



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES  
COMMITTEE

**Reference: Regional Partnerships Program**

THURSDAY, 23 JUNE 2005

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## SENATE

### FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Thursday, 23 June 2005

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

**Substitute members:** Senator Barnett for Senator Watson, Senator Johnston for Senator Heffernan, Senator O'Brien for Senator Moore, Senator Murray for Senator Ridgeway and Senator Stephens for Senator George Campbell

**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, Murray, O'Brien, Payne, Robert Ray, Sherry, Stephens, Tchen and Webber

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

#### 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.

**WITNESSES**

**KATTER, Mr Robert Carl, Member for Kennedy, Commonwealth Parliament..... 1**  
**McDADE, Mr Peter Joseph, Private capacity ..... 25**



**Committee met at 4.17 pm****KATTER, Mr Robert Carl, Member for Kennedy, Commonwealth Parliament**

**CHAIR (Senator Forshaw)**—I declare open this hearing 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. Today we will be hearing evidence from two individuals. Firstly, we will hear from the Hon. Bob Katter, member of the House of Representatives. We will also hear further evidence from Mr Peter McDade, who previously appeared in Cairns.

I know Mr Katter is aware of the rules and principles of parliamentary privilege, including the requirement that all evidence given to the committee be truthful. We prefer our hearings to be in public but, if witnesses wish to go into private session anytime, they can make that request and we will deal with it at that time. We decided at an earlier hearing that evidence given by all witnesses to this inquiry should be given either under oath or by way of affirmation.

Before we begin with Mr Katter's evidence, I indicate to members of the committee and the public that it will be necessary for us to adjourn if we have not concluded at about five to six for approximately 20 to 25 minutes. Some of us have commitments at that time. We will resume at around 20 or 25 past six and go through to conclusion.

**CHAIR**—Welcome, Mr Katter. I understand you wish to make an opening statement and provide some material to the committee by way of overhead projection. I understand you have provided us with copies of those slides. Is that this document that you have provided?

**Mr Katter**—Yes.

**CHAIR**—We will formally receive this as part of your submission. I now invite you to make your presentation to the committee.

**Mr Katter**—Before I say what I have got to say, I refer to today's announcement of the resignation of Mr Anderson. Obviously he was the minister administering this portfolio, and some of the things I am going to say here will reflect very harshly on his administration of this portfolio. Would anyone here desire that I come back on another day?

**CHAIR**—No, not at all. We have set today to hear your evidence. Mr Anderson is still a member of parliament; he is resigning, as I understand it, as deputy prime minister. I do not think that affects the conduct of this hearing in any way. I do remind you, and as a member of parliament you will be well aware of this, that this committee is bound by the standing orders of the Senate as if this were a meeting of the Senate, and adverse reflections may be regarded as disorderly. Let us get under way and hear your evidence.

**Mr Katter**—Having dealt with that issue and the request for postponement, I say that Mr Beazley considered that the events in Kennedy were important enough to mention the seat of Kennedy in the third paragraph of his first address to the Australian people. He said that \$6.5 million was spent to win that seat, compared to our puny little \$68,000, and that it was indicative of what had taken place in the election campaign. So, the Leader of the Opposition clearly

thought this matter was of great import, and I do not hesitate to say to the committee that the resignation of Mr Anderson four hours before I came before this body is more than coincidence. In my experience of 31 years in politics, there have been very few coincidences. He knew that I was going to come here, and he knew what I was going to say. All the figures that I am going to be presenting today are available to him. The fact that there will be a great wave of sentiment for him today does not lead me to withdraw from putting on the record what I believe is the right and proper thing to be put on the record.

**Senator BARNETT**—On a point of order, Chair: the witness is not addressing the terms of reference; he is making reflections on the Deputy Prime Minister and the character of the Deputy Prime Minister that I find offensive and I draw the witness's attention to the terms of reference.

**Mr Katter**—I think if you went over the words that I just said, you would find the honourable senator's statements are fairly foolish. I do not meant to be disrespectful to you, Senator, but—

**CHAIR**—Let us get on with hearing the evidence.

**Mr Katter**—All right. But I want to demonstrate the determination, which is the context of this submission, to win the seat of Kennedy, which received a lot of national attention. We spent I do not know what it was, about \$68,000—whatever it says in the reports. We spent \$5,000 on our road signs and we counted between 20 and 30 of their road signs for every one of ours. That is \$100,000 on road signs alone, so we estimated that they spent in excess of \$300,000. You have to be very determined to win a seat to spend that amount of money.

Having said that, I think the important issues here were delineated by John Hewson when he was Leader of the Opposition, on 21 November 1993:

I know that integrity in the Keating government has fallen to an all time low but surely not even Mr Keating would stand for a situation where up to \$30 million was allocated in a blatant political exercise to buy votes.

Referring to Minister Ros Kelly, he said:

Her concept of needs and the people's concept of need are obviously very different. She seems to see needs in line with what was needed by the ALP to get back into government.

Not my words; the words of the then Leader of the Opposition. The Auditor-General's statement concerning this matter, which creates a precedent for the issues which we are dealing with today, was very succinctly put by the *Sydney Morning Herald* on 20 November 1993:

He could neither clear nor convict the minister in a report that was scathing of the scheme's lack of accountability and highly critical of the extraordinary degree to which Kelly directly involved herself.

Direct involvement of the minister is a matter of public record, which will be shown in due course. The article continued:

Ros Kelly maintained her insistence that all was fair ... She told parliament on Wednesday, 'At no stage in this report does the Auditor-General acknowledge the real needs of (our) communities. That is what those opposite lose sight of in this



debate. It is about time we put a focus on the debate. It is about time we put focus on the demands of the Australian community, no matter what electorate they live in. That is the point of this matter.’

The journalist at the *Sydney Morning Herald* replied:

It isn’t any such thing.

The point of the matter is whether or not the government blatantly corrupted a program, involving the spending of \$30 million of public money, to advantage its own sitting members in an election ...

The minister has been caught with both hands in the ballot box ... The real atrocity is not what the government did but that it should, in the face of the evidence, think people are silly enough to believe otherwise.

My third and final quote along these lines—we are following precedent in this place, as we do in our courts—is from Mr Costello, the current Treasurer and member for Higgins, on a matter of public importance, from *Hansard* on 17 November 1993:

... up to \$30 million of taxpayers’ money has been spent on a vote buying exercise by the Australian Labor Party. It was not motivated by public interest or community need, but by self-interest and political need. It was motivated by the desire of this minister and this government to use taxpayers’ funds—the funds collected from taxpayers—to buy their way back into office at the 13 March 1993 election.

On 23 February 1994, Mr Costello quoted an article from the *Sydney Morning Herald*:

There is a growing view in Labor ranks that the only way of cutting the Government free from the sports rorts tangle is to cut Mrs Kelly free of the sports portfolio.

Mr Costello then continued:

That is the only way that you will disentangle yourselves from this matter. If you do not have the decency to assert proper standards because it is warranted by the Westminster system and the doctrine of accountability, you could at least have the decency to try to save yourselves from the odium and the contempt of a public who now sees the Prime Minister as someone who cannot maintain standards, who cannot hold accountability to the public, and who has grown imperial and arrogant in office. In respect of public accountability and administration he needs to send this minister off to the back bench where she should have been and where she should now be.

The events of today resonate when one reads that. Remember this was prepared five or six days ago. I had no knowledge whatsoever of what the relevant minister would do.

The Auditor-General Audit Report No. 9 1993-94, page 10, dot point 2, says:

On average, the total value of grants to a Labor held seat was \$257,000 and to a coalition held seat \$141,000.

That is going to pale into insignificance in light of what I am going to put on the board very shortly. Ros Kelly was then stood down as a minister—whether it was by the Prime Minister or of her own volition, who knows? She was subsequently forced to resign from parliament. As a long-serving and ultimately senior minister in government, let me state for the record that the people of Australia, through their duly elected parliament, allocated moneys for a purpose—

appropriation is the technical, legal word. I do not know whether anyone here has served as a minister, but you had better bear that in mind if you do become one. The money is appropriated for a particular purpose. If that money is used for some other purpose than for which it is appropriated, then such wrongful use is a breaching of the Constitution and the laws in a democracy. The capricious and discretionary use of money by the Crown is the most flagrant breach of the laws under which a democracy operates.

The Regional Partnerships program was money allocated by the parliament to help regional communities. If the money was used for primarily political purposes, then the most serious of questions hangs over the minister's head. The worst aspect of this sorry affair is that such similar questions may not really worry a person who has lost a quarter of his representation in this parliament whilst his Liberal colleagues have gone from strength to strength. An honourable man would have fallen on his sword, but then an honourable man would not have so used this fund—would he? That is the question that the Australian people have asked and have called upon you to adjudicate, Mr Chairman. That is the important nub of the issue. If the gentleman has fallen upon his sword today, then I congratulate him for it—he has done a decent thing.

**Senator BARNETT**—You made a reflection that I would like to clarify. You said that the Deputy Prime Minister has fallen on his sword today.

**Mr Katter**—I said 'if he has'.

**Senator BARNETT**—You are saying 'if he has'?

**Mr Katter**—If he has as a result of this issue.

**CHAIR**—Excuse me—

**Senator BARNETT**—I just want to clarify what the witness said. I did not hear—

**CHAIR**—You will have an opportunity to ask questions. Mr Katter, please proceed.

**Mr Katter**—That is a question for the senator to answer, not really for me. If I made some comment to that effect, I withdraw it.

*Overhead transparencies were then shown—*

**Mr Katter**—I am going to put a map up on the board. I come from Queensland, and the National Party only really exists in New South Wales and Queensland. Obviously I relied upon the Queensland figures. Seats held by the National Party of Australia and the National Party target seats, which were Capricornia and Kennedy, received on average \$5½ million. The remaining 22 seats in Queensland received less than half a million dollars per seat. ALP seats in Queensland received \$81,000 per seat—so things are a bit uncomfortable if you are an ALP person in Queensland!

It is important to note—and it was more than surprising to find out—that Brisbane and its environs received much of the grants money. If anyone is sitting there saying, 'What about all the Brisbane members?', Brisbane got very substantial grants, although obviously not too many

of them went to the Labor Party. I have limited staff and resources, so I could not go into all the details, but I am sure this scenario would look much uglier if we did have the time. If Brisbane and its environs are 'regional', what in Australia is nonregional?

This is important. The National Party—and I would expect Senator Barnett to raise this issue—disproportionately represents rural and regional seats, so naturally it should get more money than the ALP, which may represent more city seats. Therefore, to achieve a balanced and objective assessment, National Party seats that are similar in size and remoteness need to be compared to non-government seats that are of comparable size and remoteness.

I have tried to pick some seats to compare. The ALP seats are all very small, so I had to pick National Party seats that were very small. The only three in Queensland were Dawson, Wide Bay and Hinkler, which is the most marginal seat in Australia. So those were the three seats I picked. The last two are pretty handy to Brisbane and the other one takes in the Whitsundays. That is a very beautiful spot and I do not think they are suffering from great remoteness or pain. I could not really find three ALP seats of comparable size, so I took Calare, Hunter and Lyons. They were the only three I could find of similar size. We just thought, 'Let the cards fall where they may.' Then I took three National Party seats of comparable size in New South Wales: Page, Cowper and Lyne. We tried to get nine seats of roughly similar size and roughly similar remoteness.

Before I go into that, I of course represent Kennedy, shown in a golden colour. I also took the three biggest seats in Australia to see how the government conducted things in them. I just took the three biggest seats and let the cards fall as they may. It may have been that the figures were not very good for me—and, in fact, in this case the figures were not good at proving my case. The three biggest government seats are Kalgoorlie, Grey, and Maranoa in Queensland. The three biggest Labor seats are Lingiari, Lyons—again—and Capricornia. The three government seats—Maranoa, Kalgoorlie and Grey—got \$12½ million whereas the three ALP seats got \$7 million. That is a bit lower than the Ros Kelly ratio.

**CHAIR**—We have the difficulty that we are sitting whilst the Senate is sitting. The division bells are ringing in the Senate, so we will suspend until we return following the division.

#### **Proceedings suspended from 4.35 pm to 4.45 pm**

**CHAIR**—The committee is resumed. Mr Katter, you were in the process of making your submission.

**Mr Katter**—I was mentioning that we took each party's three biggest seats in Australia. The government ones get \$12.5 million. The three biggest ALP ones got \$7 million. That is about a 72 per cent difference. Ros Kelly presided over an 82 per cent difference, so the government comes up a bit better there. To illustrate the point, I picked the three biggest on both sides to compare them. There is a hell of a disparity between Lyons, for example, and Kalgoorlie. I thought it was fairer to take nine seats and analyse those. I picked on the map ones that were about the same size. We will move to that now.

**CHAIR**—Just so it is clear for anyone reading the *Hansard* in the future, when you say 'the biggest seats' you are talking about area, not population, aren't you?

**Mr Katter**—Area, yes. Mine is the biggest in population, or it was.

**CHAIR**—I know what you are saying but other people may not.

**Mr Katter**—It is in area, yes. These are comparing like with like. If you look at the map over there and have a look at these seats, three of them are on the New South Wales coast: Page, Cowper and Lyne. There are Hunter and Calare. Calare is an Independent seat; it is non-Labor. Lyons is in Tasmania, and I could not find any other comparable seat. But if you have a look at the map they are roughly about the same in area, so these were very comparable seats. Their distances from capital cities were also very similar, so we are now comparing like with like.

Non-government seats get \$2.7 million. A National Party seat in New South Wales gets \$10.5 million. A National Party seat in Queensland gets \$18 million. Those are staggering figures. When one considers why Ros Kelly was tortured out of the House of Representatives and then looks at these figures, the events of today may come into focus. I do not want to kick a person when they are down but I was asked to come along here. This was prepared. Should I pull it out because that person resigned? He resigned four hours before I came into this place to present this information to this group.

This is the most important thing I have to say today. The last group is a comparison of Ros Kelly and John Anderson. I have already told you about the Liberal Party's judgment upon Ros Kelly. I read out at the start what they believed should happen to Ros Kelly. Are they going to be consistent? We had the sporting facilities program; we have the Regional Partnerships program. The average value of grants to a Labor seat in the sporting facilities program—and I read this out earlier; it is from the Auditor-General—was \$257,000. Non-government seats got \$141,000. There was a discrepancy of 82 per cent. I have not got the resources to do this for all of Australia but in comparable seats—and that is much more difficult because you have to choose the comparable seats as it would be unfair to the National Party otherwise—coalition seats got \$9.5 million per seat and the non-government seats got \$913,000, a difference of 928 per cent.

If you think that I cherry-picked those seats, you go to the map and you pick out some seats for me, and I will tell you that one seat you might pick out is New England and those figures will look worse if you do. That was another target seat. I will leave that map on the board, because that is why I am here today. It is disgraceful and it is the only word that could describe that performance. I hope that anyone here, if they become a minister, would never be responsible for that sort of operation.

When the Deputy Prime Minister dubbed these icon projects, his wording was right—they were: 'I con.' If the icon projects were put in the figures for the Regional Partnerships program, the figures would show Mr Anderson's performance as demonstrating that, compared to him, Ros Kelly was a Sunday school teacher. In a wider perspective, the Deputy Prime Minister spent in Kennedy—most of it, arguably, in an election context—\$6.5 million on Regional Partnership programs and \$18 million on Sustainable Regions programs. There were five regions in Australia but Kennedy was selected as one of them, so I watched Senator Boswell running around handing out the \$18 million worth of cheques, most of the time with the candidate in tow. There was another \$200 million in road grants that suddenly dropped out of the sky on the eve of the election. They were things that should have been done years ago. They were screaming out to be done, and I do not want to bore the committee with those detailed issues.

The vast bulk of those announcements were made on election eve, as often as not with the candidate in tow and in the photograph, whilst the member of parliament for the area—me—was uninvited and unadvised. This turned many of the grants, whilst quite good in themselves, into shabby little political charades, grossly embarrassing many decent recipients. The results of the last election proved Senator Boswell wrong, when he said after the election—and this is very relevant; it may sound political, but it is not—that the people of Kennedy voted with their hearts, not their heads. Just the opposite was true. In Kennedy, the fishing and tobacco industries are all but abolished. Dairy, peanuts and maize have been seriously damaged. Bananas and sugar are in a desperate situation as a result of government deregulation, the government-AQIS action and transport ministers' continuing opposition to mandating ethanol.

If 200,000 people in Kennedy can, for example, be cheated out of \$1,500 a year by an artificially high dollar and it can be camouflaged by the Deputy Prime Minister and Senator Boswell, who describes himself as the real member for Kennedy, running around like Santa Claus doling out hard-earned taxpayers' money—they were Mr Costello's comments about Ros Kelly—then this indeed is a very bad day for democracy. The government has interest rates 100 and 500 per cent higher than in the USA, which has facilitated a rise in the Australian dollar, cheating primary producers of 30 per cent of their income. If, in spite of such reality, people could be bought off and beguiled by a hand-out system that would provide an illusion of largesse and generosity to the bush, obfuscating the destruction that government policies were wreaking upon these people then it would be a sad day indeed.

However, the National Party still does not accept that people will not be beguiled by trinkets and baubles into giving up their hard won businesses and land—not without a fight, anyway. Australian politicians already have a lower public approval rating than politicians in any other OECD country. If nothing is done about this unconscionable use of public moneys then all I can say is: we deserve that reputation and worse. The icon item strategy was a manoeuvre to make the fund more respectable. Big ticket items were taken out and called icons, so that it looked better. It still looks dreadful, but it was made to look better. Would Ros Kelly's big ticket items, if they had been called 'special needs' have made her actions any more respectable? No. Whatever wording with which you close the improper decision making process, it remains an improper decision-making process, because it was based upon significant political consideration, not a needs consideration.

Finally, it is one thing to present the smoking gun, which is up on the blackboard there, but it is another thing to indicate motive. I cannot go into all of the handouts in the Kennedy electorate—some of them were very good, and we are deeply appreciative of those handouts—but one of the two that have received nationwide publicity is the Buchanan Park example in Mount Isa. Whether it is good or bad I do not know because I have never been provided with any of the detailed information. The marketing plan is still not a public document. I venture to submit that nobody could make a decision in a position such as I am in. On a visit the Deputy Prime Minister had to the north-west, the manager of the newspaper—

**CHAIR**—Could you identify, for the record, what it is you are referring to.

**Mr Katter**—These are a series of articles from the *North West Star* delineating that the candidate in the last election got Mr Anderson to come out and wanted him to give \$5 million to Buchanan Park, a project in Mount Isa for racing, rodeoing and the show. The National Party

candidate is mentioned in this first article and there is a picture of Mr Anderson. The manager of the newspaper was a campaign director for the National Party member of parliament in the seat of Mount Isa, so he has had a close history with the National Party. Whether he is giving them a rails run or not, it would appear so most certainly from this series of articles.

On 15 July 2004, there is another picture of Mr Anderson and another reference to the candidate and Buchanan Park—‘A Vision Splendid’. On 4 August, in the Stargazer column headed ‘Submission a work of art’, the manager of the newspaper again praises Mr Anderson and says, ‘Funding consideration for the project will fall under the Regional Partnerships program.’ I emphasise that because it is argued that if these are icon projects, that is something different. Never at any stage was the Buchanan Park money to be anything else except Regional Partnerships program money. The only reason that suddenly it half transformed itself into an icon project was to doctor up the figures. There is no other reason. But at all times it was referred to as a Regional Partnerships program. It is referred to in that article.

Again, on 9 August, there is a lovely photograph of the Deputy Prime Minister at the rodeo and he is saying it is a very important event and he will look ‘very favourably’ upon giving the money, or words to that effect. In the Stargazer column, again done by the same manager of the paper, there is reference to this project with a lovely photograph of Mr Anderson taken by one of his staffers here at Parliament House. All the way leading up to the election, every two or three weeks, Buchanan Park is a flag that is waved on behalf of the political aspirations of a political party. ‘Anderson delivers on Mount Isa complex’ is the headline on 20 September, and again there is a lovely photograph with him and the National Party candidate. Finally, on 21 September, a few weeks before the election, there is a final photograph of him with the National Party candidate.

The reason that I have emphasised that is that this was a political decision. I am saying thank you for \$5 million for the Kennedy electorate, but was there due diligence? In the bigger frame of things, can it be argued that it was the sort of thing that the Regional Partnerships program would go for? The Hassell and Associates and Alderson Landscape Architects proposal formed the basis of the applications. When I first saw this, I was quite taken aback. On page 8 of the report, referring to racing, it states—

**CHAIR**—Could you identify for the record the report you are quoting from?

**Mr Katter**—It is the Hassell and Associates and Alderson Landscape Architects proposal for Buchanan Park.

**CHAIR**—You will provide us with copies of what you are quoting from?

**Mr Katter**—Absolutely.

**CHAIR**—Sorry, the committee has received a voluminous amount of material. But could you provide copies of what you are quoting from.

**Mr Katter**—I do not really have all that much here. This is the proposal that was put to the government. It said:

In terms of current prospects for horse racing in the city, regional racing has been in decline for some time, with the number of race days recently being reduced from 25 to 15.

This report is saying that racing is going down the chute in Mount Isa. They may have put some nice trees around and landscaped it to improve the look of the place, but I do not know whether that is going to bring people back. My father was a great racing man but he went there to bet; he did not go there to look at the trees. There might have been some improvement, but to put in a proposal and then say that one of the major aspects has gone from 25 days to 15 days is a crazy way to ask for \$5 million.

With respect to the rodeo I again quote from page 8 of the Hassell report. It said:

That after a 42-year period the event is beginning to lose some of its appeal and numbers, in recent years, have been generally declining.

I would argue with that, but this is the report based upon which the government handed out \$5 million. They handed the money out for the rodeo when the report said it was in decline and they handed money out for racing which the report said had gone from 25 days a year to 15 days a year. We are talking here of nearly \$10 million of state or federal government funds.

Before this money was given out, the third area—the show—had been cut from three days to two days. Obviously, there must have been a problem with numbers. So all three activities had declined. I would argue with the report about the rodeo. I am not a racing man so I could not talk about racing but I would question the report with respect to the rodeo. But the report was the basis upon which the government parcelled out the \$5 million.

There has been a refusal to release the marketing report to the public, and there are some growing worries in Mount Isa that they will have the upkeep on what looks like rapidly turning into a \$15 million project. There is an awful lot of money now required from the ratepayers, in a little town of 20,000 people, to do the upkeep on what will be, on the current rate of increase, a \$15 million project—it was \$9 million, then \$10 million and now it is \$11½ million. They have not started work on it yet and already the figure is \$11½ million. The council in Mount Isa has the Hard Times Mine. That is a very ambitious project which is costing the local ratepayers a very large sum of money. It looks as if it may be seven figures a year, from the way it is framing up. And they have very high water charges because they are out in a very dry place.

Was this all assessed? There are some very serious questions being asked about whether it was assessed. You need to look at it in the political context of week after week of program and promotion. Suddenly, because he could not fit \$5 million in, he had to dream something up and call it an 'icon project'. That is the issue of Buchanan Park but, as I said, I will not sit here all day going into case after case.

**CHAIR**—We cannot be here all day. We need to get to questions.

**Mr Katter**—I turn now to the A2 Milk case. Senator McLucas was heavily involved in exposing a lot of what took place. A lot of these things were done behind my back and I really did not know about them. The Mayor of Malanda said in the paper that he did not know anything about it, that it was extraordinary that the money was given out—the article refers to a senior

DPI public servant—and that it could threaten the local Malanda factory. We have one factory right out in the middle of nowhere. It was employing 300 people. There are only 110 farmers left after deregulation—we have lost maybe a third of our milk throughput—and along comes someone proposing that we should lose another huge amount of that milk.

A factory processes. It produces whey, butter and milk. From my understanding of it A2 Milk does not process; it just gives you milk. It does not turn it into something else; it does not manufacture. I will not read out all of these newspaper articles—we do not have time—but in every one of these articles every single important person in the area says, ‘Hey, hold on a minute; if you take more milk away from this factory is our factory going to survive?’

There might be 200 jobs associated with it. I do not think that anyone was claiming for a minute that there were going to be any more than about 20 or 30 jobs in the A2 Milk factory. As for the fact that they were going to pay 50c a litre, I just have to say that I have enormous difficulty in believing that, if everyone else was getting 30c or whatever and the claim is that it was 50c. Once again, A2 Milk was fast-tracked to benefit farmers. The minister admits it was fast-tracked. Again, the candidate is there having his photograph taken with the minister handing out the money. Why was it fast-tracked?

**CHAIR**—Mr Katter, I do not know whether you have provided us with copies of those newspaper extracts. Would you do that at the conclusion of the hearing?

**Mr Katter**—Yes, most certainly. If you lose 30 per cent of your throughput, everyone has to be asking questions about your viability. All of us were very worried. It says here that the director of A2 Milk, Lindsay Stewart, told about 60 farmers they would receive 50c a litre. I can assure you that those 60 farmers would have taken the 50c a litre, and that would have been more than half of the farmers who are left servicing the factory.

If the minister, the processing officials or anyone had spoken to anyone locally, they would have known that this was a very serious situation indeed and should not have been taken lightly. But they ploughed on. What was not known at the time—and I think Senator McLucas may have had something to do with it getting the publicity—was that at the time the grant was made the matter was before the courts. A2 Milk was being prosecuted by none other than the state health department. A government instrumentality was actually suing these people, saying that their claims were erroneous. If they lost the case they would be blown to smithereens. They did lose the case and they were blown to smithereens. But to make a grant to an operation when the whole operation is effectively before the courts is extraordinary behaviour. To do it when your existing plant is seriously threatened is extraordinary. To do it without discussing it with anyone locally is extraordinary. Why was all this done? We know why it was done. It was done so that they could win the seat in the forthcoming election.

**CHAIR**—Could you wind up, Mr Katter? We do want to get to questions. I am not trying to frustrate your evidence.

**Mr Katter**—No. I am in winding-up mode now, Mr Chairman. Are there any questions that you wish to ask?



**CHAIR**—I am sure there will be questions from senators. Perhaps we will go to questions. I think all senators have the basis of your submission.

**Mr Katter**—I think that I have covered all the things that I wished to cover.

**CHAIR**—We have indeed heard evidence on some of the issues that you have just raised, particularly A2 Milk. That is not to prevent you from giving us evidence as well but senators are familiar with some of those issues that have been raised. Can we go to questions?

**Mr Katter**—I just want to put it on the record that I do not want in any way to denigrate the people that were involved in taking the A2 initiative. Some of them were really excellent people who acted out of the best of motives—the local people, I am talking about; I do not know anything about the company people. Similarly, in Mt Isa with Buchanan Park, some of the people there—not all of them—were acting out of the best of motives in trying to do this. And who can blame them? We have a government that is operating on the basis of saying, ‘If you ingratiate yourself to us and there is a political benefit for us you can get the money.’

**Senator O’BRIEN**—Thank you for appearing before the committee, Mr Katter. A written submission has been made to this inquiry in the name of your office. Should we accept that submission as being made in your name?

**Mr Katter**—Yes. I was undergoing heart surgery at the time.

**Senator O’BRIEN**—I want to discuss the A2 Dairy Marketers matter. Under the heading of ‘Examples of grants of concern’, the submission from your office refers to that grant based at Millaa Millaa in your electorate. Did Mrs Kelly talk to you about the A2 project before she approved it?

**Mr Katter**—Yes. I have had a friendship with the member for a long time. She rang me up 40 minutes before the grant was made. That call enabled her to say she had discussed it with me. I was two hours away—and she knew that—so I could not get there for any handover ceremony. I am certain I would have thought of attending, because I knew just how serious the matter was. She told me it was really excellent for my area and it was quite obvious to me that she knew all about it and there was very little point in me telling her anything at all. The telephone conversation was extremely brief. It might have taken half a minute.

**Senator O’BRIEN**—It was about 30 seconds?

**Mr Katter**—I think it was, yes.

**Senator O’BRIEN**—That was, as you described it, less than an hour before she made the announcement?

**Mr Katter**—Yes, most certainly. I looked at my watch and thought, ‘Should I get up there and maybe raise a bit of Cain?’ But there is no way in the world you can get from Innisfail to Malanda or Atherton or wherever it was in that time period. Senator McLucas would back me up on that.

**Senator O'BRIEN**—So your view, when you were told, was that this grant should not be made?

**Mr Katter**—No, at the time I knew very little about it; it dropped straight out of the skies. No-one from A2 had been near me. I knew very little about it except what I had seen on *Four Corners* one night, and I thought the scientific case had definitely not been made. Even though I was at a very great distance from the events, I happened to know that the scientific case was not made. That was my opinion, but nobody asked me. I did not know there were any handouts pending.

**Senator O'BRIEN**—Did anyone else, for example Mr Anderson, discuss with you the potential of this grant being made?

**Mr Katter**—Absolutely not. I do not like the way the government dumps on the junior ministers—

**CHAIR**—Mr Katter, you said 'absolutely not'. I do not want to prevent you from putting your evidence, but at the same time we will get through it a bit quicker if you can answer the questions succinctly.

**Senator O'BRIEN**—Commenting on the propriety of one minister versus another probably will not help us, but I understand what you are saying. Had anyone from Mr Anderson's department contacted you about the potential for this grant?

**Mr Katter**—No. According to these newspaper reports the local mayor, who was also the local DPI officer, was never contacted; none of the QDO people, who are elected representatives, were contacted; none of the state officials from QDO or Dairy Queensland were contacted. Nobody was contacted at any stage—most certainly not the factory.

**Senator O'BRIEN**—Did the proponents of A2 ever talk to you about seeking funding?

**Mr Katter**—No, not at any stage.

**Senator O'BRIEN**—What about Mr Ken Crooke? Did he ever talk to you about the project?

**Mr Katter**—No, not at any stage.

**Senator O'BRIEN**—But you know who Mr Ken Crooke is?

**Mr Katter**—I know Ken very well. Ken is an honest person. I think this was probably done to ingratiate them with Ken because he is a powerful and influential figure in the National Party. I think there are other games being played here and that Mr Crooke is innocent.

**Senator O'BRIEN**—At one stage he worked for A2 Milk as an adviser, and some would argue that he worked contemporaneously for Mrs Kelly.

**Mr Katter**—I find it quite extraordinary when disclosure does not take place in such a case as this. You do not go to a ministers school when you become a minister, but one assumes you have

a certain sense of what is right. I do not have to go to a ministers school to realise that is unconscionable.

**Senator O'BRIEN**—Did the Far North Queensland Area Consultative Committee talk to you about the A2 Milk project?

**Mr Katter**—No, not at any stage. According to the newspaper reports they did not speak to anyone else in a position to know. I knew the situation at the factory very well.

**Senator O'BRIEN**—We have some other evidence, which I guess we will rely on. You have produced some interesting material, which we are yet to see, about what the newspapers were saying. Did the project have any chance of delivering any sustainable outcomes for dairying on the Atherton Tableland?

**Mr Katter**—I was very sceptical. The scientific case was not made out. The basis on which the project was going ahead was not going to happen, in my opinion, in the longer term. Why anyone would pay 50c a litre for milk when they did not have to seemed extraordinary to me. The very mention of 50c, for anyone who is cognisant of the dairy industry, would have raised eyebrows. I have been taken for a ride many times, but the minute I heard them talking about 50c a litre I was reaching for my branding iron, I can tell you!

**Senator O'BRIEN**—You thought it was too good to be true.

**Mr Katter**—It was always too good to be true. It was ridiculous.

**Senator O'BRIEN**—You have talked about the announcement. You did not get invited to it; you were told about it in circumstances which made it impossible for you to attend. In your submission you say that the involvement of The Nationals candidate was irregular. Why would you describe it as irregular?

**Mr Katter**—There was no scientific case. There was no discussion with anyone that you would normally discuss these things with. There was the most dubious of statements that they were going to pay 50c a litre. There were 60 people there. If 60 people were going to move over, there would be only 110 suppliers left. Clearly, the dangers to the factory were huge. You must understand that Malanda and Millaa Millaa are towns that exist just because of that factory. If the factory closes and they go to cattle fattening, there is no money there at all. Cattle fattening brings nothing into an area.

**Senator O'BRIEN**—In her statement announcing the grant, Mrs Kelly congratulated the local community on working together to get access to project funding. What community support for the grant do you know about?

**Mr Katter**—I was reading the newspaper reports late last night and it seemed to me that everyone who was anyone was trenchantly opposed to it. I am not blaming the locals, who thought they might get 50c a litre. When people are desperate you cannot blame them for trying anything at all that might come along. Good on them. But I could not see how, from a government point of view, any minister, much less the Deputy Prime Minister of Australia, could have been a party to decision making of that type.

**Senator O'BRIEN**—Your submission, on page 3, refers to the Strategic Opportunities Notional Allocation guidelines. I think the department says that they are the Strategic Opportunities Notional Allocation procedures, but let us take them to be the same thing. Can you tell me when you first became aware of these secret SONA procedures?

**Mr Katter**—I do not want to come before your committee and say that I knew things when I did not know them. But I was in the National Party for six years and there was clearly setting in a culture of the grossest irresponsibility. I had been in a government where all the ministers had interviews with the police about once a fortnight, but I did not need to be told what was proper and what was not proper. There was a feeling here—and it is always a temptation in government—that: 'It's your money; you can do with it what you like.' The attitude was: 'If you want to win a few seats, let's throw a little money around.' I am not saying that governments do not do that, but if you want to do that, you want to make sure that you can justify it on the basis of sound advice. It is not sound advice when the thing is before the courts.

**Senator O'BRIEN**—I am just trying to find out when you first heard about the Strategic Opportunity Notional Allocation guidelines or procedures.

**Mr Katter**—You mean the Regional Partnerships?

**Senator O'BRIEN**—Yes, under the Regional Partnerships program. If you do not recall, that is fine.

**Mr Katter**—I cannot say that I honestly recall.

**Senator O'BRIEN**—That is fine.

**Mr Katter**—I was aware of them and we urged people, in the newspapers, to put in applications. We said, 'If the government's handing out money, you've got to get in and make the applications.' So I constantly urged people to get in and make applications. I am very disappointed at some of the projects that were knocked back.

**Senator O'BRIEN**—Your submission says that the potato growers co-op on the Atherton Tableland—

**Mr Katter**—Senator, I am sorry; I did not answer your question.

**Senator O'BRIEN**—No, you did not.

**Mr Katter**—Probably about four or five months before the election, in my opinion, that fund had been converted to what the politicians and ministers saw as a sort of political slush fund. I do not hesitate to use those words, and I will use them again: they had increasingly come to—

**CHAIR**—I think you made that point, Mr Katter. There are some specific questions being asked which we need to get answers to.

**Mr Katter**—Mr Chair, I do not know if I understand the committee. But, if you are asking whether I understood that backroom manoeuvrings were taking place, the answer is no, not at all.

**Senator O'BRIEN**—No, I am asking about a part of the program which in evidence we had before us was part of the administrative process and which had—I think this is the best way I can describe it—the effect of overriding some limitations published guidelines had in the way that funding could be allocated. That, we now know, was called the strategic opportunities notional allocation procedures. My specific question is: did you know about that? When did you know about it?

**Mr Katter**—No, I did not know about it.

**Senator O'BRIEN**—Okay. Thank you.

**Mr Katter**—I did not know about a lairy name or an actual process. But, if you had asked me whether it was being done on the basis of politics, it was clear that that was exactly what was happening.

**Senator O'BRIEN**—Your evidence is that you thought at the time that there might be something nefarious happening, but you were still not aware of how it was happening.

**Mr Katter**—No, I was not. I was in the mushroom club.

**Senator O'BRIEN**—The submission from your office says that the potato growers co-op on the Atherton Tableland faces bankruptcy because two processors, CosRock Pty Ltd and Barron Bella Farms Pty Ltd, received a competitive leg-up. Is that a reference to the Sustainable Regions grant to CosRock of \$555,000 and to Barron Bella Farms of \$275,000 in 2003?

**Mr Katter**—I am well aware of the situation with the potato growers cooperative. I had a series of meetings with them, before I had the heart attacks, because their situation is really desperate. There was an allocation of moneys to the potato growers. In relation to the people that got the allocation of money from the government, again, I would have thought that the first thing you would do would be to discuss it with the local growers cooperative and ask their opinion. They might have been very negative, but to proceed without asking them and finding out whether or not it would threaten the existing cooperative seemed to me to be grossly irresponsible. I think, again, that the applicants there quite genuinely thought that they could do something that as it turned out—as it would appear from just reading the media reports—they could not. But you could have been told that if you had spoken to the potato growers cooperative. Again, I had no idea this was going on. All I was doing was picking up the pieces afterwards.

**Senator O'BRIEN**—Is your concern about the competitive neutrality issues?

**Mr Katter**—It is with whether one hotel gets it and another hotel does not, whether a drying plant here gets it and a drying plant over there does not, or whether one potato processing plant gets it and another does not. I would have thought that those were the guidelines and no-one could vary from those guidelines. Look at Tolga Woodworks. One of my staff is related to the

person involved there. The proposal is to build another one over the road. How fair is that to the existing operator? This was occurring continuously. I was playing catch-up football. This was all happening in the election time. It was happening at a million miles an hour during the election time. Also, again, a lot of these things I did not know about.

**Senator O'BRIEN**—The CosRock project is described as the establishment of an export quality potato grading and washing facility, but your submission says that that company has sold potatoes locally and used imported potatoes to fill export orders. How do you know that to be the case?

**Mr Katter**—I did not prepare that submission. I was very sick in hospital undergoing surgery and I had to rely upon a person who is a very senior public servant. He was my chief of staff at the time. He has been deputy head of a government department and is very competent. I relied upon his activities, and I trusted him to the point where I was prepared to put my name on the submission. I cannot honestly answer in detail there.

**Senator O'BRIEN**—So that information was given to you by your chief of staff?

**Mr Katter**—I would be very surprised if he had not fully substantiated that. Our staff are very heavily involved in the tablelands and that area. We know everyone there. If something is happening there, we usually know about it.

**Senator O'BRIEN**—I would appreciate it if you could give us some further information to substantiate that matter, if not today then on notice.

**Mr Katter**—Yes.

**Senator BARNETT**—I want to clarify something with regard to Senator O'Brien's question and Mr Katter's response. Mr Katter, you said earlier that you took authority and responsibility for this submission. It says 'from the office of the Hon. Bob Katter MP', and you said that you stand by your submission, but now you have responded to Senator O'Brien by saying that you are not sure about certain evidence that is in the submission.

**Mr Katter**—No, what I said was that I was in hospital.

**Senator BARNETT**—Can you clarify for the record whether you stand by every word in your submission?

**Mr Katter**—I cannot stand by something I did not do and did not have the details of when it was submitted. There is no way in the world. Anyone who does that is telling fibs and projecting themselves in a dishonest manner. I have been open and honest. I was in hospital at the time and I was told that I was not to have any stress. We desperately wanted to put in a submission—it would have been very remiss of us not to—so I simply had to trust that person. He had been a senior staffer with the Queensland government for many years.

**CHAIR**—I probably should have asked you at the outset if there were any additions or alterations to your written submission.

**Mr Katter**—Original submission.

**CHAIR**—I apologise for not doing that, but I think it would be appropriate for you to at some stage advise the committee of any matters in that submission that you wish to withdraw or clarify. I think that is the best way to handle it.

**Mr Katter**—I have a staff of four or five. My resources are very limited.

**CHAIR**—At the end of the day, we are responsible for our own submissions and comments in the parliament, just as we know ministers ultimately have to take responsibility for the actions of their staff where they know about them or have instructed them to act.

**Mr Katter**—Yes.

**Senator O'BRIEN**—One of the tasks of this committee is to recommend appropriate changes to the administration of regional funding programs. Can you tell me what role you believe local members of the House of Representatives should play in the administration of the Regional Partnership and Sustainable Regions programs—for example, in relation to, but not limited to, any consultation process?

**Mr Katter**—I would have thought the three tiers of government should play a role. An agreement is about to be made that the three tiers of government should be involved. That is not something any of us like to do, because it is just an extra work burden, but at the very least they should be consulted. A minister protects his own back if he consults with them. As a minister, I always endeavoured to do that, if for no other reason than so I was acting in a proper manner and could be seen to be acting in a proper manner.

**Senator BARNETT**—Mr Katter, you are here as an Independent federal member for Kennedy and you are a former member of the National Party. Can you clarify how many years you were the member as a National Party member?

**Mr Katter**—Since I was 14.

**Senator BARNETT**—But how long were you a federal member for The Nationals?

**Mr Katter**—I do not know how many years I was in for the National Party—maybe six or seven years. You would probably know better than I do when I resigned from the National Party. I was there for many years, if that is the question you are asking.

**CHAIR**—You served in the state parliament in Queensland too, didn't you?

**Mr Katter**—I was a senior minister. I was the third-ranking minister on the government side.

**CHAIR**—As a National Party member?

**Mr Katter**—Absolutely.

**Senator BARNETT**—Then there was a falling out and you turned Independent.

**Mr Katter**—I had policies that I had been brought up with, and it was improper for me to stay in a party whose policies were the exact opposite of the ones I believed were needed and that had formerly been the party's policies. I joined a party that had certain policies and then they had the exact opposite policies, so it was right and proper to resign in those circumstances.

**Senator BARNETT**—When was that?

**Mr Katter**—Three or four years ago. I have run two elections as an Independent, so it would be four years ago.

**Senator BARNETT**—You made some incredibly severe and serious allegations in your earlier submission to us about the National Party and specifically about the Deputy Prime Minister, John Anderson. Those allegations go directly to the reputation, credibility and honour of the Deputy Prime Minister. Do you agree with that?

**Mr Katter**—I said, 'If he was an honourable man he would do this,' or words to that effect. He did so today, so my ultimate judgment of him would be that, if not before, most certainly at the end he was an honourable man, and I respect him for that. I am not here today to kick him to death.

**Senator BARNETT**—Just to clarify for the record, earlier you said that the Deputy Prime Minister, John Anderson, resigned today because he was aware that you were about to make this submission to our inquiry.

**Mr Katter**—I do not think those are the exact words that I used. But I most certainly do not resile—

**Senator BARNETT**—Can you clarify for the record exactly what you did say?

**Mr Katter**—If I am to say it again, I would say that, from my experience in politics, coincidences do not exist. The minister knew that I was coming before this tribunal. He knows those figures exist and he knew that they would be disclosed today. I presume we would have got a lot of media attention but now, since he resigned at 12 o'clock, there are no media people here at all.

**Senator BARNETT**—Did you hear Mr Anderson's reasons for resigning?

**Mr Katter**—Yes, I listened very closely.

**Senator BARNETT**—And you totally discount or disagree with them?

**Mr Katter**—I am not coming here to badmouth him; I am coming here to say that he presided over a process that was disgraceful. In relation to accountability in government, there is only one thing you do when you have those sorts of figures up on the board.

**Senator BARNETT**—But that is exactly what you have done. You heard Mr Anderson today. You obviously disagree with his view or his version as to the reasons.



**Mr Katter**—All those things that he said today could be true.

**Senator BARNETT**—But you have just told us that his resignation is in large part because you are here presenting your submission today. You have been around politics and in the game for a long time, and you do not see it as a coincidence that you are presenting your submission today and he is resigning today.

**Mr Katter**—No, I do not think it is. I have said that four times.

**Senator BARNETT**—We have that pretty clear.

**CHAIR**—Order! Mr Katter, you have made your point about your view of possible reasons for Mr Anderson's resignation. Senator Barnett has asked questions about it, but at the end of the day I am not sure that the announcement today is specifically relevant to the terms of reference. It may be relevant to one aspect, but let us deal with the substantive evidence.

**Senator BARNETT**—I would like to. I want to finish on a question, though, because the witness did discuss this at length in his introduction and opening comments. I just want to clarify, Mr Katter, your view of Mr Anderson's motives and whether he is an honest, honourable man. Based on the evidence that you have put to us today and what you have said earlier, you believe that he is not and it is a charade.

**Mr Katter**—With all due respect to the honourable senator, I read out what his deputy leader, the Treasurer, said concerning Ros Kelly. I read out what the leader of the Liberal Party said about Ros Kelly. Whether you want to accept the figures that are put on the board or race around and get another set of figures that disprove that is up to you. I have put the figures on the board. There is a massive case to be answered there. You make the decision on whether he is honourable or not.

**CHAIR**—Senator Barnett and Mr Katter, you have canvassed for about the last 10 minutes the issue of what may have been people's and witnesses' views about the motivations for Mr Anderson's resignation. I think we need to move on to some of the more specific issues that are being raised because, frankly, at the end of day, Mr Anderson has announced his resignation as a minister today—that is a matter of public record. Mr Katter has given his views about that; you have your view, Senator. At the end of the day they are subjective views. Let us get on to the evidence.

**Senator BARNETT**—Let me ask the question germane to Mr Katter's earlier submission. I will just repeat what Mr Katter said so he can clarify it for the record, if he wishes to. He did refer to the Regional Partnerships program being used, and I quote, as the 'minister's slush fund'—correct?

**Mr Katter**—Yes—what is the question?

**Senator BARNETT**—Did you use those—

**CHAIR**—He did—that is on the record, Senator Barnett. Can you ask the question that follows on from that.

**Senator BARNETT**—Let us clarify it for the record: what do you mean by the ‘minister’s slush fund’? Can you clarify and expand on your definition of the ‘minister’s slush fund’?

**Mr Katter**—I do not know what I said.

**Senator BARNETT**—That is what you did say.

**Mr Katter**—I do not have the text with me here, but I am going to say to you that if you are using money for political purposes that was appropriated by the parliament it may well be that I would use a lot stronger language and much more serious language. I would think that you, as a lawyer, should appreciate that if money is appropriated for one purpose and is used for another purpose, then there is a name for that sort of behaviour. I should not have to tell you, as a lawyer, what that name is. But I did not come in here to sling mud; I most certainly came here to see that this sort of disgraceful behaviour does not occur again. If there is some way to do that other than kicking the people that were responsible for it, I would like you, Senator, to tell me about it.

**Senator BARNETT**—Mr Katter, you are aware of how the Regional Partnerships program works. Are you familiar with the fact that a project proponent has to make an application through the Regional Partnerships program? Are you familiar with that process?

**Mr Katter**—Yes.

**Senator BARNETT**—Are you aware that applications are made across the country in different electorates—Labor, Liberal, Independent? Are you also aware that, based on the departmental advice we have received to this committee, the success rates from National Party, Liberal Party and Labor Party electorates are exactly the same?

**Mr Katter**—Chair, there is no question there; it is an assertion by the senator.

**CHAIR**—There is a question there. He is asking you if you are aware of a proposition that he has put to you about the success rate of the applications. If you are aware of that you can say yes, if you are not aware you can answer no. But you should answer the question.

**Senator O’BRIEN**—Chair, I have a point of order. The question is not necessarily accurately reciting the evidence. I would suggest that the proper recital is that there is evidence before the committee, which the committee will be considering, which suggests that.

**Senator BARNETT**—That is what I said.

**Senator O’BRIEN**—And the question was: are you aware that this is a fact? I am not sure that the committee has accepted that that is a fact.

**CHAIR**—Are you aware of the evidence that has been put in regard to this? I think that is probably the best way to put it.

**Senator BARNETT**—With respect to Senator O’Brien, what I said was: is Mr Katter aware of evidence put by the relevant department for Regional Partnerships to this committee that the

success rates with respect to the applications for funding from Liberal and National Party seats on the one hand—coalition seats—and Labor seats on the other are the same?

**Mr Katter**—In light of the figures, I went and said that we would get three electorates—

**CHAIR**—Mr Katter, you have been asked a question about whether you are aware of this evidence that has been provided to the committee.

**Mr Katter**—No, I am not aware of that.

**CHAIR**—Then answer that question.

**Mr Katter**—I answer it by laughing.

**CHAIR**—Mr Katter, you should answer the question. If you do not know then the answer is no.

**Mr Katter**—No, I do not know.

**Senator BARNETT**—Thank you. Mr Katter are you also of the view that not only is it the minister's slush fund but also the department are implicated in this scenario you have put to the committee? Are they also acting in breach of all the rules and guidelines to allow this rorting of the system, or whatever words you wish to use? Do you think the department are also involved in that process?

**Mr Katter**—I do not know. I am not privy to the process. How the hell would I know? I will answer your question this way: if I did something advertently or inadvertently that was improper behaviour when I was a minister then the head of my department refused to move forward. That was one of the reasons I had very great respect for two or three of those heads of departments I worked with.

**Senator BARNETT**—My first question was whether you are aware of the Regional Partnerships approval process, and you said yes. If you are not aware you can clarify that for the record but you indicated to the committee that—

**CHAIR**—Your question was whether he was aware they had to make an application.

**Mr Katter**—I understand the process to some degree.

**Senator BARNETT**—Are you aware of the process—that it has to go through certain channels and meet certain criteria and the department itself has to approve the application and the funding?

**Mr Katter**—I would like to answer that by asking a question. Are you aware of the early figures that came out of the Dairy RAP?

**CHAIR**—We are straying a bit here. Senator Barnett, I do not think it is quite correct to say that it is the department that approves ultimately.

**Senator BARNETT**—I did not say ‘ultimately’.

**CHAIR**—You said ‘approve’, which means that it is approved. There is a further step, as you know.

**Mr Katter**—Someone has a case to answer—

**CHAIR**—Sometimes.

**Senator BARNETT**—In light of the time I will try to cut my questions short. I draw your attention to the *Hansard* evidence from the department in regard to the applications and the success rates being exactly the same and if you wish to put a further view with respect to that evidence please feel free.

**Mr Katter**—Your headache, not mine.

**Senator BARNETT**—Are you aware also that the Regional Partnerships program has been audited not only by the Auditor-General but also by independent objective analysis from KPMG? They found nothing untoward in the Regional Partnerships program.

**Mr Katter**—You are doing a marvellous job on behalf of your party. I have just finished three books on Enron.

**CHAIR**—Mr Katter, the question is whether you are aware. The question may also be stretching the facts and—

**Mr Katter**—I am sorry. With all due respect—

**CHAIR**—Order! I am sorry; you should wait until I have finished. The question essentially requires a yes or no answer. You can do that. Either you are aware of the evidence or you are not. Can you answer that question? The proposition that the entire program has been audited is stretching it a bit, too. But the question has been asked; you should answer it.

**Mr Katter**—No.

**CHAIR**—Thank you.

**Senator BARNETT**—Mr Katter, I have one last question. Just to clarify for the record, in your submission you stated:

The National Party disproportionately represents rural and regional seats.

Are you aware that the Liberal Party actually holds most of the seats in the country in rural and regional areas?

**Mr Katter**—You got a real rough deal, if we look at those figures. You got a real rough deal.

**Senator BARNETT**—I am not sure if that is a yes or no.

**Mr Katter**—I think it answered the question.

**Senator BARNETT**—I have no further questions.

**Senator JOHNSTON**—Mr Katter, you said that you had known Mr Ken Crooke. How long have you known Ken Crooke?

**Mr Katter**—I do not know; 20 years?

**Senator JOHNSTON**—In what capacity have you dealt with him?

**Mr Katter**—He was secretary to a number of ministers. I think he was the Premier's secretary at one stage. I am not too sure; it might have been two premiers or three premiers. He was around for a long time. I had never heard any sully of his reputation ever. That does not mean that people did not, to ingratiate themselves with Ken Crooke, act in an improper manner.

**Senator JOHNSTON**—Your interaction with him was in the state government, was it?

**Mr Katter**—Yes.

**Senator JOHNSTON**—You found him, over a period of 20 years, to be an honest man?

**Mr Katter**—In every way. Remember, I belonged to a government that was more looked into than any other government in Australian history.

**Senator JOHNSTON**—In revealing your own position, having adjudicated on Mr Crooke, you would say that you yourself were an honest man and conducted yourself with a degree of integrity at all times.

**Mr Katter**—I have been through six inquiries.

**Senator JOHNSTON**—I take it that is a yes.

**Mr Katter**—That certainly is. No-one else in Australia has been in governments that get caught in so many inquiries.

**Senator JOHNSTON**—I am looking at a press clipping dated, I think, 27 July last year from the *North West Star* where it quotes Mr Anderson saying of you, Mr Katter, that you had the best paid part-time job in Australia. It says that, according to voting figures, Mr Katter has not voted on legislation that has gone before the parliament 52 per cent of the time. Is that true?

**Mr Katter**—I have no idea.

**Senator JOHNSTON**—It is in the submission. Is that true?

**Mr Katter**—I have no idea. I have been in Senator Boswell's office in days past on numerous occasions where he has not gone in for votes. He explained to me that it was because they were political point scoring votes.

**CHAIR**—Order! I think we have a division.

**Mr Katter**—I invite the honourable senator to come with me any day of his life.

**CHAIR**—You can issue those invitations at another time.

**Mr Katter**—He is impugning my integrity.

**CHAIR**—We have to go to a division.

**Proceedings suspended from 5.48 pm to 6.30 pm**

**McDADE, Mr Peter Joseph, Private capacity**

**CHAIR**—Welcome back, Mr McDade. You have already given evidence at a previous hearing and you have already taken the oath, so we do not need to go through that process again. But you still, of course, remain bound by your previous oath or affirmation. You are aware of the details regarding parliamentary privilege, in camera hearings and so on that we pointed out on the last occasion. It was a request of the committee that you come back to give further evidence. We appreciate your cooperation in that regard and we will now go to questions. Do you want to make a statement?

**Mr McDade**—I want to make a very short correction to the record. There is a reference in the *Hansard* transcript of the last hearing to a project called a marine animal park. It should have been Mareeba animal park.

**CHAIR**—That will be noted and presumably can be corrected in the final *Hansard* when it is printed.

**Senator O'BRIEN**—Thank you very much for appearing before the committee again, Mr McDade. I would like to ask about the transcript of an interview you had with Pat Morrish on ABC Radio Cairns on Tuesday, 19 April. That transcript says that you stated:

In all of the cases, and at least two of them that I recall we actually engaged I think it was two we engaged, two we looked into the potential for anticompetitive outcomes, and the committee was satisfied on the report on at least one occasion from an independent reviewer, which was never accepted by the opponents, that the committee accepted that that report said that particular project was going to meet unsatisfied demand or create new demand or service for products that weren't otherwise available on the Tablelands.

... we did that exercise for the projects where we received objections or complaints or where the committee in its own view that there might be potential for the criteria to be breached we had better investigate further.

We have ATSRAC records that indicate that in fact your committee ordered only one independent competitive neutrality review for the Rose Gums accommodation project. Is that accurate?

**Mr McDade**—From my recollection that is accurate. I am not sure—it went over three years. I do not recall another one where the committee itself in fact engaged, but I am sure the department would be able to let you know if there were situations where that particular criterion might have been investigated further by the department or in the course of due diligence.

**Senator O'BRIEN**—I do not expect you to speak for the department; I can only ask you questions about what you know about. From the evidence given during the Cairns hearings, there were competitive neutrality complaints from a number of people regarding a number of projects. They included the Kalamunda Caravan Park, Eden House, Atherton Hotel and the JAM Custom Kitchens and Furniture projects. I take it that there was no independent competitive neutrality review for these projects. What I want to know is: can we safely take it that no independent competitive neutrality reviews for these projects were ordered by ATSRAC?

**Mr McDade**—You can. I would add that, particularly with Professor Bob Beeton and me as independent members on the committee, there were a number of projects like the JAM one where we went back to the proponent as a result of concerns raised by the committee about potential competition.

**Senator O'BRIEN**—But that was after a grant had been announced, wasn't it?

**Mr McDade**—No.

**Senator O'BRIEN**—Not with JAM Custom Kitchens and Furniture?

**Mr McDade**—Regarding JAM Custom Kitchens, we went back to the proponent before we recommended the project to the minister, as far as I recollect. I will stand corrected on the timing of it, but it was certainly before any grant was approved.

**Senator O'BRIEN**—Let us come to that. If I can return to the generality of the question—that is, the fact that independent competitive neutrality reviews were not conducted for these projects but were for the Rose Gums project—

**Mr McDade**—That is correct.

**Senator O'BRIEN**—can you tell us why they were not conducted?

**Mr McDade**—Because the committee made our own inquiries and received feedback from the proponent, having regard for other information that we had, particularly on product differentiation or, alternatively, the tourism strategy or investigation that was done by the tourism body up there. If the committee were of the view that the products were sufficiently differentiated, as was the case for JAM, we were satisfied that that particular proposal was introducing a product which was not currently available in the region.

**Senator O'BRIEN**—What was the mechanism used to establish that there was unsatisfied demand for a product or service, particularly in relation to those projects?

**Mr McDade**—Local knowledge at the committee level and our executive officer, and we went back to the proponent to ask them about the basis on which they were meeting the criteria.

**Senator O'BRIEN**—So you did not go to other people in the community who potentially might have taken issue with the view that there was not a competitive product or service?

**Mr McDade**—No, we did not. That is not to say that we never heard from them. I will not go there because I am not sure whether my recollection is correct. But, on a number of occasions, we did receive comments from people about funding and we met with them and discussed it.

**Senator O'BRIEN**—Why was it ATSRAC's practice to recommend, for example, limited due diligence on some projects, medium due diligence on others and so on?

**Mr McDade**—There is a bit of history to that. When we started with the program, we were given very clear instruction by the department, and I certainly agreed with it, that the due



diligence process should be kept independent of the committee. Whilst it was not said exactly in those words, I think there was due regard for the fact that we had four local mayors on the committee. It is no secret that they competed against each other. If the committee became involved in the due diligence process then there was a potential for interference in that process. So the decision was made at the departmental level, and I strongly supported it, to keep us totally independent of it. The department decided what level of due diligence was to be performed and engaged a due diligence contractor. If any issues out of due diligence needed to be clarified, if it was appropriate the department brought it back to the committee for the committee to consider, or the due diligence went back to the proponent or the department.

**Senator O'BRIEN**—But the committee recommended the level of due diligence.

**Mr McDade**—Yes. I am coming to that. I left in August 2004. It was in the last six to nine months before I left—I raised this at the last committee hearing—that the department raised concerns about the cost of due diligence being performed. We have it in writing that ATSRAC was largely to blame because of the amount of due diligence that was being performed for ATSRAC projects. I took fairly strong exception to that.

**Senator O'BRIEN**—You have that in writing from the department?

**Mr McDade**—It was an email.

**Senator O'BRIEN**—Do you still have a copy of that?

**Mr McDade**—I can get a copy. I am not sure I have a copy here.

**Senator O'BRIEN**—Okay. I am not sure whether we have that.

**Mr McDade**—I quoted it.

**Senator O'BRIEN**—Just in case we have not, I would appreciate it if you could supply us with a copy.

**Mr McDade**—I am just trying to recall—

**Senator O'BRIEN**—We do not need to delay on that now. If we have a copy and you still have one—

**Mr McDade**—I should be able to track down a copy. I will apologise to the committee if I cannot get a copy of it. Some of the files have gone. But I am pretty sure I still have that one.

**CHAIR**—If you could let us know, that would be good.

**Senator O'BRIEN**—But you are under no apprehension that you were given that advice by the department that costs—

**Mr McDade**—No, we were given that advice by the department. In fact, it led to me going back with some rather strongly worded correspondence to the department to put the record

straight about the fact that it was the department that was choosing what level of due diligence was done, who the due diligence contractor was and what costs were involved. At a higher executive level, the decision was made that the committee should have some say in what level of due diligence should be performed and that if there was sufficient local knowledge at the committee level then the committee could make a recommendation. Normally, it might fall under the category of extensive due diligence. The committee could recommend that because it was local government and we had the information we needed, we really did not need to do that extensive, expensive thing. So we would recommend that a low or a medium level of due diligence be performed. I objected to that at the time. I said that it was an appropriate decision for the department to make, not the committee. But it was insisted on. So we then started writing into our proposals the levels of due diligence that we thought were appropriate at the time.

**Senator O'BRIEN**—That was your view.

**Mr McDade**—That was our recommendation; it was not a decision.

**Senator O'BRIEN**—That was your view. Was that discussion of the ATSRAC committee minuted?

**Mr McDade**—I would expect so.

**Senator O'BRIEN**—So we would find that in the minutes?

**Mr McDade**—Absolutely.

**Senator O'BRIEN**—Do you recall whether there was any dissent from that decision recorded in the minutes?

**Mr McDade**—No, I do not recall what actual words are in there. It would certainly be in the minutes. But there was no vote taken on it by the committee. There would have been no dissenting votes recorded because it was not an issue that the committee decided on. We were informed by the department.

**Senator O'BRIEN**—I thought you were saying, and maybe I misheard you, that the committee took exception to what the department were saying about—

**Mr McDade**—I said that I took exception as the independent chair. I put those views fairly strongly to the senior executive involved at the time. That advice of the due diligence change would be recorded in the minutes. To what extent the words are recorded, I am not sure. Again, I will try and track that down if I can.

**Senator O'BRIEN**—In relation to the Mareeba wildlife park, the department says it arranged for high-level due diligence, including the checking of permitting. Did you receive a copy of the due diligence report for this project?

**Mr McDade**—We did not receive a copy of due diligence for any projects. All we were advised by the department was that due diligence had been completed and that it had been completed satisfactorily. On one occasion that I can recall, at Ravenshoe there was a project

which had further clarification to be done on it. We did not actually get a copy of the due diligence but the report from the contractor was read out to us. Otherwise, the committee was not provided with a copy of the due diligence reports. We were told that it was completed and completed satisfactorily.

**Senator O'BRIEN**—Can you give the committee the details of the level and the source of community support for this project? Where did it come from, in what form and how extensive was it? This is the Mareeba wildlife park.

**Mr McDade**—Support for the project?

**Senator O'BRIEN**—Yes.

**Mr McDade**—I can say quite confidently that it is accurate that the Mareeba Shire Council strongly supported that particular project. They had been working with the proponent, not as part of the ATSRAC deal but as part of the initial proposal. We had not received any objections from anyone other than a letter to the editor from one of the local residents objecting to money being given to a foreigner for investment under the program.

**Senator O'BRIEN**—How would members of the community have known that money was going to be given to this project?

**Mr McDade**—At that stage it probably would have been announced.

**Senator O'BRIEN**—What I want to know is, when you were making your recommendations, what level of community support was in evidence about the project?

**Mr McDade**—We would have had attached to the expression of interest and the application something that explained that we always encouraged the proponent to provide us with letters of support from the community. To some degree the letters of support were valuable and to some degree they were not so valuable. If a state government department was asked, we would end up getting three letters from different areas of the one department, all supporting that particular project. But largely I am not aware of any lack of community support.

**Senator O'BRIEN**—Are you aware of any community support? That was my question.

**Mr McDade**—I am coming to that. I went with the Mayor of Mareeba, Mick Borzi, to talk to David Gill's general manager at the time and he advised us that there were something like 300 applications for potential positions at the park and that people were actually applying. It was well publicised that the Mareeba Wild Animal Park was going in. It was already established before anything came to our committee. If there was to be any objection to the actual Mareeba Wild Animal Park itself, it would have been in the public domain. I did not pick any up any from any information that was given to me.

**Senator O'BRIEN**—So there was not a formal process to ascertain the level of community support—it was somewhat informal?

**Mr McDade**—At the project level one of the things we were advised by the department, of course, was that the projects are all confidential until approved by the minister. We did not go public with applications we received to see whether the community supported that proposal or not. What we did, though, on the major regional strategic initiatives was seek community support for things like the food and fibre hub proposal, the community capacity development proposals and the tourism strategy proposal. Those types of proposals by the committee were actively engaging the community, to discern the level of support for them. But we never publicised individual private applications or expressions of interest until after they were approved. The reason given for that was that potentially it could compromise the minister in making his decision at the end of the day when the recommendation was made to him.

**Senator O'BRIEN**—But didn't it also potentially compromise the committee in relation to assessing the competitive neutrality issue?

**Mr McDade**—Competitive neutrality does not just mean that it does not compete with other businesses.

**Senator O'BRIEN**—But it can, can't it?

**Mr McDade**—It can, but—

**Senator O'BRIEN**—It is not just that, but it can mean that?

**Mr McDade**—It is more than that. If it was just that then it would breach the criteria. The criteria of competitive neutrality under the Sustainable Regions Program included that, even if it did on the face of it look like it was competing against other businesses, if they could sufficiently differentiate their product in the marketplace, introduce new services or provide some strategic initiative that in the view of the committee was desirable then the criteria were met—even if there was an element of competition. The fundamental philosophical argument, I suppose, about any grant system is that, once you start making grants to private sector organisations, you introduce a competitive element to that organisation that frees up capital for other works they want to do. We had that argument presented to us many times. I said: 'It doesn't really matter what my view is on that—that is an issue for government at the policy level to decide. The committee is here just to do the job.'

**Senator O'BRIEN**—Was it ATSRAC's view that that issue should be resolved by government rather than by a determination of that being incorporated in the recommendation?

**Mr McDade**—We had a number of people—I cannot give names because I just cannot recall them—who said they did not think that the program should have any projects approval for private enterprise, that there should be local government and more generic activities across the region. The clear indication from government was that they wanted the particular projects, if they were of a regionally strategically important nature, to be considered. A classic example was the Ravenshoe mill, which was a significant contributor to the economic development of Ravenshoe, and will continue to be, because of the technology that the mill was able to achieve.

**Senator O'BRIEN**—The point of my question is to understand whether you were expecting competitive neutrality to be dealt with by the department rather than by the ATSRAC committee.

**Mr McDade**—No, that is not what I said.

**Senator O'BRIEN**—That is why I am asking the question. I want to be clear.

**Mr McDade**—What I was trying to say was that when people said to us: 'We do not think the government should approve any funds to a private enterprise organisation,' our response was that it is an argument that you need to have at the policy level with government. At ATSRAC that is precisely what part of our job is required to do. We do not want to enter into that debate with you, that is the government policy, you need to have that debate with them.

**Senator O'BRIEN**—But, surely, that does not address the issue of competitive neutrality? Just because it is in the private sector and there is potential for a competitive neutrality conflict does not mean that you automatically reject the project. I understand that. What I am trying to understand is how did the committee make the competitive neutrality assessment? What information did it use, or did you rely upon the assessment to be made by the department?

**Mr McDade**—In the expression of interest stage, a copy of the guidelines was given out and there was a direct question in the application form stating: 'Are there any competitive neutrality issues that you are aware of as a proponent?' Our executive officer, in considering and processing that application or expression of interest, then made her own inquiries—I did not go into every detail of every case she had undertaken—about whether there were any competitive neutrality issues that the committee needed to be aware of. That is from the executive officer's point of view. They were then distributed to the committee and each committee member had a look at it. Despite the criticism of having four mayors on the committee, they have a pretty intimate knowledge of the region, being that the four shires is the defined region.

**Senator O'BRIEN**—So there was significant reliance on the community knowledge of the mayors on the committee?

**Mr McDade**—Absolutely. But also there was significant reliance on the two independent members, myself and Professor Beetson, who were there to ask the hard questions and to say 'that might be your view but this is what we think'. From my recollection, that was the way the Rose Gums proposal went, I insisted that we actually engage an independent contractor to give us an assessment of that particular proposal. There were contrary views on the committee about it so I said let's get an independent contractor in to do it.

**Senator O'BRIEN**—In relation to the Kalamunda Caravan Park, the prior witness, Mr Les Tenney, asked in his submission whether there had been any reassurances from the shire council or ATSRAC that 'everything will go through', meaning everything will go through council approvals. Was there any assurance that the council approval process would be met, allowing ATSRAC to make its recommendations to the department?

**Mr McDade**—That type of issue—not in that particular case, from memory—was raised in a number of areas. One of them was permits.

**Senator O'BRIEN**—It is a critical part of it.

**Mr McDade**—It is, but it is a critical part of the due diligence process. In other words, if you are going to do due diligence on any investment project, one of the essential elements of that due diligence is to determine whether all government approvals and permit requirements et cetera have been satisfied.

**Senator O'BRIEN**—Who was supposed to do that?

**Mr McDade**—The due diligence contractor.

**Senator O'BRIEN**—So that was the department's responsibility, was it?

**Mr McDade**—Well, the department's responsibility through the due diligence contractor but not at ATSRAC level. So, as far as Kalamunda Caravan Park or eco-park was concerned, I was unaware that there was any local government issue. If it had been brought to my attention I simply would have highlighted that in my letter to the minister or to the department, saying, 'Make sure the due diligence contractor covers off this area.' But even if I had not put that in the letter one would expect that a due diligence contractor would do that.

**Senator O'BRIEN**—Wouldn't one expect the mayor from the area to know something about the approvals process that the application might face?

**Mr McDade**—One would expect so.

**Senator O'BRIEN**—Was the relevant mayor on the committee?

**Mr McDade**—Yes, he was, and still is.

**Senator O'BRIEN**—Did the relevant mayor participate in the decision on the Kalamunda Caravan Park?

**Mr McDade**—I believe so.

**Senator O'BRIEN**—Are you aware of any comments made by the relevant mayor about the likelihood of the matter facing problems in the council or being approved by the council?

**Mr McDade**—There was nothing about approval. I certainly have heard nothing about council assuring approval of a particular project. I have not heard any comments at all by Mayor Chapman in that regard. I recall that the application, though, had attached to it a copy of the letter that the council had written to Kalamunda park expressing what it needed to do to achieve council approval for the actual stage structure of the caravan park. At what stage that had got to by the time the project came to ATSRAC, I do not recall. But again it was in the application. The due diligence contractor would have received a copy of all of that and would have been aware of that sort of thing. Certainly, there was nothing that I heard at the committee level or publicly about Mayor Chapman, or any of the mayors, giving an assurance something would go through. And definitely not from my office—as chair—was an assurance ever given to anyone.

In fact, we wrote in the letters back to the proponents that, when they submit an expression of interest, we consider the expression of interest and at that stage we decide whether or not to

proceed further with it. If we were going to say, no, we are not going to do that, we wrote them back a letter and said, 'We don't see that we can help you with that particular project. We wish you all the best.' If we invited a full application then we had a comment in the letter inviting them that said that the fact that we invite someone to make an application should not be taken in any way as an assurance that they would be approved in due course by the minister.

So we in fact did the opposite: we assured them that their proposal would be considered by us and then we would recommend to the minister that it either be approved or was not to be approved. Certainly, with Kalamunda Caravan Park, I am not aware of any official decision by the committee that they would be assured of getting the money if the council approved their project.

**Senator McLUCAS**—It is actually the other way around. The assurance that Councillor Tenni is talking about is that there was some notion of an assurance that the development application would be passed by council.

**Mr McDade**—If ATSRAC had approved the money?

**Senator McLUCAS**—No. He was questioning whether there had been some assurance to ATSRAC—

**Mr McDade**—Assurance to ATSRAC? Sorry, I misunderstood; I thought you meant to the proponent. Definitely not—never heard of it.

**Senator McLUCAS**—that the application would be approved.

**Mr McDade**—Never heard of it, and I certainly would have flagged that very loudly in the minutes if that had come to my attention as chair.

**Senator O'BRIEN**—Just to be clear about the relevance of the project passing all approvals: didn't it need to pass the approvals to be funded?

**Mr McDade**—Do you mean approvals by other parties?

**Senator O'BRIEN**—Yes, by council, by government. Like local government approvals.

**Mr McDade**—One would expect so. But that is what I am saying. If the due diligence was done effectively and correctly—and maybe it was overlooked on that one; I do not know, because I have never seen the due diligence report on it that I can recall in any way, shape or form—and had highlighted that council approval was necessary for this and had not been given, then we would have had an unsatisfactory due diligence report. In that case it would have been referred back to the committee either for further discussion with the proponent or just for consideration by the committee, to say to the minister: 'We recommend approval, subject to any necessary local government or other government approvals or permits being in place.'

**Senator O'BRIEN**—So, as far as you were aware, the issue of the project—the subject of the application—meeting all approvals was a matter to be determined by the department or its contractor and not by the ATSRAC?

**Mr McDade**—That is correct. Let me just say something there. There would be lots of instances where particular types of projects might have all sorts of permits or approval requirements of them that we would be ignorant of. We are not aware of every single approval mechanism that might be required in every project.

**Senator O'BRIEN**—But surely, if you are approving—

**Mr McDade**—No, we do not approve anything.

**Senator O'BRIEN**—If you are recommending approval of an application, the committee would be aware of—

**Mr McDade**—An unsatisfactory due diligence—

**Senator O'BRIEN**—Given that there are four mayors, you would at least be aware of the local government approval processes relevant to the project. Isn't that a fair assumption?

**Mr McDade**—Yes, it is a fair assumption, and I am not saying that we are so naive that we are not aware that council and local governments have to approve a building proposal or anything like that. But, at the time of considering the particular proposal or project, the committee could get itself really bound up going round in circles saying, 'We'll have all of these approvals and make out a big list and check off all of these before we even do due diligence,' when in fact it is part and parcel of the due diligence process.

**Senator O'BRIEN**—When you are aware of such a thing, would you normally have noted in your recommendation—

**Mr McDade**—Yes, I said that before.

**Senator O'BRIEN**—But the point is that it is not just you, is it?

**Mr McDade**—No, that is right.

**Senator O'BRIEN**—It is the four mayors who are on your body. That is why I am wondering whether it would have been the normal process for the recommendation from ATSRAC to have been qualified by a statement somewhere saying: 'This process needs to meet the requirements of the relevant local government body and these processes need to be completed.'

**Mr McDade**—Do you mean in the letter to the minister?

**Senator O'BRIEN**—In the advice you passed on to the department for whatever they were going to do with it.

**Mr McDade**—But the department was there at the meeting.

**Senator O'BRIEN**—But you gave them the documentation, didn't you?



**Mr McDade**—There were differing views within the department there. Originally, when we started out, we were writing everything and sending it to the department. Then the department said, ‘Look, we’re there at the committee. We have a copy of all of the documentation. You don’t need to formally send it to the department. We’ll act on that as part of the process.’

**Senator O’Brien**—So you did not need to give them a formal recommendation?

**Mr McDade**—To the minister, after the committee had decided it, yes. But, to the point of going to due diligence, the department took that and said, ‘We’ll go and do due diligence.’ After that, we would then write to the minister. Then it changed. We were then doing it more formally in the last 12 to 18 months, where we actually wrote to the minister and said, ‘The application is attached and we would recommend approval subject to satisfactory completion of due diligence.’

**Senator O’Brien**—This all seems terribly disorganised, if I can put it that way. The process seems to have been so fluid as to have been able to be changed at short notice on a number of occasions. Do I understand that correctly?

**Mr McDade**—In certain respects, yes. I should say that the fluidity of the situation was partly because of the fact that this was an initiative—a new or innovative program—of the government. It was not part of a standard regional development program. The eight regions were selected as a pilot study. The way it was explained to us was that this was a community consultation process, with involvement with the strategies of the directions of the region et cetera. It had been tried overseas and was found to be fairly successful, and there was an innovative program here. When you asked, at the beginning, questions about what the rules were, you found there were no clearly defined rules at that point in time. Then they started to promulgate what the actual criteria of the stuff were, what the protocols within the committee were, whether the committee was to be seen the same as other committees et cetera. Eventually they were put in place.

**Senator O’Brien**—So these rules were being made up as you went along?

**Mr McDade**—I think that is a harsh way of describing it. I am saying that happened right at the very beginning.

**Senator O’Brien**—I am trying to understand your evidence. What you are saying to me is that you did not start with any solid rules and that rules seemed to evolve as you went along.

**Mr McDade**—On the first three or four months that is probably an accurate statement.

**Senator O’Brien**—Then, from time to time after that, the rules changed?

**Mr McDade**—The rules were changed.

**Senator O’Brien**—And you went from a process where you started to give formal advice of decisions. Then the department told you, ‘We don’t want that until our due diligence has been done.’ Then, late in the process, that changed again. Do I understand your evidence correctly that way?

**Mr McDade**—Yes.

**Senator O'BRIEN**—Over what period did this occur?

**Mr McDade**—I could not say exactly. Do you mean the period in the middle?

**Senator O'BRIEN**—I am talking about the whole process.

**Mr McDade**—I cannot say, 'It started here, it ended here, then it went to there, then it started there and went to there.' There was a period of time, in the middle of the thing while I was chair, when the department—having attended the meeting and having a full copy of all the documentation and minutes et cetera—collated the data and engaged the due diligence contract where necessary. When we had satisfactory due diligence, the committee then made a decision and a recommendation to the minister in writing. That changed when they changed the decision about the due diligence process. What level of due diligence was to be required could now be recommended by the committee. That is when that changed: before you start writing formerly back to the minister. We had changes of staff throughout the thing. The department had changes of staff. When a new senior executive officer came in, certain things were changed. I think it is an unfair criticism of the committee to say that we were pretty wishy-washy about our processes.

**Senator O'BRIEN**—It may be that what I am saying is not a criticism of the committee but, rather, of the whole process. That is why I am asking the questions. From what I am gleaning from your answers, the committee, in part, was at the direction of the department, and the process changed at the direction of the department not at the direction of the committee. Is that fair?

**Mr McDade**—Yes. The committee did, on occasions, insist on certain things. It was agreed between the department and the committee that that was the way it would be done. Generally speaking, as a public sector committee, we are bound by the rules of government and the department have the best people to advise a committee of six private citizens what the rules that are going to govern this particular committee are.

**Senator O'BRIEN**—Can you give the committee an idea of the level and source of community support for the Kalamunda caravan park project? Where did it come from? In what form? How extensive was it?

**Mr McDade**—I can. There was a letter of support received from Rigato Farms Pty Ltd dated 18 June 2002, which reads:

Regarding recent discussions in respect of backpacker accommodation in Walkamin we wish to confirm our support for the project.

We feel this service would benefit the banana industry, which is highly labour intensive. As a shortfall of employees exists during peak times when local employment has been fully taken up, backpacker accommodation would be of tremendous benefit to the banana industry ...

There was a letter of support from Dennis Howe of Howe Farming Co Pty Ltd, which reads:

I think your idea of starting up a Backpacker style accommodation facility at Walkamin would be very beneficial to the local farming community.

He is based in Chewko Rd, Walkamin. The letter continues:

We currently have thirty permanent and ten casual employees. During the avocado season ... we employ an additional thirty. Walkamin is the centre of the Banana growing area with an additional three farmers planting this year.

The greatest hurdle to finding good staff is transport to and from work. We find out that a lot of people are good and eager workers but do not have transport.

There is also a letter of support dated 12 July from the Mareeba District Fruit and Vegetable Growers Association signed by Joe Moro, president of that association. He is also a councillor on the Mareeba Shire Council and, at the time, he was also the chairman of the Tableland Economic Development Corporation. He says:

The Mareeba District Fruit and Vegetable Growers Association wishes to express its support for the proposed Eco Backpacker/Tourist Park in Walkamin.

We as an Association have always encouraged backpackers to work on the farms in our area.

So there were at least three letters of support, two from farmers and one from an industry representative body which is a significant body on the tablelands—namely, the fruit and vegetable growers.

**Senator O'BRIEN**—My recollection is that even the neighbour signed a letter of support thinking that the project was something different from what it was.

**Mr McDade**—I cannot make any comment on that. I do not know.

**Senator O'BRIEN**—So there was no communication directly with those supporters about what they understood the project to be?

**Mr McDade**—No. The description they gave in the letters was accurate according to the place.

**Senator O'BRIEN**—Backpackers accommodation. That is what they said. That is what you read out.

**Mr McDade**—They said more than that. The fruit and vegetable growers say that they wish to express support 'for the proposed Eco Backpacker/Tourist Park in Walkamin.' Howe Farming refers to backpacker style accommodation that would be beneficial and so does Rigato Farms.

**Senator O'BRIEN**—One person who signed the letter said, 'We thought it was a few cottages for backpackers and it turns out to be a full-blown caravan park.' I just wanted to ascertain—

**Mr McDade**—I had not heard that.

**Senator O'BRIEN**—what took place when you got that application. Did you contact people and say, 'This application is for a caravan park? You are talking about a backpacker accommodation. Do you understand what the application is?' Did that happen?

**Mr McDade**—No. The committee, in considering it, did not see the necessity to go and ask the people who had written a letter of support. The project that was described to us in the application form is for an eco-tourist park development to establish an eco-tourist caravan park with a combination of facilities for backpackers. It said that the park would feature sustainable energy, environmental best practice and that it would provide education and promotional activities. That was the proposal that came to us.

**Senator O'BRIEN**—I understand that. Mr Tenni, in relation to the Kalamunda caravan park, also raised the issue of competitive neutrality concerning this project. Did ATSRAC look at that, or was that a matter for the department?

**Mr McDade**—We would have considered it. There was nothing I can recall that said there was a caravan park or a facility that was similar to this at Walkamin or in the immediate area. Having regard for the strategic importance of tourism to the tableland and for the strategy within that tourism proposal to attract backpackers and seasonal workers to the tableland and for them to stay there rather than try to commute from Cairns, for us the central location of Walkamin to service most of the seasonal requirements of backpackers and seasonal workers was strategically important and significant. With regard to competitive neutrality, we were not aware and were not made aware—by the local mayors, for instance—of anything else. We were not told, 'This is exactly the same as a facility down the road or one that is proposed for down the road or nearby.' That is because there are virtually no backpacker facilities on the tableland of sufficient—

**Senator O'BRIEN**—But there are caravan parks, aren't there?

**Mr McDade**—Yes, but they are not used by backpackers—that is the point. The backpackers are the ones that undertake the seasonal work. They are a significant area of development on the tableland because they do not stay there. If there were facilities for them there, they would be attracted and would stay there. One of the reasons that they cannot attract them there, as they point out, is the amount of travel involved—having to get up and back from Cairns et cetera to do the seasonal work if it is out past Mareeba.

**Senator O'BRIEN**—In relation to JAM Custom Kitchens and Furniture, can you tell us—

**Senator McLUCAS**—I would like to ask one question to finish off the previous issue. Mr McDade, it is the issue of the time line. You have explained that there was an expression of interest and then a process of full application. You have also explained that you were unaware, as the chair of ATSRAC, that Kalamunda Caravan Park did not, at that point in time, have a development approval.

**Mr McDade**—Yes.

**Senator McLUCAS**—What concerns me is that (1) you did not know that, given that the mayor of the council was sitting on your committee, and (2) the mayor did not bring it to the attention of the committee.

**Mr McDade**—Let me clarify that. There is a letter attached to that expression of interest. It is not a letter of support. It is from the Atherton Shire Council and it was provided to us by the proponent, not the shire council. It is titled 'Proposed Eco-Based Tourist Park: Lot 1'. It is a copy of a letter dated 28 May 2002 which says:

I refer to your letter ... requesting advice of the requirements of Council in relation to your proposal to develop an Eco-based Tourist Park, using solar power for water heating ...

Your letter and a report on your proposal by Council's Manager Shire Planning were tabled for consideration at Council's meeting held on 23<sup>rd</sup> May 2002 and I advise of Council's requirements as follows—

Then there is a list of 10 requirements from the council.

**Senator McLUCAS**—So, having received that letter, you would have assumed that there was no development approval.

**Mr McDade**—At that point in time. This is the expression of interest stage. It can be many months before you get to the final decision under application.

**Senator McLUCAS**—Then, if I have understood you correctly, the department went off and undertook a due diligence process.

**Mr McDade**—Not at this point; at the application stage.

**Senator McLUCAS**—You were not advised one way or the other whether or not—

**Mr McDade**—council had approved it.

**Senator McLUCAS**—No—of the outcome of that due diligence process.

**Mr McDade**—We would always be advised that it was satisfactory and completed.

**Senator McLUCAS**—So the department advised you that Kalamunda's due diligence process was satisfactory and completed.

**Mr McDade**—I would have to confirm that, but I would expect so because I am not aware of any situation where we were not so advised. At every meeting we got an update from the department about the projects: where they were in the process and where they were with regard to due diligence.

**Senator McLUCAS**—Are you aware that, when it went through the Atherton Shire Council, it was a very contentious application?

**Mr McDade**—No, I was not aware of that.

**Senator McLUCAS**—And that it was successful on the casting vote of the chair?

**Mr McDade**—I am aware of that because you told me at the last hearing in Cairns. I was not aware of it before then.

**Senator McLUCAS**—Now you are telling me that Councillor Moro, who has also written a letter of support, also voted for the application at council—

**Mr McDade**—He is on the Mareeba Shire Council.

**Senator McLUCAS**—You are right; he is on the Mareeba Shire Council. You have the council mayor there. I am worried about this conflict of interest, when there is clearly an amount of money that is about to come into your shire which puts an enormous pressure on that council to make a decision in support of an application. I am saying that the application process is wrong. The application process being approved by a council should occur through the due diligence process so that there is no influence on councillors' decision making and that they can make a proper decision based on planning grounds. But the fact that there is a pot of money that will potentially become available to the council is an inappropriate incentive and an inappropriate element in the consideration of a development application. It is a question of process that due diligence should have shown up.

**CHAIR**—Are you asking Mr McDade to comment on that?

**Senator McLUCAS**—Yes.

**Mr McDade**—I can only repeat what I have said before. That is your view. My view—and it is as honestly as I can recall it—is that if the council approval for that project had not been in place before due diligence had been satisfactorily completed, either the due diligence contractor did not perform the due diligence adequately or, if he highlighted it, the department let the committee down pretty sadly by not advising the committee that it had not been approved. From the committee's point of view, and from my point of view as chairman, not having any of those issues raised regarding approval is an issue that is just not on my radar scope, because everything is according to Hoyle. It was appropriate for a letter of recommendation to go to the minister. The fact that, in the council chambers, the mayor—who is a representative on the committee—used his casting vote to approve the project is outside of my scope to comment on.

**Senator McLUCAS**—I accept that.

**Mr McDade**—I cannot say any more than the fact that it did receive unanimous support from the committee, including from Professor Beetson and me as independent members of the committee. The points you make are your view and I concede how people could see it that way, but I do not know whether that is a view that I would share.

**Senator McLUCAS**—You will not have this with you, but if you could find the date of the receipt of the advice of due diligence approval from your minutes and papers it might be helpful.

**Mr McDade**—I will endeavour to. As you are aware, I am no longer the chair of the committee, so I do not have full access to all of our records. I will endeavour to provide the ones that I have kept, and I might have a copy of the email, because I have kept those pretty much intact.

**CHAIR**—Can we have a copy of the correspondence and the material that you have been referring to in relation to the Kalamunda Caravan Park?

**Mr McDade**—All of it or just the support letters?

**CHAIR**—All of it, if that is all right.

**Mr McDade**—I do not have a problem with giving you a copy of that. I do not know; I will have to think about that.

**CHAIR**—You were referring to and reading from some documents—

**Mr McDade**—Yes, but to actually provide a copy to the committee, I presume it would be appropriate. I cannot think of any reason why not.

**CHAIR**—Neither can we, given that you have been quoting from them.

**Mr McDade**—But I have not quoted everything in them. There could be confidential things in there that the proponent does not want us to distribute. I will check.

**CHAIR**—Rather than take up the time now—

**Mr McDade**—It will take me two seconds.

**CHAIR**—could you undertake to provide those documents to the committee?

**Mr McDade**—I can provide you with a copy. It says, ‘Do you agree to release the information provided to a third party: Yes.’ So I will give you a copy.

**CHAIR**—Thank you.

**Senator O’BRIEN**—In relation to the JAM Custom Kitchens and Furniture application, I want to refer to a transcript of a tape recording of a meeting held between ATSRAC representatives, including you and Mr and Mrs Trevor and Annette Allwood of Tolga Woodworks, at the CSIRO offices in Atherton on 6 August last year. Arising from that, is it correct that the only effort ATSRAC made to establish that the competitive neutrality requirement relating to that project was met was by asking the proponent?

**Mr McDade**—Is that the question in the transcript?

**Senator O’BRIEN**—Arising from the transcript, is it correct that the only effort that ATSRAC made to establish that the competitive neutrality requirement under the guidelines was met was to ask the proponent?

**Mr McDade**—No.

**Senator O’BRIEN**—What did ATSRAC do other than that?

**Mr McDade**—We also had regard for advice from Mayor Chapman and his knowledge—he knew both parties very closely and knew their businesses very closely. So the committee considered the response from the proponent about their meeting the requirements of competitive neutrality criteria and had regard for advice from other committee members—or at least the mayor; I am not sure that any of the others had too much knowledge.

**Senator O’BRIEN**—So it was knowledge within the committee—in this case, the mayor?

The **Mr McDade**—Yes. It certainly was not from me.

**Senator O’BRIEN**—Is it correct that once the proponent of any project, and only the proponent, had clarified that there was sufficient product or service differentiation then that satisfied ATSRAC as to the guideline requirements?

**Mr McDade**—No, it is not. In fact in the Rose Gums case we went and engaged an independent contractor.

**Senator O’BRIEN**—Why didn’t you engage an independent contractor for JAM Custom Kitchens and Furniture?

**Mr McDade**—The committee was of the view that the criteria were not being breached, whereas in Rose Gums the committee was divided as to whether or not the criteria were potentially being breached. Therefore, we engaged an independent contractor.

**Senator O’BRIEN**—So this committee can take it from the transcript of that meeting between the Allwoods and ATSRAC that ATSRAC made no effort to establish independently whether there was any product differentiation or to do so by the basic expedient of a direct comparison of products and services?

**Mr McDade**—That is correct.

**Senator O’BRIEN**—It was stated in evidence by the Allwoods that the project plans submitted to the council by JAM included a private residence. At the time was ATSRAC aware that this was so?

**Mr McDade**—I do not remember the particular details, but the project money was for the display office of the business part of it. There was no part that I am aware of or can recall—and I do not have a copy of the application before me—that was a private residence. The money was for the business component of it.

**Senator O’BRIEN**—Did ATSRAC subsequently become aware that a private residence was part of the overall project?

**Mr McDade**—I am not sure about everybody, but I was not aware of it. As part of the overall project, no, I was not aware of it.

**Senator O’BRIEN**—Or that it was included in the plans that went to the council?



**Mr McDade**—I do not recall seeing the plans that went to council. I am not saying I did not; I am just saying that I do not recall seeing them. But I do recall that it was a business office or display room that was being established for the business.

**Senator O'BRIEN**—So it would not be the case that ATSRAC asked the proponents to separate the private residence from the commercial enterprise?

**Mr McDade**—We did not, because I am not sure that we were aware of that particular point that you are making. Are you asking me theoretically?

**Senator O'BRIEN**—I am asking you whether that happened.

**Mr McDade**—No, not that I know of.

**Senator O'BRIEN**—According to the transcript you stated that the JAM project 'should, according to the information we have, assist your business'—that is, Tolga Woodworks. Is that correct?

**Mr McDade**—That was the information we were given. The reason for that—even though it might sound different when you take out a quote like that—was that the view of the committee was that, if the JAM project was successful, increased demand through increased tourism would be generated for wood products, from which the Allwoods would benefit as a member of that industry. That was also the situation in a number of the projects that we approved: if we were able to come to the view that that particular project might generate increased business or revenue for an industry in an area, then other people in that industry would benefit from it. They may not be direct competitors, but they would still benefit from it.

**Senator O'BRIEN**—When asked what the information was—that is, the information that ATSRAC had—did you state, 'My understanding is that his products and services are different from yours'?

**Mr McDade**—Did I state that?

**Senator O'BRIEN**—Yes.

**Mr McDade**—I do not remember the exact words of the conversation, but it is my recollection, from what information we were given by JAM proponents, that their products were totally different to the products of the Allwoods. From my recollection Mayor Chapman confirmed that, saying that the two businesses, whilst they were both woodworks and in the woodwork industry, were not in the same market.

**Senator O'BRIEN**—So Mayor Chapman confirmed for ATSRAC that the products made by JAM were different to the products—

**Mr McDade**—I am not sure if he confirmed it for ATSRAC.

**Senator O'BRIEN**—Or just for you?

**Mr McDade**—He certainly confirmed it for me when I had discussions with him. I do not recall whether that was in an ATSRAC meeting, at the meeting with the Allwoods or somewhere in between. But I certainly recall discussing it with Mayor Chapman.

**Senator O'BRIEN**—Do you regard that as a statement that reflects a proper examination of the competitive neutrality aspects of this project?

**Mr McDade**—In hindsight, no, we probably could have done better. At the time I was of the view that we had sufficient information to make that determination. If it turns out down the track that they are in the same business and the committee was being misled by one or more people, then in hindsight it would have been much better to get an independent contractor to assess it—there is no question about that. But I can say that at the time I honestly did not have that view. The information that I had in front of me was sufficient for me to come to the view that we did not need to go to an independent contractor.

**Senator O'BRIEN**—Turning the Atherton hotel, we have had evidence from a number of people from businesses in the town of Atherton who say there was an impact or potential impact on their businesses by this grant. Can you explain how this grant satisfies the competitive neutrality requirement in the face of their comments such as, 'We have an overabundance of contemporary conference facilities,' and, 'The grant gives them'—the Atherton hotel—'an extremely unreasonable competitive advantage; there are a number of immediate regional businesses that will also be affected.'

**Mr McDade**—The information given to the committee, if I am correct in my recollection, was that this was to be a four-star conference facility which was to target the likes of corporate seminars similar to the way the Rose Gums project differentiated itself from similar-looking accommodation facilities. The tourism strategy—again, I am certain in my recollection—highlighted the lack of that type of facility that was being proposed by the Atherton Shire, which was an important tranche of the tourism strategy to attract corporate conferences or additional travellers to the tablelands and to keep them there rather than them coming up and going back down.

A number of those tourism type proposals, of which the Atherton Hotel was seen as one, were dovetailing into a wider regional strategy for tourism in different ways. So you had the Skybury coffee development, the Mareeba Wild Animal Park, the wetlands, the Atherton Tablelands shire and the Rose Gums proposal. When they are looked at individually they seem to be individual projects, but there was a network of projects there in the tourism strategy which was being designed to develop the tourism industry on the tablelands.

I have been to the tablelands many times and I have not seen conference facilities there of the type proposed by the Atherton Hotel. The objectors came and met with the whole committee. They came into the meeting—I think it was the last meeting I was at—and they said that the Atherton RSL and the Mareeba RSL were going to be stuck in the eye by this particular project.

**Senator O'BRIEN**—The international club also.

**Mr McDade**—Do you mean Mareeba International Club?

**Senator O'BRIEN**—No, Atherton.

**Mr McDade**—Atherton International Club. In my view, their facilities are not the type of facilities that this particular project was espousing, and the market the project was targeting was different from the market the existing facilities target. They argued, for instance, that their facilities are underutilised at present. If they are underutilised at present, then it seems to me to be a rather strange investment by a private sector person to go and put another one of those facilities in place.

**Senator O'BRIEN**—Yes, if that is indeed what the purpose of the money is.

**Mr McDade**—Pardon?

**Senator O'BRIEN**—The suggestion that has been made to the committee is that this is simply a way for the hotel to expand its floor area—

**Mr McDade**—Pokies and topless waitresses.

**Senator O'BRIEN**—to move part of its operation into the new area and to free up some of the existing area for other operations. Our attention has been drawn to the successful application for gaming machine licences and the hotel's takeover of the Atherton TAB.

**Mr McDade**—I am not aware of the takeover of the TAB.

**Senator O'BRIEN**—I believe that is the evidence before the committee and I am just drawing it to your attention.

**Mr McDade**—Your committee?

**Senator O'BRIEN**—Yes.

**Mr McDade**—I do not know anything about that. From the information available to us at the time when we recommended that project, and we did see plans of the conference facility there, in my view it was unique.

**CHAIR**—You said that this was going to target a different market or clientele. What evidence was there that that market would exist, or that if this facility were built as a conference centre that would actually produce that result? It could be said that the clientele in the conference industry—if I can call it that—for the existing facilities there, the RSL club and the international club, may shift to a new facility. In other words, it would not be a new market but the same market—but being attracted to a more up-market, better facility. That is not competitive neutrality, is it?

**Mr McDade**—You can make that argument about any grant given to private sector organisations.

**CHAIR**—No, I do not think you can. You cannot make that argument if the facility is totally different or if there is a large body of evidence that shows that there is a real potential for this market to come to fruition if the facility is built. Do you know what I mean?

**Mr McDade**—In the application the proponent is asked to provide their research or market research to establish the credentials of their claims. That is all given to the due diligence contractor yet again. We have to keep in mind that the committee sits for a couple of hours every couple of months. It cannot go through and dissect every market analysis of every project that comes across its table. I think we have to give the proponent the benefit of the doubt that they are not talking absolute rubbish to us. We then put that out to due diligence contractors to verify or clarify. If there is something completely wrong or it does not stack up, particularly for something like that project, you would expect the due diligence process would detect that. They would at least ask, ‘Can we see the data you have based your market research on or your conclusions about the potential for this market?’ If they have not done that I cannot, as chairman of the committee, do any more than say, ‘We’ve got the support of due diligence at an appropriate level. We’ll go ahead with the project.’ But coming back to the point I was making before: any money you give to private industry or the private sector will always free up capital for use in other purposes, maybe for poker machines or maybe for the takeover of the TAB.

**CHAIR**—I understand.

**Mr McDade**—It is an important point because the proprietor of the Barron Hotel, who was one of the main objectors to the Atherton Hotel receiving this grant, received DRAP money and other government grant money some years ago, so I am advised. That in turn, would have freed his capital up.

**Senator O’BRIEN**—He told the committee he got heritage money because of the nature of his building. It is a heritage hotel. I have been there.

**Mr McDade**—I have too. I have had dinner there. But the thing is that that money frees up capital in his business as it frees up capital in the Atherton Hotel business. I am saying the committee could go around and around forever and a day with any proponent objector because at the end of day it is not our position to be arguing that particular thing. That is the government policy area that we are talking about.

**Senator O’BRIEN**—I have a difficulty with the ‘They got some money, so they can’t object’ argument. If the money was to maintain an existing building to preserve its heritage factors and therefore the building was not enlarged—it did not expand the facilities and the like—there may have been some benefit at some level to the owner but the benefit was the maintenance of heritage for the community. If someone is receiving a grant to expand the floor area of their hotel and they can use it for whatever purpose they like once they have done it, I do not see it as the same thing. I do not think you can make a like-for-like comparison. That is my reflection on the evidence we have so far.

**Mr McDade**—This was not just expanding the floor space of a hotel; this was providing conference facilities with a theatre, a stage et cetera. You are not going to run pokies or stick a bar in there and open it up on a Friday night with topless waitresses, which is what we were accused of supporting.

**Senator O'BRIEN**—You could put a dance band in there.

**Mr McDade**—This was a purpose-specific proposal. If, after the approval, the proponent does not comply with that, then the department as the manager of that contract would say: 'No more money. We can't give you the money for that. That's not in accordance with what the project was approved for.'

**Senator O'BRIEN**—It is too late after it is built.

**Mr McDade**—If they have been in breach of the contract, the department can get the money back.

**Senator O'BRIEN**—We will ask the department about that. Thanks for that suggestion.

**Mr McDade**—One would assume, I should say.

**Senator O'BRIEN**—The ATSRAC minutes of 28 and 29 May 2004 stated that DOTARS would provide a 'comprehensive response' to the objectors to this particular project. To your knowledge, was that response ever forthcoming?

**Mr McDade**—This is to the Atherton Hotel?

**Senator O'BRIEN**—Yes.

**Mr McDade**—I do not recall. I am pretty sure the next meeting, the August meeting, was my last meeting. I am not sure whether it was the May meeting or the August meeting that the committee met with the objectors to the Atherton Hotel. I cannot recall, without checking the records, whether a response went back to them.

**Senator O'BRIEN**—The joint submission we have in relation to the Atherton Hotel project raises the issue of community support. It states:

We asked—

that is, the joint submitters—

the question at this meeting—

that is, the meeting with ATSRAC—

who supported the project and were told that the letters of support were "secret".

Is that right?

**Mr McDade**—I do not recall saying that. One of the questions on all applications and expressions of interest asks, 'Do you agree to the release of the information you have provided to a third party?' If they say no then the committee does not release any part of that information

to anybody. They can always go to the proponent and ask them for it. If the proponent says no, they cannot have it. Of course, they can always try to get it through the Freedom of Information Act if they want to go that route. But, if they say yes, then the information would be made available.

**Senator O'BRIEN**—In this case, do you know whether—

**Mr McDade**—No, I do not. I would have to check the record to see whether they said yes or no. I do not recall saying it was secret. I would not have said it was secret. I might have said it was bound by confidentiality at the discretion of the proponent, but I would not have used the word 'secret' because it is a pejorative, in my view.

**Senator O'BRIEN**—Can you give this committee an idea of the level of support for this project, when and where the support came from and in what form?

**Mr McDade**—Again, not having the application in front of me, it is hard. Attached to the application, I do recall, were either individual letters or a summary of a list of letters. There were a number of businesses in town that did support the project. There were levels of support expressed in the application or expression of interest but, again, I cannot comment any further than that.

**Senator O'BRIEN**—You do not know if they were businesses separate and at arm's length from the proponent?

**Mr McDade**—I was led to believe they were, like other businesses in the town centre. If they were owned by the proponent but under a different trading name, I was not aware of that and was not made aware of that, and I should have been if that were the case.

**Senator O'BRIEN**—According to the ATSRAC recommendations supplied to the committee, one grant recommended by ATSRAC is \$356,754 to the Tablelands Economic Development Corporation on behalf of the tablelands future group. Apparently, this was to develop a regional communications strategy. However, it does not appear in the DOTARS list of approved, not approved or withdrawn projects. Can you tell us what happened to this project? Did it produce a regional communications strategy?

**Mr McDade**—Can you give me the date of that again?

**Senator O'BRIEN**—I have not got the date in front of me.

**Mr McDade**—It is coming back to me. We did make a recommendation on that. I was in Canberra here for the chairman's conference, I believe.

**Senator O'BRIEN**—In the list provided to the inquiry by DOTARS, I can see an approved grant to the Tablelands Economic Development Corporation for \$150,000 to produce a report on the food and fibre hub, but I can find no recommendation on that project.

**Mr McDade**—Let me explain. The reason the Tableland Economic Development Corporation, or TEDC, were there is that they were the accounting or contract administrator for a

fee arrangement there on behalf of the department. If we had a group of people like the communications strategy and we needed a local manager of the administration of the contract process, the money was channelled through TEDC. That is what TEDC's role was. They did not actually do the research or the communication.

**Senator O'BRIEN**—But the grant would be made to them and the application would be made by them.

**Mr McDade**—It would go through them. I do not know if it was paid through them; I think it was paid directly to the proponent. But it was processed or administered by TEDC. You would have to clarify with the department the actual mechanics of the accounting. The communications strategy certainly was recommended. I am not sure that it received support down here.

**Senator O'BRIEN**—It is not on the department's list in any of the three categories: approved, not approved or withdrawn.

**Mr McDade**—I cannot explain that, but it certainly was sent down and recommended.

**Senator O'BRIEN**—And you do not think it was funded.

**Mr McDade**—I do not think so.

**Senator O'BRIEN**—Is it connected with the \$150,000 to TEDC?

**Mr McDade**—No, not at all. The TEDC funding was to engage Pinnacle Consulting Group to do a report on the potential for a food and fibre hub.

**Senator O'BRIEN**—But I cannot find a recommendation on that project.

**Mr McDade**—On which project?

**Senator O'BRIEN**—The funding to TEDC for the food and fibre hub.

**Mr McDade**—The \$150,000 was for Pinnacle to do that report. They did the report. I think the food and fibre hub is now called the Centre for Business Development. We set up a future directions group with about 23 local community leaders on it. As I recall, that was still in the process when I left. I am not sure whether it had formally been recommended to the minister.

**Senator O'BRIEN**—But who recommended it to ATSRAC?

**Mr McDade**—ATSRAC developed that itself. We received, in the early life of ATSRAC, quite a large number of proposals from small food-processing and manufacturing operations on the tableland. We considered the situation. We ran two or three public meetings to gauge the level of support from the community as to whether or not we should develop this further to see whether we would do cottage type approvals across the region or whether we would look at the potential for a major development of a food and fibre hub somewhere in the region—either a central hub or a satellite hub. That proposal came out of ATSRAC itself. The \$150,000 was approved by the minister. We engaged the consultants, they gave the report and then we set up

the futures group. It was in the process of going through from there to the minister, as far as I am aware.

**Senator O'BRIEN**—The committee has heard evidence that ATSRAC acted on a principle of a fifty-fifty ratio of government funds to contributed funds sought. Is that correct?

**Mr McDade**—Minimum. We sought that. In the initial stages there was no hard and fast rule laid down by government to say: 'You've got to have fifty-fifty.' Look at the Golden Circle project, for instance. They received probably two-thirds of the money for a particular research project they were doing to potentially export corn to Japan. They had a fair bit of market research done. As the committee evolved, and in discussion with the department et cetera, we came to the view that we should look for, as a minimum—and put the word out there—that if it is a private investment proposal then there should be at least a fifty-fifty contribution. That did not mean that we would automatically say, 'If we're going to give you approval or give you the nod, you will get the fifty-fifty.' We might take the view, as we did on a number of occasions, that we should recommend a lesser amount to the minister and put that in the ratio of two to one.

**Senator O'BRIEN**—So that was ATSRAC's decision; it was not a recommendation or a guideline—

**Mr McDade**—No. That is right; it was ATSRAC's decision at the end of the day.

**Senator O'BRIEN**—In her capacity as the department's first assistant secretary for regional programs, Ms Leslie Riggs said of ATSRAC:

What strikes me as I look at the projects that have been supported in the Atherton region is that it is hard to see how a number of smaller projects contribute to a more sustainable future, viewed on a regional basis. I can see that each of them has merit at an individual level for a very small part of the Tableland, but I cannot see how the committee has brought those together into a strategic view of a platform for a more sustainable future.

How do you react to the head of the implementing body, in effect, telling ATSRAC that what it was doing did not meet the Sustainable Regions aims and objectives, that project assessment guidelines had not been adhered to and that regional priorities had not been followed?

**Mr McDade**—She was wrong.

**Senator O'BRIEN**—It is as simple as that?

**Mr McDade**—I said that to Leslie Riggs and in fact I received a form of apology from her, in the sense that she said she probably chose the wrong words, or not the best words, to express herself. But what she said, in my view, represented a myopic view of what ATSRAC was doing, the adversity that ATSRAC was working under and the difficulty of trying to engage the community in consultation in a new way which had not been done by government before, as far as we were advised. She came on the job, was new in the job and took a very strong view. In fact, as I said before, she was the one who arbitrarily changed the due diligence process to say, 'Let the committees recommend the level of due diligence that should be required.' I disagreed with her on that too.



**Senator O'BRIEN**—So Ms Riggs changed that process?

**Mr McDade**—Yes, and it has since been changed back, I believe.

**Senator O'BRIEN**—By Ms Riggs?

**Mr McDade**—I do not know.

**Senator McLUCAS**—What was the reason that Ms Riggs gave ATSRAC for changing that due diligence process?

**Mr McDade**—Because the department was spending too much money on projects' due diligence that need not have been spent. How she came to that view I do not know, because the department was the one doing it, not me or the committee. And it was appropriate for the department to do it, to decide what level of committee. I have no difficulty in saying that, if the committee were of the view that this was a local government thing, we would support a lower level of due diligence. But at the end of the day it is not the committee's decision. It is the department's decision and the committee should be kept independent of that. That is why I was not even prepared to say that we would make that recommendation. But we were told we had to, so we did it.

**Senator McLUCAS**—Did you feel able to make that judgment about whether it needed low—

**Mr McDade**—Only as far as local government was concerned. I think \$250,000 or \$500,000 was the cut-off figure for the big one. Even for an Atherton Tableland one I thought it was appropriate to do the extensive due diligence, because there can be substantial costs involved. There might be market research and social implications involved, which is all part of the due diligence process from a local government point of view. But, with the private sector one, to my mind it was like flying a jet without any instrument guidance at all through cloud into the side of a mountain, because you do not know what is out there. You do not know what you are recommending on.

**Senator O'BRIEN**—ATSRAC is a discretionary program; ministers have the ultimate say on grant approvals. Do you think they must accept final responsibility for the outcome in cases such as the Mareeba Wild Animal Park?

**Mr McDade**—Does that include all the successes as well?

**Senator O'BRIEN**—If they are going to get responsibility for the outcome, it is the wins and the losses.

**CHAIR**—You can assume that they would take credit for the successes!

**Mr McDade**—I think they might take credit for the actual approval and for the project, but the point I was making is that the eventual outcomes can take so long to be realised. The Mareeba Wild Animal Park was a very unfortunate project. Against all the information we had been given about due diligence, the good standing of the project and what I had seen of the

project as far as infrastructure was concerned, it went into administration, or liquidation, three or four months after it was opened. To my mind, that was completely unexpected. Could I accept responsibility for that outcome? I do not think I could accept responsibility for that outcome. Through my committee, I recommended that funding be approved for that particular project. With the minister relying on the recommendation of the committee, I do not know if you could necessarily say they have to accept responsibility for the outcomes in due course. One would hope that the purpose of any program like that would be to underpin, enhance and advance the sustainability of the region, which is the main purpose of the program. By implication—by definition—you may not see the outcomes of a lot of that work in the lifetime of a particular parliament or project per se.

Some of the capacity development work that we did on the tableland will continue to seed and grow over the next five, 10 and 15 years. How do you accept responsibility for that, that far down the track? I am not sure. I am not trying to be evasive. I would expect that the minister ultimately accepts responsibility for making the decision to give government money away. To the extent that he has done that in accordance with due process, he is accountable. To the extent that the committee and its processes have let the system down, if at all, the committee is responsible. But ultimately the minister would wear the responsibility for the committee's failure in that regard as well. As for responsibility for the actual outcome of the project, I would argue it is open to debate.

**Senator O'BRIEN**—Did the minister or any parliamentary secretary or their staff suggest or recommend any project to ATSRAC?

**Mr McDade**—Did they recommend approval of any project?

**Senator O'BRIEN**—Did they recommend that you investigate any particular project?

**Mr McDade**—I just want to clarify that. Did they recommend that we consider a particular project?

**Senator O'BRIEN**—Yes, did they recommend that you consider a particular project.

**Mr McDade**—Yes. They never at any stage recommended that we approve a project.

**Senator O'BRIEN**—Which of the projects came to you on the suggestion or recommendation of ministers, parliamentary secretaries or their staff?

**Mr McDade**—One was A2 Milk. I believe it would have come to us in due course anyway. It was not recommended to us that we approve that project but I was contacted as asked if the committee would consider a project from the A2 Milk people.

**Senator O'BRIEN**—Who contacted you?

**Mr McDade**—It was Wendy Armstrong from the minister's office.

**Senator O'BRIEN**—Wendy Armstrong from which minister's office?

**Mr McDade**—Minister Anderson's office.

**Senator O'BRIEN**—How did you deal with the minister's office in relation to that request?

**Mr McDade**—I said, 'By all means give my name and number to the proponents, they can contact me and I will meet with them.' As with any proponent who contacted the executive officer or whoever, they could put in an application to the committee in due course. This is the one we discussed in Cairns, you will recall. I met with Ken Crooke and two or three representatives from A2 at the Ferny Grove Tavern in Brisbane, where I outlined the process of the ATSRAC in regards to the expression of interest stage, the application stage, the timings, the information required et cetera. The outcome of that was that they would put to the committee a letter outlining their proposal in all the detail required by the committee. I said to them: 'If that's the case, it'll be tabled at the meeting as incoming correspondence. If it meets the criteria for an expression of interest then it would be considered as an expression of interest. If it doesn't meet the criteria for an EOI, it won't be.' As I said at the last meeting with the committee in Cairns, what we received at the committee level was not sufficient for the purposes of an expression of interest and it went no further with our committee.

**Senator O'BRIEN**—Is that the only case where a project—

**Mr McDade**—That is the only one that I can recall. There could have been occasions when people from the department might have rung and said: 'There is somebody making inquiries about the program in your region who's in town. Can you meet with them?' I cannot recall any offhand but I am sure there would have been cases where we had open conversations or lines with the minister's office. If they wanted me to talk to somebody then they would let me know.

**Senator O'BRIEN**—I am just seeking to find out how they exercised that.

**Mr McDade**—To my mind, I can honestly say with no compunction whatsoever that I was never at any stage in my chairmanship of the committee put under any form of political or other pressure to approve any particular application or to do anything that I would have found otherwise unpalatable. I made it very clear to them right at the beginning when they first asked me if I would prepared to be appointed that if that were to happen I would resign immediately; I would have nothing to do with it. It never happened. I was never put under any pressure as chair to approve or decline a particular proposal.

**Senator O'BRIEN**—Thank you for that. In relation to the four mayors on your committee, in the ATSRAC minutes of the 21 to 22 March 2002 meeting it is stated that committee members discussed the issue of conflict of interest and:

Pending advice to the contrary from DoTaRS, proposals put forward by councils need have ATSRAC member abstain.

And then it goes on:

... awaiting advice from DoTaRS.

Did the department ever provide that advice?

**Mr McDade**—I believe they did. The conflict of interest criteria for the project said that if there was any personal or private conflict of interest then that member had to abstain from voting and leave the room unless the committee agreed otherwise. The question that then arose was how to proceed. For instance, on the Mareeba airport project or the incubator project, was that perceived as Mayor Borzi having a conflict of interest in sitting on the committee, deciding whether or not to vote on that? Or should he leave the room altogether? The answer was: no, it did not represent a direct conflict of interest for the mayor to consider and vote on those proposals. I can remember asking the question, ‘Well, to the extent’—

**Senator O’Brien**—That is what the department told you?

**Mr McDade**—Yes, based on legal advice, I believe.

**Senator O’Brien**—Did they give you any documentation to that effect?

**Mr McDade**—A copy of the legal advice?

**Senator O’Brien**—Yes.

**Mr McDade**—No, we were just advised. I can recall asking the question, ‘Look, if there is a perception there that the mayor is voting for his proposal in order to gain more votes at the next election, is that a perceived direct conflict of interest?’ The answer was no.

**Senator O’Brien**—I ask because the DOTARS list shows that councils received grants for the following projects: Atherton Shire, @GIS and the Lake Tinaroo foreshore redevelopment; Eacham Shire, Malanda Dairy and Harold West Walkway; Mareeba Shire, Mareeba industrial estate; and Herberton Shire, Mountains Institute and Great Northern Mine. I take it that no mayor abstained from or left the proceedings in relation to any of those projects?

**Mr McDade**—I cannot say. I am not sure that none of them abstained. I would have to check the record.

**Senator O’Brien**—If you would.

**Mr McDade**—But they did not leave the meeting. It was my view as independent chair that it was beneficial for them to be in the meeting, because if it was a council proposal they were the ones who knew the most about it, so the committee could ask questions of that person. It was of benefit to the committee to have them there when we considered the proposal. Whether they actually voted on them, I do not recall. I think Mick Borzi did abstain from voting on a couple of occasions, but whether that was for Mareeba Shire Council projects I do not know. I would have to check.

**Senator O’Brien**—If you could check that, I would appreciate it.

**Mr McDade**—I cannot guarantee I can get you that information, but I will do my best.

**Senator O’Brien**—Thanks for that. Can you tell us why ATSRAC, under your leadership, did not provide more support for the funding of water infrastructure at Dimbulah?

**Mr McDade**—I do not have any information on the Dimbulah water project. I do not recall. It might have been knocked out at the expression of interest stage. I do not remember the details of the particular project, so I cannot answer your question.

**Senator O'BRIEN**—The evidence we have been given is that the proponents were told the project did not fit the guidelines. Do you recall that?

**Mr McDade**—No. As I say, I would have to look at the file and find out what the situation was, because I honestly do not recall that particular project, its details or the reasons it did not get through. But if it did not proceed it would have been at the expression of interest stage because otherwise there would have been a formal decline of an application—which it did not get.

**Senator O'BRIEN**—All right. I would appreciate it if you could advise us further about that. That is a project that seems to have been meritorious and the advice was that it did not fit the guidelines—that is what the proponents tell us they were told.

**Mr McDade**—I would have to check the record. Do you have any idea of the date?

**Senator O'BRIEN**—I do not have it in front of me, but we can check *Hansard* and let you know—that is, if *Hansard* reveals it.

**Senator McLUCAS**—I want to follow up on the Dimbulah question. I understand there was a workshop or a planning event that was held in Dimbulah. I imagine it would have been early in the life of ATSRAC. You referred earlier to workshops or community meetings that were held. Can you give us an understanding of how they were structured? Who ran them? What was the purpose of those meetings?

**Mr McDade**—There were a number of different types of meetings. They were not so much workshops as information seminars or meetings. For instance, for the first four meetings we met with business and community leaders at a dinner in each of the major centres of the four regions—Atherton, Mareeba, Herberton and Ravenshoe. We did a formal presentation outlining the objectives and the criteria of ATSRAC and what our processes were at that point. We also had quite a number of community capacity development meetings where we met with targeted sectors of the community to talk about their particular concerns or issues. We also had Peter Ellyard run a number of sessions on future visioning of the tablelands, which again was a different format.

I have been to Dimbulah many times, but I do not recall the meeting there. I do not recall a planning workshop there per se, but it possibly was a public information meeting. As part of capacity development, we also did an extensive survey of the residents of the tablelands. There were a number of meetings held with regard to that. There were workshops held over a number of days in that particular point in Atherton and also, I believe, in Mareeba. There was feedback sought from that survey and then given back to the community. There were the food and fibre public meetings held across the region as well. So the particular one at Dimbulah escapes me for the moment.

**Senator McLUCAS**—The group that came to give evidence in Cairns talked about—

**Mr McDade**—What was the group?

**Senator McLUCAS**—It was a group of local residents from Dimbulah.

**Mr McDade**—Have you got any names that might spring my memory?

**Senator McLUCAS**—No, not off the top of my head. But they were talking about a half-day event where people broke up into groups and went and wrote things on butchers paper and came back and shared and came to a collective view. It was at that meeting—and I am trying to ascertain who it was run by, whether that was run by ATSRAC or by whom—

**Mr McDade**—It probably was run by ATSRAC, but most probably by our executive officer. We had similar workshops like that at Tolga for the women's development et cetera. The Dimbulah one would have been run by the executive officer, because I have no recollection of being there. I was at the Tolga one and I was at most of the other public ones, but I do not recall the Dimbulah one. I would not be surprised if it was an ATSRAC one and run by our executive officer.

**Senator McLUCAS**—My recollection is that it was at that meeting that they were told augmentation and upgrade of the Dimbulah water supply would not have fitted the guidelines. I was wondering on what basis the executive officer could have given that direct advice to that workshop?

**Mr McDade**—I do not know. Sometimes we have a departmental representative at those meetings as well as the executive officer, and possibly one of the members of the committee. I have no recollection of that, but it could well have been the executive officer and/or a departmental officer who, having regard for what they had been told, have said something. Certainly, if it was local government, for argument's sake—Dimbulah is in Mareeba shire, I am pretty sure—

**Senator McLUCAS**—Yes, it is.

**Mr McDade**—If that particular project fell within a government funding program that specifically targeted that type of work anyway, then that was outside the ATSRAC purview. So, consequently, it might be that it was still a worthwhile project, but it was one that we could not deal with. I do not know; I am simply guessing.

**Senator McLUCAS**—I am interested in your comment about if it was something that was local government funded. The upgrade of the Mareeba industrial estate one could say could be local government funded.

**Mr McDade**—And that was a major point of debate on that project.

**Senator McLUCAS**—I think that it will have enormous economic benefit to the northern end of the Atherton Tableland.

**Mr McDade**—It was a major point of debate between the department, the committee and the Mareeba Shire Council in the long run about whether or not that project should have been funded more appropriately under a different government program.

**Senator McLUCAS**—But that application was accepted by ATSRAC whereas the Dimbulah water supply augmentation, you seem to say, would not have been accepted because it was a local government—

**Mr McDade**—I am simply guessing. I do not know why it was rejected. I would really need to find out why it was rejected.

**Senator McLUCAS**—Would you mind having a look to see if you can?

**Mr McDade**—I will try. As I said, I am no longer the chairman of the committee.

**Senator McLUCAS**—I understand that.

**Mr McDade**—I have no recollection of it, so I do not know where I am going to look. But I can ask the department to see if they have some information on it and I can make inquiries of the committee, which I think is still going at the moment. It is coming towards the end of its tenure.

**Senator McLUCAS**—That would be helpful, thank you.

**CHAIR**—Thank you, Mr McDade, for your attendance today. It has been a rather long afternoon and evening and we appreciate you coming. There are a number of issues that have been raised that you are going to check on; the committee secretariat can send you a copy of today's *Hansard* to help you remember those items you have to respond to. Thank you also to the Hansard and secretariat staff.

**Committee adjourned at 8.22 pm**