senator O'BRIEN**—Thanks for your clarification of your longstanding community involvement. You spent six years as a Tamworth city councillor, including a period as chair of the finance committee as well as being the inaugural chair of the New England North West Area Consultative Committee. Your submission says that in August 2000 Tony Windsor, the then state member, chaired a meeting here in this room to discuss the equine centre proposal. How did you become involved at that time?

**Mr Botfield**—I have had quite a history of involvement in the horse industry. My children rode horses for many years. I was originally the president of the Tamworth Junior Riding Club. I was also involved in the horse trials association and the showjumping association. I have had an interest in horses as well as my interest in the community.

**Senator O'BRIEN**—According to your submission, you invested \$1,000 of your own money in the development of concept plans for the project.

**Mr Botfield**—Yes. There were some original sketch plans drawn up and they had to be paid for. I and others provided some funds to pay for that.

**Senator O'BRIEN**—The council provided \$10,000 and you and another person provided \$1,000 each.

**Mr Botfield**—Yes.

**Senator O'BRIEN**—Is that the sum total of the investment?

**Mr Botfield**—At that point, yes.

**Senator O'BRIEN**—Your submission says that, upon completion of the DOTARS funded Sinclair Knight Merz project feasibility study, the New South Wales government committed \$3.35 million to the project, subject to matching funds from the Commonwealth.

**Mr Botfield**—That is correct.

**Senator O'Brien**—Then you go on to say that the same application was sent to the Commonwealth for the same amount.

**Mr Botfield**—Yes.

**Senator O'BRIEN**—What form did that application take? Was it a letter?

**Mr Botfield**—No, it was a full submission of the actual project. We delivered that project to Jackie Kelly's office in Canberra. We also gave a presentation to two local politicians, Senator Macdonald and the member for Tamworth at the time, which was Stuart St Clair.

**Senator O'BRIEN**—He was the member for New England, wasn't he?

**Mr Botfield**—Yes. Subsequently, they both denied having those submissions.

**Senator O'BRIEN**—You had a meeting—

**Senator BARNETT**—Mr Botfield—

**Senator O'BRIEN**—Hang on, I am asking the questions.

**CHAIR**—Let Senator O'Brien continue his line of questioning.

**Senator BARNETT**—Did he deny the—

**CHAIR**—Excuse me, Senator Barnett. You do not have the call. You will be able to come back to it. You will get your opportunity to ask questions. Let us proceed in an orderly fashion.

**Senator O'BRIEN**—On page 8 of your submission you talk about the matching fundings to the New South Wales government and on the same page you talk about a presentation being made to Jackie Kelly, the then Minister for Sport and Tourism. You say that senior staff were ushered around by Senator Sandy Macdonald and the meeting with the minister herself was not able to proceed.

**Mr Botfield**—Yes. That was the time of the catastrophe in New York when the buildings were brought down by aircraft. Parliament House was in disarray at the time so we were not able to see her directly, but we did speak to her senior staff.

**Senator O'BRIEN**—Do you remember the date of that meeting?

**Mr Botfield**—I am sorry; I do not exactly.

**Senator O'BRIEN**—But it was around 11 September?

**Mr Botfield**—Yes.

**Senator O'BRIEN**—Of the senior staff, do you know—by name—who was present?

**Mr Botfield**—I am sorry, but I do not have those names.

**Senator O'BRIEN**—Did you meet with Mr Anderson's staff on the same day?

**Mr Botfield**—Yes. Actually I was ushered around part of the time by Mr Anderson himself. No; I am sorry. It was not Mr Anderson; it was Sandy Macdonald. We did not meet Mr Anderson.

**Senator O'BRIEN**—In late 2001 you had no doubt a submission for funding had been lodged with the federal government.

**Mr Botfield**—No doubt all.

**Senator O'BRIEN**—Can I ask about the assistance you received from the New England North West Area Consultative Committee at that time? Your submission says that Patrick Maher, then chairman of the ACC, told you that pre-election funding had already been taken up and he offered no further advice.

**Mr Botfield**—That is correct. I had a separate one-on-one meeting with Patrick and asked his advice about funding. I had full knowledge of how funding worked with the ACC because there was only the Regional Assistance Program funding available at that time. The Regional Partnerships program had not been developed. The approach for funding had to be direct to the government. I had asked Patrick Maher, who was the chair then, I believe, of the electorate council for the National Party. I have known Patrick for a long time. I sat with him and asked his advice on funding. His reply was simply that pre-election funding was taken up and there was nothing available at that time.

**Senator O'BRIEN**—Was Mr Maher also the New South Wales state vice-president of the National Party?

**Mr Botfield**—I am not sure. I know he has a heavy involvement in the National Party.

**Senator O'BRIEN**—He succeeded you as chair of the ACC?

**Mr Botfield**—Yes, he did. That is the reason for me asking the question of whether it was a political appointment. The reply was, 'Yes.'

**Senator O'BRIEN**—Was he appointed by Mr Anderson?

**Mr Botfield**—I guess so. I am not sure of that point, because at that time I was a little taken aback by the lack of notice and consultation over the appointment.

**Senator O'BRIEN**—I take it that Mr Humphries has been appointed to replace Mr Maher?

**Mr Botfield**—Yes, he replaces Mr Maher. I had no connection with it at that stage so I have nothing to offer there.

**Senator O'BRIEN**—Do you remember the date of your meeting with Mr Anderson to discuss the project in February 2002?

**Mr Botfield**—I do not remember the date but I remember the occasion. As the mayor said earlier, there was him, me, Paul Anderson, Patrick Maher, John Anderson. Paul Anderson was the director of planning on Tamworth City Council at that time. So we had all met in Gunnedah.

**Senator O'BRIEN**—What material about the project did Mr Anderson have before him at this meeting in February 2002?

**Mr Botfield**—At this meeting he had a full submission, a copy of which you have on hand.

**Senator O'BRIEN**—I want to ask you about a disturbing statement in your submission. The submission reads:

Prior to the meeting with John Anderson, Patrick Maher stated that if Tony Windsor turned up for the meeting, he would not be turned away but no discussion would take place.

**Mr Botfield**—That is correct.

**Senator O'BRIEN**—Did Mr Maher make that statement to you or to somebody else?

**Mr Botfield**—That statement was made to me by Paul Anderson, who, once again, was the director on Tamworth City Council.

**Senator O'BRIEN**—So it was made by Paul Anderson.

**Mr Botfield**—It was relayed to me by Paul Anderson.

**Senator O'BRIEN**—So Paul Anderson told you that Mr Maher had said that.

**Mr Botfield**—Yes.

**Senator O'BRIEN**—Did Paul Anderson tell you when Mr Maher made that statement?

**Mr Botfield**—No, he did not.

**Senator O'BRIEN**—But it was apparently contemporaneous with that meeting?

**Mr Botfield**—Yes.

**Senator O'BRIEN**—What did you understand that statement to mean?

**Mr Botfield**—To me it meant that there was political rivalry over the whole situation. To me it meant that there was not room for Windsor to have kudos over the proposal.

**Senator O'BRIEN**—What role did the ACC have in the project at this time?

**Mr Botfield**—They provided funds through the Regional Assistance Program to conduct the first feasibility study, which was carried out by Sinclair Knight Merz of Melbourne. They were

chosen specifically because they were at arm's length. They were well away from the community and were able to come up with an independent and objective report.

**Senator O'BRIEN**—And that report was the basis for taking the application further.

**Mr Botfield**—That is right.

**Senator O'BRIEN**—The Sinclair Knight Merz report said that the project was a viable project.

**Mr Botfield**—Yes.

**Senator O'BRIEN**—Is it fair to say that that report advised the working group, of which you were chair, that you were proceeding down the right track?

**Mr Botfield**—Yes. It was also the result of a lot of in-depth investigations and discussions with all of the user groups, not just the four major groups but all of the minor groups as well. There were also discussions with other groups, such as the motocross people, as to the possibility of holding events other than equine events in the facility to make it more viable. There were at-length discussions about what was needed for the project. I took the liberty of inviting Greg Hill of John Carr Architects to draw some concept plans. At that point the user groups and all the people involved really did not have any concept of what this facility was going to be. So we had to draw up something to put on the table that people could look at, discuss and adapt their view on what was needed. That worked out very well. The concept was taken on and Sinclair Knight Merz based their report on those concept drawings.

**Senator O'BRIEN**—At that meeting did Mr Anderson advise that he wanted the Sinclair Knight Merz report and the project application referred to Professor Chudleigh?

**Mr Botfield**—Yes, he did.

**Senator O'BRIEN**—At the meeting in February 2002.

**Mr Botfield**—At that meeting he suggested that he would ask Chudleigh to look at this report. We all agreed that that was a reasonable way to look at it.

**Senator O'BRIEN**—So he must have had some arrangement with Professor Chudleigh when you arrived at the meeting to be able to say that he would inquire into it.

**Mr Botfield**—I am not aware of that.

**Senator O'BRIEN**—In your submission you say:

- A Statement made to Peter Botfield by Patrick Maher that he (Peter Botfield) was too political and should stand down

**Mr Botfield**—Yes, that is correct.

**Senator O'BRIEN**—When was that statement made?

**Mr Botfield**—That was made after the Chudleigh report was handed down. We looked at a second view of the showground as a result of the Chudleigh report and, at that point, Patrick made that statement. I thought if I was getting in the road of the funding for this marvellous project, I was happy to stand aside.

**Senator O'BRIEN**—Was this in early 2004?

**Mr Botfield**—No, it would have been earlier than that.

**Senator O'BRIEN**—So it was after the Chudleigh report?

**Mr Botfield**—It was after the Chudleigh report. It would have been more like late 2002 or early 2003.

**Senator O'BRIEN**—What do you understand he meant by the expression 'too political'?

**Mr Botfield**—Probably that I supported the Tony Windsor country summit process. I was quite concerned about what was happening in the region. Having a lot of information about the whole region, being the previous chair of the ACC and also a councillor, I felt very deeply that we were being overlooked as a region, a country area, and we needed to do something drastically to change the view of Macquarie Street, especially, on what was happening in the regions. I had got together with Tony as a result of a statement that I had made or a motion that I had put before council and we looked at an alternative way of raising awareness as to what our problems were in the region.

**Senator O'BRIEN**—So 'too political' meant too close to Tony Windsor?

**Mr Botfield**—I would take that as being that, yes.

**Senator O'BRIEN**—Do you remember when Mr Maher told you this? I am trying to put a time frame on it.

**Mr Botfield**—The timing would be after the Chudleigh report. I would say it was after the second attempt to look at the showground or at about that time. We did have a slight confrontation with Patrick prior to a meeting that we were holding at the showground. I have to admit the show people were not particularly behind the concept. They attended all the meetings but they actually did not support the concept and they looked at their own possibilities on their own ground, so they had an ownership problem. I believe that Patrick supported that. His view came forward, and I thought that if I was getting in the road of the project I had better step aside.

**Senator O'BRIEN**—And Mr Maguire replaced you?

**Mr Botfield**—I would not say that Mr Maguire replaced me, no. Tony Windsor held the groups together in that interim period and then Mr Maguire came along after that.

**Senator O'BRIEN**—How long would the interim period have been?

**Mr Botfield**—That interim period would have lasted 12 months or so.

**Senator O'BRIEN**—You did not have any relationship with Mr Maguire in his capacity as chair of the—

**Mr Botfield**—No, I had no relationship with Greg Maguire at all under any of those. However, I did support Tony with some information while he was holding the groups together in that interim period.

**Senator O'BRIEN**—What is your view of the importance of Mr Windsor's holding the project together during that time? How important was that?

**Mr Botfield**—I think that was a very critical time. I believed in the first instance a number of them thought that they were going to get a free ride into the development of the facility. Tony's interim period made them realise that if they did not pull together the whole thing would not happen. But they were looking at a much lesser facility than what we had originally proposed. It is significant in my mind that the new proposal came back to the same figures that my proposal came up with as far as the cost of development was concerned. I also believe the only real difference is the fact that the new project is fully funded.

**Senator O'BRIEN**—You heard the submission this morning from Mayor Treloar. What is your view on how he differentiates the two proposals?

**Mr Botfield**—I think his view is reasonably accurate. The main difference is total funding, and you can of course calculate a far lesser figure as far as income is concerned. With my group's proposal, we would have had to work much harder to get those figures up. I was hoping that the government would have said, 'There are certain parameters you must meet,' because I was a bit doubtful of the submission myself. I was also working with some local media people in developing a community fundraising program at that time, because I believed that we did have to reduce that debt funding. Anyway, that was not to be. The other point I make is that when Chudleigh did visit I was overseas. I did request an alternative date but did not get it. I was disappointed with that. I was also disappointed that there was no discussion with me over his findings. I felt I could have explained a number of areas that he had brought up and I also could have changed, in my mind anyway, the approach as to what the alternatives would be had it failed.

**Senator O'BRIEN**—Why didn't you simply embrace the idea that you needed more money from the Commonwealth? Apparently, that was the solution.

**Mr Botfield**—Having previous experience in the ACC, I did not believe the Commonwealth would provide the funding that they did. You might remember there was a program of regional development organisations or RDOs. They also had difficulty getting that kind of funding. I also have to admit that the Regional Partnerships program was not in place in my time. The main program that we were looking at was the Regional Assistance Program, which mainly involved small amounts of money. But I am still quite amazed that the project could get up so quickly, because any time that we had put submissions in for funding, which went through Orange, they would take five to six months to turn around. So it amazed me that it could be done so quickly. I have no other comment on that.

**Senator O'BRIEN**—You make a suggestion in your submission that the extra money came about as a result of 'political pressures'.

**Mr Botfield**—There was a political tone to that, yes.

**Senator O'BRIEN**—Was that because of the timing of the lodgement of the application and its approval?

**Mr Botfield**—Yes. I am not criticising the application; I think the application was excellently set up. I think that it had all the correct answers that applied to it. I was just amazed that it could be achieved so quickly.

**Senator BARNETT**—Can I go back to your earlier comment when you said you were appointed by Simon Crean.

**Mr Botfield**—Yes.

**Senator BARNETT**—Is that the former federal leader of the Labor Party?

**Mr Botfield**—He was the minister in charge of employment and workplace relations at that stage. As I said, he more or less rubberstamped my appointment. I was approached by the manager of the CES here in town, John Bridge, and his offsider, Sue Haylock. They asked me if I would consider the position as I had just retired from being one of the larger employers in town and had good experience in employment and that kind of thing. I am very keenly interested in the whole region, so I said I would be happy to take on the position.

**Senator BARNETT**—Are you or have you ever been a member of the Labor Party or any other political party?

**Mr Botfield**—No, I have never been a member of the Labor Party and I very seldom vote for the Labor Party.

**Senator BARNETT**—Put that on the record. That is very good. Thanks for clarifying that.

**CHAIR**—Well, if there are no further questions, Senator Barnett—there are, are there? Sorry, I thought you had finished.

**Senator BARNETT**—You were appointed by Simon Crean. Do you consider that, using your words, a political appointment?

**Mr Botfield**—No, I did not consider it as a political appointment. I considered it as an appointment because of my experience in the region, my business experience especially, and the fact that I employed a large number of people and had a reasonable record. I contracted to the government. I always kept a low profile on my political leanings right through my business life, which was in Tamworth from 1968 until 1995.



**Senator BARNETT**—In your submission, you talk about the investigations that you made on how best to access federal funding for the project. I presume that was in and around 2001 and 2002. Would that be correct?

**Mr Botfield**—2000 and 2001.

**Senator BARNETT**—You talk about your presentations to Jackie Kelly as Minister for Sport and Tourism, her senior staff and the meetings where you were ushered around by Senator Macdonald and others in the parliament in Canberra.

**Mr Botfield**—Yes.

**Senator BARNETT**—At that stage, did you have a submission that you were putting to the minister or were you still looking for the appropriate access to gain federal funding? Or had you determined on a course of seeking certain specific federal funding from a particular bucket of money?

**Mr Botfield**—I believe at that stage we handed over a full submission.

**Senator BARNETT**—Which would have been what—the application for funding?

**Mr Botfield**—Yes.

**Senator BARNETT**—To who? To DOTARS?

**Mr Botfield**—To Jackie Kelly's office.

**Senator BARNETT**—But did you know from where the funding would come?

**Mr Botfield**—No. We would not have known. We were looking to the government to provide funding and, basically, we were hunting around to find out where that bucket of money might be.

**Senator BARNETT**—That is my very point. You did not know, at the time, from exactly where the funding would come. You were searching to try and find a particular area from which you could obtain some.

**Mr Botfield**—That is a reasonable comment, yes.

**Senator BARNETT**—Is that right?

**Mr Botfield**—Yes.

**Senator BARNETT**—So when you say 'the submission', what did it look like? Can you tell the committee or table the submission?

**Mr Botfield**—It was the Sinclair Knight Merz submission, in my mind, at this point.

**Senator BARNETT**—Can you expand on it? What did it look like? What did it include?

**Mr Botfield**—You would have a copy of that. It is from 2001.

**Senator BARNETT**—So that was the submission you were referring to when you said you were handing this around the parliament?

**Mr Botfield**—Yes. This is the submission that I have here in front of me, which you would have. It is the original submission for the equine centre.

**Senator BARNETT**—I will just clarify if we do have that.

**CHAIR**—We will need to have a look at the document that you have there and check. As I said earlier, this committee has been inundated with material—at the request of the committee, I must say—from ACCs right around the country as well as from other witnesses.

**Mr Botfield**—This is not an original copy because I do not hold the original copy. The council holds the record as far as that is concerned. This is taken off the internet.

**CHAIR**—Could you provide that to the committee at this stage for identification? We will check whether we have that. You could undertake to provide us with a copy, if it is not readily available.

**Senator BARNETT**—Mr Botfield, from your memory, did this document request—

**CHAIR**—I am sorry, just before you go on, Senator Barnett, the indication from the secretary is that we may not have received that document. It would have been provided to us either by the department of transport—and I doubt that very much—or the ACC. I do not think it has come from them. It could possibly have been provided by the council. It is not attached to their submission. If we are going to ask questions on the basis of that document—

**Senator BARNETT**—It says that this feasibility study into the proposed equine centre at Tamworth was completed by Sinclair Knight Merz for the Tamworth City Council. Funding for the study was provided jointly by the area consultative committee, the council and the federal department of workplace relations. I assume that refers to the feasibility study that we do have and that was funded by \$33,000 of Australian government money.

**CHAIR**—When you say ‘we have’, you mean the committee has.

**Senator BARNETT**—The committee has. It is the \$33,000 study. Does that sound correct?

**Mr Botfield**—Say that again, please.

**Senator BARNETT**—This has been funded by the \$33,000—

**Mr Botfield**—Yes, the application that went through the ACC for feasibility funding, which is \$33,000.

**Senator BARNETT**—Excellent.

**CHAIR**—I am trying to ensure that this committee actually has that document and, secondly, if questions are going to be asked on it, it has to be made a public document.

**Senator BARNETT**—For the purposes of my questioning, I am happy that it has been confirmed that it is a feasibility study for which \$33,000 was received from the Australian government.

**CHAIR**—We will receive the document at this stage and the committee will subsequently determine precisely how we handle it. But your questions will not be going specifically to that document?

**Senator BARNETT**—No.

**Mr Botfield**—I will just add that the dates involved are not clear in my mind because I did not feel I had to adjust those dates.

**Senator BARNETT**—That is okay. Mr Botfield, to clarify: in your mind, the study is the feasibility study completed by Sinclair Knight Merz and it would receive \$33,000 of Australian government money.

**Mr Botfield**—Yes, that is right.

**Senator BARNETT**—So you were providing a copy of this feasibility study to Miss Kelly, Senator Macdonald and others around the parliament and elsewhere to support your objectives of getting this thing off the ground. Is that right?

**Mr Botfield**—Yes. There is a companion document, that I do not have on hand, that asks for the funding and also provides other information as far as backup letters and letters of support—that kind of information.

**Senator BARNETT**—Do you know the difference between an application for funding under the DOTARS Regional Partnerships program and this feasibility study? Can you understand that there is a huge difference between the two documents?

**Mr Botfield**—I do understand that now, but in the time of my involvement with the ACC those sorts of requirements were not in place.

**Senator BARNETT**—You have referred in your submission to denials made by Patrick Maher, Stuart St Clair and Sandy Macdonald. You say in your submission:

... submissions had been received by the Government despite Mr Botfield having received letters acknowledging receipt of a submission from Stuart St Clair and Sandy Macdonald (copies attached) ...

Could it be that the submission you are referring to is actually the feasibility study?

**Mr Botfield**—That could be so in their mind but not in my mind. I believed that we were approaching those people for funding and providing the information for that funding. They offered no alternative to that. In other words, I felt and still feel that, if it was not submission, they should have given us directions to go away and prepare the submission in a way that they would accept. But, to us, those letters confirmed that we did provide the total information on the project to both those people, yes.

**Senator BARNETT**—Mr Botfield, did you give Senator Sandy Macdonald and Stuart St Clair a copy of the feasibility study?

**Mr Botfield**—Yes.

**Senator BARNETT**—And you are aware of the difference between a feasibility study and an application for funding under the Regional Partnerships program?

**Mr Botfield**—Yes. As I say, the Regional Partnerships program did not exist at that time.

**Senator BARNETT**—You have put this in your submission, so I am asking you the question—you have attached a copy of the Stuart St Clair letter and the Senator Sandy Macdonald letter, and each thanks you for your letter. So your feasibility study had a cover letter with it?

**Mr Botfield**—Yes.

**Senator BARNETT**—Do you have a copy of that with you or can you provide that?

**Mr Botfield**—I do not, no. The council would hold those records.

**Senator BARNETT**—Do you think we can get a copy sent to the committee?

**Mr Botfield**—I will request that if you wish, yes.

**Senator BARNETT**—In the letter from Stuart St Clair, he says:

Thank you for your letter of 22 August ... providing me with the details of funding required for the proposed ... Equine ... Centre ...

I understand funding in the amount of \$3.5 million is requested from the Federal Government as a contribution to this project.

Please be assured of my wholehearted support for this project and understanding of its importance to the equine industry and Tamworth district.

He then says:

I have made representations on your behalf ...

Senator Macdonald says in his letter:

Thank you for your letter of 10 August ... providing an update on the proposed ... Equine ... Centre ... The proposal is innovative and impressive.

In the meantime, my office will work closely with the ... Federal Member for New England, Stuart St Clair, to investigate Federal funding possibilities.

Isn't that exactly what you were seeking—an investigation of federal funding possibilities?

**Mr Botfield**—I expected a reply as to how we would go about that, and we did not receive that. But you must understand that these people were part of the working committee as well.

**Senator BARNETT**—But isn't that exactly what happened, Mr Botfield? They searched for federal funding possibilities and in due course the DOTARS Regional Partnerships program was deemed the most appropriate. That is what happened. So they have fulfilled their commitment and done exactly what they said they would do.

**Mr Botfield**—I guess so.

**Senator BARNETT**—Can we go to the Chudleigh report.

**Mr Botfield**—Yes.

**Senator BARNETT**—You have read the Chudleigh report in depth—in detail?

**Mr Botfield**—Yes.

**Senator BARNETT**—Are you familiar with the Tamworth Regional Council's submission to our committee, the Australian equine centre application for Australian government funding 2004, and what we discussed this morning?

**Mr Botfield**—Yes, I heard that this morning.

**Senator BARNETT**—And you are familiar with the Chudleigh report findings? He found there was too high a risk, it was not commercially viable, there could be a shortfall in funds to complete the project, servicing depended on 240 days of utilisation, there was no unconditional funding, there was no provision for depreciation, there was inadequate maintenance—the list goes on. So Professor Chudleigh's report is quite forthright in its observations on the inadequacies of the first application.

**Mr Botfield**—I think I said earlier that it was obviously the knock-back we had to have: it made all the groups pull together. The other thing is that I still maintain that the real difference between that initial project and this current project is the total funding of the current project.

**Senator BARNETT**—We heard an outline from the council this morning of their analysis of the need for the increased funding and the fact that they got outside funding from user groups and from the New South Wales government, and then the council upped their funding.

**Mr Botfield**—That is right.

**Senator BARNETT**—So they analysed that and provided a sort of response to the Chudleigh report.

**Mr Botfield**—Yes. And it is true to say the Chudleigh report made the user groups say, ‘Well, we’ve got to put our hand in our pocket if we want this thing to happen,’ and that is exactly what took place.

**Senator BARNETT**—So my assessment, and you can correct me if I am wrong, is that they did not support your view that it was all political intervention. They did not support your position—what you said in your last dot point of your submission:

- In my opinion, this increased amount came about as a result of political pressures in the run up to the October 9, 2004 Federal Election.

**Mr Botfield**—As I said earlier, it happened very quickly and I just felt that under normal circumstances the assessment would have taken a lot longer to happen. But seeing there was an election, and I suppose it was prudent to take advantage of that, it happened very quickly.

**Senator O’BRIEN**—Can I clarify one thing. You talked about the feasibility report. I see in your submission that in December 2001 you say Sinclair Knight Merz supplied a business plan as well.

**Mr Botfield**—That is involved in that business plan.

**CHAIR**—It is part of that, is it?

**Senator O’BRIEN**—This is September 2001. Your submission says that in December 2001 Sinclair Knight Merz supplied a business plan. That would be in addition to the September document, would it?

**Mr Botfield**—Yes. That would have been the one I just passed on, would it?

**Senator O’BRIEN**—Yes. I am looking at the cover, but there are two documents here.

**CHAIR**—I have a couple of questions. In regard to the discussion you have just had with Senator Barnett, you believe that what was being considered by the government, Minister Anderson, and subsequently by Professor Chudleigh when Minister Anderson referred the issue to him, was a request for federal funding for your project. Is that the way you understood it?

**Mr Botfield**—That is the way I understood it.

**CHAIR**—Do you believe that Senator Sandy Macdonald and Mr St Clair had the same understanding that, whilst that is described as a feasibility study, it had been put forward to the federal government and provided to those members as a proposal seeking federal government funding?

**Mr Botfield**—As I said earlier, there is a companion document with that which I do not have a copy of but that the council may have on hand. It describes and offers letters of support by various groups and user groups and that sort of thing.

**CHAIR**—We will seek to obtain a copy of that because that would be relevant to our inquiry. Are you able to describe the document to us and advise the secretariat so that we know exactly what to ask for?

**Mr Botfield**—Yes.

**CHAIR**—When these letters from Mr St Clair and Senator Macdonald were sent to Paul Anderson, you see these as responses to a request for federal funding?

**Mr Botfield**—I took it as being a request for funding.

**CHAIR**—Mr St Clair says, and Senator Barnett quoted this:

I understand funding in the amount of \$3.5 million is requested from the Federal Government as a contribution to this project.

As there are no further questions, Mr Botfield, thank you for your appearance here this morning.

**Proceedings suspended from 12.43 pm to 1.19 pm**

**HUMPHRIES, Mr Kevin John, Chairman, New England North West Area Consultative Committee****THOMSON, Ms Rebel Hamlyn, Executive Officer, New England North West Area Consultative Committee**

**CHAIR**—I declare open the afternoon session of the Senate Finance and Public Administration References Committee, which is inquiring into the administration of the Regional Partnerships program and the Sustainable Regions Program. I welcome representatives from the New England North West Area Consultative Committee. The committee has previously held 10 public hearings in this inquiry and published a large number of submissions and other material on the committee's website.

Evidence given to the committee is protected by parliamentary privilege. This means that witnesses are given broad protection from action arising from what they say and that the Senate has the power to protect them from any action taken against them which disadvantages them on account of the evidence given before the committee. I remind all witnesses that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. We prefer to conduct our hearings in public. However, if there are any matters which you wish to discuss with the committee in private, please make a request at that time and we will consider it. I will make some comments in a moment regarding the submissions and material that you have provided. The committee decided at the outset of the inquiry that evidence given by all witnesses to this inquiry should be given either under oath or by way of affirmation.

We have received a submission from the ACC under your name, Mr Humphries, as the Chair. That submission has been made public. We have also received in response to the request and order of the committee further material which at this stage has been received in camera. They are documents which include minutes and recommendations of the New England North West Area Consultative Committee. The committee had a private meeting during the luncheon adjournment—I understand you have been informed of that—and ordered the publication of material within those documents that relates to the Primary Energy application. We note in particular that there has already been material relating to that application which you have provided us with that has been tabled in the House of Representatives of the parliament. The remainder of the material in these two volumes still remains in camera, at least for the purposes of enabling the committee to check it for potential adverse comment.

I understand you have raised with the committee secretariat some concerns about commercial-in-confidence considerations. The committee will at a subsequent meeting in due course consider whether or not the material should be published. If necessary, we will consult with you in that regard. As I have said, it is the desire of all Senate committees to have proceedings fully in public and I think just about all of the material that we have been provided with in one form or another has been put on the public record unless it has been specifically necessary to keep it in camera. Are there any alterations or additions, other than this additional material, that you wish to make to your written submission?



**Mr Humphries**—There is. Rebel provided a media file which was in relation to the equine centre which I will refer to later in not too great detail. That was the only thing except for a copy of my opening address.

**CHAIR**—Would you like to table this as part of your submission?

**Mr Humphries**—Thank you.

**CHAIR**—That is so ordered by the committee—it is tabled. We have a written copy of your opening address. Is it necessary for you to read it out at length?

**Mr Humphries**—I think so. I have made a few comments along the way.

**Senator MURRAY**—It is very long.

**CHAIR**—How long is long? I have not had a chance to look at it?

**Senator MURRAY**—It is 12 pages.

**Mr Humphries**—I drove 300 kilometres to be here today.

**CHAIR**—Proceed, Mr Humphries. If there are sections you can paraphrase, please do so. We like to spend as much time as we can on questions, particularly given that you have provided us with a lot of material and a submission.

**Mr Humphries**—Thank you. To support you with the Primary Energy application, I think when we made the request regarding that project it was prior to the CSIRO report on renewable fuels. Primary Energy was a major component of that report, so what is out there is quite public knowledge anyway so whatever we had in there is in the public domain.

**CHAIR**—I invite you to make your statement. Please take on board that we will have this incorporated, if necessary, into the proceedings. So if you can truncate it, please do so.

**Senator MURRAY**—I sympathise with your travelling so far; I have come from Perth just to listen to you.

**Mr Humphries**—Good on you. I hope it is worth while. It is with pleasure, as Chairman of the New England and North West Area Consultative Committee Inc., I appear before this committee inquiring into the administration and coordination of the Australian government's Regional Partnerships program. For the record, the New England and North West Area Consultative Committee is a not for profit incorporated organisation. We operate under the New South Wales incorporation act and we are contracted by the Australian government to be the primary link between the Australian government, business and the community in the New England and north-west region.

The area consultative committee aims to improve the physical, social and economic conditions of communities across the region, be a key facilitator of change and facilitate whole of government responses to opportunities. The ACC is managed by a board of management which

is made up of volunteers. Board members are chosen because of their ability to represent a community or the region, both geographically and across their areas of expertise. They are representative of business and community groups, but most importantly they are honest, open, transparent and responsive to the community. We have a couple of our board members here today.

The New England and North West ACC has six dedicated and professional staff representing the organisation, and these officers provide advice across a number of speciality areas. They provide frank, honest, comprehensive, accurate and timely advice on Australian government programs and initiatives, including Regional Partnerships. I would just like to highlight the fantastic job our staff do across the area. They are highly mobile, cover a large area and have developed a very good reputation. The other point is that we do not support just Regional Partnerships programs; we help facilitate other programs as well.

There is a clear need for coordination between government jurisdictions and agencies throughout our region and in most regions around the country, as I am sure you are aware. Community members want a central point of contact with which to connect to government agencies. The coordination of our services is local and encourages cooperation, reduces competition and is effective in addressing regional development and regional issues.

I would like to give you a snapshot of our area. The New England north-west region of New South Wales covers approximately 100,000 square kilometres. It covers 13 local government areas. The region borders Queensland and lies mainly to the west of the Great Dividing Range. It is a geographically varied region incorporating three ecologically diverse regions: the northern tablelands, the northern slopes and the central northern plains. That is reflected in our board make-up. The region is only three per cent of the total New South Wales population and within these 13 local government areas there are over 150 communities. Most are disadvantaged and isolated, and experience a disconnection from government agencies and allied services.

The Indigenous population of the region is 12,176, or about seven per cent of the total population of the region, with the highest Indigenous population in the Moree Plains shire—close to 18 per cent. On average, our Aboriginal communities suffer from educational disadvantage, youth disengagement from society, lower income levels, substance abuse, a lower standard of living and significant unemployment.

The agricultural sector represents the largest industry in the New England North West with 7.86 per cent of the total population employed in the area—retail is close to six per cent; health and community services, four per cent; and education, 3½ per cent. Manufacturing is also a significant industry for the region, particularly on the northern slopes, employing 2,684 people. Business in the New England north-west is based on profitability of the agricultural sector. Market demand for value adding to rural products means that we can no longer focus solely on the production of raw commodities. We need to develop opportunities to service the final customer or end user. A shift in thinking is indeed happening and is required for traditional farming practices and for farms to diversify into new products and value adding. Coordinated infrastructure development at a national level and logistics management will help drive the next cycle of change across this region and other regions.

Industries will relocate, co-locate and expand in identified areas of the region based on supply change-management principles ensuring that our region is not only building national links and networks but also taking advantage of a very active global marketplace. The scale of agricultural enterprise in the region is changing quite significantly with the average age of farms increasing and the number of individual farming enterprises decreasing. The profitability of farming enterprises is changing and affecting all of our small communities that are linked to agricultural business. Impacts of ongoing drought have been felt by not only the agricultural sector but also businesses that provide services to the sector, retail trade, transport and storage and hospitality. The diversity of natural experiences in our areas is coupled with the problem of accessibility and distance. That can also be seen as an advantage at times.

The decision by the New South Wales government to apply cuts across all aquifer access licences in the upper and lower Namoi means that all farm businesses will be affected. The size of those impacts depends on the flexibility available to operators to adjust the way they run their operations with less water. The effects are compounded by the way the reductions are to be introduced. In the case of the Namoi, they are still to be introduced, and I understand that is another 12 months away, as of last week. Similar to the experiences of the recent decision to shut down the Brigalow south bioregion, the lack of certainty is compounding feelings of uncertainty and discontent in those communities.

Year 12 completion rates are eight per cent lower than the national average. Across the region 22 per cent of people hold post-school qualifications, from certificates to postgraduate qualifications. The same trends were reflected in internet use, which was much more common on the northern slopes at about 45 per cent—the northern tablelands was 23 per cent and the central northern plains was 20 per cent. In some communities within the New England north-west there is not the infrastructure to support an education service, and technology is needed to provide access to educational and training services in the regional areas.

The statistics for the number of students leaving in year 10 are also above the state average. These statistics suggest the New England north-west does not have a culture of learning. Students cannot see the advantages of higher education within their region, as compared to the rest of the state. Statistics for Indigenous students are not specifically available but general anecdotal evidence shows non-engagement in an early completion of school education. Unemployment is still viewed as a problem in the north-west, with an unemployment rate of 8.8 per cent across the region. That is 1.4 per cent higher than the national average. I will not go into all the rest of it, but we have a number of people that are basically still sitting out there unemployed. At the same time, we are experiencing skill shortages and unskilled labour in certain parts of the region.

Since the introduction of Regional Partnerships almost two years ago, the staff and board members have worked extremely hard to develop and support 19 projects for funding under Regional Partnerships. This investment of over \$18 million by our partners, communities and businesses has been supported by \$7.7 million in program funding. I will give a quick snapshot of some of the projects. We have recommended funding in extremely small communities and extremely large communities. The smaller communities were largely about access and refurbishing meeting points so that they could also become co-located and used as service centres.

We have mentioned Tenterfield. There is the Glen Innes Severn Council partnership with the technology centres, an excellent project that is a partnership between the university, TAFE and the community. There is the CTC centre in Warialda. Moree Plains Shire Council at Mungindi, which is an extremely isolated community, has an integrated service centre being completed there. The Moree regional art gallery will be upgraded in partnership with funding from the state government, council and the community to enhance its services. In the Inverell shire, a small aged care facility received funding. Spring Ridge received funding. The Division of General Practice in Tamworth, which is where I was this morning, received funding to look at a regional general practice access centre to help address some of the shortages of GPs in rural areas.

In more detail, funding for the Australian Equine and Livestock Centre will establish a nationally significant multipurpose equine and livestock venue for events and activities located in Tamworth. Servicing equine related activities through the east coast of Australia will eventually become an international showpiece for regional Australia. The project is a unique partnership between the Tamworth Regional Council, the Tamworth P and A Association, the New South Wales government, the National Cutting Horse Association, the Australian Quarter Horse Association, the Australian Bushmen's Campdraft and Rodeo Association and the Australian Professional Rodeo Association. I will not go over the benefits that were mentioned in the paper this morning because I did give Senator Barnett a snapshot of that.

In addition to the above, there are currently applications in assessment requesting assistance of some \$2.179 million from Regional Partnerships to create an investment of close on \$7 million. We co-fund the fine food and wine program across our region. We have undertaken a comprehensive regional skills audit and report and we are also working with other area consultative committees from central New South Wales right through to Gladstone in a response to the railroad and seaport inquiry that is currently under way.

The Namoi Valley Structural Adjustment Package was established in September 2002 and integrated into Regional Partnerships from July 2004 as a direct result of extensive community consultation and the impending introduction of the Namoi Valley Water Sharing Plan. The water sharing plan has been developed in response to two main factors: the need to manage and use groundwater within the recharge limit to ensure sustainability of supply and uses based on that supply and the modification of the priorities assigned to the competing uses. The package was to enhance the ability of business and the community to deal with the economic downturn imposed by the introduction of the New South Wales government's water sharing plan.

It is expected that the major impacts of the water sharing plan will be in the first three years of implementation and will be concentrated in the zones along the Mooki River in Gunnedah shire, Boggabri and Walgett. Narrabri will be affected by flow-ons to business and farm servicing activities in the Wee Waa area. Investment in value adding opportunities in agricultural diversification will assist with structural adjustment in those areas. Up to \$20 million was provided for up to 10 years and was coordinated by a subcommittee of the area consultative committee, which I chaired.

Until July 2004, \$3.6 million in assistance to business infrastructure was provided by developing partnerships. This investment created a total investment of \$9.7 million. The funding we recommended was provided to businesses in Wee Waa, Quirindi and Gunnedah. There was assistance for developing tourism through networks and marketing in Cryon, west of Narrabri,

assisting irrigators and other business partners to build an irrigation channel across 10 kilometres providing linkages and access to water for over four enterprises. The channel project was also established to link with irrigators looking to diversify into more water-efficient crops.

Funding also assisted business to diversify traditional agricultural enterprises into tourism, horticulture and viticulture industries in the region. The fund also provided assistance to large enterprises such as New Wave Leathers—formerly Michell Leather, in Gunnedah—and the establishment of the Gunnedah ethanol plant, which is expected to cost \$67 million and be operational in August 2006.

The New England North West ACC assessed and evaluated the application from Primary Energy for the Gunnedah ethanol plant through processes developed under the Namoi Valley Structural Adjustment Package and it received funding of \$1.1 million. The project is to assist the development of Australia's first grain-fed dry-milling plant and will use 350,000 tonnes of locally grown wheat and sorghum each year. It will provide 50 long-term jobs on site and an estimated 350 jobs in the transport industry. One thing I failed to mention was that the socioeconomic report that was done as a result of that adjustment package is the most comprehensive that has been conducted in the country in relation to resource adjustment, and it certainly provided a framework and a blueprint for both the state and federal governments to move on in the development of the National Water Initiative.

The regional development policies of the 1980s focused on the revitalisation of underperforming regions through industry clustering, provision of infrastructure, business incubators, advisory services and location development. The late eighties saw the emergence of sustainable development principles, which emphasised the triple bottom line: the integration of economic, social and environmental values. In national, regional and local decision making, one size definitely does not fit all.

The communities in our region recognise that change must occur to ensure a prosperous future and seize different opportunities ahead. The Australian government, through Regional Partnerships, is striving to ensure projects are supported by those who want to effect change, by using local knowledge to develop projects, partnerships and opportunities that match their needs. More recently, there have been significant increases in developing bottom-up partnership approaches to sustainable development. This trend has included community participation in self-help processes, industry and government partnerships and locally based solutions, with an emphasis on networks, education, training, social capital and leadership. Regional Partnerships and its processes are enabling communities to have a hand in designing their own future and developing a sense of ownership and empowerment within their community. The New England North West ACC understand and listen to the needs of our communities; that is why we believe we are successful.

The community has received several submissions from the ACC outlining its processes and procedures for prioritising and endorsing applications. The process of providing accurate and timely advice on applications is a serious one, and one that the ACC does not take lightly. Our processes have evolved and will continue to evolve to ensure that applications are well placed in a competitive and finite national pool of resources. In relation to this inquiry, the New England North West ACC believes it has fully cooperated with the requests of this committee and, importantly, protected relationships with our communities. For any financial institution, business

or government, to spend \$11.3 million and in return receive an investment in regional business infrastructure or the community of over \$27.7 million, we believe, is a very good result. The real achievement of this scenario is that it involves people investing in real projects and outcomes in partnership with government. These people are now feeling they can influence outcomes, they can have confidence in programs and processes around them and they can set their own agendas. These communities have worked in partnership with the ACC to develop projects. I am sorry that my statement was a bit long but I welcome any questions from your committee.

**CHAIR**—Thank you, Mr Humphries. Ms Thomson, did you wish to add any comments?

**Ms Thomson**—No.

**CHAIR**—Before we go to questions I have two announcements. Firstly, I acknowledge the presence in the public gallery of former senator and parliamentary secretary David Brownhill. Secondly, I should indicate that it will be necessary for the committee to adjourn at four o'clock at the latest. We need to meet travel commitments; we are going on to Melbourne and then Launceston tomorrow.

**Senator O'BRIEN**—Mr Humphries, we have heard some history of the chairing of the ACC. Did Mr Anderson appoint you to replace Mr Patrick Maher?

**Mr Humphries**—Not that I am aware of. I was invited by DOTARS, through a letter, to chair the committee not quite three years ago.

**Senator O'BRIEN**—Was your predecessor Mr Maher?

**Mr Humphries**—Patrick was, yes. The letter of invitation I got was from DOTARS and signed off, I think, at that time by Ken Matthews, who was the secretary.

**Senator O'BRIEN**—We have heard evidence about Mr Maher's political connections. Were you a member of the National Party at the time of your appointment?

**Mr Humphries**—At the time of the appointment, no, I was not.

**Senator O'BRIEN**—Were you prior to that?

**Mr Humphries**—No.

**Senator O'BRIEN**—If you thought hard you may remember now.

**Mr Humphries**—No, I was not a member of any political party when I was appointed to the chair of this board.

**Senator O'BRIEN**—Mr Windsor has told the House of Representatives that it is expected that you will succeed Mr Anderson as the National Party candidate for Gwydir.

**Mr Humphries**—I actually have a copy of that sitting in front of me. I would like to qualify that. If the question is whether, since my appointment, I have joined the National Party the

answer is yes. I am certainly aware that comment was made, I think, on Wednesday, 15 June. In the *Hansard* Mr Windsor, in relation to this inquiry, says:

But I see that the chairman, Kevin Humphries—and it is no secret that Mr Humphries is to be the successor to Mr Anderson in the seat of Gwydir, so he will be showing great loyalty to Mr Anderson in this particular matter—

I do not think comments like that help these inquiries. As far as I know, Mr Anderson has not resigned. In terms of any other perceptions—

**Senator O'BRIEN**—He has said he is retiring from politics. I understand he has said he intends to serve out his current term.

**Mr Humphries**—I do not know. I cannot comment on that.

**Senator O'BRIEN**—You have not heard that?

**Mr Humphries**—I have seen things written in the papers.

**Senator O'BRIEN**—Have you had any discussions about nominating for the National Party preselection? Do you think a nomination would affect your role as the chair of the ACC, for example?

**Mr Humphries**—No. I think the guidelines are quite specific about the chairman's position with area consultative committees. If they do seek preselections or are nominated, they have to stand down. I think that is quite clear.

**Senator O'BRIEN**—Can you describe your duties as the chair of this ACC?

**Mr Humphries**—They are many and varied. Basically, we meet on a regular basis in areas around our region. That was described before. Personally, what I do is to liaise with Rebel on a regular basis as to what is progressing on a day-to-day basis. In terms of setting agendas for our board meetings I look at what are some of the likely projects that are coming up. I make sure that we get good coverage right across the region. We have instituted processes over the last couple of years in particular to clarify our processes so that they are more transparent and systematic. Basically, it is monitoring that that process is being conducted properly in relation to our guidelines and making sure that the board members are getting good advice and that our staff are supportive.

I suppose some weeks I would talk to Rebel every day or every second day. In relation to other board members, we operate in a cluster situation where we have three board members in each of the zones, the tablelands, Tamworth and out west. Part of the reason for that is ensuring that there is equity based in all those projects and that we are not just targeting one area or that areas are missing out.

**Senator O'BRIEN**—So from the point of view of this inquiry in its consideration of the Regional Partnerships program do you think we should be saying that chairs of ACCs should be non-partisan?

**Mr Humphries**—Non-partisan in what sense?

**Senator O'BRIEN**—Not partisan in any political way?

**Mr Humphries**—I am not sure. Our group is certainly not a political group. I have certain personal beliefs but I think we treat it as a business. In some cases you may end up with no people on those boards. People park their prejudices—if indeed there are prejudices. I certainly go out of my way to do that.

**Senator O'BRIEN**—Do your duties include establishing productive working relationships with elected representatives, local councillors and state and federal members of parliament?

**Mr Humphries**—Yes, if possible. Qualifying that, I do not go out there seeking endorsement, conjuring up projects or being seen to pre-empt projects. But it is the role of our board to help people through a process by making contact with them. Our board are there as facilitators on the ground for people wanting to build projects or looking for some sort of advice. They know their area well and part of their role is to monitor what the priorities are in their area. At times you would be seeking very much the input from local council in particular.

**Senator O'BRIEN**—It sounds as though you have a bit of a testy relationship with Mr Windsor, from your comments about his comments.

**Mr Humphries**—I have no relationship with Mr Windsor. I am not sure why you would say that.

**Senator O'BRIEN**—I took it from the way you responded in relation to the question about your—

**Mr Humphries**—Political comment?

**Senator O'BRIEN**—Possible preselection, actually.

**Mr Humphries**—I respect the inquiry and think everybody should respect an inquiry of national significance—I do not care who it is. To make a mischievous comment, or to pre-empt something, is bordering on contempt. My response is that I have always played the ball and not the man. I do not think it is helpful to make comments like that, that is all.

**Senator O'BRIEN**—So you do not have a productive working relationship with Mr Windsor.

**Mr Humphries**—It depends on how you define 'productive'.

**Senator O'BRIEN**—I asked you a question earlier about whether you think that your duties include establishing a productive working relationship with elected representatives. I thought you said yes and then, when I asked you about Mr Windsor, you said you had no relationship.

**Mr Humphries**—I think I visited Mr Windsor—it will be tabled there somewhere—in March 2003. My reason for visiting Mr Windsor was to introduce myself, having not long been in the position of chair, and I specifically sought to discuss two projects with him. One was the equine



centre, the fact that it had been going around and around and that he might like to avail himself of the resources and the Regional Partnerships vehicle for helping to—

**Senator O'BRIEN**—Sorry, when was that? March 2003?

**Mr Humphries**—Yes, I think it was in March 2003. I can refer to that in more detail later, but just to answer your question, the point was that we were there to offer help. Part of the difficulty that we see in and around communities when projects sometimes get stuck is that they do not seem to be able to get out the other side. If we are able to help support that, that is what I call a productive relationship.

What Mr Windsor did with that conversation and offer was virtually negligible. I specifically asked for his support at the time for the whole issue that was being debated in parliament regarding the fuel rebate system on the development of ethanol. Basically, nothing followed from that meeting. We cannot tell people what to do, but I certainly made it known to Mr Windsor, and to the public here, that we are there to be used and will help facilitate a process in any way that we legitimately can. You asked about 'a working relationship'. I say the offer was there to develop a working relationship quite significantly and it was not taken up. Apart from that, I have really not had much to do with Tony at all.

**Senator O'BRIEN**—There is only one thing that troubles me about the answer that you have just given. You say that in March 2003 you raised money for the equine centre project using the Regional Partnerships program.

**Mr Humphries**—I am not sure that Regional Partnerships had actually kicked in by then.

**Senator O'BRIEN**—It did not actually exist until 1 July 2003.

**Mr Humphries**—That is right. There was a crossover point which was just before that. The point is that we were there to be used, hopefully, as a pathway. Certainly, previously, under Regional Solutions and other programs, proponents could directly apply to the government. They did not need to come through area consultative committees. Since then, that process has changed somewhat and what we were trying to say is, 'Here is a facility that the federal government is trying to grow on the ground to help communities through that process, whether the projects are large or small.'

**Senator O'BRIEN**—So you did not go back to him after 1 July 2003 with regard to the Regional Partnerships program?

**Mr Humphries**—No. I think we wrote.

**Ms Thomson**—If I could add to that, I think there were at least five occasions that we did either write to the council or send an email to Mr Windsor saying, 'Please use the assistance of the ACC.'

**Mr Humphries**—Being a volunteer, it goes back to the previous question. The board do not go out of their way to drive projects. That is not our role. If communities cannot work it out, that is their problem. We will help sift through the mud, if that is what needs to be done, and our

project officers and people like Rebel do a fantastic job in doing that. You cannot make people work with you. If they want to go their own way, which is often the case, that is their choice. My concern was that here is a program that is out there that was not being used to the extent that it could have been, and that is basically evidenced by—I am not going to go through the media profile but it is a very good way of tracking the progress of how projects either get up or they do not. I certainly made public comment that we were there to be used and there is a proper way of going about doing it.

**Senator O'BRIEN**—I take your suggestion that we should look at exchanges in the media to understand what you were communicating from the ACC to the working group and the council. There were half a dozen other emails where Ms Thomson suggests that the working group—

**Ms Thomson**—I do not believe that any of those media statements will actually comment on how many times the ACC had approached either Tony Windsor or the council. Those are our records that show that on no fewer than five occasions did we contact them regarding assistance from the ACC.

**Senator O'BRIEN**—Over what period?

**Ms Thomson**—Our first contact with the equine centre project was in December 1999, a request from the P and A, so it is between then and pretty much to date. We were obviously involved at the beginning but there were three between March 2003, August 2003, September 2003, December 2003—within that period.

**Senator O'BRIEN**—So there were emails to the council, Mr Windsor or other people. I am not sure what you mean.

**Ms Thomson**—Our records indicate that there was the occasion where Kevin Humphries actually spoke to Mr Windsor and offered the assistance of the ACC. There was a letter sent to Mr Windsor's office in October 2003 regarding the make-up of the group and assistance with funding. In September 2003 there was an email from Kevin Humphries to Tony Windsor regarding the need to develop partnerships with the community and the industry and to involve the ACC in discussions and project development. In December 2003 there were emails to Tony Windsor asking for the ACC to be involved to assist with funding and partnerships. In April 2004 we did receive a letter from Mr Windsor providing the names of committee members.

**Senator O'BRIEN**—He was not a committee member?

**Ms Thomson**—His name was on that list.

**Senator O'BRIEN**—In April 2004. Was this the working group for the equine centre?

**Ms Thomson**—Yes.

**Senator O'BRIEN**—Is that material in the material you have supplied to the committee already that is in camera?

**Ms Thomson**—It may not be, no. We can provide it, though, if you would like.

**Senator O'BRIEN**—If you would, please. I would appreciate that. Mr Humphries, as chair of the ACC you are responsible for corporate governance. Can you explain your understanding of the term 'conflict of interest'?

**Mr Humphries**—Conflict of interest in terms of the board's role?

**Senator O'BRIEN**—Yes.

**Mr Humphries**—We have a standing agenda item at every board meeting which refers to conflict of interest. That usually relates to any board member who has a business affiliation or any other affiliation with some or any of the projects that are being discussed. If they do—and that is quite often the case, given the broad nature of our board and the nature of their own lives—that is covered at every meeting. It is tabled and sometimes people may have to leave the room. They are not involved in any of the discussion or any of the recommendations that are made.

**Ms Thomson**—After each annual general meeting board members have to have a written conflict of interest or declaration of interest form completed for the following year's activities.

**Senator O'BRIEN**—Is there a written explanation of what a conflict of interest is that we can see?

**Ms Thomson**—We have procedures and a code of ethics but I did not bring those for a conflict of interest with me. I can probably provide them.

**Senator O'BRIEN**—That would be good. I just want to get an understanding.

**Ms Thomson**—There is an explanation which is about an actual or a perceived conflict of interest and for committee members to be aware of that.

**Senator O'BRIEN**—I would be pleased if we could get that. What is your role as the executive officer, Ms Thomson?

**Ms Thomson**—They are many and varied.

**Senator O'BRIEN**—Do you do the minutes, for example, or do you keep the minutes?

**Ms Thomson**—Yes.

**Senator O'BRIEN**—Do you keep the financial records?

**Ms Thomson**—Yes. I manage staff. I coordinate project activities of my own within the Tamworth, Gunnedah and Liverpool Plains local government areas. I also pursue regional and interregional initiatives. I am the public officer for the organisation as well.

**Senator O'BRIEN**—What does that mean?

**Ms Thomson**—Under the New South Wales incorporations act you have to have a public officer.

**Senator O'BRIEN**—And the chairman is the public spokesman?

**Ms Thomson**—Yes.

**Senator O'BRIEN**—In the submission to this inquiry your ACC says that it has been:

... tasked to promote, coordinate and develop applications under the Regional Partnerships Programme and the Namoi Valley Structural Adjustment Package.

Have there been any exceptions in relation to projects that have received funding under these programs? Have there been any projects in which the ACC has not been involved from the outset, has been asked to do a last-minute assessment or has not been involved at all?

**Mr Humphries**—You would probably need to have a starting point. Rebel might qualify this but previously, under the Regional Solutions Program, which I came in at the end of, people did not have to come through the area consultative committee to seek funding support. They could make applications directly to centralised offices, either in Orange or, I presume, in Canberra. In some cases—I do not think there would be too many—there have been projects previously developed where we were not really involved at all or, if we were involved, it was probably on a minimal basis and we were just asked to make comment. Since the development of Regional Partnerships, the entrance of commercial or for profit entities and the recognition by the government that on-the-ground due diligence is a good front door, there would be very few projects that have not gone through our processes.

**Senator O'BRIEN**—When you say 'very few', which ones have?

**Mr Humphries**—I do not know of any that have been started under Regional Partnerships in our area that have not come through our door in the last couple of years. If they have not come through our door, it means that they have been started somewhere else and would probably have been initiated under the Regional Solutions Program. You may be referring to the Armidale project, the UNE project. We had little involvement in that; it was very minimal.

**Senator O'BRIEN**—According to your minutes, you had 24 hours to assess it.

**Mr Humphries**—We were asked to make comment on it. My response to that request was, 'We are not going to assess it because it is physically impossible to do so.' Rebel sent an email around to the board asking them to make comment. We did, and I added further comment. It was a very interesting project, because really it should have been referred to Regional Partnerships at a much earlier stage and it was not. The question I would like to ask is: why wasn't it?

**Senator O'BRIEN**—We are asking those questions; we are still trying to get answers.

**Mr Humphries**—I might tell you in camera, but I am not telling you publicly. Again, it is about the process not being followed properly and people not using the proper processes through which government funding may be procured. I think a lot of what you are potentially dealing

with is at the back end of what goes on with those projects, when in fact some of the problems that we have had to unravel have been caused at the front end, by people not using the proper process. I will leave it at that.

**Senator O'BRIEN**—Your submission provides the committee with a lot of detailed information about the assessment procedures. Has the ACC waived any of those procedures with respect to its assessment of any projects?

**Mr Humphries**—No, and Rebel might comment on this. In fact, we are probably tightening them up a little bit further, in the sense of our board diversifying and people bringing new skills and talents. We actually have a person on our board who is the business development officer for the UNE. One of the things that we are trialling at the moment is a more comprehensive assessment procedure that is more detailed. I think that has been submitted, and Rebel might want to comment on it. Again, it is making things more transparent. It is making people think more closely about their projects and it is helping proponents of these projects do a little bit more work at the front end by addressing the criteria that we look at which include things like training and employment, issues related to competitive neutrality and so forth, and how they align with our strategic plan. Rebel, you might want to comment on that.

**Ms Thomson**—It is an internal project assessment that we work on with our board members and with the applications and we would be more than happy to table that.

**Senator O'BRIEN**—That would be great. Thank you for that.

**Ms Thomson**—It is based on addressing the sections within Regional Partnerships about aligning with regional strategies or local strategies, project and applicant viability, all of the outcomes and partnerships. It is weighted to provide a score out of 100. We are trialling at the moment that that weighting score would be between 80 and 100 for a priority 4 project and then go down from there to priority 1. Four is the highest priority.

**Senator O'BRIEN**—So the projects that you gave the highest score to would be high priority, with the strongest suggestion for funding?

**Mr Humphries**—Yes. Priority 4 means high priority.

**Ms Thomson**—Priority 4 means 'recommended with a high priority'.

**CHAIR**—The committee will receive that document. Can you just identify the document, Ms Thomson, for the record?

**Ms Thomson**—It is called New England North West ACC Internal Project Assessment.

**CHAIR**—Thank you.

**Mr Humphries**—In terms of your question on process, Senator, each of those three clusters would have a subcommittee meeting prior to a board meeting. The process now involves each project going through that process before it actually gets to a board meeting. The project officers might indicate where we have had expressions of interest from, but we do not really drill down

into that at a board meeting until that process has been covered. It is a pretty good one; it works well and it makes people think a bit more about what they are recommending and why.

**Senator O'BRIEN**—So your procedures have been followed other than on the UNE project? Is that how I should understand your submission?

**Mr Humphries**—The UNE one is the only one that I am aware of.

**Ms Thomson**—It would be fair to say that, as the process has evolved, some projects that may have fallen within one process have gone to another process. We can give you details for probably any project as to what assessment process it went through.

**Senator O'BRIEN**—So what your submission is talking about is the evolution of your assessment process?

**Ms Thomson**—Yes.

**Mr Humphries**—Yes.

**Senator O'BRIEN**—Can you tell me when your ACC first learned of the existence of the Strategic Opportunities Notional Allocation guidelines?

**Ms Thomson**—I think it would have to have been at the first national conference of ACC executive officers. I would have to check the date. But it was not at this year's conference, which we have just had. It would have been last year, so maybe March 2004—the beginning of 2004, anyway.

**Senator O'BRIEN**—So you think it was at the conference that you learnt about the SONA guidelines?

**Ms Thomson**—Yes.

**Senator O'BRIEN**—Did the Department of Transport and Regional Services provide the ACC with a copy of the first and second versions of these guidelines?

**Ms Thomson**—I have never actually seen a copy of any guidelines for SONA applications. It is not the ACC's decision whether the application should be put to a SONA guideline or an RP guideline. We look at everything in the guidelines for Regional Partnerships. My understanding of SONA is that it assesses the national significance of a project.

**Senator O'BRIEN**—That is what you have been led to believe?

**Ms Thomson**—Yes.

**Senator O'BRIEN**—Does the ACC deal with the regional office and the national office of the Department of Transport and Regional Services in relation to Regional Partnerships applications?

**Ms Thomson**—I would say mostly. I have never dealt with the national office on applications; I have only dealt with the regional office. We may deal with the national office on procedures or policies, but I have never dealt with them on projects.

**Senator O'BRIEN**—Does that dealing at the regional level only deal with formal applications, or is there a more frequent and informal connection between the department and the ACC?

**Ms Thomson**—There may be an occasion where there would be: 'We have this project. What do you think?'—but it is very infrequent. It happens very rarely.

**Senator O'BRIEN**—So you do not have a chatty connection—

**Ms Thomson**—No.

**Senator O'BRIEN**—It is about applications essentially.

**Ms Thomson**—We believe that they have the role of the assessor; we have the role of the developer. It creates a situation in the middle which I think is probably unclear for the proponents, and we try and keep that situation clear.

**Mr Humphries**—Regional office staff attend our meetings. Again, that is a standing agenda item at our board meetings. So they have got a pretty good idea of what is going on, if not an excellent idea.

**Senator O'BRIEN**—So the regional officer comes to the board meetings as well as this—

**Ms Thomson**—Yes. On most occasions.

**Senator O'BRIEN**—The same officer?

**Ms Thomson**—It has not been, but I think they have now allocated one officer to our region, so I presume those officers would come more regularly now.

**Senator O'BRIEN**—Which officer is responsible for attending your board meeting?

**Ms Thomson**—As of our last meeting, which was held in May, our officer at Orange is John Bowmer and his assistant is Sinead O'Fairclleagh.

**Senator O'BRIEN**—I have to say this is an ACC which is probably in somewhat of a privileged position in having the Deputy Prime Minister, a senior minister with responsibility for Regional Partnerships, as the local member. How regularly does the ACC meet with Mr Anderson?

**Mr Humphries**—As an ACC we do not meet with Mr Anderson. The only time the ACC would formally meet with Mr Anderson in that sense, in the broader context, would be either at openings or at gatherings. We certainly invited him to open the relocated offices in Tamworth.

**Ms Thomson**—He would have been at our meeting in August 2004 because we had a presentation of the socioeconomic study into the Namoi Valley. He did not stay for the meeting; he stayed for part of the annual general meeting. They are the only times I can recall.

**Senator O'BRIEN**—Do you have an arrangement—

**Mr Humphries**—A working relationship.

**Senator O'BRIEN**—Yes—as the chairman of the ACC or in other capacities?

**Mr Humphries**—I would say I have a working relationship with him. I certainly do with him as our local member, because our paths cross reasonably regularly. I certainly strongly put the opinion to the minister that programs like Regional Partnerships were indeed working and that they should be expanded. I certainly have no problems saying that, and that it should be opened up to for-profits as well. As part of a regional strategy to grow and diversify our regions, not just our area, we thought it was a great program. I would say we were privileged—not just lucky—to have that man as our Deputy Prime Minister. He is there to be an advocate for our people.

**Senator O'BRIEN**—The Namoi Valley Structural Adjustment Package projects under consideration on 31 June 2003 were affected by the commencement of Regional Partnerships on 1 July 2003. Are you able to supply the committee with a list of the projects affected by the transition?

**Mr Humphries**—Who was going to lose out?

**Senator O'BRIEN**—No. Which projects were live as at 30 June 2003 under the Namoi Valley Structural Adjustment Package which migrated into the Regional Partnerships program. Were there many?

**Ms Thomson**—Four, possibly. I am not sure whether I can recall them all, but there was the Narrabri gas application and the Gunnedah ethanol application. I do not think Paradise Farms was in the Namoi; it started the process of Regional Partnerships. Cryon was funded under the Namoi. Aquafarming was an application that was submitted to the Namoi Valley Structural Adjustment Package but it did not complete that process so it went completely to Regional Partnerships. Tailwaggers was one that was in the system but it went to the Orana ACC, because Walgett is not in our ACC area. I would say, without having the actual documents here, there are maybe two or three, but we can provide a confirmed list.

**Senator O'BRIEN**—I would appreciate that. I take it that it is the case we will not see any more Namoi Valley projects assisted or announced?

**Mr Humphries**—It would be very highly unlikely under that program. It has been held in abeyance until the signing-off of the water-sharing plan—that is the groundwater-sharing plan. Six of those plans were signed off, I think, two weeks ago basically guaranteeing funding from the federal and the state government to the tune of, I think, \$110 million. The additional funding up to \$150 million was to be met by the growers. That water-sharing plan that was to be initiated on 1 July this year has now been postponed again, for another 12 months, until they disseminate more information and decide how they will carve up that amount.



I do not expect any more packages, but one of our recommendations was that it possibly could be held there until the water-sharing plan was signed off on, because there was at one stage the possibility that the whole thing was going to go off the table. Our program involved that socioeconomic study which showed that, before governments implement any adjustment package, they need to quantify areas and people affected. We did not think—and certainly the community did not think—that that had been done to the depth it needed to be done, and initially there was no component by the state government to incorporate any community adjustment and we knew that was going to be quite significant. So in short, no, I do not expect any further projects to come out of that allocation. In fact, I would say the remaining funds have probably been redirected to the signing-off of the state-federal plan.

**Senator O'BRIEN**—How much?

**Mr Humphries**—We allocated \$3.6 million, so I suspect the difference would be going to the structural adjustment package.

**Ms Thomson**—The subcommittee made a recommendation at that 30 June point that there still needed to be a community structural adjustment type package, and I believe that Regional Partnerships would address any of those applications that may come forward from the Namoi.

**Senator O'BRIEN**—I suspect the policy consideration is a matter for government.

**Mr Humphries**—Yes. The advice also, as Rebel said, was not to leave people in abeyance. This had been put out there in good faith. The projects that were on the table and had been through the process needed to somehow find their way through the process, and that is how those projects that were in abeyance came to be referred back to the regional ACC.

**Senator O'BRIEN**—Going back to the UNE science, IT and maths centre, when did the ACC first receive a copy of the application relating to that project?

**Ms Thomson**—The application was received on 21 June 2004.

**Senator O'BRIEN**—Did the UNE provide the ACC with all of the information it requested about the project, including a detailed business plan?

**Ms Thomson**—The university did not provide the ACC with any information. The application came from the department. As part of its processes, if an application is submitted bypassing the ACC there is a mechanism within the system that automatically sends it back to the ACC for comment. So I would presume that is how it came back to us.

**Senator O'BRIEN**—Did the ACC subcommittee meet with the UNE as part of the assessment process?

**Ms Thomson**—No.

**Mr Humphries**—I actually did speak to the vice-chancellor about it afterwards—only because she happened to be at Moree at the opening of an access centre—and basically again gave the offer: 'This is what we are out there doing. If you have projects that are out there that

you think may be supported by the federal government under a regional development program—not necessarily Regional Partnerships—we are more than happy to facilitate that process so that other people do not tend to facilitate it inappropriately,’ if indeed that happened. We do not know the process. All we were asked to do was to make comment. The offer went back to the university, via the vice-chancellor, that: ‘Here is the pathway; here is how it works; here is the process. If you want to pursue these projects through us the offer is there.’

**Senator O’BRIEN**—I take it you did not have very long to assess the project. How long did you have and who imposed that timetable?

**Ms Thomson**—We had 24 hours, and that was imposed by the department.

**Senator O’BRIEN**—How did they tell you that? Was it an email or a phone call?

**Ms Thomson**—In an email.

**Senator O’BRIEN**—Who sent you the email?

**Ms Thomson**—Des Harris.

**Senator O’BRIEN**—Had it ever been suggested to the ACC that the project would have had a greater chance of success if Mr Windsor was not associated with it?

**Mr Humphries**—Certainly not in my time, no.

**Senator O’BRIEN**—Prior to receiving the application, nobody spoke to the ACC about this particular application?

**Ms Thomson**—No.

**Senator O’BRIEN**—And Mr Harris from the department dealt with the ACC in relation to this project totally?

**Ms Thomson**—Yes. I attended yesterday’s briefing and the university was mentioning issues in relation to having to go backwards and forwards. If you read our comments, a lot of the shortcomings that we felt were in their application were dealt with by Mr Harris and the proponent. Probably if they had been referred to the ACC they may have got some of that advice on a local and more timely level.

**Senator O’BRIEN**—Did you only ever receive one application? I take it that in 24 hours there were not a number of iterations.

**Ms Thomson**—Only one.

**Senator O’BRIEN**—Can the committee have a copy of the application you received?

**Ms Thomson**—Unfortunately we have moved office since then. I did look for the application and I cannot find it. I can look again, but I could not find it the other day when I looked.

**Senator O'BRIEN**—In terms of the equine centre, when did the ACC first become involved in the equine centre project?

**Mr Humphries**—Rebel was involved in the first working party at that level. My involvement in the ACC did not kick in until probably the second part—when it was in limbo, I suppose. I think it is probably more pertinent for Rebel to talk about the first part of how that project was evolving.

**Ms Thomson**—The first contact we had in relation to the project was a letter from the Tamworth P&A Association on 23 December 1999. At that time I was actually the executive officer of the Tamworth P &A.

**Senator O'BRIEN**—So you have seen it at both ends.

**Ms Thomson**—Yes.

**Senator O'BRIEN**—So there has been an involvement. Do I take it that the involvement was up to the time of the Chudleigh report and that then there was what you described as some sort of hiatus in the process? Is that how I should understand what you said?

**Ms Thomson**—The Chudleigh report was released on 31 May 2002. We had contact with the Tamworth city council, writing to them in August 2002 expressing the need for the council to address the concerns in Professor Chudleigh's report. In December 2002 we received a supplementary report by Sinclair Knight Merz in relation to the equine centre which I believe was the assessment of the Tamworth showgrounds. It does go on, so whether you would like to read through them—

**Senator O'BRIEN**—Is that part of your submission?

**Ms Thomson**—No, it is not.

**Senator O'BRIEN**—So it is the details—

**Ms Thomson**—Of our contact. Should I keep going?

**Senator O'BRIEN**—Perhaps you could table it, if that suits. This is a recitation of the ACC's involvement with the equine centre project proponents.

**Ms Thomson**—Yes. It does have some additional comments which relate to documents that the ACC may have received that were written to someone else.

**CHAIR**—Are you tabling that?

**Ms Thomson**—Yes, I can.

**CHAIR**—What is the title of the document?

**Ms Thomson**—*Australian Equine and Livestock Centre*. It has four columns, with date, activity, date and additional notes.

**CHAIR**—Thank you. That document will be received and tabled.

**Senator O'BRIEN**—Does that tell us the date the ACC first received a copy of a Regional Partnerships application form completed for the equine centre?

**Ms Thomson**—For the second working group?

**Senator O'BRIEN**—Yes. The second working group was in the Regional Partnerships era and the previous one was not, and this is about Regional Partnerships.

**Ms Thomson**—Our records indicate that we started to have meetings with individuals of the working group between June and July, specifically to develop the Regional Partnerships application.

**Senator O'BRIEN**—June and July 2004?

**Ms Thomson**—Yes.

**Senator O'BRIEN**—Can you take us through the ACC's role in the assessment process? What happened?

**Ms Thomson**—In the assessment process, the subcommittee of the ACC met with some committee members of the working group. Can I go back to July. On 8 July the ACC sent a letter to the chair of the Australian equine and livestock committee requesting that a full presentation be made to the board on the project. On 12 August a presentation was made to the subcommittee of the ACC. We believe that the application was submitted on 16 August. On 27 August the project was endorsed with a priority rating of 4 by the full board of the ACC.

**Senator O'BRIEN**—What knowledge do you have of the departmental assessment process?

**Mr Humphries**—Prior to that or post?

**Senator O'BRIEN**—For this application. Do they give you the application?

**Ms Thomson**—No, the application came from the working group. We then assisted the proponents and advised them who it needed to go to at the department in Orange, and I think we sent it directly to Maree Cooper, who is the regional manager there. There is some information in the internal ACC manual about what processes the regional office would take, and I believe that they started those processes once it left us.

**Senator O'BRIEN**—Are you concerned about Mr Botfield's claim that a former ACC chair told him that Mr Windsor's association with the project would not assist it?

**Mr Humphries**—I am not aware of any comments on that.

**Ms Thomson**—There was a meeting held in the council chambers after the announcement of the Chudleigh report where Mr Maher did make the statement that all political influences should be removed from the working group, but I am not aware that he made that comment specifically to Mr Botfield. And by saying ‘all’ he meant himself as well, and said himself.

**CHAIR**—Did he say why he saw that as some sort of impediment?

**Ms Thomson**—I think it is similar to what the council were saying this morning: they felt that it was going through a political lobbying phase of the project, not necessarily identifying an application and a process through a fund that might be a means to an end rather going round and round.

**Senator O’BRIEN**—Did the equine centre Regional Partnerships application that you received change before you passed it on to the department?

**Ms Thomson**—No. We have a process. The board may request that partnerships be developed with other people, but pretty much by the time it gets to the board it is fully developed. I do not believe there were any changes once it was presented to the board.

**Senator O’BRIEN**—I want to move from that application to the process that led to the support for a grant to Primary Energy. In particular, Mr Humphries, I refer you to minutes of a meeting of the Namoi Valley Structural Adjustment Package subcommittee that took place on 24 June 2003. The Primary Energy project is identified in the minutes as project 4. Was that the first time the ACC considered the project?

**Mr Humphries**—I am not sure. I would have to go back and see prior to that.

**Ms Thomson**—I do not think so. I think this was a project presentation from the proponents that you are referring to.

**Mr Humphries**—I just need to read the context, if you have a minute. Just in response to that, there was an expression of interest submitted on 6 February 2003. The meeting on 24 June was quite an involved presentation to the subcommittee. Over the time since February 2003 we have engaged a project officer. He was working with proponents in and across the valley. I know he was working with Matthew Kelly and the Primary Energy team. What we requested was a full presentation by Primary Energy and their team to that subcommittee. So we were certainly aware of the project and had some background to it but that certainly was a full and frank presentation at that meeting.

**Senator O’BRIEN**—So there were a number of other occasions when a committee or a subcommittee or the Namoi committee or the ACC considered the project?

**Mr Humphries**—I am sorry, I missed that.

**Senator O’BRIEN**—There were a number of other meetings of that body or other bodies—the ACC, the Namoi committee or whoever—that considered the Primary Energy proposal?

**Mr Humphries**—There would have been some out-of-committee meetings, do you mean?

**Senator O'BRIEN**—I am asking about meetings as such. The minutes will refer to it. You can check on that; you may be able to tell us other things as well.

**Mr Humphries**—We had four mayors on that subcommittee and certainly one of them was very keen to help grow the ethanol case in and around Gunnedah. I did sit in on one meeting with the company that build ethanol plants. They were visiting from the States. They were in Gunnedah. I did meet with that group and some of the Gunnedah council just in relation to trying to get our heads around the whole concept and what was actually involved. One of the reasons for doing that was that we were keen to see what larger projects may be out there in response to the water-sharing plans and the diversification of agriculture in that project. Certainly, as it evolved we saw that this project fitted the criteria of not just regional development but also meeting the needs of what was going to happen in that valley once the water-sharing plans were implemented. Apart from that, I would certainly say that, yes, I would have attended probably at least two other meetings.

**Senator O'BRIEN**—Was there documentation that was considered prior to the 24 June meeting?

**Mr Humphries**—An expression of interest would have been lodged, which we do know. There would have been some information exchanged between the proponent and our project officer, yes.

**Senator O'BRIEN**—Has that material been supplied to the committee today?

**Mr Humphries**—I cannot answer that.

**Ms Thomson**—I have to check that. We have provided all information on assessments. There may have been meetings outside the subcommittee or committee meetings in relation to the project.

**Senator O'BRIEN**—I am thinking of documentation supplied by the proponent that you might have had at this stage that has not been supplied to the committee.

**Ms Thomson**—The information that would not have been supplied to the committee is the expression of interest and the application form.

**Senator O'BRIEN**—Is there any reason why the committee cannot have copies of those?

**Mr Humphries**—No.

**Senator O'BRIEN**—I would appreciate it if we could be supplied with them.

**Mr Humphries**—One of the things the committee or the subcommittee recognised was that very few people in the country had the expertise to make any judgment on that proposal, which was one of the reasons we asked them to do a full presentation to the subcommittee and why it was not one of those projects that was necessarily going to get up overnight. We were aware of

the broader picture in terms of the government's policy on potentially supporting renewable fuels in the country. We saw this project as one that, if it were nursed along appropriately, would achieve a very good outcome. I suppose if you asked me whether I developed a working relationship with the Deputy Prime Minister, it was certainly over that project. We were keen to promote regionally that, if these projects were to get up—and Primary Energy certainly made that quite clear—there needed to be some start-up assistance for what, potentially, is a very significant national, if not international, project.

That was when I went and saw a couple of other politicians—certainly one. I went and saw Tony and said to him: 'Mate, we need your support on this. This is going to impact quite significantly around the region, and it's going to affect your backyard as much as anybody else's. If that western country doesn't fire, Tamworth and the eastern side of the region will suffer.' So there was a little bit of discussion going on in a broader context. That certainly was happening. He was one person we were able to advise appropriately that this is a nationally significant project that needs widespread support. I dare say some of your peers in the Senate supported it when it finally got up. In fact, the Democrats showed significant support for it in terms of the fuel rebate. So, yes, there was quite a bit going on around that project—and there still is.

**Senator O'BRIEN**—I have asked a lot of questions about this particular matter. In fact, the take-up of the ethanol rebate is declining, unfortunately. Primary Energy is a 120 million-litre plant with a capital cost of \$67 million. So, at this stage, there would have been a lot of documentation, I believe. Did the ACC have that?

**Mr Humphries**—I was certainly made aware of the business plan, yes. But I cannot give you that. That certainly would be commercial in confidence.

**Senator O'BRIEN**—So the expression of interest and the business plan is what the ACC had?

**Mr Humphries**—We were certainly presented with the business plan, yes. In terms of the presentation and the finite documentation, I would have to check what was tabled at that meeting. It was very in-depth.

**Senator O'BRIEN**—Is there any reason that the material you have in relation to Primary Energy that you have not currently supplied to us, other than the business plan, was withheld?

**Mr Humphries**—No, I do not think so at this stage, given the number of reports that have been compiled by the CSIRO and the renewable energies task force. There is considerable evidence out there that has been reviewed, particularly in relation to Primary Energy.

**Ms Thomson**—We were not requested to provide expressions of interest documents or application documents in order to produce.

**Mr Humphries**—But that is not a problem if it is worth while.

**Senator O'BRIEN**—That was your interpretation of the request?

**Ms Thomson**—The request was purely for project assessments or recommendations and minutes of meetings. That was my interpretation of the letters, yes.

**Senator O'BRIEN**—Do I correctly assume that the ACC checked out the tender process in relation to Primary Energy that was referred to in the minutes—that is, when the tenders were called and what the outcome was?

**Mr Humphries**—Can you run through that again?

**Senator O'BRIEN**—The minister talking about the tender process.

**Ms Thomson**—Which meeting, sorry?

**Senator O'BRIEN**—On 24 June.

**Mr Humphries**—The tender process may relate to the gas pipeline. I am not sure I can comment on the tender for the ethanol plant. I know that there was tendering of the Central Ranges gas pipeline that was to run through the Central West. Part of the construction of that gas pipeline was linked to the construction of the ethanol plant. I know that at one stage—I don't know whether it is the case now—they were quite inextricably intertwined. I am not sure whether anyone actually put out a tender for the ethanol plant. I know that a tender went out for the pipeline, though.

**Senator O'BRIEN**—The minutes say:

RT suggested Regional Partnerships would not have the resources available.

I take it that that is you, Ms Thomson.

**Ms Thomson**—Which page are you looking at?

**Senator O'BRIEN**—I am looking at an extract at the moment. It is at paragraph 6.7 of the minutes of 24 June 2003.

**Ms Thomson**—Sorry, you will have to tell me which paragraph. We have found page 7.

**Senator O'BRIEN**—At paragraph 6.7 under 'Ethanol Plant – Gunnedah'. It says:

KH asked the committee if they supported the project. JP asked if there were any sources of funding available. RT suggested Regional Partnerships would not have the resources available. DOTARS have a quarantine figure for projects of National significance however no information is available for projects that may fit into this criteria.

Where does that information come from?

**Ms Thomson**—I think at that time we probably had not considered an application under Regional Partnerships that was at large. I think it was probably around the time, or maybe a month before that, when we had the national conference where we were made aware of the SONA bucket of money. That would be what those comments relate to.



**Senator O'BRIEN**—June 2003? You told us you heard of SONA in early 2004 and Regional Partnerships was announced on 1 July 2003.

**Ms Thomson**—It must have been before that. That would be my recollection.

**Senator O'BRIEN**—The point is that Regional Partnerships was announced on 1 July 2003, after these minutes.

**Ms Thomson**—My comments were probably ill informed, because we had not even done any Regional Partnerships applications.

**Senator O'BRIEN**—You could not have; it had not been announced.

**Ms Thomson**—We would have known about Regional Partnerships on 24 June, but we would not have done any applications, if that is what you are implying, because it did not come in until 1 July. I was naive in my assessment of what Regional Partnerships was capable of.

**Senator O'BRIEN**—Had you been told about a quarantine figure for projects of national significance?

**Ms Thomson**—I must have been. As I said, I would have to go back and find out when that national conference was on to confirm the date.

**Senator BARNETT**—You can take it on notice and come back to the committee, with the committee's consent.

**Senator O'BRIEN**—It is interesting that the SONA arrangements were not signed off until 15 September 2003. Are you referring to something that was under the Regional Assistance Program?

**Ms Thomson**—I would have to take that on notice. I do not have that information in front of me.

**Mr Humphries**—To add to that, the proponent had been engaged in this process for some time and had, I believe, had contact with government in various departments. AusIndustry was probably one of the main ones. This was all happening around the time when the renewable fuels debate was being explored and AusIndustry were looking at developing their Backing Australia's Ability program and where it was all going. So JP, Jono Phelps, asking if other sources of funding were available concerned us, because it was a pretty large project and we were going to have to quantify to the community if it was backed because it was going to take out a fair chunk of the community adjustment package. We thought if we could co-fund that through other arrangements, packages or indeed other departments then we should pursue that. I think that is what that comment related to at the time.

Certainly there was discussion amongst the chairs of area consultative committees around the country about what you do with a major project when there is nowhere to park it or no funding assistance for it, particularly when it is in the nature of start-up industry in this country. I suppose what we were trying to do was explore, and over time I think we have done that

reasonably well. We were pushing projects of this nature onto the government and saying: 'There's some pretty major projects out there. We are in need of diversification and greater infrastructure. This project is far bigger than an ethanol plant. It is related to an energy supply that may support industry right across this region through the gas pipeline.' I know that discussion was had a couple of times.

**Senator O'BRIEN**—In the same section you say:

The proponent now has the confidence of the Commonwealth Government in the development of this project.

What was the basis of that advice?

**Ms Thomson**—I do not have any information in front of me, but I would think that at that stage the Commonwealth may have expressed some desire to pursue ethanol plants across the country. I think the pursuit of ethanol and environmentally efficient energy sources is still going on today.

**Senator O'BRIEN**—It says 'the proponent' and 'this project'. Did you have information or advice directly from Mr Anderson's Canberra office?

**Ms Thomson**—No.

**Mr Humphries**—Neither did I, but I know that the proponent had spent considerable time lobbying members of parliament from all walks in relation to that project.

**Senator O'BRIEN**—It is a million dollar project. It is a large project.

**Mr Humphries**—It is actually a \$100 million project.

**Senator O'BRIEN**—They are seeking \$1 million, plus funding for it.

**Mr Humphries**—They were seeking \$1 million, plus funding for us, to get them to a sign-off stage to complete the environmental impact studies, since which time the state government have come in with assistance. That has been good. The legal entities, business planning, the patenting and the whole process is extremely comprehensive. The underlying principle that fired ethanol was when the government committed to the fuel rebate system—the 37c for every litre. That is underwriting the ethanol industry in this country and it will happen. As you alluded to, the only stalling point at this point in time is the fuel companies' inability to make a considerable uptake of ethanol on the east coast. I am aware that the fuel company in the western part of this country has made that offer. The formula is there and the platform is there for this to take off. I have no doubt that it will.

**Senator O'BRIEN**—Given that the commitment of the proponent to a project is important, the minutes record you, Mr Humphries, as saying that Mr Kelly was not a significant shareholder in the company. I think ASIC records show that he had not even issued a \$1 share until 31 June that year. There is a heading 'Project Partners' in the summary of the project, but the document I have does not list anyone. Can you tell me who the significant shareholders were?

**Mr Humphries**—Were or are?

**Senator O'BRIEN**—Were at that time.

**Mr Humphries**—Probably not. All I wanted to know was what was in it for Mr Kelly. One of the things I have learnt over time is that when we talk about due diligence, then, as best we can, we really need to find out who is behind these projects. At that stage I was made aware by Mr Kelly that he was very much a facilitator, and I dare say he has internal arrangements that I am not aware of. As far as I knew, he was not seeking any significant shareholding in the company and that the company really was to be underwritten by shareholdings from major grain companies and investment bankers.

**Senator O'BRIEN**—Mr Humphries, you are recorded in the minutes as recommending that Primary Energy Pty Ltd be offered \$1 million in reference to the original application seeking funds for bridging finance. Did you consider the department assessment before making that recommendation?

**Mr Humphries**—I would have based my recommendation on the knowledge that there would have been very extensive follow-up and due diligence done on that application and recommendation.

**Senator O'BRIEN**—That enabled you to inform Mr Tuckey that the project had no obvious financial risks.

**Mr Humphries**—When I spoke to Mr Tuckey—good old Mr Tuckey; I have not heard his name for a while—

**Senator O'BRIEN**—He is still lurking out there.

**Mr Humphries**—I think it was following a meeting I had in Sydney with Mr Kelly's financial backers and his legal team. Following that meeting, I had no doubt that this was an extremely serious application. The project was of national significance. It fitted into every one of our criteria, both within the Namoi Valley Structural Adjustment Package and the role of the New England North West Area Consultative Committee. I would do anything to facilitate the development of that plan. If that meant going and talking to other people that possibly needed to get their heads around it, I was prepared to do that.

**Senator O'BRIEN**—But you wrote to Mr Tuckey on 26 June 2003—that is two days after the meeting—and recommended that Primary Energy be given \$1 million subject to a positive due diligence assessment. That letter, which I think your organisation supplied, says:

The due diligence investigation of Primary Energy Pty Ltd has been managed by the Department of Transport and Regional Services and no obvious financial risks were identified in providing this funding.

**Mr Humphries**—Not that I was aware of at that stage, no.

**Senator O'BRIEN**—That work had been done prior to 24 June, had it?

**Mr Humphries**—I think some of the work had been done, yes. I know Mr Kelley had been involved in discussions with the federal government for quite some time. This was not an off-the-shelf application. This had already been through quite considerable prefeasibility, if not feasibility and quite significant early planning stages. Mr Kelley did not come out of the Breeza Plain to us as the first port of call. I thought we were quite a considerable way down the line regarding that process.

**CHAIR**—When you said ‘federal government’, did you mean ‘federal department’ or both?

**Mr Humphries**—I knew he had been talking to quite a few departments.

**Senator O’BRIEN**—So the due diligence process you are referring to, done before 24 June, had concluded that the project had adequate capital.

**Mr Humphries**—Prior to that, we had two applications for an ethanol plant: one out of Quirindi and one out of Gunnedah. We felt, as a subcommittee, that we did not have the knowledge base to assess those projects at that time. I think that was a fairly wise decision. We referred the ethanol issue to the department for some advice. We had contacted the Department of Transport and Regional Services. If you want to call it ‘due diligence’, that is what we were requiring. We were saying, ‘Who in the country can tell us what the viability of ethanol is?’ How can you quantify what these people are saying, let alone discuss what a viable process was? They were too extremely different projects. They were like comparing apples and oranges. I am confident that the due diligence investigation—it was at the best of our ability to recommend that—had been done. We were trying not to base our recommendations on ignorance or any other outside influence. We needed the facts and we were trying to find people out there who could get their heads around it.

**Senator O’BRIEN**—I am glad that you have clarified that. I want to take you to a second letter signed by you to Mr Tuckey dated 27 June 2003. This is a letter which was tabled in the parliament by Minister Lloyd. This letter placed a number of conditions on the endorsement of funding for this project. They were ‘the applicant meet performance measures based on the confirmation of financiers, a positive financial due diligence process and ratification of the subcommittee process by the full ACC’. Are they both accurate letters?

**Mr Humphries**—I have not got that one in front of me, but I have no doubt that is correct.

**Senator O’BRIEN**—Minister Lloyd tabled that and you supplied us with the other one. Minister Lloyd tabled the letter signed by you dated 27 June in the parliament and your committee secretariat supplied us with a copy of a letter—so I do not have your signature on it—marked 26 June. They are two different letters and say two different things. Can you confirm for me that the first letter was based on advice from Mr Anderson’s ministerial office? Is that what it is based on?

**Mr Humphries**—The letter dated 24 June?

**Senator O’BRIEN**—26 June.

**Mr Humphries**—I have not got the date at the top of this letter.

**Senator O'BRIEN**—It is at the bottom.

**Mr Humphries**—I do not have a problem with that recommendation and that letter. Where is your problem? I am not following.

**Senator O'BRIEN**—I am just asking where you got that information given the second letter is saying that the funding is contingent on the conduct of the due diligence process. That is in the letter of the 27th, tabled in the parliament. But your letter of the 26th says:

The due diligence investigation of Primary Energy Pty Ltd has been managed by the Department of Transport and Regional Services and no obvious financial risks were identified in providing this funding.

Where did you get that information from?

**Mr Humphries**—That would have come back from the department in response to our request that the department advise us of the development and the background of the start-up of ethanol as an industry in the country—not just in and around Gunnedah. We wanted to know the background to the difference between the two processes that were being put forward through the two different projects. We were trying to determine the integrity of both of those projects and, indeed, processes. As a matter of process, the Namoi Valley adjustment package or committee was set up as a subcommittee of the regional committee. That regional subcommittee was making recommendations to the full ACC. As those projects came out of the subcommittee and were referred to the full ACC for recommendation, the full ACC reserved the right to place conditions on each project. I think you are referring to in the letter dated the 27th. We wanted to add a few things in: we wanted performance indicators, we wanted to make sure proper due diligence of the project was undertaken and what was the third one? I forget.

**Senator O'BRIEN**—Ratification of the recommendation by the New England North West Area Consultative Committee full committee.

**Mr Humphries**—That is right.

**Senator O'BRIEN**—But, with respect, the real difference is that a letter on the 26th says that due diligence was being conducted by the department.

**Mr Humphries**—An initial due diligence. We knew that it was going to be more extensive than that once it was pushed further along the line. We have limited capacity to run due diligence on these projects, let alone something that is quite new. Although, having said that, I certainly had no problem, based on the information we had at the time, making recommendations to the minister—it was Mr Tuckey at that point—that it was a good project. Our initial response was that it should be supported, but do not believe what we have said there; we expect the department to take that much further in their due diligence process. The point is that we have limited resources to assess these projects. I think we did a pretty good job in getting the information out and getting the debate going on ethanol in the valley for a start—let alone at a national level. It was used as a forum to put ethanol on the national agenda.

**Senator O'BRIEN**—Ms Thomson in the minutes we have been referring to, the project summary states:

Life cycle of the ethanol product will be mandatory—analyzing all inputs and the application of the technology through to vehicles.

What does that mean?

**Ms Thomson**—Did I say that, Senator?

**Senator O'BRIEN**—You wrote the minutes.

**Ms Thomson**—It sounds too intelligent for me, Senator. Are you referring to the June minutes?

**Senator O'BRIEN**—Yes, I am just trying to find the specific reference. It is headed 'Environmental Attributes' 'Project 4: Primary Energy Pty Ltd'. Unfortunately the pages are not numbered. Is that just recording what Primary Energy put in their application?

**Ms Thomson**—I would have to find the section to see what I said. Sorry, I cannot find it here.

**Mr Humphries**—To be honest, it was probably drawn out of the CSIRO report.

#### **Proceedings suspended from 3.05 pm to 3.13 pm**

**Ms Thomson**—Can we clarify the questions from Senator O'Brien that I had made some comments on about the life cycle of ethanol product? They were actually made by the project proponents, because they occurred under the section where they made their presentation to the subcommittee; they were not made by me.

**CHAIR**—Thank you.

**Senator BARNETT**—Thanks, Chair, and congratulations on your stamina to date in terms of your responses to the questions from Senator O'Brien. Mr Humphries, in your earlier introduction to the committee, you gave the impression that you are very proud of your board members and the work that they have done. Are all your board members volunteers? Can you advise the committee, either now or very shortly, of the names and details of the membership of your board?

**Mr Humphries**—Yes, all the members of the board are volunteers, including me. I am pleased to say two of our board are sitting right behind me: the ex senator for New South Wales David Brownhill, and Andrew Locke. In introducing the board, I might tell you what areas they operate out of. In the New England area, we have Hugh Harris. Hugh lives in Armidale. He is a natural resource consultant and largely works in forestry. Nick De Stefani lives in Tenterfield. He is a wine grower and also the Deputy Mayor of Tenterfield. Andrew Locke is a grazier from Walcha and is a finance consultant and ex-banker. In the Tamworth area, we have Gary Pollock. Gary is the regional director for the New England Institute of TAFE. David Brownhill is from Corindi and probably has one of the most enviable jobs in the country chairing the Australian Wine and Brandy Corporation. He is a former senator for New South Wales. Georgia Parkin comes from Boggabri. She is married to an irrigator there and they run an irrigation enterprise. She also works in communications and public relations. We also have Jim Pocoe. We felt it

valuable that the university be involved in what is going on in terms of their advice and that relationship. Jim is the community liaison officer. He works right around the region as well. I am out at Moree. I work as a management consultant across a number of industries: cotton, aged care, training and education. Robyn Barrett is a grazier at Narrabri and she is also a director of the Rural Lands Protection Board. There is no photo of Jane Beaumont, but she is our latest board member. She is from Bingara—a small community. Jane is a psychologist and she works in the area of the coordination of community services. That is basically our background.

**Senator BARNETT**—How many is that?

**Mr Humphries**—Ten.

**Senator BARNETT**—How often do you meet?

**Mr Humphries**—As a board, we meet every second month in a centre. It rotates around the district so we get to know what is going on. We usually hear from local government and industry and from past recipients of grants to see how that is going and to find out whether we can help. We also meet at a subcommittee level at least once before that meeting, and from time to time I might attend another one or two meetings on behalf of the ACC.

**Senator BARNETT**—In your introductory statement you outlined your view on the value for money that has been received through the Australian government for your ACC. In the second-last paragraph of your statement, you talk about the merits of investing \$11.3 million and in return receiving investment in regional business, infrastructure and the community of over \$27.7 million. You say that that is an outstanding result. What is that figure based on and for what period of time?

**Ms Thomson**—That is based on all of the projects that have been funded under regional partnerships or the Namoi Valley structural adjustment package. I do not believe it includes the University of New England because we have not had a direct role in that project. It includes information that is provided on the application. The contributions may be in kind or they may be cash, to make up that \$27.7 million.

**Senator BARNETT**—It is obviously a very good return. I have looked at your annual report for 2003-04 that you included with your submission to this inquiry. Again, that is comprehensive and it outlines your role and what you have been doing in that financial year. In your introductory statement at page 7, you refer to applications under assessment requesting assistance for over \$2 million for Regional Partnerships to create an investment of nearly \$7 million. Again, that is a return of one to three or one to 2½. In terms of value for money, is that the sort of return you are looking for?

**Ms Thomson**—That is what we are aiming for. It does not happen in every case, and we assess it based on the capacity of the proponent to pay.

**Mr Humphries**—I suppose that you cannot quantify it, either. Our project officers have worked with communities and local government, usually in accessing other grants. For instance, in Inverell we have just recently helped support a grant through FaCS. I know that has been the case in Moree. We run grant-writing workshops and we facilitate business-mentoring programs.

Some of the on-the-ground work—and, in fact, some of the best projects that I have been involved in—have involved absolutely no money. It has just been a matter of being aware of who out there in the community is trying to do what and putting them in touch with people so that they may be able to lever off each other. Whilst Regional Partnerships, the government and, indeed, your group are yet to see the actual process as it is technically meant to be, on a practical level there is a lot of activity going on out there that has revolved around networking people.

**Senator BARNETT**—I will come to the process in a minute. On page 1 of the executive summary of your submission, you say:

Of the 10 applications approved ... 12.4 jobs have been created, a total project investment of \$4.3million leveraged including \$1.2million from the Regional Partnerships Programme.

Can you just help us there: where does that fit in with the figures in your introductory statement of \$11 million delivering a \$27.7 million return? I am just trying to get it into my head. Is that a different period?

**Ms Thomson**—It adds on to the information that was included in our submission. We have actually had two other approvals since the submission.

**Senator BARNETT**—It is a time lag; your submission was on 25 January and then your introductory statement was today.

**Ms Thomson**—Yes. And, at the time of putting in that executive summary, I had the time to actually go back into the applications and count the jobs, amounts of leveraged moneys, the state government money et cetera.

**Senator BARNETT**—Have you got a feeling you can share with us today in terms of jobs developed or delivered as a result of the Regional Partnerships investment? Have you got any ideas on the jobs side of things?

**Ms Thomson**—I do not have any exact figures. We would be happy to find that out for you, but we are currently basing any application that involves employment on the idea that one job equals \$50,000 in assistance. That is based on a total project. We would be looking for the proponent to contribute 75 per cent of that grant.

**Mr Humphries**—I can give you an example: the Warialda starlifter expansion project was announced this week. That is a project of an engineering company in a small town. It is run by an Indigenous member of the community; he does a fantastic job and he has developed what they call a Davis starlifter. If you have ever tried to pull a post out of the ground, you would appreciate the sort of technology this is. This machine has a single use: it pulls posts out. They have an overseas market. They applied for \$90,000-odd and I think they got \$58,000 through Regional Partnerships. That project will help create up to 15 new jobs that include training and employment opportunities. It was targeted at Indigenous people, school leavers and unemployed youth. You will get a small project like that, where it does not take a lot to push them over the line and jump to the next stage of what is a very commercially viable enterprise, as opposed to a start-up industry that may take more seed capital to actually get it up and going. When we started the Namoi package, my aim was to convert \$20 million into, possibly, \$100 million of



investment. If we could not do that then we were not trying. The ratio of three or four to one is pretty evident.

**Senator BARNETT**—Thanks for that.

**Ms Thomson**—If I can just add, our key performance indicator for next year, as a guide to how an ACC should be performing, is that, for every one operational dollar, the ACC should strive to achieve four Regional Partnerships dollars. We have been successful in achieving that this year.

**Senator BARNETT**—As in partners' dollars?

**Ms Thomson**—In Regional Partnerships dollars. So, in addition to those Regional Partnerships dollars, there will be the other three-to-four ratio commitment. It is a very strong KPI.

**Senator BARNETT**—Is that your KPI or is that across the board for all ACCs?

**Ms Thomson**—That will be across the board for 2005-06.

**Senator BARNETT**—And that is something that the department has talked to you about?

**Ms Thomson**—Yes.

**Senator BARNETT**—Thank you, it is helpful to know that.

**Mr Humphries**—I am not sure whether you are aware—I will not table it but I will refer to it—that DOTARS commissioned a regional business plan of action study which has been out a little while and is sometimes referred to as the Keniry report. The Keniry report targeted strategies for developing regional business, first of all identifying the impediments and then looking at how we can provide assistance to people living in rural and remote areas. So some of the outcomes of that report are actually being facilitated through Regional Partnerships—I believe, anyway.

**Senator BARNETT**—Good. Going back to your annual report of 2003-04, has it been updated? Do we have a 2004-05 report?

**Ms Thomson**—It is due to go to the department by the end of August.

**Senator BARNETT**—Okay, so we are nearly there. I now turn to the equine centre. Senator O'Brien has already asked a number of questions in terms of when you were first involved. I think you mentioned December 1999. You have tabled this document which indicates the contact that you have had with the council and the department since that time regarding the Australian Equine and Livestock Centre. Can I just draw your attention to the submission from the council where you were briefed, I think you said, on 12 August 2004 on the business plan. It was put to us this morning by the council that they were very proud of their business plan and their proposal. They advised our committee that the response from the area consultative committee

was that this was one of the best proposals they had seen. Can you respond to that claim and tell us what you thought of it at the time?

**Mr Humphries**—I think the previous senator for New South Wales may have made the comment too in that meeting—and I think he was dead right—that the proposal had been reworked to a level that would stack up in any business case. I suppose part of the view that we have taken with Regional Partnerships now that it is open to for-profits and commercial entities is that government funding should be based on business principles. There are social and economic outcomes obviously in that, but we were keen to back a business case that would stack up, and I think the presentation that the proponents made not only to the subcommittee but to the full committee was exceptional. It addressed all the issues that Professor Chudleigh had identified and it had addressed not quite all but most of the community concerns that were identified—and the ones that were identified were subsequently resolved, some of them pretty soon after that meeting. At that time our feeling was that here was a unique opportunity to get this up and going. It had been around and around and bounced backwards and forwards, which is not unusual for large projects anyway, and here was a defining moment. They had done their homework, they had spent the money and had put it in a business perspective. I thought they were to be congratulated for that.

They were also seeking funding additional to the original request to the federal government which also had to be addressed. The feeling that came out of our recommendation was that, yes, we would support it, given that they had identified significant training issues and partnership issues. You could see that it was a very much glued together project. Most people do not know, but at one stage—this was when I had previously visited the member for New England—there were actually two equine centre proposals coming out of this town to our committee.

**Senator BARNETT**—Two separate ones?

**Mr Humphries**—Correct. What was annoying me, which I spoke to Tony about, was why he was playing the game of putting these projects on the front page of his local rag when in actual fact some of these groups that I had spoken to or had been approached by did not support it. The partnerships were not there—Chudleigh identified that. That needs to come out.

**Senator BARNETT**—Why do you think he would have said that? Did you put that to him? Why did he put it on the front page of the local rag?

**Mr Humphries**—Following that meeting I sent an email—I cannot remember whether it was an email or a written note—to the Tamworth council, saying: ‘This project is being politicised. My advice is: I’m not sure that’s the best way to go.’ My experience is that projects that become overpoliticised for that reason do not go anywhere. It distracted from what was a good project and the business capability of that project needed to be quantified.

**Senator BARNETT**—Was that regarding one of the two projects you were talking about? You said there were two separate projects?

**Mr Humphries**—There were. On the one hand, I was offering help but, on the other hand, I was seeking his support.

**Senator BARNETT**—I suppose you have been around politicians and so forth. Why would he be doing that—just to get a headline, a front-page story, some publicity or what?

**Mr Humphries**—I have publicly said in the newspapers that projects that are politicised are very hard to get up.

**CHAIR**—What do you mean by the term ‘politicised’?

**Mr Humphries**—Politicised in the sense that the information—or more often misinformation—that gets published or manipulated, I suppose is a better word, and purportedly told to the public and what is the reality are often two different things, as you would know. That is why I gave you that document and, if you read it, you will see that it is quite a good chronological history of what has happened to the equine centre. The process, certainly from the end of stage 1, identified that the concept would stand up and it would be a damn good project for this region, let alone the country, and I think for politicians to get in there and start climbing all over it was not helpful.

**CHAIR**—Are you saying they were seeking to take advantage?

**Mr Humphries**—Correct. I think the process was personalised and politicised. It was unfortunate. What is a project that could probably have gotten up years ago has taken a lot longer to get up because, as you would know, of the argy-bargy that has gone on, the lack of commitment by politicians in particular to work together and their seeking to progress their own agenda and maintain their credibility by using the community as a lever. I think it is fundamentally wrong. It cheapens the program—which I find offensive, given that we are all volunteers and members of our community—because we have people in elected positions who are choosing not to follow the correct process and, fundamentally, I think it cheapens the area of New England.

**CHAIR**—Did you see the advertisement that was put in the *Northern Daily Leader* by Mr Trevor Kahn, the candidate for New England, regarding the University of New England project?

**Mr Humphries**—No, I did not but, if that was the case, it was clumsy.

**CHAIR**—More than clumsy. That to me was politicisation because that is where a candidate, on behalf of the National Party, claimed credit for developing the project and getting it up. He was essentially saying, ‘That’s the only way in which you will get these projects up.’ I have to say that—and I have not read right through this documentation—from what I can see, the publicity that is in newspapers from the local member or from councillors—state or federal—saying, ‘This is a good project; let’s get it up and running,’ is not necessarily politicisation. I am trying to understand why you thought it was disadvantageous to the project. I am interrupting Senator Barnett.

**Mr Humphries**—I do not disagree with your comments. I spoke to the vice-chancellor exactly on that point. The processes are set in place to follow a certain procedure and, whilst I suspect the UNE may have been a little naive, I am not sure—and whether the processes were in place at that time to follow what I would call a legitimate process, I am not sure either. But all I

was saying to that person was: 'If you want a project up, don't go that way, because that's what happens to it. Potentially, that's what can happen to it.'

**CHAIR**—I have not seen much evidence of it in this program. It seems to be the opposite.

**Senator BARNETT**—Mr Humphries, the chair has referred to a specific ad in a specific newspaper at a specific time, but you are reflecting more generally on the process in terms of politicians, and your local politician here in Tamworth, I assume, and their involvement in Regional Partnerships and using it for political purposes, as it were. Are you referring also to the Senate inquiry that we are conducting at the moment and its impact on the local area in terms of the equine centre development?

**Mr Humphries**—I think Regional Partnerships is a very good program. Wherever you have local communities setting their agenda, you will always have some contention. I do not think that is a bad thing, because sometimes communities need to go through a process, albeit sometimes a painful one, to get a result and a good result. Hopefully this inquiry will say that Regional Partnerships is a fantastic program and the benefits are extremely significant. We would say that we would show that, and that is what the outcomes would say in our region. The fact that we had Mr Windsor on one side of our region and the Deputy Prime Minister on the other is exactly why we maintain good records and due diligence and make sure we have an identifiable trail on all these projects. When politicians start personalising and—I will use the word again—politicising inquiries, that is an absolute waste of taxpayers' money. Hopefully that will come out of it. As a taxpayer and as a person who is dedicated to regional development—and our board is also dedicated to regional development—it is irresponsible for someone to take that line in this region.

**Senator BARNETT**—My understanding of how this inquiry started, at least part thereof, is that there was an allegation of bribery, an inducement, purportedly to Mr Windsor, which he announced in the parliament under parliamentary privilege. It is referred to in your media papers in the *Northern Daily Leader* of Saturday, 20 November 2004. It says:

Standing by his allegations of bribery, the Federal Member for New England, Tony Windsor yesterday urged the Director of Public Prosecutions to immediately investigate the matter.

And in another place—I do not have the article with me—he asked for an investigation of the matter by the police so that a conclusion could be made. Then what happened was that there was a police investigation, which you would be aware of, and the Federal Police subsequently came up with a result which found that there was no case to answer by Mr Anderson. Judging by Mr Windsor's words, you would think that that would then conclude the matter, because that is what he asked for: an investigation to conclude the matter.

**Mr Humphries**—Correct: 'Move on.'

**Senator BARNETT**—Exactly. That is the point: he then called for a Senate inquiry, and that is where we are sitting; we are now having a Senate inquiry. So are you saying that, in terms of the economic standing and credibility of the Tamworth community, due to that process there has been damage to the credibility of this community?

**Mr Humphries**—There are a few things. First of all, we have been inundated with more applications since that process started, which tells me it has been quite a good marketing campaign for Regional Partnerships. In fact, we have probably got more free publicity out of this inquiry than we could ever hope for. We have had front-page news in the local paper for the last 12 months. So, on the one hand, yes. But I think it does not send a good message to people on the ground, and that is where I mean it cheapens the political situation. You have got Senate estimates committees at which Regional Partnerships applications and various programs around the country are referred to on a regular if not a daily basis. There are mechanisms within government to review these programs. The minister, as far as I know, is a person of extreme integrity, and I find—

**Senator BARNETT**—Which minister? The Deputy Prime Minister?

**Mr Humphries**—Yes, it is very difficult for that minister to be compromised. I think sometimes people make statements out of anger and in order to maintain their credibility and put their own personal agenda up—this inquiry has evolved out of that. Fundamentally, if the inquiry reinforces that Regional Partnerships is a good program and should be extended, which I would advocate, that is a good thing. But if it also sends a message to politicians that they cannot manipulate the system for their own personal agenda then that message needs to be sent out there as well.

**Senator BARNETT**—In my view, the sad thing is that somebody's reputation has been badly besmirched—the Deputy Prime Minister's, not to mention others'—in the process.

**Mr Humphries**—That is right; I could not agree more. As I said, it cheapens the seat of New England and it cheapens the ability of the constituents of this region to advocate on areas, strategies, programs and concerns of importance.

**Senator BARNETT**—Let us go back to the Chudleigh report. You mentioned it earlier and you mentioned the good quality submission that was put to your committee in August 2004 by the council. You have referred to the Chudleigh report and how that submission was quite in contrast to the first proposal that was put up prior to the Chudleigh report. Then Chudleigh came along with his report and his findings. We have been through that today and you have heard the evidence that it was too high a risk, not commercially viable and so on. Do you think the Chudleigh report was a key reason as to why the second proposal was so different from the first?

**Mr Humphries**—Yes. It was the fundamental turning point. As I said, projects large and small sometimes have to bounce backwards and forwards until you get the formula right. The Chudleigh report clarified and focused people's thoughts on what needed to be a more business based outcome—not just a business based outcome but a business based outcome that basically consolidated all those stakeholders. That was not the case prior to the report.

**Senator BARNETT**—But at every step of the way, did the equine centre undertake due process with the Regional Partnerships, jump through all the hoops and meet the criteria? At the end of the day, referring to your document, you said you gave it a priority rating of four, which is the top rating and rates it as a high priority. Is that what happened in terms of your final analysis?

**Ms Thomson**—That is correct.

**Senator BARNETT**—Ms Thomson, earlier this afternoon you tabled this document, the New England North West ACC internal project assessment. I want to know how this fits with the Regional Partnerships assessment program. Is this within it or separate to it or parallel to it? How does it fit, and is DOTARS aware of this approach that you take?

**Ms Thomson**—DOTARS are aware of it. As we said, we only introduced this officially at the May meeting—I think that was the first time we used it.

**Senator BARNETT**—This year?

**Ms Thomson**—Yes. It is to be used by the project officer when they are conducting meetings with their subcommittee—they are to go through every single question that is on this form and answer the questions with a yes or a no. The questions are obviously weighted to what we believe are the priorities of our region, such as employment, training, business development et cetera. Therefore, you get points based on those priorities. It is also a good tool for the project officers to use as it identifies any gaps that are in the application about which you might think to yourself, ‘I should go back, because I know that is going to be a question from the department.’

**Senator BARNETT**—So the department is fully aware of it and they are happy with what you are doing in terms of the internal processes?

**Ms Thomson**—They are aware that we have introduced this new form. We have only used it once and we are still trialling how we use it and whether it is effective or not.

**Senator BARNETT**—But you are not diverting in any way from the DOTARS assessment processes under the Regional Partnerships program?

**Ms Thomson**—This document is based on DOTARS’ internal assessment processes.

**Senator BARNETT**—Thank you, I just wanted you to confirm that. I want to turn to the New South Wales state government funding support—

**CHAIR**—Senator Barnett, can I just indicate that Senator Murray has some questions too—just to let you know.

**Senator BARNETT**—We have had nearly two hours of Senator O’Brien asking questions.

**CHAIR**—Can you ask questions—

**Senator BARNETT**—I am asking a legitimate question—

**CHAIR**—Order! You are asking a lot of questions where you read extracts from the—

**Senator BARNETT**—Chair—

**CHAIR**—Don’t you interrupt me, Senator Barnett! You read extracts from the witnesses’ submission and then you ask them to agree with their own submission. Would you please ask a question.

**Senator BARNETT**—Chair, I refute entirely—

**CHAIR**—Well, you can refute as much as you like, but hurry up. We will debate it later.

**Senator BARNETT**—any allegations you are making that go to the manner of my questioning. I will ask the questions exactly how I wish to ask them.

**CHAIR**—No, you will not. You will ask questions in accordance with the standing orders, not make speeches.

**Senator BARNETT**—I have been doing that. I will take a point of order if I need to. I have been doing that and I will continue to do it. I am on my last area of questions and I will continue without any undue interference.

**CHAIR**—No, you will continue in accordance with the standing orders and with me chairing the meeting. Ask your question.

**Senator BARNETT**—A point of order, Chair. You gave nearly two hours to Senator O'Brien and I am still—

**CHAIR**—And you did not ask for the call once.

**Senator BARNETT**—With respect, Chair, please allow me to ask my questions without any undue interference.

**CHAIR**—Hurry up.

**Senator BARNETT**—Let's turn to the New South Wales state government funding, which was officially announced on 31 October 2003. Could you go to your records and clarify that for me.

**Ms Thomson**—It is unlikely we would have any information about how the state government made those assessments or took any information for making their decisions.

**Senator BARNETT**—When did you first become aware of funding support from the New South Wales state government? We have been advised—

**Ms Thomson**—On 18 December 2001 a letter came from the Tamworth City Council announcing that the New South Wales government had committed \$3.35 million, conditional on the Australian government pledging support.

**Senator BARNETT**—What date was that?

**Ms Thomson**—It was 18 December 2001. Here we are: on 8 March 2002, we received a letter from Tony Windsor's office confirming the New South Wales government had provided \$3.3 million and an application had been made to the Australian government suggesting other contributors had been found, confident that the review to be conducted by Professor Chudleigh would have the same outcomes as that conducted by the New South Wales Treasury.

**Senator BARNETT**—That is consistent with what we heard this morning from the council. In March 2002 they made their announcement and then in October 2003 they advised of their commitment of \$3.35 million. Reflecting on the rigorous manner in which the Regional Partnerships program applies at a federal level—that is, by the Australian government and DOTARS—are you familiar with the processes that apply at a state level?

**Ms Thomson**—No.

**Senator BARNETT**—Not in any way?

**Ms Thomson**—No.

**Mr Humphries**—Which is a concern. Why would the state government, if people were not pulling levers, commit that amount of money to a project that had no evolved business plan—well under that. It is quite strange.

**Senator BARNETT**—That is really my point, Mr Humphries, if we can go to that. Why would they announce their funding in March 2002, prior to the Chudleigh report and prior to the completion of the business plan?

**Mr Humphries**—Why?

**Senator BARNETT**—Yes.

**Mr Humphries**—I really cannot answer that. It certainly was not part of the initial response. But I can tell you now that the AELC was not going to get a recommendation of one cent out of us until they put together a far better, more consolidated business plan. The fact that they were able to earmark or tag something through the state government is probably half the reason why the state is broke; I do not know. I do not know the vehicle they used for that.

**CHAIR**—Mr Humphries, you have answered the question: you say you do not know. But you do know that the funding from the New South Wales government was conditional on funding of an equal amount from the federal government. That is on the record.

**Mr Humphries**—True.

**CHAIR**—This is an inquiry into funding under the Regional Partnerships program; it is not an inquiry into the funding from the New South Wales government. But it is a relevant issue, I take it. You have asked your question and the witness has answered.

**Mr Humphries**—No, but it is how people manipulate, lever and cajole—

**CHAIR**—Are you making an allegation to that effect, Mr Humphries—that people in the state government of New South Wales were manipulated?

**Mr Humphries**—No. I am not alluding to anything.

**CHAIR**—What then—



**Mr Humphries**—I am saying: read the media reports in the paper; you could read the paper on any one day—

**CHAIR**—You have told us today that you do not like what appears in the media, that it is distorted.

**Mr Humphries**—I did not say that.

**CHAIR**—Yes, you did.

**Mr Humphries**—What I am saying is that you can read an account and in any one month you have a totally different perception of where that project was at.

**CHAIR**—Do you have further questions, Senator Barnett?

**Senator BARNETT**—Yes. I am drawing a link to the allegations that have been made that there has been political rorting at a federal level but there has been no discussion or debate in terms of the New South Wales government—

**CHAIR**—There has been no allegation made. Senator Barnett, under the standing orders you are not able to make imputations or reflect upon the character or motives of members of either the federal parliament or a state parliament. There has been no allegation that I am aware of made at any time, either in the federal parliament or before this committee, of a nature that you are now asserting. I rule the question out of order.

**Senator BARNETT**—I will rephrase the question.

**CHAIR**—It is beyond the terms of reference; we are not inquiring into that. You are saying you are drawing a link; there is no allegation that has ever been made to this committee or in the federal parliament or in the state parliament along the lines that you have just asserted.

**Senator BARNETT**—You can draw whatever views you want. I will reword the question. When was the first time your committee received advice or notice that the New South Wales government would inject \$3.35 million—

**CHAIR**—Order! Senator Barnett you have asked that question and the witnesses, Ms Thomson and Mr Humphries, answered that it was when they were advised by the Tamworth city council—as I imagine it was at that stage—or the regional council, that they had been advised. You are asking the same question again. Move to another question or I will give the call to Senator Murray.

**Senator BARNETT**—Mr Humphries or Ms Thomson, are you aware of the date of the New South Wales state election? Can you remember when it was?

**Mr Humphries**—I think it was following that announcement. I do not know what date it was.

**Senator BARNETT**—Thank you, Chair. No further questions.

**Senator MURRAY**—I am sorry that the hearing deteriorated a little, and I do not mean with respect to the questions. I never like witnesses to be subjected to shouting matches.

**Mr Humphries**—That is okay. You have been on the road a while.

**Senator MURRAY**—Mr Humphries, it seems to me from what we know of ACCs around the country and the evidence we have had—and you have confirmed it today—that, even though the ACCs are voluntary bodies, they try to operate pretty well by the book: due process, due diligence, proper presentation of materials and so on. In doing so, they take the guidance of DOTARS. So, when you express concerns about the process, I presume you are referring to the process either side of that. I would like to ask you some questions about that. If we first go to the Commonwealth situation, are you aware that two ministers and one parliamentary secretary—in other words, three people separately—under the delegated powers they have with respect to specific projects, all have discretion in the Regional Partnerships scheme? So it is not just one minister, in other words.

**Mr Humphries**—I can only say yes.

**Senator MURRAY**—You are aware?

**Mr Humphries**—My understanding was the minister was the person that signed off on any projects but the junior minister—that is the only person I know of in addition to the minister—would be able to sign off.

**Senator MURRAY**—And the parliamentary secretary.

**Mr Humphries**—No, I was not aware of that.

**Ms Thomson**—I am aware that all three of them have discretionary power.

**Senator MURRAY**—Are you aware that they are able to disagree with a DOTARS recommendation and that recommendation can either be for or against a project—in other words, they can exercise discretion?

**Mr Humphries**—Yes—that is true.

**Ms Thomson**—Yes.

**Senator MURRAY**—And are you aware that they can also increase or decrease the amount of money relative to the application that has been put before them?

**Ms Thomson**—Yes.

**Mr Humphries**—Yes. That has just happened with one this week.

**Senator MURRAY**—And alter the conditions?

**Ms Thomson**—Yes.

**Mr Humphries**—Yes.

**Senator MURRAY**—So we have the ACC and DOTARS going through all the processes and doing it by the book, but at the ministerial and parliamentary secretary level there is great discretion. You can see the dangers in that. If we have a person of integrity there is less danger; if we have a person of less integrity there is more danger. You can see that, can't you?

**Mr Humphries**—That is true.

**Senator MURRAY**—You have raised the issue of the dangers of politicisation. Do you think there would be less perceived danger—I am not making any allegation about an individual—if there were less discretion in these matters at that level?

**Mr Humphries**—I can see what you are getting at. If we are doing our job correctly, which I believe we are; if the regional offices are wrapping the due diligence around these projects appropriately, which I believe they are; and if I were a minister or somebody in that position I would find it quite difficult not to support the recommendations, even though I may have had the discretion, because the potential fallout from the community would be quite significant. I am not saying that has not happened, because I know some of those projects have been adjusted—not to any great extent. I am not sure what is happening in other areas. I know what you are asking: should a minister have that discretion or not?

**Senator MURRAY**—You are arguing for process.

**Mr Humphries**—I am.

**Senator MURRAY**—The reason I put this to you is that a witness to this committee, the member for Kennedy, made the point—made the allegation, the assertion or however you wish to put it—that when Labor was in government, under the sports rorts affair, Labor constituencies did better and non-Labor ones did worse, and that now the coalition is in power it has worked the other way. Common to both those circumstances was a high level of ministerial discretion. Without going to the question of whether or not anybody exercised discretion incorrectly or wrongly or they behaved improperly, the point is that the Regional Partnerships scheme is now characterised throughout the national media, and probably in the local media as well, as a rort. That is how it is universally—

**Mr Humphries**—That is unfortunate.

**Senator MURRAY**—Much of that rort perception arises because of discretion. In all your answers so far—

**Mr Humphries**—Are you asking me a question or are you telling me what you think?

**Senator MURRAY**—I am coming to a question; I have to get you to understand the background. To all questions you have answered very clearly on matters of probity and due diligence. As soon as I moved to the issue of discretion, without being rude to you, you started to

hedge your bets. Do you think discretion should be tightened up to ensure there is no perception of manipulation by ministers or parliamentary secretaries?

**Mr Humphries**—Some governments that are of a particular persuasion would have a lot of difficulty in decentralising decision making, which is largely what Regional Partnerships is about; some governments would be of the persuasion that people on the ground cannot be trusted to make recommendations or set their own agenda. Some governments, I suppose, would support a very centralised model of governing and have virtually no discretionary powers, with it based all on bureaucracy. GDP in this country is growing at three per cent; bureaucracy is growing at 10 per cent.

I think governments are there to make decisions. Do I think that some ministers should have discretionary allocations? Yes, I do. If that is questioning the integrity of some ministers, I cannot respond to that. I believe that the process we have in place is a good one. It ultimately rests with the minister. That is why the government are in government. Regional Partnerships has evolved from a Labor Party initiative in the mid-nineties. It was largely based out of DEWR, in terms of helping to support employment creation. It has evolved into a regional development strategy that continues to grow. It is a \$450 million program now. It targets regional areas because there is a need there. You have a coalition government in place that provides a framework and a commitment because that is their philosophical base—to support regional development. I think people are in there to govern.

If you wipe out the discretionary powers of any minister, you might as well be governed by a bureaucracy, which I would oppose. I know for a fact that Regional Partnerships constitutes about two per cent of the Deputy Prime Minister's portfolio yet it attracts nearly 25 per cent of the complaints received. That tells me that the program is working, because it is stirring people up and putting thorns under their feet but also creating opportunities that people are responding to. The fact that the Deputy Prime Minister has been able to absorb some of the issues and the innuendo that have gone on about it being—as you referred to it—a rorts package is totally offensive. The fact that it came out of this region offends me even more, because the project is designed to support regional development. If you go back a few days in the *Hansard* to the original comment made by the member for New England about my perceived future, he says, 'I'm not opposed to the Regional Partnerships program.' He is not opposed to the process. But he does not use it. That is a problem.

**Senator MURRAY**—I will go the second set of my questions. You raised the politicisation issue.

**Mr Humphries**—Yes, I did.

**Senator MURRAY**—You do not want to change the system which politicises it at that end. Let us deal with the other end. The other end is community competition for a project, which I think is healthy. You have the showground mob, the equine centre mob and perhaps others all competing with their proposals. You also have a number of politicians who are acting as facilitators but are also competing for attention for their roles.

**Mr Humphries**—Credibility, yes.

**Senator MURRAY**—There are local, state and federal representatives from the various parties. You made a statement earlier which I did not fully understand. You said that the back end process is okay; it is the front end process which worries you. I assumed you were referring to the stuff I have just outlined but perhaps you were not and could elucidate. I noticed that in your submission you made no recommendations for improving the process. You commented in your submission very well against the terms of reference but no recommendations came back to guide us as to how to improve the community process and so on. I will ask you two questions. Firstly, could you explain yourself more fully in reaction to that scenario? Secondly, if you have some further thoughts and would consider developing some recommendations, you might give thought to putting in a supplementary submission to us later on. You do not have to; it is just a request to guide us as to how we can improve matters.

**Mr Humphries**—That is a good point. I think it is an educative process and it may mean sitting all the parliamentarians down and saying: ‘This is Regional Partnerships and this is what it does. If you want to facilitate projects in your area, it is here.’ We run grant application writing workshops continuously around this area. We are on a community education program and have been for quite some time. I take your point. We can make recommendations, but I also make the point that the process is there. There is a process but it is a matter of people making themselves available to use it. You can educate people and allude to a whole lot of things until the cows come home, but if it is not on their agenda they will not do it.

**Senator MURRAY**—Yes; and if we end up accepting that a Regional Partnerships type of program needs to be continued our role is obviously to improve the accountability and the safeguards, if you like, in the system. That is really the Senate committee’s role. When you refer to front-end and back-end process problems and so on, we need to be guided by your on-the-ground experience. I have not heard yet, in any of the discourse coming through, how processes could be improved, basically.

**Ms Thomson**—I think that is something that we could put some thought into as a board, and maybe we could put in another submission to the committee about any recommendations we may have.

**Senator MURRAY**—I would appreciate that.

**Mr Humphries**—Yes, that is a good point. We are a very open group. We have a code of ethics, which is based around equal opportunity and access. We are there for everybody and anybody who wants to use us. That is all I would say at the front-end process. I suppose the inquiry tends to deal with outcomes and does not ask, ‘How did you get to that situation?’ We have talked about it a little bit today, but there are that many layers on this onion that you will never cover it in a day. If we can do that, that is fine; but ultimately people need to play by the rules—and, if they are defined, follow them.

**Senator MURRAY**—There is always someone who breaks the rules.

**CHAIR**—Were you a member of the ACC board prior to becoming the chair, Mr Humphries?

**Mr Humphries**—No.

**CHAIR**—So you were invited to take up the chair's position?

**Mr Humphries**—That is right; largely because I was involved in some other regional development projects.

**CHAIR**—Thank you for your appearance today. I want to make the point that the committee has looked at a number of projects around the country. You should not take it that somehow it is only the New England area, or the particular issues that were raised here, that have been matters of interest or concern to the committee. In a couple of cases some of the issues have been even more serious, in terms of process at least—but I will leave that for another day.

**Committee adjourned at 4.07 pm**