



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES  
COMMITTEE

**Reference: Regional Partnerships Program**

THURSDAY, 11 AUGUST 2005

CANBERRA

BY AUTHORITY OF THE SENATE



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## SENATE

### FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Thursday, 11 August 2005

**Members:** Senator Forshaw (*Chair*), Senator Watson (*Deputy Chair*), Senators Fifield, Moore, Murray and Stephens

**Substitute members:**

Senator Barnett for Senator Watson

Senator Carr for Senator Stephens

Senator Johnston for Senator Fifield

Senator O'Brien for Senator Moore

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

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

**Terms of reference for the inquiry:**

To inquire into and report on:

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

**WITNESSES**

**ADAM, Mr David Lindsay, Managing Director, Central Ranges Natural Gas Pipeline Pty Ltd ..... 24**

**BYRNES, Mr Raymond Valentine, Mayor, Eacham Shire Council ..... 1**

**CHAPMAN, Mr James Douglas, Mayor, Atherton Shire Council..... 1**

**CHURCH, Mr Ian Michael, Chief Executive Officer, Eacham Shire Council..... 1**

**MALCOLM, Mr Gordon, Chief Executive Officer, Herberton Shire Council ..... 1**

**PORTESS, Councillor Anne, Mayor, Herberton Shire Council..... 1**

**THOMAS, Mrs Margaret Louise, Chairman, Central Ranges Natural Gas and  
Telecommunications Association Inc. .... 24**



**Committee met at 3.32 pm**

**CHAPMAN, Mr James Douglas, Mayor, Atherton Shire Council**

**BYRNES, Mr Raymond Valentine, Mayor, Eacham Shire Council**

**CHURCH, Mr Ian Michael, Chief Executive Officer, Eacham Shire Council**

**MALCOLM, Mr Gordon, Chief Executive Officer, Herberton Shire Council**

**PORTESS, Councillor Anne, Mayor, Herberton Shire Council**

*Evidence was taken via teleconference—*

*Witnesses were then sworn or affirmed—*

**CHAIR (Senator Forshaw)**—Welcome. There are a couple of introductory matters. This inquiry is into the administration of the Regional Partnerships program and the Sustainable Regions Program. We have held so far 15 public hearings in various parts of Australia. Submissions and *Hansards* of evidence have been published and are available on the committee's web site.

I point out to you that evidence given to the committee is protected by parliamentary privilege. This means that witnesses are given broad protection from action arising from what they say. The Senate does have power to protect any witnesses from any action which disadvantages them on account of evidence given to the committee. I also point out that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. We prefer to conduct our hearings in public, and this hearing is in public. It is also, of course, been recorded by Hansard. However, if at any time there are matters which you feel you need to discuss with the committee in private, please indicate that at the time and we will then consider any such request. Do you have any comments to make about the capacity in which you appear today?

**Mayor Chapman**—I am also a member of ATSRAC.

**Mayor Byrnes**—So am I.

**Mayor Portess**—I am too.

**CHAIR**—It is normal practice before we go to questions to ask if any witnesses would like to make some brief opening comments. Would any of you like to make a comment at the outset?

**Mayor Byrnes**—Yes. Yesterday I faxed a statement to the committee. I trust that has arrived. It is headed: 'Mayoral task force applauds government assistance for Atherton Tablelands'. That statement embodies a distillation of the attitudes of the four mayors who prior to the establishment of ATSRAC were members of the tableland task force. I would like the comments in that press release to be taken as comments which I fully support.

**CHAIR**—Thank you. We have received that document. It came to us with a covering fax from the Eacham Shire Council. Are you talking about the press release of a page and a half?

**Mayor Byrnes**—Yes.

**CHAIR**—Would you like that to be received as evidence?

**Mayor Byrnes**—Yes.

**CHAIR**—Is it the wish of the committee to accept the document as an exhibit? There being no objection, it is so ordered. Does anyone else wish to make a comment before we proceed to questions?

**Mayor Portess**—Is it possible to make comments later, when we know what questions are to be asked?

**CHAIR**—Yes. The procedure is that senators will ask questions and you will each be given an opportunity to answer them if they are specifically directed at you. If you wish to add a comment or further remarks in answer to a question, you may. We will get under way.

**Senator O'BRIEN**—I wonder if one of the witnesses could give us some idea of how ATSRAC was established and how each of the mayors came to be appointed to it.

**Mayor Portess**—We were appointed by the former Deputy Prime Minister, John Anderson.

**Senator O'BRIEN**—How did ATSRAC come to be established before you were appointed?

**Mayor Portess**—Funding was allocated by the federal government to a number of regions around Australia to deal with structural change that had occurred that significantly impacted on the social and economic wellbeing of those regions. We were identified as one of those regions because over a number of years we had been negatively impacted on by the closure of the tin industry, a great reduction in the timber industry, the demise of the tobacco industry and also the growing impact on the dairy industry.

**Senator O'BRIEN**—How did the mayors come to be appointed?

**Mayor Portess**—As I said earlier, we were directly appointed by the former Deputy Prime Minister on the basis that we had been elected by constituents in each shire to represent their interests.

**Senator O'BRIEN**—I am trying to ascertain whether that decision was the subject of some discussion before it was made—that is, whether there was a consultation with some group or other about how ATSRAC should be structured before the decision was made.

**Mayor Portess**—I would not have a clue how we were appointed within the realms of Canberra. You would have to ask down there.



**Senator O'BRIEN**—So there has been no discussion with the region as to how ATSRAC should be structured? Is that what you are telling me?

**Mayor Portess**—Any discussion, if you can look at it figuratively, occurred through the election process, when we were elected by a majority vote at local government elections.

**Senator O'BRIEN**—With respect, that is about your local government office. The appointment, you are telling us under oath, was made in Canberra and without consultation with you prior to the event.

**Mayor Portess**—As I said, you would have to ask down in Canberra whether there was any consultation and with whom. But we were all elected by a significant majority in our respective shires.

**Senator O'BRIEN**—Were any of the mayors consulted about appointment and the structure of ATSRAC before the appointments were made?

**Mayor Portess**—What do you mean?

**Senator O'BRIEN**—I mean: did anyone talk to the mayors collectively or individually with regard to the appointment of the mayors from the region to the ATSRAC—the sustainable regions authority?

**Mayor Portess**—We were asked if we would accept the nomination and we all said yes.

**Senator O'BRIEN**—And that was the extent of the consultation?

**Mayor Portess**—As I said, I do not know who else they talked to. You would have to ask them.

**Senator O'BRIEN**—I am asking all the witnesses.

**Mayor Byrnes**—I am the most recent appointee. I was appointed last May after the local government elections, when the previous Mayor of Eacham Shire was unsuccessful. He was previously a member of this committee. I was written to and asked if I would be prepared to serve on the committee and I indicated that I would. I understood that prior to ATSRAC being formed there was already a mayoral task force in existence on the tablelands that included the four mayors, who had done quite a bit of discussion and work collectively to try and address some of the issues that were plaguing this part of the country. I think it was probably a fairly short step from that, when this committee was being thought about in the federal government, to look at those mayors who had already initiated action here to possibly become involved in this ATSRAC process. I think that is probably where it started.

**Senator O'BRIEN**—That is helpful, Mayor Byrnes, and that is indeed what my original questions were designed to elicit: just what the basis of the appointment of mayors was and where it came from. So there was a structure in existence previously which was in effect adopted or transferred to the governing body of ATSRAC?

**Mayor Byrnes**—It was a relatively informal arrangement, but, yes, it was nevertheless in place.

**Mayor Chapman**—I can support that. There was a written offer of appointment—

**CHAIR**—Mayor Chapman, the telephone line you are on was breaking up then. Are you on a speaker phone?

**Mayor Chapman**—Yes. Can you hear me now?

**CHAIR**—Yes, we can. Thank you.

**Senator O'BRIEN**—I would like to ascertain whether there were discussions leading up to the establishment of ATSRAC which led to an agreement that the structure of the previous body would be transferred and become the governing structure of ATSRAC. By 'discussions' I mean discussions with the government.

**Mayor Chapman**—No—

**CHAIR**—Mayor Chapman, your telephone line is breaking up again.

**Mayor Chapman**—There was no discussion—it was not only the task force; there was a chairman of the committee as well—

**Senator O'BRIEN**—In previous evidence this committee was told there was substantial doubt that the extensions to the controversial hotel would be used solely as a conference centre. Can you give us any guarantee that this room if it is built can only be used wholly and solely as a conference centre?

**Mayor Chapman**—No. There is no requirement that it be used wholly and solely as a conference centre. Like all conference centres they can be used for anything else, for whatever the owners wish. The purpose of it is that of a conference centre for numbers of people anything over—

**Senator O'BRIEN**—Your telephone line is still breaking up, but I took it from your answer that you were saying that there is no restriction on the use of the extension simply for conferences, that it could be used for any other purpose consistent with the general use of the property.

**Mayor Chapman**—You are now talking about the Atherton Hotel and not the Barron Valley Hotel, aren't you?

**Senator O'BRIEN**—Yes. So that is right?

**Mayor Chapman**—Yes.

**Senator O'BRIEN**—The committee has been told there were strong reservations about car parking in relation to the approval of that development. Three witnesses gave evidence about

possible council plans to obtain some of the grant money and use it for its car park. Mr Michael Nasser told us that he had a meeting with you, Mayor Chapman, probably in February 2004 and that you said words to the effect, 'We'll grab some of that money for an extension to our car park.' Councillor Len Curtis of Atherton Shire stated in his evidence that the hotel would have to:

Tip in \$150,000 towards our car park ... as part of the deal.

There was other evidence to the same effect. On what basis did you believe that Atherton Shire Council was entitled to any of the grant money to the Atherton Hotel?

**Mayor Chapman**—Firstly, it was not grant money. Of course, you would be well aware that a grant requires money put in by the owner. In this case it was considerably more than the grant and any car parking moneys would come out of the owner's funds. As to the statement that we would grab some money from the grant, I think you should look at the truth of that statement by Mr Nasser. It is quite untrue. The amount actually for the car park was somewhat less than \$150,000—probably closer to \$105,000.

**Senator O'BRIEN**—Is it true, nevertheless, that there was an intention to take advantage of the fact that the applicant had received money to be able to obtain the \$105,000 for the council's car park?

**Mayor Chapman**—No, that is wrong. Had there been no grant and the project had gone ahead with the owner supplying all the finance, it would have been exactly the same conditions.

**Senator O'BRIEN**—Has there been any communication between you and the project proponents or any other people saying that the hotel would in fact make a contribution from its grant to a proposed council car park?

**Mayor Chapman**—No.

**Senator O'BRIEN**—So you have not spoken with anyone about part of the grant being used to fund the car park.

**Mayor Chapman**—No. I can recall the conversation with Mr Nasser when he approached me. He was upset because they had got a grant, despite the fact that he had already had two and has, since then, had another government grant for his hotel. In the discussion it was said that there would be some contributions for external car parking for that project, and that is where it was left.

**Senator O'BRIEN**—So has the council passed any resolution relating to a council car park and approvals for the Atherton Hotel project?

**Mayor Chapman**—The Atherton Hotel project has gone through council. That was one of the conditions of the approval.

**Senator O'BRIEN**—So one of the stipulations was that there be a contribution of \$105,000 towards the council car park.

**Mayor Chapman**—Approximately \$105,000.

**Senator O'BRIEN**—How many car parking spaces are available to the hotel at present?

**Mayor Chapman**—I could not answer that straight off. I would not know, sorry.

**Senator O'BRIEN**—Could the committee receive copies of the relevant council documents and minutes relating to the Atherton Hotel application matters?

**Mayor Chapman**—Are you referring to the application to develop the project?

**Senator O'BRIEN**—Yes.

**Mayor Chapman**—Yes. They are public documents and they are available.

**Senator O'BRIEN**—I would appreciate if the committee could be supplied with them. It is normal that the committee be supplied without having to make another request.

**CHAIR**—The secretary, Mr Sands, will be in touch with you in the next couple of days, Mayor Chapman, to make arrangements for that material and any other material that may end up being required by the committee.

**Mayor Chapman**—Thank you very much.

**Senator O'BRIEN**—I ask this question to any of you who can answer it. What consideration was given by ATSRAC to the proposal for funding to improve the Dimbulah town water supply?

**Mayor Portess**—What funding proposal?

**Senator O'BRIEN**—I understand that there was consultation with the town about their water supply. Are you saying that members of ATSRAC are not aware of the desire of the people of that town for funding for their water supply?

**Mayor Portess**—They did not put in an expression of interest before the closure date of consideration for expressions of interest. We are aware, through the press, of their interest in having improvements made but, as the project is rapidly running out, we had to determine whether it was appropriate to accept further expressions of interest. We determined not to and we heard after that that they were interested. Perhaps they spoke to the executive officer. If they did, they would have been told, I assume, that we were not considering any more expressions of interest. So we did not seek anything from them, let alone an application, because the time frames were not appropriate.

**Mayor Byrnes**—That is my understanding and recollection of the process that took place.

**Senator O'BRIEN**—Do I take it that none of the witnesses appearing today had any direct consultation with the town of Dimbulah about their desire for funding from the ATSRAC program for their water supply?

**Mayor Byrnes**—No.

**Mayor Chapman**—No.

**Mayor Portess**—No.

**Senator O'BRIEN**—Did the executive officer not report the nature of the discussions that were had between the executive officer and the people of that town about their desire to apply for funds?

**Mayor Portess**—He may have commented—correct me if I am wrong, Ray and Jim—but, as stated earlier, we had determined that we were no longer able to consider further expressions of interest because we did not have enough funds to distribute, let alone have the time to consider expressions of interest and then subsequent applications. So we may have had discussions with them, but they were too late.

**Senator O'BRIEN**—When they were considering funding, you were out of funds and it was too late.

**Mayor Portess**—We had a cut-off date or a time when we said we could no longer consider any more projects.

**Senator O'BRIEN**—What was that date?

**Mayor Portess**—I do not know the date—it was a few months ago—keeping in mind that we have been told consistently money has to be expended after the date of approval by next year.

**Mayor Byrnes**—I do not recall the executive officer raising this issue, but he may have. The first I knew of it was a report in the press about a meeting with Senator Jan McLucas at Dimbulah back in March.

**Senator O'BRIEN**—So no-one was aware of any of these matters arising before March 2005?

**Mayor Portess**—Only through the newspaper.

**Senator O'BRIEN**—Of course, we do not have the mayor from that area who is on ATSRAC here with us today, do we?

**Mayor Chapman**—No. He is not present.

**Senator McLUCAS**—I would just like to finish off that question on the Dimbulah water issue. It has been put to the committee that there was a consultative process some years ago held in Dimbulah, where the issue of augmentation and improved quality of water was raised. It was put to us at that time—and my recollection is not absolute on this—that the community members were advised that it did not fit within the scope of ATSRAC. We have conflicting evidence on that point. From your experience, can you give us an indication of whether or not a proposal of

the nature of augmentation and improved sanitation of the water would have fitted within the scope of the ATSRAC grant moneys?

**Mayor Portess**—One of the criteria that was established originally to which we have to adhere strictly is that, where other government sources are available to fund a project, they should be considered. For local government water infrastructure, there are a number of local government projects, community programs and, of course, the local council is an obvious contributor also.

**Senator McLUCAS**—Sorry, Mayor Portess, you are breaking up a little. Am I hearing you right to say that you think that it was probably outside the scope of ATSRAC?

**Mayor Portess**—We would have encouraged them to go and gain funds from other relevant government sources. A number of government sources are available for that purpose. If it had been put to us directly, that would have been our recommendation. As has been said, the three of us were not approached directly.

**Senator McLUCAS**—I want to go to the ATSRAC minutes of March 2002. They say that the issue of conflict of interest was discussed at that meeting. How did you come to discuss the issue of conflict of interest?

**Mayor Portess**—What was it in relation to? Can you recall?

**Senator McLUCAS**—The minutes say that members discussed the issue of conflict of interest and it was agreed that, pending advice to the contrary from DOTARS, proposals put forward by councils need not have no ATSRAC member abstain. They then go on to discuss pecuniary interest and finish off by saying that members will await further advice from DOTARS on this issue. I am trying to understand what it was that motivated a discussion around the question of conflict of interest.

**Mayor Portess**—Jim, I can recall that session. Can you recall it?

**Mayor Chapman**—Yes. Just like at any council meeting or anything else, if there is any doubt over whether or not there would be a conflict of interest, it is sorted out. That is what happened there, where, if a proposal came from a council or through a council and the question arose over whether or not there was a conflict of interest, it was sorted out to the satisfaction of DOTARS and the committee.

**Mayor Portess**—I endorse that. The queries were in relation to projects nominated by our individual council. The original eligibility was determined to include local government, but we had not actually had a discussion as to whether or not, if our own council put in an application, we could participate in the discussion, and that discussion would have been held in 2002.

**Mayor Byrnes**—I was not on the committee at that time, so I cannot comment on what the discussion was or what its significance or outcomes were.

**Senator McLUCAS**—As it happened, there were a number of applications from various councils. For example Atherton had the Lake Tinaroo foreshore development, Eacham had a

couple, Mareeba had the industrial estate and Herberton had a couple as well. In each case, what occurred in terms of a declaration of interest in your making those decisions as ATSRAC board members?

**Mayor Portess**—We all signed, I think, the Bowen code of conduct, which MPs are under also. When we signed that—correct me if I am wrong as to the content—it included the requirement that we had to make sure that we were not in conflict with the carrying out of the public interest. In representing the public interest of our shire, we were therefore able to participate in discussions on projects which we felt would have broader community benefit, satisfy public interest and perhaps have a broader regional benefit. When we held that discussion about the conflict, it was addressed also through the Bowen code of conduct, which we had signed right at the beginning of the process.

**Senator McLUCAS**—I want to consider the question of the timing of applications to ATSRAC and discussions that would have been held at your councils in the lead-up to making those applications. One that I think included most of the mayors present—and correct me if I am wrong—was @GIS. Can each mayor describe to me what happened at each of your councils in the lead-up to the applications being made to ATSRAC by Atherton, Eacham and Herberton shire councils?

**Mayor Chapman**—We had a meeting which I think was in April 2002 or around then. Once ATSRAC funding was available the shire council had a discussion and authorised the CEO to proceed, in conjunction with the other CEOs, with putting the project forward.

**Senator McLUCAS**—You said you had a meeting in early April 2002—who had a meeting?

**Mayor Chapman**—The Atherton Shire Council had a meeting.

**Senator McLUCAS**—I understand, thank you.

**Mayor Chapman**—And in August 2003 the agreement between the Commonwealth and the council was struck.

**Senator McLUCAS**—Mayor Chapman, is it possible that the committee be provided with the meetings of that April 2002 meeting?

**Mayor Chapman**—It is possible to give you whatever minutes there are. I will say off the top of my head that quite often, I must admit, at council meetings there are lots of discussions that are not recorded. They are recorded when some action is to take place. But I can follow that up with no trouble at all.

**Mayor Byrnes**—I cannot specifically remember the discussion of this project at our council meeting, but that does not mean to say it did not happen. I was not party to the discussions in ATSRAC on this project. That was done and decided before I joined the committee. But certainly there were discussions at CEO level. I was involved with discussions with the mayor and the CEO at various times but I could not swear that the issue went to a council meeting for formal approval or presentation.

**Senator McLUCAS**—Thank you. Perhaps you could have a look back through the minutes of Eacham Shire’s council meetings.

**Mayor Byrnes**—Yes, we can do that.

**Senator McLUCAS**—If you do find any relevant references, please send them on to us.

**Mayor Byrnes**—Yes. We do have a resolution, of course, on the setting up of the joint venture.

**Senator McLUCAS**—When was that, Mayor Byrnes?

**Mayor Byrnes**—Again, off the top of my head I cannot say. That would have been subsequent to August 2003.

**Mayor Chapman**—Ours was, as I remember, in the middle of 2003, so you were probably around the same time, Ray.

**Mayor Byrnes**—Yes, I think that was about right.

**Senator McLUCAS**—Mayor Portess?

**Mayor Portess**—We had a discussion at council about our participation and our ability to financially contribute. It was unanimously endorsed, and there is a minute to reflect that. We recognised that being part of a joint venture and having a partnership with the other shires was the most efficient way to serve the region as a whole, that that form of information is the way of the future and that we had to look at technological advancement, not stay in the backwaters.

**Senator McLUCAS**—Does your resolution identify the amount of money that Herberton Shire Council would contribute to the project?

**Mayor Portess**—I should think it would, and we can forward it to you.

**Senator McLUCAS**—The question then is to Mayor Byrnes and Mayor Chapman: what contribution did both of your councils make to the project, and how did your councils come to the decision, when you were applying for the funds, that that would be the contribution from your various councils?

**Mayor Byrnes**—As I understand it and from the information that I have, the cash and in-kind contributions from our three councils were to be \$580,000 or thereabouts over the three-year funding period. I do not have our specific commitment in front of me, but I guess that can be found.

**Senator McLUCAS**—So did either Eacham Shire Council or Atherton Shire Council make a decision to allocate those funds prior to the application to ATSRAC occurring?



**Mayor Chapman**—I do not recall there being any specific amount at that stage, bearing in mind that here in Atherton we had already established a GIS centre, with one person there with some support. I cannot recall the amount, if the amount came up in that discussion.

**Mayor Byrnes**—I think we are in a similar position, because until this thing got honed down a bit, it was not quite clear just what our contribution would be. I guess our approval of it or our support for it was in principle and the actual amount of contribution was still being determined, because the whole proposal did not have that amount of definition at that stage.

**Senator McLUCAS**—I suppose I am trying to understand how you write an application for a project grant without knowing the contribution from the three parties.

**Mayor Byrnes**—I did give you an amount that the three councils had agreed. I guess the details of how the three councils were going to come up with that amount of support were still to be finally worked out. Our councils have been working for some time on a shared services arrangement, where we are working on an alliance in a number of areas. This is just another one of them. For a number of things that we agree to do in principle, the detail has to be worked out as we go along. It is a matter of the way we work, I guess. But the total amount was certainly noted in the application.

**Senator McLUCAS**—Mayor Portess?

**Mayor Portess**—I think we had a figure in the actual application.

**Senator McLUCAS**—I understand that that would be the case—not that I have seen the application. What I am trying to ascertain is this: you have made it very clear, Mayor Portess, that your council had a discussion and then a minute of that discussion which identified an amount of money and potentially some in-kind commitment—

**Mayor Portess**—I said I was pretty certain, which is not a guarantee.

**Senator McLUCAS**—But—

**Mayor Portess**—We were free to participate in a joint venture; very much so.

**Senator McLUCAS**—Certainly.

**Mayor Portess**—If we did not have the figure, we were still committed to achieving that project, with the details to be determined as part of that application.

**Senator McLUCAS**—Mayor Byrnes and Mayor Chapman, could you provide the committee with any minuted decision of your councils which identified the allocation of funds or in-kind commitment from each of those councils.

**Mayor Byrnes**—Yes, that will be easy enough for us to do. We will forward those when we have had a look.

**Mayor Chapman**—Yes, that is no problem.

**Senator McLUCAS**—Thank you. Mayor Chapman, I want ask about Kalamunda Caravan Park. Can you give me a time sequence on when the Kalamunda Caravan Park application came to your council and compare that to when the application went through ATSRAC.

**Mayor Chapman**—Yes, I can give it to you. Approximately two years prior to the ATSRAC application they wrote to us about the project and asked for the council's advice. The council responded by saying that providing they met certain criteria there was a great possibility of it going through. That was not so much a caravan park as it was supply accommodation, mainly huts, for the farm workers, because we have a lack of farm workers when we come to the picking season. That was about two years prior. Once the money was approved, they went ahead with their application and it subsequently went through council.

**Senator McLUCAS**—I understand that one of the provisions of ATSRAC is that all necessary approvals have been achieved prior to an ATSRAC application being received and processed. Is that correct?

**Mayor Chapman**—No. I think you will find it is probably before money is given out that all those applications must be in place.

**Senator McLUCAS**—So, essentially, there had been an informal approach by Kalamunda to the council and the council responded that there would be approval providing conditions were met.

**Mayor Chapman**—Yes. That is the system we use here to assist people to get themselves established.

**Senator McLUCAS**—That is not a formal council decision, is it? That is an officer-to-applicant discussion.

**Mayor Chapman**—That is really what it is. It just gives them an idea of whether they are going to have any chance of success, and if they do, what the likely conditions are they would be given. That is enough to get most of them moving and putting in an application to council.

**Senator McLUCAS**—When the application finally came to council it was a lot different to what had been originally discussed with council officers.

**Mayor Chapman**—No.

**Senator McLUCAS**—I must have misunderstood your earlier comment when you said it was different—that it was not for a caravan park; it was for cabins.

**Mayor Chapman**—You used the term 'caravan park', and it has been used here quite loosely, because it also encompasses some hut type accommodation. That was the type of accommodation they were using for the farm workers. It was that that persuaded the council, more than anything else, that the project would be a worthy one, because of that need.

**Senator McLUCAS**—In the recommendation from council officers to council, was the recommendation to approve or not approve?

**Mayor Chapman**—The recommendation was to approve.

**Senator McLUCAS**—From council officers?

**Mayor Chapman**—The council officers said that, providing certain conditions were met, they saw no reason why it would not be approved. They always take into account that it is subject to objections and other things like that.

**Senator McLUCAS**—When the formal application then came to council, after it had received funds from ATSRAC, was the recommendation from officers to approve or not approve?

**Mayor Chapman**—The recommendation was to not approve.

**Senator McLUCAS**—Because it was inconsistent with the Atherton planning scheme?

**Mayor Chapman**—Yes, generally speaking.

**Senator McLUCAS**—What was the vote on that recommendation?

**Mayor Chapman**—Four to three.

**Senator McLUCAS**—Three all and your casting vote?

**Mayor Chapman**—No. I am quite surprised you say that. I see that another councillor said that, but after five years on a council it is odd not to know the difference between a primary vote and a casting vote.

**Senator McLUCAS**—That is why I say that—because that is the evidence that has been given to us previously.

**Mayor Chapman**—Yes, but if you have seven on a council, there is no casting vote.

**Senator McLUCAS**—So yours is a council of seven?

**Mayor Chapman**—Yes.

**Senator McLUCAS**—Sorry. So it was a four to three vote. There has been evidence put to us that, given the order of events, you knew—not you personally, but you as a council—that considerable Commonwealth funds were going to be applied to that project and that put your council in a difficult position. Given that your officers had recommended refusal of this application because it did not fit with the Atherton planning scheme, the reality that considerable Commonwealth funds were going to be applied put you in a position where you were either accepting that money from the Commonwealth or not. It has been put to us that there is a potential conflict of interest inherent in that process.

**Mayor Chapman**—I do not believe there is any conflict of interest there. Whether the people have a grant or pay for it out of their own pocket, the process is exactly the same.

**Senator McLUCAS**—But, if the council had adopted the recommendation of its officers, that money might have been lost to the Atherton shire.

**Mayor Chapman**—It would not have been lost to the council, although it might have been lost to the applicants—and they do not get any money, as I understand it, until the approval is there.

**Mayor Byrnes**—I would like to make a comment. One of the things that councils are put into office for is to make decisions themselves, on the basis of advice and so forth that they get from their council officers. What Senator McLucas seems to be saying is that, because a council officer may recommend a particular course of action, council is bound to go along with that. I would like to make the point that that is not the case. The elected council has the responsibility to make those decisions, and it can decide whether or not to accept that advice.

**Senator McLUCAS**—I recognise that. As you may recall, I spent four years in local government too.

**Mayor Byrnes**—Excellent.

**Senator McLUCAS**—But when a council does not accept advice from its planning staff it puts itself in a difficult position if a matter is going to be taken to the Planning and Environment Court of Queensland. I think you would recognise that as well.

**Mayor Byrnes**—It depends, of course, on the quality of the officers' advice. The other point I think I should make here, as mayor of a council which is part of the Atherton Tablelands, is that the fact that a project might be approved—particularly a project like this one—in a particular shire does not mean that the benefits flow only to that shire; they flow to the whole tablelands. I think that is a point that has been lost in a lot of the discussions that have gone on with this committee. There has been talk about parochialism and so on, but I think there has been a lot of cooperation between the four shires, and I think this program has helped that process quite considerably. I think that has been one of the benefits of this program. Most of what has been said in this discussion has been about negative aspects. There has been very little talk about positive aspects, and this is one of them.

**Senator O'BRIEN**—I think the point that I would like addressed in relation to the Kalamunda Caravan Park approval is this: given Mayor Chapman had participated in an ATSRAC decision that this project should go ahead, by giving the support of ATSRAC for its funding, for the mayor also to have participated and to have been the determining factor in the vote of the council would have indicated there had been a prejudgement of the matter prior to the arrival of the council officers' advice. I think that is the point of the conflict of interest issue that has been raised so far. At some point or other there is an apparent conflict of interest in Mayor Chapman exercising a deliberative vote—or any sort of vote—in relation to the project. Shouldn't Mayor Chapman have stood aside and allowed other council officers to deliberate on a matter on which he had already exercised a deliberation at ATSRAC?

**Mayor Chapman**—The deliberation at ATSRAC, of course, was supported by the letter from this council, which at that stage supported the project if it met the conditions. That was the basis of my support for it. The new officers came in—we had a change of town planners; we had a

few at that stage—and they decided to give us advice, which is their job. They advised against it. The council's job—and this is why we were elected—is to look at that advice and make our own decisions.

**Senator O'BRIEN**—But, Mayor, the point is that you had already made a determination about the matter. Other councillors could have made the determination without you. As it turns out, had that been the case, the resolution to override the council officers' advice would have been lost. It would have tied and been lost. It was your vote that determined the matter.

**Mayor Chapman**—It was not my vote. There were four votes. It could have easily been the other way.

**Senator O'BRIEN**—If you had not voted, what would the outcome have been?

**Mayor Chapman**—On that basis, probably three all.

**Senator O'BRIEN**—Yes, that is my point. The resolution would have been lost, not carried.

**Mayor Chapman**—That is so, but my basis for making the decision—and I guess for the other three councillors too—was on the evidence that was put before us. Whether it is ATSRAC funding or you get a bank loan or you get it off your mother-in-law, it does not affect a council decision about that. It certainly did not in my case. I can put myself aside from that sort of thing, thank you.

**Senator McLUCAS**—I just want to go back to the question of whether or not it was a requirement that any proposal to ATSRAC had to comply with the relevant planning and environment laws. Earlier, Mayor Chapman, you seemed to say that that was not the case.

**Mayor Chapman**—To get through council it has to have met those. That is why it was approved.

**Senator McLUCAS**—No, I am sorry; I mean for an application to be received by ATSRAC, it is meant to have all existing approvals.

**Mayor Chapman**—That is not necessarily so. That application, if my memory serves me right, was supported by the original letter from council. Most of these people need the ATSRAC funding to get their project off the ground. ATSRAC funding is not available to them unless they get the approval. In fact, they cannot build the caravan park, can they, so they cannot have the money? To me it does not seem to be a problem.

**Senator BARNETT**—I have a question for Mayor Chapman on that last point. In terms of approvals, you are really saying that, if the development is given the tick by the Atherton Tablelands Sustainable Region Advisory Committee, it is in your view subject to the usual council approvals that are required of any development?

**Mayor Chapman**—Yes, but to progress it needs council approval and operations approval.

**Mayor Byrnes**—That is my understanding too.

**Senator BARNETT**—Thanks very much.

**Senator McLUCAS**—I just want to go to the establishment of @GIS. It was established as a joint venture, as Mayor Portess has described, between the three councils that we have present here today. What is the purpose of the project?

**Mayor Chapman**—It is an electronic thing, really, for capturing, storing, checking, manipulating, analysing and displaying data for positions on the earth's surface. This goes on to produce maps of various kinds, which assist not only the council but also the community in their particular professions. It helps farmers in particular. To give you some idea, using GIS you could give a farmer an indication of which end of the paddock to fertilise. GIS has no limits. Each feature is geographically linked, and you put layers of data one on top of the other. It is an excellent tool for local government.

**Senator McLUCAS**—The total cost of the project is around \$2.8 million.

**Mayor Chapman**—Jan, you might have me there. With @GIS I thought it was about \$2.2 million. Do not hold me to that.

**Mayor Byrnes**—I would just like to point out that the funds approved by the Commonwealth were \$1.549 million over three years. The contributions of cash and in kind by councils were \$580,000, which makes a little over \$2.1 million.

**Mayor Chapman**—That depends on whether you include GIS on top of that.

**Senator McLUCAS**—Is that the cash, Ray, or the cash and in kind?

**Mayor Byrnes**—That is both cash and in kind, as I read it. That is the information I have.

**Senator McLUCAS**—That is different from what I have received. We have not received the actual application, have we?

**CHAIR**—We do not think so.

**Senator McLUCAS**—Ray, do you have a copy of the application there?

**Mayor Byrnes**—Not in front of me, but I do have some information relating to it. My information says that the funds approved are \$1.549 million—that is excluding GST—and that the cash and in kind contribution required of the councils is \$580,000, which makes a total of just over \$2.1 million.

**Senator McLUCAS**—Is it possible to get from you, Ray, a copy of the application from the three councils?

**Mayor Byrnes**—We will provide that information. These details are available.

**Senator McLUCAS**—I have conflicting advice with what you are telling me. I would prefer to go from the application.

**Mayor Byrnes**—Can I ask where your advice came from?

**Senator McLUCAS**—I have only part of a document, so I cannot tell you where it is from.

**Mayor Byrnes**—So you cannot tell us the source of that information?

**Senator McLUCAS**—It says: ‘Contact Atherton Shire Council,’ so it may be from Atherton.

**Mayor Byrnes**—Okay. We will provide the information.

**Senator McLUCAS**—Thank you. Can you also explain to me the commercial set-up of @GIS. Is it a commercial entity wholly owned by the three councils? Could you explain that to me, please?

**Mayor Byrnes**—I would like to ask, subject to everyone’s agreement, either Gordon Malcolm or my CEO, Ian Church, to give that information.

**Senator McLUCAS**—I am sure that would be fine.

**Mr Church**—I will start and perhaps Gordon can add anything that might be relevant. The @GIS operates as a business unit of the Atherton Shire Council; however, a joint venture agreement has been signed that the three councils have entered into with respect to the operation of the unit. The joint venture agreement addresses issues of liability, operational issues and a number of other things. That is exactly the way it is operating at the moment. A number of options were looked at initially in terms of proprietary limited companies and separate entities; however, it was deemed that this was probably the best way to operate at the time, and that is the way it is operating currently.

**Mr Malcolm**—I concur with that The reason why it was a business unit within the Atherton Shire Council was the timing at that stage. We had to get it under way. We continue to review the aspects of the @GIS, taking into consideration its future as a commercial entity so that we do not lose this to the tablelands being a centre of excellence. Those are our reasons, and we will continue to do that.

**Senator McLUCAS**—Can you explain to the committee what the reporting systems are for a business unit of Atherton Shire, given that the other shires are involved and you have that agreement between the shires? How does @GIS report to all three shires?

**Mr Malcolm**—Under the joint venture agreement—unfortunately, I have not got it in front of me—there are meetings of the CEOs and the @GIS staff, who go through the budgets and all the information provided to us. In relation to how it is done internally with the Atherton Shire Council, the total agreement is covered by the Local Government Act and all other acts and regulations that we have to deal with plus it is also audited by the Audit Office’s government appointed auditors. It is an operation under the banner of the Atherton Shire Council at this time.

**Senator McLUCAS**—Are they staff members of the Atherton Shire Council or @GIS?

**Mr Malcolm**—They are staff members of the Atherton Shire Council because we had to have a body to actually receive moneys from ATSRAC. They are Atherton Shire Council employees at this time.

**Mr Church**—I concur with what Gordon is saying and I will explain it a little further. The joint venture agreement is simply an agreement between three entities. It is not a separate entity in itself and therefore it cannot employ so that is why the Atherton Shire Council employ at this stage. But the joint venture agreement addresses liability and operational issues with respect to employment and other issues.

**Senator McLUCAS**—In terms of its financial arrangements, how does that operate?

**Mr Malcolm**—In what way?

**Senator McLUCAS**—I understand @GIS is meant to become a self-funding entity when everything is completed. Does it have its own financial accounts?

**Mr Malcolm**—There would definitely be financial accounts under the accounts of the Atherton Shire Council. As I mentioned before, those accounts would be audited by the Audit Office. Going back, the reason we had to put this system in place as a business unit rather than a separate proprietary company was timing. For the continuation of this project we will be looking at all other aspects in the future.

**Senator McLUCAS**—Looking at all other aspects in the future, do you see a change to it becoming a business unit of ASC?

**Mr Malcolm**—It may indeed do so, because we want this particular enterprise to continue into the future and to provide those benefits that we have talked about. It may indeed be a better way of looking at it as a proprietary company with the councils and shareholders, which is enabled under the Local Government Act.

**Mr Church**—I concur with that. A review is being conducted at the moment to see whether it is beneficial to operate the entity as a proprietary limited company, employing in its own right and entering into agreements in its own right.

**Senator McLUCAS**—Who is conducting that review?

**Mr Church**—The review is being conducted internally by the operations manager.

**Senator McLUCAS**—Who is the operations manager?

**Mr Church**—Do you want his name?

**Senator McLUCAS**—No, I do not need his name. Is it the operations manager of @GIS?

**Mr Church**—Yes.

**Senator McLUCAS**—He is conducting a review of the organisation that he manages?



**Mr Malcolm**—He is actually putting alternatives and matters before the CEOs, which then go to the councils to make that decision regarding whether it changes from what it is now to something else in the future. He is not making a decision. He is getting information to provide to the CEOs and then to the councils to make a decision. He is obtaining information, for instance, from solicitors, including from King and Co., whom you would remember from your local government experience.

**Senator McLUCAS**—Yes. Have there been other reviews regarding @GIS?

**Mr Malcolm**—There have been reviews into @GIS in relation to how it can operate. The reason for that is when we set up the system and so forth, it was on the basis of a certain type of structure. We had to then review how we were going and what we were doing, for a number of reasons: one was to have a look at a flatter structure so that it could continue into the future, plus the original manager of that particular unit suffered an illness. We split up the management of those particular operations into an operational side and a business development side. We recognised that, in going into the future, we would have to do that. The operation has to be self-funding—hopefully it will be—in the future so that it can cater to the community.

**Senator McLUCAS**—Who undertook that review?

**Mr Malcolm**—Consultants were engaged by the committee of the Atherton Shire Council. Again, funding is controlled. We had meetings of the CEOs. It was recognised that there should be involvement of a consultant to look at our structures and so forth and that we needed a review of the unit to ensure that it was on track to become a sustainable business by the end of the three-year funding program. There would be nothing worse than having the funds there and then at the end of the three years it all folding up. That was the reason for the review of this particular project.

**Senator McLUCAS**—Who conducted the review?

**Mr Malcolm**—It was a consulting firm called Pink Elephant.

**Senator McLUCAS**—Was a tender let for that consultancy?

**Mr Malcolm**—Yes.

**Senator McLUCAS**—What was the cost of the consultancy?

**Mr Malcolm**—My understanding at the time was that it was in the vicinity of \$8,000. We agreed that it would continue with that project. That was the initial consultancy.

**Senator McLUCAS**—Was there some subsequent consultancy?

**Mr Malcolm**—Yes. Following the original consultancy, it was identified that further work was required to complete the project and to look realistically at the structure again. As I mentioned before, the original operations manager indicated that he needed advice and guidance and that is why we looked at that. Again, the consultancy was to look at the interface between

the Atherton Shire Council and the structure of @GIS. That was what we did and we approved of that particular consultancy.

**Senator McLUCAS**—That was the \$8,800 consultancy?

**Mr Malcolm**—I think it was \$8,000 and, if I remember rightly, there was another \$8,000 to complete that particular project so we had enough information to make a relevant decision.

**Senator McLUCAS**—Mr Malcolm, could you tell us the total cost of the review of @GIS undertaken by Pink Elephant consulting?

**Mr Malcolm**—As I say, my recollection is that it was in the vicinity of \$8,000 for the original overview. Then we identified that further work was required. Again, I do not have the figures with me; they are held in the Atherton Shire Council chambers. But I think it was about \$8,000 again. Then, when the review took place, we did actually identify that further work would be required—we would have to look at the structure and the changes that would be required to make this thing go further. A further quote was invited and it was accepted; I think it was for around \$20,000. Obviously, that went through the Atherton Shire Council, because they are holding those funds. So it has all been under their banner, and the only reason it fell under their banner was the fact that they were the holding body for those funds.

**Senator McLUCAS**—When did that go through council?

**Mr Malcolm**—I think it was around February, if I remember rightly.

**Senator McLUCAS**—February 2004 or 2005?

**Mr Malcolm**—In relation to the \$20,000 I think it was around that period, but that can be provided to you by Atherton Shire Council.

**Mr Church**—It was 3 February 2005.

**Mr Malcolm**—Thanks, Ian.

**Senator McLUCAS**—Thanks, Mr Church. I would not mind, Mayor Chapman, if you could ask your CEO to provide us with information on when those invoices were received by the Atherton Shire Council for those two separate processes—or more, as I am trying to understand whether there were two or three separate review processes—and when those accounts were received by Atherton Shire Council.

**Mayor Chapman**—That should not be a problem. I presume that the secretary will put all that in a letter to us, together with the earlier ones?

**Senator McLUCAS**—Yes, he is nodding that he will do so.

**Mayor Chapman**—Thank you.

**Senator McLUCAS**—Thanks very much.

**CHAIR**—You will also receive a copy of today's *Hansard*, which will be a reminder of those questions.

**Mayor Portess**—Can I comment, Chair? One assumes that there have been negative comments about whether or not we should have this GIS project. It is a project that in the long term has significant public and commercial benefit for the region as a whole, so I find it really offensive that anyone might possibly imply that the region should not have these benefits that we can gain through having a central source of information that can be used in an infinite number of ways.

**Mayor Byrnes**—I would endorse those comments.

**Senator McLUCAS**—Just by way of response, Mayors Portess and Byrnes, certainly you can take it from me that I am not trying to criticise the desire of the three councils to establish a state-of-the-art GIS. I think that the allegations or suggestions, let us say, that have been put to us go to the quantum of money that has been allocated to this project; the second issue was management. I think it is important that we get an opportunity to hear your side of the story on those two issues.

**Mayor Portess**—I have great faith in the ability of my CEO and in the abilities of the other CEOs to ensure that things are conducted in an appropriate manner.

**CHAIR**—I think we need to move on with questions. I would just point out that it is the task of this committee in this inquiry to examine the administration of the two programs, which involved substantial amounts of money in total, and also to look at various projects, and that is the basis of what we are doing.

**Senator McLUCAS**—Finally on @GIS is the question of the @GIS milestone report. I understand there is a milestone 2 report, which is the ongoing monitoring that ATSRAC does of the funding allocations that have been made. It goes to the question of the review. As members of the ATSRAC board, what is your understanding of how @GIS is progressing in meeting the milestones that are required to be met?

**Mayor Chapman**—I do not believe there is any problem there. There was a delay because of the timing of the funds that are available, but as I understand it—and I stand to be corrected—the additional milestone 3 is due in December this year and is on track to be met.

**Senator McLUCAS**—Finally, regarding the two parts to the Pink Elephant review, is it possible to provide our committee with a copy of those reports?

**Mayor Chapman**—I would have to take that on notice as I am not sure that they are available.

**Senator McLUCAS**—It would be terrific if the council could provide those.

**Mayor Chapman**—You are after the actual review report by Pink Elephant?

**Senator McLUCAS**—I understand there are two, so if you could provide both that would be fantastic.

**Mayor Chapman**—I will look into it but I cannot guarantee it.

**CHAIR**—Perhaps you could let us know either way. Senator Barnett has some questions.

**Senator BARNETT**—With regard to GIS, can I clarify that you have signed a contract with the Australian government that the terms and conditions of that contract have been and are being met and that your reasonable expectation is that they will continue to be met?

**Mayor Chapman**—From my knowledge of it, the answer is yes, yes and yes.

**Senator BARNETT**—Is it your view that Australian taxpayers—because it is a lot of money—are getting value for money in terms of the community benefit in your area?

**Mayor Chapman**—Yes, I believe they are and, what is more important, they will in the future in the whole region.

**Senator BARNETT**—Finally, regarding the media release dated 13 January 2005 that we have received—

**CHAIR**—Can I just indicate that that has been accepted as an exhibit.

**Senator BARNETT**—Thank you. The second page of that media release refers to the projects receiving \$5.5 million in funding assistance, which triggered more than \$15 million in investment, generating around 200 new jobs with substantial flow-on benefits in the regional economy. Do you still stand by the information provided in the media release or is there any updated information on the funding assistance, investment and new jobs created that you could provide to the committee?

**Mayor Byrnes**—They were a sample of projects selected. There has obviously been a lot of progress since then. There have been other projects approved. That position would have changed since then. Perhaps we could have another look at that and see what the current position is.

**Senator BARNETT**—If you have any further information perhaps you could let the committee know, but, in your view, are we getting a \$3 return for every dollar inputted, and is the jobs benefit still in a vicinity similar to or better than the 200 you referred to?

**Mayor Byrnes**—In terms of the expected benefits, I would say that that is definitely true, because a number of the projects are still in the early stages and they will continue to produce benefits over a long period. So we are looking at what the projected benefits are now from the most recently approved projects. I believe that type of response is still relevant.

**Senator BARNETT**—Thank you for that. Are there any other recommendations that you would give our committee on how we could operate this program better?

**Mayor Byrnes**—I have had a quick look at some of the information that has been given to the committee. On Thursday, 14 April Mr Curtis gave some information about the Malanda Dairy Centre. It was noted that \$800,000 was provided to the Malanda Dairy Centre from this program. I point out that that is factually wrong. The amount was actually \$102,300, including GST, or \$93,000, excluding GST. Could I have that corrected in the transcript?

**CHAIR**—You have now put that on the record and it has been noted. Thank you very much to you all. We appreciate you being available this afternoon. It is never easy doing these inquiries by teleconference, but I think we got through it. A copy of the *Hansard* will be provided to you for you to check for any mistakes or errors. The secretariat will follow up with you about the receipt of that additional information you have been requested to provide. Thank you once again.

[5.03 pm]

**THOMAS, Mrs Margaret Louise, Chairman, Central Ranges Natural Gas and Telecommunications Association Inc.**

**ADAM, Mr David Lindsay, Managing Director, Central Ranges Natural Gas Pipeline Pty Ltd**

*Evidence was taken via teleconference—*

*Witnesses were then sworn or affirmed—*

**CHAIR**—Welcome. This hearing is part of our inquiry into the administration of the Regional Partnerships program and the Sustainable Regions Program. I should advise you that all evidence given to the committee is protected by parliamentary privilege. This means that witnesses are given broad protection from action arising from what they say and the Senate has the power to protect any witness from any action taken against them which may disadvantage them on account of the evidence they give to a Senate committee. I also point out that all evidence must be truthful and any deliberately false or misleading evidence may constitute a contempt of the Senate.

We prefer to conduct hearings in public, and this is a public hearing today. However, if at any stage there are matters that you wish to discuss with the committee in private, you should make a request at that time and we would consider the request. Before we go to questions, I invite you to make a brief opening statement to the committee if you want to. We will then proceed to questions, but that is entirely up to you. Would you like to make an opening statement?

**Mrs Thomas**—No, not particularly.

**Mr Adam**—No, I do not think so. I have written to you regarding my feelings. Obviously you have that.

**CHAIR**—We have that correspondence. We will formally deal with that. We have a letter from the Central Ranges Natural Gas and Telecommunications Association Inc.

**Mr Adam**—That is Margaret, not me.

**CHAIR**—That is from you, Mrs Thomas.

**Mrs Thomas**—Yes.

**CHAIR**—We also have a letter from you, Mr Adam, at Central Ranges pipeline.

**Mr Adam**—Yes, that is right.

**CHAIR**—These have already been accepted by the committee and made public.

**Mr Adam**—Fine.

**CHAIR**—I will now invite Senator O'Brien to ask questions.

**Senator O'BRIEN**—What I propose to do is ask questions and I will leave it up to you to decide whether you can answer it. I wanted to go through a rough chronology of the progress of the pipeline proposal—

**Mrs Thomas**—Excuse me, Senator. You are very faint.

**Senator O'BRIEN**—I am trying not to be. I wanted to roughly go through the chronology of the progress of the pipeline proposal. Expressions of interest were sought in June 2002. Is that right?

**Mr Adam**—That would be about correct, I think. I have not got that in front of me, but it was advertised in the *Financial Review*. Whatever the date was is whatever the date was. That was agreed with IPART and ACCC at the time.

**Senator O'BRIEN**—There was an issues paper issued in January 2003. Is that right?

**Mr Adam**—When you say an issues paper, I do not know it as that name. After the expressions of interest, there was a tender document that was given to people that was constructed by PricewaterhouseCoopers under the code. Is that what you mean?

**Mrs Thomas**—Who issued the issues paper?

**Senator O'BRIEN**—I am just trying to find that. On the front cover it is talking about a competitive tender—

**Mr Adam**—Yes, that would be right. That would be the PricewaterhouseCoopers document, I imagine, not having it in front of me.

**Senator O'BRIEN**—I would give you a copy but it is a bit hard.

**Mr Adam**—I remember it well.

**Senator O'BRIEN**—The tender process was launched in July 2003?

**Mr Adam**—That would be approximately right.

**Senator O'BRIEN**—The final approval request to the regulatory authority was lodged by someone in April 2004. Who lodged that?

**Mr Adam**—That would have been lodged on behalf of—

**Mrs Thomas**—by PwC.

**Mr Adam**—Yes, on behalf of the association by PricewaterhouseCoopers, who conducted the competitive tender.

**Senator O'BRIEN**—That was approved on 19 May 2004?

**Mr Adam**—Yes, that would be correct. There are two regulators there: the ACCC and IPART. That is a process which is laid down under the natural gas pipelines code.

**Senator O'BRIEN**—Could you tell me where the process of constructing a natural gas pipeline is actually up to and where the pipeline will actually go.

**Mr Adam**—Would you mind if I answer this, Margaret?

**Mrs Thomas**—Not at all, David.

**Mr Adam**—The construction started a couple of months ago. The work that is going on at the moment is what is called 'alignment work'—or 'easement work', if you want to call it that. That is things like temporary fencing, cultural heritage and Aboriginal issues, wildlife issues, fauna issues. The steel is being made by BlueScope Steel in Wollongong—most of it, anyway. It has been rolled into pipe by Orrcon, an Australian company. It is currently being coated by a plastic pipe coating company in Port Kembla. It will be delivered to site within four weeks, I hope, and putting it in the ground will commence. The pipeline is approximately 300 kilometres long, from Dubbo to Tamworth. They are starting at the Tamworth end because of perceived weather conditions. It will take about five to six months to complete the pipeline.

That will then see natural gas introduced to Tamworth at the same time as the pipeline going in, which is controlled by the ACCC and DEUS, the Department of Energy, Utilities and Sustainability in New South Wales. At the same time as that is happening, the building of the network around Tamworth will be started. That is a 250 kilometre network which will service every developed street in Tamworth. That is controlled basically by IPART and DEUS. When the pipeline is completed it will have about 20 per cent of the network, into which it can deliver gas, and the rest of the network will be delivered or developed over the next two years. At the same time as that, work will gradually spread out to hopefully service, as they are proven to be economical, the other 10 towns on the pipeline route. Some of them are 70 or 80 kilometres off the route, so laterals will have to be developed for them, but they are all towns that were part of the association councils when the association was formed nearly 10 years ago.

**Senator O'BRIEN**—What is this pipeline going to cost to construct—the 300 kilometres from Dubbo to—

**Mr Adam**—Just the pipeline?

**Senator O'BRIEN**—Yes.

**Mr Adam**—Close to \$60 million. The whole project costs about \$120 million.

**Senator O'BRIEN**—You mean all the branch lines and the like?



**Mr Adam**—Yes.

**Senator O'BRIEN**—And the reticulation throughout Tamworth?

**Mr Adam**—Yes, that is correct.

**Senator O'BRIEN**—Some of these branch lines are 70 to 80 kilometres long?

**Mr Adam**—Yes, the branch line that comes off at Dunedoo will service Dunedoo, Coolah and Mudgee. It may be one of the earlier ones to go in. I think Margaret might help me with this: is it about 60-odd kilometres from Mudgee to Dunedoo?

**Mrs Thomas**—About 70 kilometres, I think.

**Mr Adam**—And then you have the Gilgandra line: that is more like 60 kilometres. I think I am on the money, there. Then you have about 60 kilometres from the offshoot at Coolah to Coonabarabran and probably about 40 kilometres in the Werris Creek-Quirindi one.

**Senator O'BRIEN**—I have not done the sums, but you are approaching another 300 kilometres in spur lines as well as the main line.

**Mr Adams**—Yes. It is a big job. This will service the last regional inland area in New South Wales that does not have a natural gas supplier. It will be a big boon to them because they grow a lot of produce there and people are hanging out for a clean, reliable energy source to help value-add to that produce. Tamworth, in particular, has three abattoirs. It has three or four people processing grains: sorghums, wheats, barleys and stuff. They are all looking forward to a natural gas supply.

**Mrs Thomas**—It has been instrumental this week in a major announcement for Mudgee that the abattoir which closed here two years ago, with the loss of 300 or 400 jobs, is now planned for reopening in approximately 12 months. It is anticipated that is in direct relation to two things. One is the government quotas on beef, and the other is the availability of natural gas.

**Senator O'BRIEN**—How many of these potential sources are actually signed up?

**Mr Adams**—None.

**Senator O'BRIEN**—You say the project costs about \$120 million?

**Mr Adams**—That is right.

**Senator O'BRIEN**—Is that conditional on signing up, or are you going to go ahead and sign up later?

**Mr Adams**—No, it is too late. The pipe has been made and coated. The easement has had its EIS done. It is now a pipeline licensed by the government of New South Wales—licensed pipeline number 27. It is under full construction. When I say that they are not signed up, that is because the pipeline owner, under the competitive arrangements brought in by the federal

government, is not allowed to sign a customer. The asset owner has to be fully ring-fenced from the retailer, or shipper, of which there are 20-odd licensed in New South Wales. It is only the retailer or the shipper who is allowed to sign a customer. It is an open access, fully competitive pipeline. It can be used by any licensed shipper in New South Wales. It is not our right to sign a customer. We have obviously approached customers. You do not spend \$120 million of the Commonwealth Bank's money unless you expect that there is a demand for the service. We have approached all the large customers and have done a very large amount of due diligence on the project, but we cannot technically sign a customer.

**Senator O'BRIEN**—You say that it is Commonwealth Bank money: are they a partner in the project?

**Mr Adams**—They are the owner.

**Senator O'BRIEN**—They are the owner of the project?

**Mr Adams**—That is right.

**Senator O'BRIEN**—Previously you were working with the Australian Pipeline Trust and AGL, but APT pulled out.

**Mr Adams**—It is a little more complicated than that. The association approached the AGL, or APT, people to build this project, and on two occasions it was board approved by them. But, because of certain internal arrangements within AGL and the creation of APT—which did not even exist when this project was first thought of or developed—they did not go ahead. Industry players who the association approached—I think it was about 25 over the years—

**Mrs Thomas**—Yes.

**Mr Adams**—said, 'If anyone is going to do this, what we really want is regulatory surety under the code.' The only way you can get that is by competitive tender. This is the only successful competitive tender run under the code in Australia. It was designed to give surety to the winner of the tender. When I say the Commonwealth Bank, there are four shareholders of Central Ranges pipeline. They are superannuation funds owned or managed by Colonial First State, which is a fully owned subsidiary of the Commonwealth Bank.

**Senator O'BRIEN**—So there are four shareholders?

**Mr Adams**—Yes, four shareholders.

**Senator O'BRIEN**—And they are unknown superannuation funds managed by Colonial First State?

**Mr Adam**—Three of them are called 'Colonial First State super fund numbers X, Y and Z.' The other one, called Sunsuper, is managed by Colonial First State and is a Queensland government employee super fund.

**Senator O'BRIEN**—So that project is being funded by the superannuation funds?

**Mr Adam**—That is correct. They own the equity. But the project will carry some debt. The debt provider is the Bank of Scotland.

**Senator O'BRIEN**—What is the debt to equity ratio?

**Mr Adam**—That is a bit hard to say at the moment, but in the first \$70 million, it is about \$40 million equity and \$30 million debt.

**Senator O'BRIEN**—And that will change?

**Mr Adam**—It will change with the roll-out, yes.

**Senator O'BRIEN**—Material attached to the tender documents which goes back to 2003 identifies Primary Energy Pty Ltd as having a proposal that would 'establish a large foundation load for this pipeline'.

**Mr Adam**—Yes, we would have liked that. That has not happened.

**Senator O'BRIEN**—Was Primary Energy the foundation stone on which tenders were called and the successful bidder accepted?

**Mr Adam**—No.

**Senator O'BRIEN**—After the documents were issued, was there a second set of documents issued?

**Mr Adam**—I do not fully understand your question, but I think the answer is no. When you say 'the documents', do you mean the tender?

**Senator O'BRIEN**—In the competitive tender document I have, there is box on the front which says: 'Competitive tender. Central Ranges Natural Gas and Telecommunications Association Incorporated. Supply of natural gas to the Central Ranges region. Tender to be conducted in accordance with the national third party access code for natural gas pipeline systems.'

**Mr Adam**—That is the only one I know of.

**Senator O'BRIEN**—On page 5 of this material it says:

The introduction of natural gas to the region would provide increased opportunity for relocation to the region. This is demonstrated by the interest of Primary Energy Pty Ltd, which has been undertaking detailed studies with the objective of locating an ethanol plant in Gunnedah in mid 2004.

**Mr Adam**—That was true.

**Mrs Thomas**—That is as we understood it at the time.

**Senator O'BRIEN**—It goes on:

Tenderers are encouraged to contact Primary Energy directly to discuss energy and timing requirements.

Then it says:

Additional potential contract customers in the Central Ranges region ...

And on the subsequent page it has a series of names, starting with 'Cudgegong Abattoir, Mudgee'.

**Mr Adam**—Which closed. That is how hard it is to get a greenfields gas project up. That abattoir was owned by the council. It was a major customer. It was closed from the time the tender was issued until the time construction started. So that was a loss to us. But now, as Margaret said, Fletchers abattoir from Dubbo has purchased that abattoir and intends to reopen it, hopefully.

That is not unusual. I have been in the pipeline business for 40 years and have taken gas to over 40 towns in New South Wales. I could not tell you how many businesses, particularly local government owned ones, have gone to the wall in the time between when you decide to do the project and the time the gas turns up.

**Senator O'BRIEN**—Does the viability of this pipeline swing on the viability of the Primary Energy ethanol plant?

**Mrs Thomas**—No.

**Mr Adam**—No, definitely not. That does not mean that we would not like it to be there.

**Mrs Thomas**—There was a great deal of synergy between the two projects. They wanted natural gas and—

**Mr Adam**—We wanted their load.

**Mrs Thomas**—Yes, that significant load. But in the interim, we have managed through time and increasing load along the pipeline to have reached viability to start—

**Mr Adam**—Without them. Which is why the pipeline is now being constructed direct from Dubbo to Tamworth, and not to Gunnedah.

**Senator O'BRIEN**—It was estimated that Primary Energy required between 1.3 and 2.6 petajoules per annum.

**Mr Adam**—That is correct.

**Senator O'BRIEN**—What do you estimate will now be the load that the pipeline will service?

**Mr Adam**—It is impossible to answer you, and I am not trying to be silly. We hope that it will be up around three petajoules of current known load. But I read in the paper just last week that there is a proposal now to build gas-fired turbine power stations at Gunnedah and Tamworth. Those two power stations, if they were ever built, would use six to eight petajoules, which is greater than the capacity of the pipeline in its current form. When I was the general manager for country New South Wales for AGL I built a pipeline to the Riverina. The biggest customer there was Leeton cannery.

**Mrs Thomas**—Letona.

**Mr Adam**—That is right. The month we started building the pipeline, and in those days it was Commonwealth owned through the Pipeline Authority, Letona closed. This is the risk of greenfield gas pipelines. I would say that that is why this is the only one ever built in Australia by competitive tender—the risk profile is too high unless you have a reasonable rate of return, and the only way you can get that is by competitive tender. If you build a pipeline first and then go to ACCC and ask them for an approval on rate of return, you will get seven per cent, which is what the return on other pipelines in Australia is. No bank in Australia will touch a high-risk greenfield gas pipeline at seven per cent.

**Senator O'BRIEN**—You are up and running because of four superannuation funds.

**Mr Adam**—Because it was won by competitive tender, the approved return of this pipeline is 11.955 per cent.

**Senator O'BRIEN**—That is what you are hoping for.

**Mr Adam**—That is right.

**Senator O'BRIEN**—You cannot guarantee any return at the moment.

**Mr Adam**—Exactly; it could be zero. That is the risk.

**Senator O'BRIEN**—Did the federal government fund any of the tender process?

**Mrs Thomas**—The councils put up around \$60,000 to \$70,000, plus another \$30,000 originally. Is that right, David?

**Mr Adam**—Yes, my guess would be \$90,000 to \$100,000.

**Mrs Thomas**—We asked for \$150,000 for the project because we knew that that was what it was going to cost us.

**Mr Adam**—Because we had a quote from a previous unsuccessful tender.

**Mrs Thomas**—We had a couple of quotes from PricewaterhouseCoopers and KPMG. The funding from regional solutions was \$78,991.

**Mr Adam**—The council stumped up the rest.

**Senator O'BRIEN**—So it was some time ago that you got the money from the federal government under regional solutions.

**Mrs Thomas**—December 2002.

**Mr Adam**—There was a condition that that money was only to be paid to PricewaterhouseCoopers. It was not used for any other reason except for their direct costs. In fact, it was paid directly to them.

**Senator O'BRIEN**—What process did you go through to obtain those funds? I take it you had to make an application.

**Mrs Thomas**—You bet.

**Mr Adam**—It went on for over a year, I think.

**Mrs Thomas**—It dragged on and on. It was unbelievably difficult.

**Senator O'BRIEN**—Presumably a minister approved the funds. Do you know which minister?

**Mrs Thomas**—Yes, Minister Tuckey.

**Senator O'BRIEN**—I take it from your comments that Primary Energy is no longer considered a potential customer.

**Mr Adam**—I would not say that; I would say that Primary Energy would be a welcome customer if they turned up, because that would instantly pull in the Gunnedah piece of the pipeline. But the company is forging ahead trying to find load to mitigate the fact that they have not come on board.

**Senator O'BRIEN**—I have a copy of a letter from Agility to the ACCC, dated February 2003. It is a tender approval request. On page 2 of the letter, under the heading 'Project subsidy', it states: 'During previous attempts to develop this project by Agility, AGL Gas Networks and ATP, it became clear that, even on the most optimistic view of demand, the project would not be commercially viable without a government subsidy ... Since that time, potential new gas loads have been identified, the most significant being the ethanol plant at Gunnedah.' But the letter still expresses concern about the strength of the commitment from users and the actual level of consumption and refers to the likely need for a government subsidy. Are you now well past that break even point?

**Mr Adam**—There is a lot of history behind that letter. The project I did for AGL before this pipeline was the Central West Pipeline, which runs from Marsden and supplies Forbes, Parkes, Mudgee Narromine and Wellington.

**Mrs Thomas**—Dubbo, not Mudgee. It covers Forbes, Parkes, Narromine, Dubbo and Wellington.

**Mr Adam**—Thanks, Margaret. I want to go to what I think is the underlying reason behind that letter—the policy AGL were pursuing with that letter. As I said, I was General Manager, Country New South Wales, for AGL for some time, and the last pipeline I built for them was the Central West Pipeline, which runs from Marsden to Forbes, Parkes, Narromine and Dubbo, with a spur to Wellington. When the market research and construction budget was done for that pipeline, it was felt that it was pretty tight. This was before the new code whereby the ACCC imposed a rate of return on you. In those days you were basically allowed to win what you could in business. Market forces prevailed instead of the heavy regulation there is now. That pipeline had not happened for many years, even though the councils there were desperate for a natural gas supply. So a tender was run. It was not a tender under the code—the code was not written then—so it was just a tender. Three companies applied: AGL, Origin Energy—or Boral Energy, as it then was—and Kleenheat. Under the Labor government in Canberra there was a fund—I believe it was called Better Cities—

**Senator O'BRIEN**—That is right.

**Mr Adam**—under which you could apply for up to \$6 million for assistance with infrastructure for people in regional Australia who could not get projects up. The then association of councils in that central west applied to the Better Cities fund in Canberra for \$6 million. They did not get \$6 million. They were given \$2 million, and they put the \$2 million into the tender when they ran the tender for the construction of the pipeline. As I said, it was not a tender under the code as it is now, so it should not be confused with that. It was a tender for the construction of the pipeline. AGL won that tender. That pipeline has now been in for eight years or so. It was AGL's view that this was not a bad sort of system to be able to pick up some government money to assist in greenfields gas pipelines. They tried through the state and federal government to get assistance of that type but at a much higher level for the Central Ranges pipeline, which is a longer pipeline and of more significant risk. But they were not able to enthruse either the state government or the federal government and therefore they did not get any money.

**Senator O'BRIEN**—Obviously Primary Energy is now not of—

**Mr Adam**—High importance?

**Senator O'BRIEN**—Not of high importance to the success of the pipeline.

**Mr Adam**—It would be of high importance if it went ahead, but no-one is banking on it anymore.

**Senator O'BRIEN**—Why is that?

**Mr Adam**—Well, it has not happened.

**Senator O'BRIEN**—That is true. Does that mean you do not think it is likely to happen when you say no-one is banking on it?

**Mr Adam**—I have absolutely no idea. I know nothing about the internal machinations, the business plan or anything else at Primary Energy.

**Senator O'BRIEN**—Do you know who owns it?

**Mr Adam**—No, I do not. I know Matthew Kelley, if that is of whom you are asking, but whether he is the owner I have no idea.

**Senator O'BRIEN**—Were either of your organisations contacted by the federal government about Primary Energy?

**Mr Adam**—No.

**Mrs Thomas**—No.

**Senator O'BRIEN**—In relation to the super funds that provide the equity for the project, does that mean they are the owners?

**Mr Adam**—Yes.

**Senator O'BRIEN**—So they own Central Ranges Pipeline Pty Ltd?

**Mr Adam**—They own a company called Country Pipelines Pty Ltd. Country Pipelines Pty Ltd owns Central Ranges Pipeline Pty Ltd. The reason for that is the super fund would like to build another pipeline, if they can find another pipeline, and they would all sit under Country Pipelines Pty Ltd.

**Senator O'BRIEN**—And the Bank of Scotland holds presumably some—

**Mr Adam**—They will.

**Senator O'BRIEN**—When they provide some money.

**Mr Adam**—Yes. They have provided no funding, because construction is such that the drawdowns for construction have not yet passed the equity level.

**Senator O'BRIEN**—So they will eventually have a charge against the asset?

**Mr Adam**—They will, certainly. The Bank of Scotland is the biggest supplier of funds for pipelines in the world, I understand.

**Senator O'BRIEN**—Is that right?

**Mr Adam**—Yes. I think it came out of the fact of the North Sea gas and all that sort of business.

**Senator O'BRIEN**—There has been a lot of funding from Scotland for projects in Australia going back many years. But on this project, I refer to a letter from Mrs Thomas to the ACCC and the Independent Pricing and Regulatory Tribunal dated 3 January 2003. It referred to the



potential customer base for the pipeline as 32,000 residential and 900 businesses. Is that still accurate or can we get an update on that figure?

**Mrs Thomas**—There has probably been some more research done on the ground, but I could not say. David, you might have a better handle on that.

**Mr Adam**—Because I am intimately involved in the development of the pipeline, my information is probably a little closer. The number of businesses would have gone up since then, and the figure of 900 that Margaret used would include what we call contract businesses, which are very large businesses that contract for natural gas at a special rate, and what are called I&C tariff businesses, which are industrial and commercial businesses—in other words, nonresidential—that do not contract for gas but just buy it as you would in your home. Then you have the residential customers. There are 13,000 residential customers in Tamworth. That other figure would have included the whole region. There are probably 20 contract customers up in Tamworth, and the I&C tariff customers would make up the rest of the 900 potentials.

**Senator O'BRIEN**—Did you say I&C tariff customers?

**Mr Adam**—Yes. That is jargon. It means 'industrial and commercial tariff customers'. They are businesses that are not of contract size.

**Senator O'BRIEN**—They use more than a domestic household but less than a big business.

**Mr Adam**—It could be anything from a bakery to a drycleaner to a motel. Contract, I&C tariff and domestic are basically classes of customers approved by the ACCC and IPART.

**CHAIR**—Thank you both very much for making the time to appear before the committee by teleconference and answer questions. We appreciate it.

**Committee adjourned at 5.42 pm**