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Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES
COMMITTEE

Reference: Regional Partnerships Program

FRIDAY, 12 AUGUST 2005

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE
FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Friday, 12 August 2005

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

Substitute members: Senator O'Brien for Senator Moore, Senator Barnett for Senator Watson and Senator Johnston for Senator Fifield

Participating members: Senators Abetz, Bartlett, Bishop, Boswell, Brandis, 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, Forshaw, Johnston, 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

DOLMAN, Dr Gary, General Manager, Regional Partnerships and Networks, Department of Transport and Regional Services.....	1
GOSLING, Ms Karen, Acting Executive Director, Regional Services Business Division, Department of Transport and Regional Services.....	1
RIGGS, Ms Leslie, Former Executive Director, Regional Services, Department of Transport and Regional Services.....	1

Committee met at 9.31 am

DOLMAN, Dr Gary, General Manager, Regional Partnerships and Networks, Department of Transport and Regional Services

GOSLING, Ms Karen, Acting Executive Director, Regional Services Business Division, Department of Transport and Regional Services

RIGGS, Ms Leslie, Former Executive Director, Regional Services, Department of Transport and Regional Services

CHAIR (Senator Forshaw)—Good morning, ladies and gentlemen. I declare open this public hearing of the Senate Finance and Public Administration References Committee. I think today is our 17th public hearing. As officers of the department here this morning are aware, we have had quite a number of hearings and visited quite a number of places around the country. We are now in the final stages of the inquiry. Today we are hearing evidence from officers of the Department of Transport and Regional Services, and I welcome you. You all know well, I am sure, the usual preamble we give about parliamentary privilege and the giving of evidence, and you also know of course that as officers of the department you will not be required to give opinions on policy. I welcome particularly Ms Gosling, I think for the first time.

Witness was then sworn or affirmed—

CHAIR—We have provided a running sheet to the department and to the members of the committee. Our intention is to start off with issues of a general nature. I have a number of questions going to departmental changes and things such as the TRAX data management system. Once we complete that, we will move to questions about specific projects and programs around the country. If senators could try to follow that format, I think it will assist with questions.

Ms Riggs—I would like to point out that, until Friday, 5 August, I was Executive Director, Regional Services in the Department of Transport and Regional Services. As of 22 August I will be Executive Director, AusLink in the department. At the moment I am on secondment to the Australian Public Service Commission, undertaking a project relating to professional development for senior executive and executive level staff in the APS.

CHAIR—That was the first issue I wanted to raise. You have just indicated some changes in position, Ms Riggs. Just so we understand that, as I am advised, at a staff briefing on 1 August this announcement regarding changes to senior management positions was detailed. Ms Gosling, you are acting as executive director of regional programs?

Ms Gosling—Regional Services Business Division. It is Ms Riggs's former position.

CHAIR—What capacity do you appear in today, Ms Riggs?

Ms Riggs—I appear as the person who was, for the bulk of the period in which the projects and matters that this committee has taken an interest in, the responsible senior executive band 2. Currently the title we use in the department for that level is executive director.

CHAIR—Thank you. I assumed that was the case. I am pleased you are still able to appear. At the moment Ms Gosling is acting as executive director. Do you know what is going to happen?

Ms Riggs—Last week the department advertised a vacant position of Executive Director, Regional Services Business Division. Applications for that will close at the end of next week. The normal selection process will be carried out and it is the department's hope that a new executive director, regional services will be in place in some six to eight weeks.

CHAIR—Dr Dolman, you are still in your same position—that remains unchanged?

Dr Dolman—Yes.

CHAIR—Other than the change of personnel, if I can put it that way, will there be any corresponding changes impacting on the administration or management of the program or is it essentially the appointment of a new deputy secretary and executive director?

Ms Riggs—It is as simple as the fact that a vacancy occurred within the department in the band 2 ranks. I have been in this role for some 2½ years. A number of people may be going to move. The secretary worked that through. I am moving on and so the vacancy ends up being in the regional services business division and that is the vacancy that we have advertised. At this stage there are no anticipated changes to the administration of these two programs.

CHAIR—Good. The committee, as you are aware, undertook a visit to Western Australia and conducted public hearings in Port Hedland, Broome and Bunbury. The department, in a letter from you dated 8 July 2005, advised that officers of the department would be unable to attend. We were particularly told that the department was unable to arrange flights or accommodation and was not prepared to incur significant costs organising travel of regional office staff from Perth. Who made that decision?

Ms Riggs—I made it in consultation with one of the deputy secretaries in the department.

CHAIR—Was it referred to the minister at all?

Ms Riggs—Not that I am aware.

CHAIR—So it was you in consultation with one of the deputy secretaries?

Ms Riggs—That is correct.

CHAIR—Which deputy secretary was that?

Ms Riggs—Mike Mrdak.

CHAIR—The committee is aware that there was at least one officer of the department present in the gallery in both Broome and Port Hedland.

Ms Riggs—At the time that I signed that letter it was absolutely true that we had not been able to secure flights and/or accommodation for either people from Canberra or someone from Perth to be able to move around with the committee or to join the committee in those locations.

CHAIR—I think there were two officers in attendance at Broome, and at least one at Port Hedland. I may have that the wrong way round—one in Broome and two in Port Hedland. Were you aware that those officers attended?

Ms Riggs—No. I believe that the arrangements that allowed that to happen came through only very late in the days immediately preceding those hearings—that is, other people withdrew from commercial flights thus making our capacity to access waiting lists possible.

CHAIR—You were made aware that those officers were intending to appear—and did appear?

Ms Riggs—No. They were never intending to appear.

CHAIR—They just sort of decided to turn up, did they?

Ms Riggs—No. It has been our practice with this inquiry to have someone in attendance at as many of the hearings as possible.

CHAIR—Yes, we are aware of that. We know that there are usually officers in attendance. It is a normal part of the process that officers may be in attendance but not at the table. Given that the committee was advised that officers of the department would be unable to attend and provide evidence, is there any reason why the committee was not advised that there would in fact be officers in attendance? We found out when we turned up and noticed there were people there.

Ms Riggs—In effect, that was about the time frame in which it would have been possible for us also to let you know. I regret that we failed to make a formal communication to you to that effect.

CHAIR—Who directed them to attend?

Ms Riggs—Dr Dolman, Ms Gosling and I left in place the request that if they were able to access appropriate commercial flights at an acceptable cost that enabled them to attend then they should do so.

CHAIR—Were the offices locally based?

Ms Riggs—With the exception of two offices located in Halls Creek, the nearest office to Port Hedland and Broome where the department has regional services staff is the Perth office.

CHAIR—And these officers were from Perth?

Ms Riggs—The officer that I am aware of being there is from Perth, yes.

CHAIR—What was the reason for their attending?

Ms Riggs—In the same way that we have asked officers to attend each hearing—quite frankly, it is appropriate and proper for us to know what is being said at these hearings. These are matters which the committee subsequently raises with us either in public hearings or through written questions on notice. It is therefore necessary for us to track these hearings in as timely a way as possible. I think there may have been one other hearing where we were not able to have someone in the room. The transcripts for these hearings—with all due respect to the parliamentary reporting staff—are not always their highest priority in terms of production.

CHAIR—So they came along specifically to attend the hearings?

Ms Riggs—They came along to listen to the evidence of others at the hearings and to follow the lines of questioning that senators were making.

Senator JOHNSTON—To show some interest.

CHAIR—I understood that there were up to two officers present, and we know of at least one. Were those persons in the area for reasons other than the hearings?

Ms Riggs—Can I consult with Dr Dolman for a moment?

CHAIR—Yes.

Ms Riggs—My understanding is that the officer who was in Broome was actually there for another purpose.

CHAIR—That is right. That is what we ascertained as well. But that was not a suddenly planned visit on the basis that a flight became available, was it? Isn't it the case that the officer was always going to be in Broome, or at least it was known he would be in the area in advance of the hearing?

Ms Riggs—That officer was known for some little time to have been going to be in Broome on a day around the time of your hearing. We were advised with only, I think, a week and two days notice of the settled arrangements for this committee's hearings in Western Australia. Yes, we had known, but he had to make changes to his travel plans in order to be able to stay over and observe the committee's proceedings in Broome.

CHAIR—That is how I understood the position to be—he was asked to stay on. Was there any reason why that officer was, or any officers who were in attendance were, unable to give evidence on behalf of the department?

Ms Riggs—We have taken a quite clear position, and we have explained it to this committee on at least two occasions, that we have chosen to represent ourselves at this inquiry at SES level, supported by other staff of the department. When we made inquiries about providing SES representation at your Broome hearing, which was the request made of us, and it was indicated to us that we might appear for something in the order of an hour, the best arrangements we could have made would have required myself, Ms Gosling and/or Dr Dolman—and only a maximum of two of us could possibly have made these arrangements because of the school holidays—to have left Canberra on the Wednesday and not return to Canberra until the Sunday. The airfares

available would have cost in excess of \$5,000 per officer travelling and we could not identify accommodation in Broome to stay in for the minimum of the three or four nights we would have had to stay there. My judgment was that for about an hour's hearing it was neither an effective use of the department's resources nor of my time.

CHAIR—It might have been an hour of evidence, Ms Riggs; it probably would have been longer. But that is not the only reason, as you would be aware. As you have indicated, officers attend to hear the evidence that is given from other witnesses, and that evidence was given on both those days. Obviously, the role of any departmental officers at such a hearing would have been to deal with issues raised by other witnesses giving evidence. It may—

Ms Riggs—Had I been able to be there, Senator, I would have been.

CHAIR—Let me finish. It would not just have been an hour of evidence; it would, in fact, have been a matter of attending the hearing for the entire period. We were told in Broome that departmental officers attend all meetings of the Kimberley Area Consultative Committee and the Sustainable Regions Advisory Committee. Let me quote an extract from the *Hansard*. I asked a question of Mr Durant. I said:

Where meetings were held in different locations and people have come in—that is, not teleconferences—have DOTARS officers travelled to those meetings?

Mr Durant—Yes.

CHAIR—That includes officers from the Perth regional office?

Mr Durant—Yes.

CHAIR—And from time to time it has included officers from Canberra?

Mr Durant—I think it has included officers from Canberra every time.

CHAIR—Right. Is Leslie Riggs one of those people who would have attended meetings?

Mr Durant—She has attended meetings here, yes.

Do you confirm that it has been the practice of officers of DOTARS from both Perth and Canberra to regularly attend meetings of these two bodies in those locations?

Ms Riggs—It is the practice wherever it is feasible for a member of staff to attend each ACC committee. I would also note that ACC committees are generally scheduled substantially in advance of their being held—usually on an annual basis and certainly on a known advance schedule. It is a longstanding practice of the department to attend ACC meetings. In terms of the Sustainable Regions Advisory Committee in the Kimberley, you may recall that predominantly that program in its early days was run by a team based in Canberra—not out of our regional offices. Indeed, in its very early days this department did not have regional offices managing regional programs. It was the practice, again, based on a known preschedule of meetings for an officer from Canberra to attend the meetings of the Sustainable Regions Advisory Committee.

CHAIR—How many meetings of the Kimberley ACC and the Sustainable Regions Advisory Committee have you attended?

Ms Riggs—Maximum two.

CHAIR—Is it the case that an officer from Canberra attends every meeting of those bodies?

Ms Riggs—No. An officer from Canberra would not necessarily attend a Kimberley ACC meeting unless such a meeting was held adjacent to a Kimberley Sustainable Regions Advisory Committee meeting, in which case the same officer might attend both meetings. ACC meetings, as I hoped I had already explained, are attended by staff from our regional offices on a regular basis.

CHAIR—The evidence, as I recall it, was that the two bodies effectively would meet or on the same day, following each other.

Ms Riggs—That may have been the practice for the last 12 months, but both of those committees have existed for considerably longer than that.

CHAIR—Would you provide the committee with the schedule of attendance of Canberra based officers at the Kimberley ACC and SRAC meetings, say, for the last two years.

Ms Riggs—We would be happy to do that on notice.

Senator BARNETT—I would like to comment on your interchange over the last 20 minutes. I seek clarification from Ms Riggs as to whether the responses today are consistent with the responses the department have provided to this committee since commencing our hearings and whether the practice Ms Riggs has been referring to has been consistent throughout the hearings.

Ms Riggs—I believe we have behaved entirely consistently throughout this inquiry in terms of our practice in relation to the officers we have nominated to give evidence before the committee. Officers whom we have asked to attend hearings for the purposes of better informing the department and our capacity to be in attendance are also consistent with the approach we would normally take to wanting to give every cooperation to committees of the Senate but sometimes those matters go beyond, as it were, a reasonable expectation.

Senator BARNETT—Thank you for that. The fact that you are here today, although you have moved into a new role, is an indication of your willingness to assist the committee in its deliberations.

Ms Riggs—I certainly hope the committee members take it in that light.

CHAIR—Moving on to the TRAX data management system, you will recall the difficulties that the department experienced earlier in the year in providing this committee and Minister Lloyd with accurate grant information. I am sure you are also aware of the committee's report of what was known as the Mordek inquiry concerning a grant under the Dairy Regional Assistance Program. It is a previous report of this committee.

Ms Riggs—Indeed, I may have been a witness before this committee on the occasion of that inquiry.

CHAIR—I am setting the scene. One of the recommendations in that committee's report was that the government 'adopt transparent and systematic assessment procedures for regional program grants'. The government, in its response to the report, said:

For Regional Partnerships, DOTARS is putting in place a single programme management package. The package has significant capacity to organise and record details, applications, assessments, funding schedules and monitoring tasks and outcomes.

Am I correct in understanding that that is a reference to TRAX?

Ms Riggs—In part. A program management package involves an agreed process, including agreed activities that are carried out by human beings—the staff of the department—and the sequence or trigger points for those, and some of those matters are able to be supported by an electronic IT based system. In our case, the product that forms the basis of the system that included the very early components that we first implemented in July 2003—and to which we have subsequently made at least two major upgrades or enhancements and additions of functionality—is based on a proprietary product that the department first agreed to buy in December 2002, and the name of that proprietary product is TRAX.

CHAIR—You said that the department decided to purchase TRAX in December 2002?

Ms Riggs—It was before my time, but my recollection of evidence that I have given in the past to either this committee or another committee in this place is that the contract to buy was signed in December 2002. The decision making presumably would have been in the month or two months preceding that.

CHAIR—Who created TRAX? Was it a company?

Ms Riggs—It is a Canadian company based in Ottawa called Infoterra.

CHAIR—There might be at least one witness who would probably spell it 'Infoterror,' but we will come to that in a moment. Do you feel that the TRAX system has delivered either in whole or in part what was set out in the response to the committee's report?

Ms Riggs—I believe that the processes and procedures we have designed for the Regional Partnerships program very much deliver what the department's response to the Senate indicated regarding our intention. Regarding the extent to which they have been supported—initially in part and increasingly more fulsomely to give greater usability to the system—I believe that we have made a substantial improvement over the period since the initial elements of TRAX were first made operational in July 2003. Indeed, as recently as this week we have had a further major upgrade of the TRAX system.

CHAIR—In evidence that you gave to the committee back on 20 February 2004, you indicated that the cost to the department of the software customisation, licensing and travel et cetera for TRAX up until that date was \$1.1 million. Have any additional costs been incurred

over the past 18 months? You were asked a series of questions by Senator O'Brien about costs, including costs for the software. You went on to detail costs associated with software customisation of \$600,000, \$150,000 for licensing and some components for contingencies and travel to Australia for staff of the Canadian based company. Senator O'Brien said, 'So it is up to \$1.08 million?' and you said, 'Yes, \$1.1 million.' You might need to take this on notice, but can you update those figures for any additional costs up to now?

Ms Riggs—I cannot desegregate them in the same way that I then had available to me. But I can tell you that, to 30 June 2005, we had spent or committed, on the actual development of the TRAX product and our use of it—the capital investment in that system—some \$3.8 million, including the moneys that were the subject of my earlier evidence.

CHAIR—So around another \$2.7 million since then?

Ms Riggs—That is a fair piece of arithmetic, yes.

CHAIR—And it is for the same types of costs as you indicated then?

Ms Riggs—Yes.

CHAIR—Was the system in use by other departments before DOTARS purchased it?

Ms Riggs—Not to my understanding.

CHAIR—Have there been any further trips to Canada by officers of the department, including you, since you gave that evidence?

Ms Riggs—I believe there may have been one. Ms Wendi Key, who was a senior executive service employee of the department, went to the US some time after the trip that I made in, I believe, August 2003. She went to the US for the purpose of attending to some other matters of business, but as she was in Washington, which is not very far from Ottawa, she took the opportunity to spend a day discussing some issues to do with the then status of the development of TRAX with Infoterra. I would have to check when that trip occurred. I will try and do it before we finish today.

CHAIR—It would be good if you would do that and provide details. That cost would then—

Ms Riggs—It would be part of the \$3.8 million.

CHAIR—Was it the case that, even though she was there at the time because she went for another purpose, that officer's visit to Infoterra was to follow up on problems with TRAX? Or was it just a goodwill, 'G'day, how are you' visit?

Ms Riggs—No. It had elements of both of those things in it. It is sensible for us, in working with a company—particularly one that has its headquarters so far from our headquarters—to maintain a good working relationship with them. However, yes, this is a system where the differences the Canadian company has, particularly with respect to its understanding of some of the different ways in which we use the English language and describe processes that we want to

see supported under the system, have meant that it has not always been as easy as one might have hoped, given the common heritage of the two countries involved. It has not been an IT project that has necessarily been easy all the time. That is one of the reasons why the relationship is important. But in a professional relationship of that kind I would hope that we would discuss the good things and the not-so-good things that are happening with the project that we are jointly working on. That was the intention of that day.

CHAIR—Have there been any specific visits to Australia by representatives of the company or—

Ms Riggs—Certainly, on several—I think that ‘many’ might even be an appropriate term—occasions, both at senior executive level and at operational systems analysis and design level. They have been sitting in our building, working with us, for periods of two and four and six weeks.

CHAIR—Do you call it problem solving?

Ms Riggs—Design phase, testing phases. It is better to secure communications in a language that is more common to both parties to the relationship.

CHAIR—You are very supportive of this system, aren’t you? You sound like you have got a lot of faith in it, despite some of the problems that may have eventuated along the way.

Ms Riggs—I believe that it is appropriate that, to the extent that we can, the senior management of this department support the routine process based activity of our colleagues in regional offices and in Dr Dolman’s and Ms Gosling’s branches with an appropriate IT system. TRAX is the product that the department had chosen to buy before I joined the department. No IT system is designed and constructed overnight. TRAX provides appropriate elements of support and it has taken us some two years to get it functioning in the way we would most like. I am neutral about the product per se. What I am passionate about is supporting my staff’s work—or those people who were my staff up until last Friday—with a system that provides them with appropriate underpinning technologically based support so that they can better spend their time doing the intellectually more challenging part of their work.

CHAIR—You would be aware of the evidence of Mr John Durant, who is the executive officer of the Kimberly ACC—

Ms Riggs—I read that evidence two nights ago.

CHAIR—He was asked specifically about TRAX. I asked the question:

We have heard about this TRAX system that is used within the department for recording assessing project application data. Do you have a comment to make about how successful or useful that is?

Mr Durant—Not about how successful or how useful.

CHAIR—Do you have any comment to make about TRAX?

Mr Durant—I think that the sooner they abandon it the better.

CHAIR—That is a comment about how successful it is—it is just that it is not.

Mr Durant—The system is full of bugs. It is difficult, time consuming, frustrating and customer unfriendly and it should not be released until all the bugs have been removed and it has worked on a proper system. I cannot think of anything else to say.

What is your response to Mr Durant's fairly strong comments?

Ms Riggs—I accept that those are fairly strong terms.

CHAIR—More than 'fairly'; they are very strong.

Ms Riggs—I would say three things. Firstly, when we first released the application front end of the TRAX system it very quickly became apparent that some of those things that Mr Durant described were true about it. It was very user unfriendly, quite problematic and had some limitations.

We did two things: we worked with Infoterra to reduce the limitations in that front end, and we provided two alternative methods for lodging applications with the department. One was to lodge them on paper, and we then undertook the responsibility of ensuring that those paper based application forms became part of the system. The second was to provide a smart Microsoft Word based version of the application form. While neither of those are formally part of the TRAX system, they both represent alternatives to the getting of applications into that system. We also took responsibility for uploading data from the SmartForm into the system.

The second comment that I will make is that, with all respect to Mr Durant, the elements of the TRAX system that ACCs use—either in assisting people to use the application portal or in providing ACC commentary on applications—do not represent all of the system at all. Considerably more of the system supports the internal process functions of staff of the department. Mr Durant is not familiar with that part of the system, and he certainly is not familiar with the most recent upgrades that we have made to the system. Based on a view from a very limited window into a system, he is condemning that system.

CHAIR—Yes, but he is commenting at the coalface, if I can use that word—at the interface: that is, where the ACC and SRAC, and thereby applicants, connect with the system. I do not use the word 'connect' in just a technological way. He is saying that if the part of the system that is supposed to be the most user friendly has problems and causes problems then, despite what you might say about how wonderful the rest of the system is internally in the department, it is clear that it is breaking down and is, to use his words, customer unfriendly, time consuming, difficult and frustrating. Isn't that an important element of the system? It may not be all of the system, but it is a very important part.

Ms Riggs—That is why we have the two alternate mechanisms for lodging an application into the TRAX system, which I described to you. We then take responsibility for the interface with the system. We do that for people like Mr Durant, who find it frustrating—and I can tell you that

there are some others who use the system who do not use language of that kind to describe it, although, when I tell you that, you will just have to accept it.

CHAIR—You can tell us—whether we accept it is a matter for us.

Ms Riggs—I am asking you to accept that some people do not make that sort of protestation about the front end of the system. But we have provided the alternatives, because, yes, we do recognise that that is the point at which many people connect—again, I use your broader term—with the process that is Regional Partnerships.

Senator STEPHENS—In terms of the upgrade, in my conversations with several ACCs about the Microsoft Word upgrade and the SmartForm option, the difficulty that some applicants have had in revisiting the form to update information has been mentioned. Has that been addressed now? They have said to me that their experience was that you could not start an application and then go back and edit and revise it. Has that been fixed?

Ms Riggs—I understood that to be an issue about the same piece of front end that the chair was also talking about—that is, the Infoterra-provided application portal front end. I have never heard that described as a problem with the Microsoft Word SmartForm. I am not saying that you have not heard that; I am just saying that I have never heard that described as an issue. I would be happy to explore that.

Senator STEPHENS—Could you check that?

Ms Riggs—Yes.

Senator STEPHENS—The way it was described to me was that, unless people download the SmartForm and save it to their own system, they cannot go back in and re-enter or change data part way through the application.

Ms Riggs—I will try to find out before we finish today.

Senator STEPHENS—Thanks.

CHAIR—I have a couple of other questions on TRAX. I was going to ask you whether the department had considered abandoning the use of TRAX, as suggested by Mr Durant, but I take it that the answer to that is no. Is that correct? Maybe I am wrong.

Ms Riggs—I have chaired the project board managing the implementation of TRAX, and I can assure you that at every step along the way we have duly considered all the options available to us.

CHAIR—And that includes abandoning it?

Ms Riggs—That is always an option with an IT system.

CHAIR—All right. But has any specific consideration been given to a proposal to abandon it?

Ms Riggs—I am not prepared to go further into the internal working deliberations of the department in that regard.

Senator STEPHENS—Ms Riggs, is it possible for you to provide the committee with an overview of the whole functionality of the TRAX system and what it does within the department?

Ms Riggs—Absolutely. We would be delighted to do that.

Senator STEPHENS—Thank you. We are hearing only about the front end. It would be useful if we could see some description of the program that allows us to understand the backroom processes.

Ms Riggs—We will certainly do that.

CHAIR—Ms Riggs, I just asked you whether consideration has been given to any specific proposals to abandon the use of TRAX at any time. I ask you that question again. I do not believe you are at liberty to say that you are not prepared to go any further into the internal deliberations of the department. That is not a reason for declining to answer the question.

Ms Riggs—Perhaps it would assist you if I described to you the governance arrangements for major IT projects within the department. Each IT project has to be approved first by what we call our strategic IT committee. In order to achieve approvals through that committee, a project has to have met that committee's test of a legitimate, cost-effective and efficient strategic investment proposal. The methodology we use—while we do not use it necessarily in all its fully detailed documentation—is called Prince2. It is internationally regarded as one of the absolutely standard major IT project management methodologies. The documentation pro forma and style of proceeding for this material is readily available and used around the world.

So, firstly, one has to secure a business investment approval. Then one has to take it through a project design process. That too needs to be approved by the strategic IT committee. As part of those two processes, on each occasion one has to describe the options that have been considered for the delivery of business. Those options need to include the no IT or no further development of this piece of IT option. On each occasion those proposals have to argue the pros and cons of each of the options and come to a recommended position for the strategic IT committee's decision. The TRAX project has been through some four stages within the department and on each occasion has gone through that methodology, including the conscious consideration of whether the department would proceed to invest any further in this underpinning IT.

CHAIR—You are saying that the option of abandoning it, then, is effectively on the table?

Ms Riggs—At each major stage initiation point.

CHAIR—So what is the current commitment, if I can use that term, to TRAX? When will the next meeting or assessment to consider its future occur?

Ms Riggs—That will be a matter for my successor.

CHAIR—But is there a time line?

Ms Riggs—I expect that the currently approved stage will be formally closed by a meeting of the project board some time in the next four to six weeks. Whether there is any further investment in TRAX will depend on the regional services business division successfully arguing to the strategic IT committee for the initiation of a new stage of the project.

CHAIR—Is TRAX used by the department on any programs other than Regional Partnerships and Sustainable Regions?

Ms Riggs—No, it is not.

CHAIR—Is all the amended project information that has now been provided to the committee accurate?

Ms Riggs—With the history of those tables, it would be really brave for me to say anything other than, ‘It has been checked back to source information, wherever it could be.’ The very capable people who have worked on providing those tables in their final forms have given me assurances that—to the very best of their ability and the capacity of both our IT and our manual systems to produce it—it is accurate.

CHAIR—I will take that as a ‘yes’, with a qualification.

Ms Riggs—We are human beings.

Senator STEPHENS—Can I ask some questions about the Regional Partnerships client satisfaction survey?

Ms Riggs—Just let me see if the right person is sitting in the room behind me. No. We will give it a go, shall we?

CHAIR—Going to be brave?

Ms Riggs—I am known for that.

Senator STEPHENS—You told us earlier that you expected that survey would be completed in April this year. I understand that funding recipients were invited to participate in the survey. Can you tell me whether proponents of ineligible projects such as the Gunnedah ethanol plant approved under the SONA guidelines were invited to participate?

Ms Riggs—The survey that you are describing is an element of the post-implementation review phase of our Regional Partnerships evaluation strategy. Yes, that has been carried out. At a different committee of the parliament, a question was raised about whether that survey also went to applicants who had been unsuccessful. My recollection of the evidence that we gave at that committee is that no, they had not been included in the post-implementation review survey, but it was our intention to consider how best to include them in our stage 2 evaluation, which will take place during 2006. No, there are no unsuccessful applicants in the post-implementation review client survey.

Senator STEPHENS—The question I just asked you was actually about ineligible projects. Are you saying that unsuccessful and ineligible projects are the same?

Ms Riggs—No, I am not, because an ineligible project would be determined to be ineligible very early on in the process, as it would not meet the guidelines—at least in broad terms—whereas an unsuccessful applicant would go through some form of assessment before such a judgment was made. You will appreciate that these are not necessarily particularly clear-cut decisions until some layer of assessment and consideration has been underway, but sometimes they are really clear cut.

Senator STEPHENS—So are project recipients under the SONA guidelines included in the client survey?

Ms Riggs—I cannot answer that question, because it was a sample survey; it was a randomly selected sample. I think there have only been a handful of projects whose eligibility under the totality of the regional partnerships guidelines included reference to the SONA procedures. I simply cannot say whether they would have been picked up in the sample survey.

Senator STEPHENS—Is it possible to provide the committee with the methodology and consolidated results of that client satisfaction survey?

Ms Riggs—I think we have provided you with the overarching evaluation strategy in the past. We will certainly provide you with the survey questionnaire. When we have a completed report—and it is very close to being completed—we will check with the minister to ensure that he is happy about it. It is our hope that we might also be able to provide you with that report.

Senator JOHNSTON—In travelling all over Australia seeing the area consultative committees, we came to understand that the executive officers and their very small but dedicated teams were working extraordinarily long hours. We also came to understand that their level of remuneration has not changed greatly since the scheme and program got underway. Could we get some understanding, even if it is on notice, of how we review and benchmark the performance of the committee executives and employees and what level of improvement there has been in their terms and conditions as the scheme has become more widely known and the applications have increased and become more technical? What are we doing about giving them the necessary financial incentives to maintain the level of output that I think they achieve?

Ms Riggs—We do not employ the executive officers of ACCs—ACCs do. We provide a budget to each ACC each year. It is up to the chair—and however the chair chooses to engage with the members of the ACC—to manage the issues around the remuneration of their staff and the way in which they might construct that—in an incentive sense, an increased salary sense or whatever.

Senator JOHNSTON—Given that the chair is a volunteer, I would have thought that he would have very limited capacity to benchmark, anticipate and cost plans into the future regarding what is going to happen to his vital resources.

Ms Riggs—I think that most of the chairs are really good at doing that. They are people from small and medium businesses who do that routinely with staff in their businesses and who have a

pretty fair sense of what it means in the ACC world as well. However, we do provide some guidance through the ACC procedures arrangements and the supporting handbook that goes with the ACC contract. For the last two years, we have also had a process of trying to work towards better key performance indicators, to embody, in the contracts between ourselves and the ACC, the performance of the ACC—and some of those indicators, while not directly saying, ‘Your executive officer and his or her staff must do X,’ do go in an indirect way to the issues about the effectiveness of the paid executive staff.

Senator JOHNSTON—Can you, for instance, tell me what the average hours worked per week by the executive officer of each ACC is?

Ms Riggs—No, I cannot—and we would not collect that.

Senator JOHNSTON—I am hearing some very interesting stories in that regard. I am hearing that they are working very long hours because they are driving to country locations and they are on the road or on the job—and I say on the job is on the road—for very long periods of time.

Ms Riggs—It is certainly true that we also hear those stories from some of the larger ACCs. We most commonly hear them in the context of people saying, ‘We will need more money in order to be able to pay for more petrol,’ rather than hearing about the hours of work of the executive officers. I am not saying that they do not go together, but I am trying to give you a flavour of—

Senator JOHNSTON—I think I might be hearing different things to what you are hearing, and I think there is good reason for that. Without pre-empting what the committee is going to find, I think the scheme is working very well in many places. One of the reasons it is working well is the huge dedication of executive officers to this bottom-up funding model, where we pick projects and we give them an opportunity to be successful. The program is growing rapidly. I am getting many more constituents coming to me in Western Australia saying, ‘I’ve heard about Regional Partnerships. Where do I go? What do I do?’ That burden is increasing. All I want to know is: what is the department doing in the Great Southern, for instance, which is growing in Western Australia at a phenomenal rate, and the south-west, to make sure that we have no burnout, that the people have some good incentives to work the hours they are working? What are we doing to look after these staff and to make sure that we have quite good acquired corporate governance skills and experience, which is tremendously valuable to the program?

Ms Riggs—One of the things that we suggest in our handbook for ACCs is that chairs enter into employment arrangements that provide for some form of performance incentive each year. We also provide guidance that suggests that, while there should be nothing automatic about increases in the base rate of salary from year to year, they should certainly be guided by the effectiveness, the performance, of their executive officers in making a judgment to increase base salary. We cautiously suggest that moving way outside of the community norms in terms of the percentage increase in base salary would certainly have to be based on very good performance. We have a budgeting system that provides for dialogue between the ACC and each of our regional managers about the needs and the pressures involved. Sometimes there are not pressures. I appreciate that there are many good ACCs in Western Australia, but I can also point to some where—

Senator JOHNSTON—It is a bit quiet.

Ms Riggs—the levels of activity would not be of the nature that you have described.

Senator JOHNSTON—That is the nature of ACCs in Western Australia. We have a six-plus per cent growth rate in those two areas that I mentioned. That is far beyond inflation. That is where you would need to make sure that our people are not the poor relations in this. They are helping a lot of growth at these levels. I happened to be in those areas last week, talking to people. I want to make sure that we are keeping pace with what is happening in the area. All I want you to do is tell me what has been the average increase over the last three to five years—whichever is most convenient; I do not think it matters much, but three would be the minimum—in a percentage form of the budgets going into the area consultative committees.

Ms Riggs—I am certainly happy to do that, and I hope we might be able to do it before the end of today's hearings. If not, we can do it quickly after they end.

Senator JOHNSTON—Thank you.

Senator BARNETT—Some of these issues came up in the East Pilbara and the Kimberley, and it is relevant in other parts of Australia. How do we deal with the costs of travel and the higher cost of petrol? I think you raised that point, and it has come back to us. I want to seek clarification on that.

Ms Riggs—ACCs do not all receive the same budget. I think that is the first point to make. We recognise that there are quite different cost pressures on the smaller coastal ACCs up and down the New South Wales coast than there are on the ACCs that have large geographic regions. It is a balancing act, of course, because often the employment costs may be higher nearer some of the capital cities, but the travel costs or some other form of costs may be lower. That balance in the relative shares of the cost make-up, in some pretty broad groupings, informs the basic budget for ACCs.

Across the board, without doing it on an ACC by ACC basis, I could say there had been a period in which their budgets had been held relatively stable. Two years ago we gave them, in effect, an across the board increase that caught up with the years in which we had not even kept pace with inflation and anticipated inflation for the next year. For large ACCs we added an adjustment for their increased travel costs. The Kimberley, the Pilbara, the Great Southern and probably Kalgoorlie would, I believe, have received some benefit out of that. We would be happy to share the detail. So it is not a blind system that works on the basis that ACCs must absorb whatever their cost increases are. On the other hand, the money that goes to ACCs comes out of the same appropriation as Regional Partnerships projects. So, for us, it is a clear balance between spending on the staffing of ACCs and putting money into communities.

Senator BARNETT—I am with you. On a similar but related area, I understand there is a budget for the ACCs' advertising and marketing of programs. Is that decided by each and every ACC, rather than by the department, and how is that ascertained?

Ms Riggs—It is decided by each ACC. I have to say that it is one of the areas we have asked our regional staff to be most conscious of when the ACCs present their proposed budget to our

regional staff each year. Regional Partnerships needs some promotion and support through ACCs. But, as Senator Johnston has said, it is achieving a cachet and word-of-mouth spreading, which means we would rather see the money go into great supporting structures in the ACCs, in order to support good projects, rather than into what I would call untargeted generic marketing or promotion work. So, yes, they have marketing budgets. They use those for things like launches and for good community-based meetings in which they talk about the work of ACCs and the success of projects. We are happy to support that.

Senator JOHNSTON—We call them expos.

Ms Riggs—Indeed you do in Western Australia—and they are great events. But we are not happy to support the production of a lot of pretty pieces of paper or pens that, quite frankly, will not reach their market in particularly effective ways—and we try to produce some of that material ourselves.

Senator BARNETT—We have seen some very good promotional material—particularly in Western Australia and in the Pilbara. I thought it was excellent. Some of the other ACCs in different parts of Australia have said: ‘I’ve seen that one and it looks really good. We are going to try and emulate that.’ So I was wondering whether you have some standard promotional material and can simply say: ‘Here is some basic stuff you can read. You can get a little bit of money, but why not use this?’

Ms Riggs—We have a one-pager that we call ‘The key messages’. You may be familiar with it. Your local ACCs may have come and talked you through it. We request that, when ACCs are doing the generic promotion of ACCs, their role and Regional Partnerships, they use those standard forms. We also have a postcard sized thing on Regional Partnerships. As you know, we have a common look and feel for the branding of ACCs in terms of folders, brochures and so on. But one of the issues for us is that not all ACCs are the same. Some of them not only receive what I would call their base operating grant from this department, for their work on informing the government about issues in regional Australia and supporting Regional Partnerships, but also work for AusIndustry delivering the Small Business Answers office’s arrangements. Some of them have contracts with state governments. So for us to be overly prescriptive about their package of marketing material, or their monthly newsletter, is a bit of a problem, because it would restrict them from recognising the other elements of their work.

Senator BARNETT—Going back to their marketing budget, do they set it or do you set it?

Ms Riggs—They propose it and we either support it or have a conversation with them about it. At the end of the day, we have an agreed budget.

Senator BARNETT—Very good. Do you set the KPIs for the ACCs annually? How is that done? Is that in consultation with them?

Ms Riggs—Yes. I think it was in the third year that we first started the process of saying to ACCs, ‘We would like to have KPIs.’ They were worked through with the ACC chairs reference group, which is a subset of the chairs. It is a group of 12 who come together by teleconference or meet monthly rather than our more common annual conference of chairs. We had a go at them

the first year. We all happily agreed that they were not very good, were pretty hard to measure and did not necessarily tell us much.

We have a second, more refined set. The chairs are much happier with the set that applied for the period of the contract that has just finished. We are about to work through the results of those with the chairs, what they mean and which of them, therefore, represent good and not so good KPIs. For that reason we have proposed to continue those KPIs and have added a couple of new ones into the contracts that have been signed up for this financial year. It is a bit of an iterative process. The notion of having them is driven by the department but actual identification of them is one that the chairs are heavily involved in themselves.

Senator BARNETT—It sounds like an excellent process. I understand there may have been some recent changes to the KPIs. I was wondering if you would like to alert the committee to what they are and to the latest agreed KPIs and any proposed KPIs that the department has agreed to.

Ms Riggs—We have been talking with ACC chairs and executive officers at a number of forums as we have moved around the country over the past two months. We have been talking about a KPI that looks at the government's return on investment in ACCs. It is about a ratio between the amount of Regional Partnership funding which goes into the ACCs region and the base operating funding that the ACC receives. It is the best way we could come up with for the notion of return on investment. We needed a replacement for the previous RAP's notions of notional allocations. Our guidance now to ACCs is, 'We would like you to achieve something like a minimum of four times your operational grant in the level of RP funding that flows to projects that are supported through your recommendation in this area.'

That is new. Some of them are comfortable with it. Those are the ones that have generally achieved that or better so far when we look at the past 12 months. It was not a formal KPI but we have done the arithmetic to produce the numbers. Some of them are less comfortable about it. Most of them are prepared to take on the challenge and the notion of a KPI that is about return on investment.

Senator BARNETT—Do we have a figure of one to three or one to two with respect to taxpayers money going into a project and then returning \$2 or \$3?

Ms Riggs—We have another ratio which we look at which is the ratio between Regional Partnerships funding and all other parties' contributions to the project. We would like that to be at least three to one, if not higher.

Senator BARNETT—There is a bit of flexibility there, but three to one is—

Ms Riggs—We do not apply it to individual projects. We prefer to apply it to the totality of projects that have come through an ACC, say, over at 12-month period. To apply it to every individual project would, in effect, apply a constraint on the guidelines which we have deliberately not intended to have there.

Senator BARNETT—Have KPIs been applied to any jobs that you can alert us to?

Dr Dolman—Included in the KPIs are a set that look at outcomes. They are the harder ones to measure. Again, they are not applied to individual projects but are applied to ACC performance across a year. There is one that looks at the number of jobs that have been generated as a result of the projects. As Leslie said, we have not collated that data yet. We are in the process of doing that.

Senator BARNETT—So you cannot tell us what that is?

Dr Dolman—Unfortunately not now.

Senator BARNETT—Is it far away or can you alert the committee when you have completed the research?

Dr Dolman—We can definitely alert you when we have completed it. I think is at least a couple of months off.

Senator BARNETT—Initially when you presented to our committee you indicated the benefits of the program in terms of dollars and returns on funds invested but I think you did provide specifically the jobs benefit.

Ms Riggs—We did, based on two evaluations, one of the Regional Assistance Program and one of the Dairy Regional Assistance Program and they were sample evaluation work. If we put them together, the conclusion we can derive is that for about each \$50,000 worth of investment outside of metropolitan Australia you get three jobs created. Three jobs are created for each \$50,000 worth of program funding through those programs. I cannot tell you whether that holds true for other forms of programs or whatever because of the nature of the evaluations that were undertaken but we hope that Regional Partnerships, which draws on the best of some of those predecessor programs, once we have the data will tell us an equivalent story.

Senator BARNETT—With respect to the original presentation to our committee of several months ago if there is any further information or advice on the benefits of the program, the committee would have an interest in that. Secondly, you mentioned the one to four figure for the operational, the one to three figure for the return on funds and the KPIs. If it were possible to summarise what they were in some written form that would be a help. Is that possible?

Ms Riggs—As soon as we can after this hearing, we will happily give you the list of the KPIs from last year's contract and Dr Dolman will take on board to provide the compilation of data against particularly the three that you have made reference to as soon as he possibly can.

Senator BARNETT—I have one final question on a similar area.

Senator STEPHENS—Could I ask a couple of questions about the KPIs?

Senator BARNETT—That is fine.

Senator STEPHENS—With respect to the response that you just gave Senator Barnett, do the KPIs include the projects funded under the SONA guidelines or are there separate KPIs for them?

Ms Riggs—Where it is possible once the project is approved to ascribe it to an ACC region then we would include it in the numbers for that ACC's region. Sometimes that is not possible.

Senator STEPHENS—In some ACC regions of course it is very possible and it will completely skew the outcome, won't it? If you have millions of dollars going into an ACC it is going to skew all of the KPI's results.

Ms Riggs—Dr Dolman has reminded me that, in terms of the first of the KPIs we talked about with Senator Barnett—the one about operational funding vis-a-vis project funding—we exclude anything that has not come through the ACC.

Senator STEPHENS—And what about the employment outcomes? Will they be excluded if not SONA projects?

Ms Riggs—We will take that on notice and contemplate it, but we have not collated that data yet, as Dr Dolman said.

Senator BARNETT—I have a few questions in regard to the program. Obviously, it supports the public interest through the funding of community groups, local councils—'the applicant'. But, in some cases, the applicant is a business; that is, it makes a profit. It has been put to us from time to time that perhaps they should not be funded. I am seeking your response to why businesses are funded, as the applicant, where the project or business is there to make money. Could you respond to that and deal with the issue of competition and how that is addressed in your program.

Ms Riggs—The answer to your first question, why does this program support private enterprise when some people might say that there are issues about that, is simply that the government decided that, as part of the policy, there would be such circumstances, but I think I can go a bit further.

CHAIR—The issue does involve at least touching on policy.

Ms Riggs—I understand that. I think I would describe it in these terms. In places where labour markets might be limited, for example, one of the best things that can happen in a country town is that some new jobs are created—that extra people are employed or people are employed for longer hours. That increases their capacity to contribute to the community. There is a body of work done, particularly in the US, on the way in which people participate in their communities more generally and how that is underpinned by their sense of participating as normal members of a community—earning an income and being able to pay for their kids to go to school and wear the right uniform and so on. There is also a body of evidence that suggests that, if people can participate, their own social health and wellbeing are promoted as a result.

So, philosophically, if one of the best things you can do for an individual is get them a job, then one of the best things we can do for some towns is provide some underpinning for more certainty in employment circumstances. I believe that is why the private sector element of this program exists. It also exists because the evaluations I referred to previously showed us that, in some ways, it is a relatively cost-effective way of supporting growth. The predecessor programs

to this were three jobs for \$50,000, which is not bad when you put it up against some of the outcomes for direct employment, income support and assistance and so on.

The competitive issue is one that then clearly does arise. In previous evidence—Senator O’Brien might be able to help me here—either to this committee or during the normal estimates process, we had a conversation about the fact that this is not a simple measurement. It is not as simple as saying that, if a business exists in a town, you cannot help support another business of that kind in that town. The notion ‘of that kind’ is not a simple equation in a market-driven economy. So we ask applicants to comment in their application about what they see as issues in terms of whether there might be competition. We ask them to talk about, for example, whether they intend occupying a different niche in a market to something that might already exist. We look at issues around the size of the community and current supplies of particular goods or services that a business might be offering or proposing to offer more of—if they are proposing to offer them locally. Sometimes the reality is that we support a business that is producing something that sells into a national or international market, and that is not an issue of competition in the local area.

So these things are complex; they are not simple, and we do not take a simplistic view of them. We ask the ACC to comment, we talk to local business associations and we talk to the local council. We have, as you know, staff in 10 different locations around Australia who have some knowledge of the way in which a region is working. And we bring all of those types of things together when we consider that notion of whether there is competitive pressure unfairly supported by this program.

Senator BARNETT—That is my key point or question. That is, if there is business A and business B and they are both able to apply for funds through Regional Partnerships, perhaps you would not do it with A because it would compete unfairly with B. If that was the case, if there was unfair competition, it would not happen under this program. That is what I am clarifying with you. You have all the measures in place, and it is through the application forms, your committees and your department that those assessments are made. Is that correct?

Ms Riggs—It is certainly our intention not to unfairly support one business in a directly competitive endeavour in the same location under this program.

Senator BARNETT—Very good. Just on that, do you know what proportion of the successful applicants were businesses, compared to not-for-profit organisations or local councils?

Ms Riggs—Dr Dolman tells me it is 12 per cent by the number of approved applications and 14 per cent by dollar value.

Senator BARNETT—Thank you very much.

Senator O’BRIEN—Going back to the KPI issue, we have received a copy of the ACC handbook, which is dated June 2004, supplied by the department. Page 34 of that handbook says:

Performance assessment for ACCs has 3 components—feedback against Key Performance Indicators (KPIs), Quality Assurance Assessments (QAAs) and audits.

You told us this morning that the KPIs will change; they are in the process of changing—or, perhaps better put, that you were adding to the KPIs.

Ms Riggs—What I said was that, when we have had an opportunity to compile the data for the immediate past 12 months, we will then be discussing with ACCs which of those represent good and valid measures. In order not to lose a year while we do that, we have continued those KPIs into the current contract and also added that measure of return on investment.

Senator O'BRIEN—So the only measure that has been added to date is return on investment. Are there any changes to quality assurance assessments and audits in terms of the handbook?

Ms Riggs—I do not believe so.

Senator O'BRIEN—Is the June 2004 handbook still current or has it been replaced?

Ms Riggs—It is still substantially the handbook that is in place. I am advised that a small number of upgrades have been made.

Dr Dolman—We are reviewing that version of the handbook; that is the current version. We are reviewing it for possible future changes. But that is the current version.

Senator O'BRIEN—So, revisions have not been issued to ACCs?

Ms Riggs—Revisions have not been issued.

Senator O'BRIEN—Is there an expected date for the issue of revisions or is this going to be the handbook for the current financial year and you are looking to have one for next financial year?

Dr Dolman—Essentially, we only make revisions when they are necessary, so we have a constant process of reviewing and discussing potential changes as issues emerge. I do not think we would be looking to issue a revised handbook until after this committee has completed its deliberations and perhaps made relevant recommendations.

Senator O'BRIEN—Have there been any revisions issued to ACCs which would update the handbook provided to the committee earlier this year?

Dr Dolman—No, not the ACC handbook.

Senator O'BRIEN—I am sure the department is aware that a number of ACCs have been critical of aspects of the Regional Partnerships program through the course of this inquiry. Concerns have included funding of low priority projects from the Central Coast ACC, for example; the abrupt end to assessment to accommodate political demands from the Tasmanian ACC; and the active discouragement of interregional project proposals from the Melbourne Development Board. This committee is tasked to make recommendations about guidelines which might be put in place to ensure proper accountability for the expenditure of public money. Have any practices changed in response to the issues highlighted by the government's own local advisory committees through the course of this inquiry?

Ms Riggs—No. We are waiting for this committee to report before we undertake a fulsome review of whether there might be matters that this committee raises that the government would wish to take up or in other ways respond to.

Senator O'BRIEN—Has the department done any work in response to concerns expressed during the course of this inquiry at all, or are you simply waiting for the inquiry to report before you do that work?

Ms Riggs—We talk with ACCs on and off over the course of the year. We meet with executive officers in each state on an annual basis. We meet with chairs in most states, I think, annually. We have an annual conference. The business of managing a program and a group like the ACC is one that constantly has us thinking about whether we have got it right or whether we can improve it, and we will continue to do that. But no changes will happen until such time as we were to put a proposition to the minister, and the minister were to agree to it. That is the nature of the business of administering a program on behalf of the government. We have not yet had a sufficient body of matters that we have considered, perhaps come to a different view about and made proposals about in relation to matters we have heard from ACCs over the last six months or so.

Senator O'BRIEN—Where such submissions have been made to this inquiry, has the department had discussions with those ACCs making submissions that have been critical of aspects of the program?

Ms Riggs—It would probably be fair to say that we have not necessarily done that systematically. I know Dr Dolman has talked to a small number of ACCs in order to better understand what they might have meant by their submissions, as I have—not as part of a constructed, formal process but because we saw people from those ACCs and sought to better our understanding.

Senator O'BRIEN—Can you let us know which ACCs have been involved in such discussions with the department?

Ms Riggs—No, I am sorry. Off the top of my head, as I said, this was very informal as opportunity arose.

Senator O'BRIEN—Officers of the department have been at hearings all around the country. I am wondering—

Ms Riggs—I have already said we have not had any systematic process for doing what you asked, but Dr Dolman had talked to a few ACCs. In the course of conversation he may have touched on those matters, as I indeed have done myself. That is all I have indicated.

Senator O'BRIEN—But you are not able to tell us which ones have been involved in such discussions. Presumably, there must be some knowledge of the Central Coast ACC's comments about Tumby Creek. Have you had conversations with them about that?

Dr Dolman—I have not, no.

Ms Riggs—I have not.

Senator O'BRIEN—The Tasmanian ACC and their comments about the pressures to accommodate political demands?

Ms Riggs—I only read the transcript of the Tasmanian hearings two nights ago.

Dr Dolman—I have had discussions with the Tasmanian ACC, but not about that issue or any other issues that were raised in the inquiry.

Senator O'BRIEN—So this has been an ad hoc matter of conversation rather than part of a process within the department?

Ms Riggs—I believe that is what I tried to convey to you.

Senator O'BRIEN—Sure; I just want to be clear. Can you outline for me the role and composition of the department's ACC Senate inquiry team?

Ms Riggs—It is a group of officers within one of our existing teams, which we call the ACC team, who are supporting Dr Dolman's, Ms Gosling's and my participation in this, and supporting this committee's inquiry by providing material that we have agreed to provide or answering questions on notice. It is simply a convenient administrative tag for a very small group of officers whose primary focus is this inquiry.

Senator O'BRIEN—I take it the team was established when this inquiry was established, is that right?

Ms Riggs—It is a kind of subset within an existing team. It does not have dedicated permanent staff who do nothing else; it is simply meant to indicate a subset of functionality with some level of staff resources available to it within our ACC team.

Senator O'BRIEN—We have received an email from Chris Nightingale, Assistant Director, ACC Senate Inquiry Team, Regional Communities Branch.

Ms Riggs—People like to give themselves titles, Senator.

Senator O'BRIEN—People like to give themselves titles?

Ms Riggs—Yes.

Senator O'BRIEN—Who is on this team?

Ms Riggs—I guess I am. Dr Dolman is and Ms Gosling is. As needs arise a number of the other officers sitting behind us would contribute to its work. A number of people in the ACC team would also contribute to its work. Mr Nightingale is one of the assistant directors in that team and he is the person currently most charged with ensuring that we manage the business related to this inquiry as well as we are able.

Senator O'BRIEN—Who are the others who are associated?

Ms Riggs—It is not our common practice to name officers below the SES level. I have only agreed to repeat Mr Nightingale's name because you have that email and I have already indicated to you that it is not a matter of having set up a team that necessarily has a permanent structure or staffing. It is a convenient administrative tag we are using for a group of functions we are doing our best to carry out in order to support this committee's inquiry.

Senator O'BRIEN—So people with these functions would have been talking to the department—as seems to be borne out by this email—about subjects such as whether they have permission to table letters and material before the inquiry?

Ms Riggs—I am sorry, Senator?

Senator O'BRIEN—This email seems to indicate that there is a dialogue between the department and ACCs about matters such as the permission to table letters and such matters before the inquiry. Is that one of the tasks of this inquiry team?

Ms Riggs—One of the tasks of that team was to prepare draft material and finalise, for Dr Dolman's or my clearance, two letters of advice to ACCs with respect to their release of material to this committee. We have already had some quite lengthy conversations in this committee about that advice and our very earnest and proper intent to help ACCs. Yes, that was one of their functions in the early days.

Dr Dolman—If I understand correctly which email you are referring to, my understanding is that one of the roles of that team is to seek permission from people we hold material for to provide it to the committee where you have requested such information. I understand that that is what the email is asking.

Senator O'BRIEN—This particular email?

Dr Dolman—Yes.

Senator O'BRIEN—So it does both?

Dr Dolman—Essentially it is part of the process of us delivering on requests to this committee.

Senator O'BRIEN—How many officers have participated on this inquiry team?

Ms Riggs—As I said, there are a number in the room who would have made a contribution to that. There are the three of us at the table, Mr Nightingale and perhaps two others who work in the ACC team, some of whose work is related to the work of what we are generically calling that function: the inquiry team. Those one or two officers may have changed over time; staffing is not fixed in the regional services division, as elsewhere in the Public Service.

Senator O'BRIEN—That is why I asked for numbers.

Ms Riggs—It is not a fixed number.

Senator O'BRIEN—Do I count the officers in the room here?

Ms Riggs—No, they are all contributing to its work, but they all have other functions.

Senator O'BRIEN—I am sure they do.

Ms Riggs—That is the point that I am trying to make to you. Some of the officers in this room, for example, work in Ms Gosling's branch and have primary responsibilities in relation to the day-to-day operations of some dimensions of the Sustainable Regions Program, or they work in Dr Dolman's branch but have day-to-day responsibilities and predominant responsibilities for some aspects of operation of the Regional Partnerships program. It is an administrative tag, not a dedicated, fixed set of people who sit in an office or in a group of offices or desks and do nothing else but this. It is our coordination function.

Senator O'BRIEN—It is identifying a group of people who have particular functions in relation to the department's role with this inquiry. Is that another way of putting it?

Ms Riggs—It is identifying a group of functions that have some people who contribute to it.

Senator O'BRIEN—Yes. I want to know how broadly that has gone within the branch. How many people have been involved over a period of time?

Ms Riggs—I have tried hard to describe that to you.

Senator O'BRIEN—I know, but it is still a bit unclear.

Ms Riggs—I do not know the answer, because people have contributed for a week in a dedicated way and moved on. We may have had some contract staff who, when other people were on leave, came in and worked there for a week and moved on. I just do not know the answer. If it is really important, we can try and construct it, but it does not have a simple, clear-cut answer.

Senator O'BRIEN—I would appreciate if you could give us an indication of the range of people or the number of people who have worked on this function. That may well have varied, and you may want to tell us how it has varied.

Ms Riggs—That is quite a large piece of work. For me to contemplate each week since this inquiry started how much time I have—

Senator O'BRIEN—I am not asking for a week-by-week breakdown.

CHAIR—Excuse me. One person speaking at a time, please.

Senator O'BRIEN—I just make the point to make it simple. Perhaps we will shorten the exchange. I am not asking for a week-by-week breakdown. If you can give me an idea of a range, that is just a maximum and a minimum.

Ms Riggs—We will try and construct something in the interests of giving you some sense of the amount of effort that the department has put into this. Is that the focus I should take to it?

Senator O'BRIEN—I would appreciate that, yes. Last year the government announced the creation of two new sustainable regions for the Sustainable Regions Program. Could you tell us how the establishment of the \$21 million western Queensland and western New South Wales sustainable region is progressing?

Ms Riggs—That committee has been appointed. It has met twice and has a third meeting scheduled for early September. It is working through the issues about how it would like to manage its approach to the region, about its priorities and about how it might like to accept, call for or otherwise learn about opportunities that might represent projects to be supported.

Senator O'BRIEN—Have the details of the establishment—the names of the chair and members—been announced? If not, can you supply that to us, or tell us where we can find the information?

Ms Riggs—Yes, it has. I believe, in the context of the estimates, we might have given those to you, but we will happily do that again.

Senator O'BRIEN—How is the \$12 million Northern Rivers and North Coast of New South Wales sustainable region progressing?

Ms Riggs—It too has met twice and has a third meeting scheduled. It has worked through some of those issues about how it proposes to operate. Indeed, it has asked its executive support team, which it shares with an ACC on the North Coast of New South Wales, to proceed to seek expressions of interest from a fairly large number of organisations in that region.

Senator O'BRIEN—Have they advertised?

Ms Riggs—They have been through the process of talking about it. There have been articles in local newspapers. There was a media release after their first meeting. The members of that committee are very actively engaged in talking about it in their local parts of the region. The executive team have a fairly active travel program arranged.

Senator O'BRIEN—Have the details of the chair and the members been supplied to us already?

Ms Riggs—I recall that we only talked about that at the last estimates, so let us give you that information again. I do not have all the names off pat. The chair is Don Phillips, who is also chair of the Mid North Coast ACC. Again, we will happily provide details of the membership to this committee.

Senator O'BRIEN—Is the department able to provide us with an objective needs assessment that explains why the government selected these new regions as sustainable regions?

Ms Riggs—No. These two regions were chosen by the government and announced in the context of an election campaign. Our job is to give effect to that announcement and that decision

now that they have been successfully elected. The basis for their decision making is a matter for the government.

Senator O'BRIEN—Was this announced by Mr Anderson?

Ms Riggs—It was an election platform in September 2004. I think the then Deputy Prime Minister and Leader of the National Party was the person who launched it.

Senator O'BRIEN—So it was the National Party platform, was it?

Ms Riggs—No. It was a coalition platform.

Senator O'BRIEN—Has the department been asked to develop guidelines against which future sustainable regions might be chosen?

Ms Riggs—I am not aware of any such request.

Senator O'BRIEN—For completeness, perhaps you could check with the minister whether such a request has been issued.

Ms Riggs—We would be happy to ask.

Senator BARNETT—Under the current arrangements, when you are providing funds to a business applicant—those 12-odd per cent—is there any arrangement whereby they repay the funds provided to them over a period of time if the project is a success?

Ms Riggs—No. This is not a loan arrangement; it is a grant arrangement. There are occasions on which we seek to recover moneys—it may be from a private sector applicant but it may equally apply to an association or community group. Where a project is not proceeding as it should and there are clearly blockers that would cause it never to proceed to the end, then we might seek to recover money—and we would certainly not pay out all of the originally announced grant. But the program is not constructed in such a way as to be able to, in effect, convert what was initially given as a grant into what I would then term a loan.

Senator BARNETT—Has consideration been given to providing funds to a business on a loan basis, or is that a policy matter that is best dealt with elsewhere?

Ms Riggs—It is a policy matter, but I draw your attention to the laws that govern finance institutions in this country. Those are the institutions set up under a regulatory regime to manage money, lend money and make money for their shareholders. The government has not commonly seen itself as being in that sort of role.

Senator BARNETT—But the argument is put to us that if the project succeeds and does well and the business makes a lot of money, why should it benefit from taxpayers' money and why shouldn't it pay it back to the taxpayer?

Ms Riggs—It is a legitimate question but not one that thus far the government has chosen to embody in the policy of the program.

CHAIR—We will take a short break. I should indicate that we will break for lunch at 12.30 and that the committee needs to finish no later than 4.15 or 4.30 today.

Ms Gosling—We were hopeful you might finish a little earlier.

Ms Riggs—But we will be here as long as you need.

CHAIR—We will finish when we can, but there has been a lot of evidence given to this committee and I am sure there are quite a few issues to be pursued this afternoon.

Proceedings suspended from 11.21 am to 11.37 am

Senator O'BRIEN—I have some questions about the Cove Caravan Park project at Point Samson, in the north-west of Western Australia. It was awarded \$275,000 under the Regional Partnerships program, and the committee took evidence, as you are aware, from proponents during its hearing at Port Hedland. It appears that the proponents had no tourism experience or real project partners and had to onsell the lease—and had also failed to obtain commercial finance. According to the information the department has provided this committee, the most common reason for rejection of Regional Partnerships applications is: 'suitable partner funding and/or community support not demonstrated'. Would someone tell the committee how the Cove Caravan Park project met this test?

Ms Riggs—Dr Dolman is trying to find the appropriate documents, which will let us assist you.

Senator O'BRIEN—It was not assessed under the SONA principles, or whatever?

Ms Riggs—No. While Dr Dolman tries to find you a more fulsome reference, I should point out that there are a number of elements we use to assess the notions of partnership, community engagement and so on. As I understand it, the grant approved for the Cove Caravan Park represented only some 18 per cent or 20 per cent, depending on how it is measured, of the total contribution to this project. Normally we take a ratio of that kind to be reasonably soundly indicative of good partnership and not of undue risk to the Commonwealth, which is one of the other elements that we protect against.

Senator O'BRIEN—I do recall that there was creative assessment of in-kind comment in the full worth of this project. So 20 per cent might be a minimised proportion but probably the real contribution, or finance dollars, would be significantly less, wouldn't it?

Dr Dolman—No. The details I have for this project confirm what Ms Riggs has just said. The grant of \$250,000 represents 18 per cent of the total project costs and 20 per cent of the cash contribution. The other partners in this project are the Van Herk Family Trust, which contributed \$800,000 in cash and a further \$115,000 in kind, the Western Australian state Department of Local Government and Regional Development, which contributed \$106,000, and the Western Australian Tourism Commission, which provided \$100,000 in cash. There was also an in-kind contribution by the Ashmere Electrical Company, I presume for electrical work, of \$12,000.

Senator O'BRIEN—Was that a relative providing work?

Dr Dolman—It was still real work that had some real value, which was assessed at \$12,000.

Senator JOHNSTON—Was this electrical work?

Dr Dolman—I understand so.

Senator JOHNSTON—So it had to be certified as true and correct, and safe, proper and professional?

Dr Dolman—Presumably so, yes.

Senator O'BRIEN—Certified by the council or by the electrician?

Senator JOHNSTON—By the building inspector.

CHAIR—Excuse me, the question was directed to Dr Dolman.

Dr Dolman—I am not sure of the details for this particular council, but my understanding is that normally there is a process of checks as to whether electrical work is done and that that is part of the local council's responsibilities. I am not sure exactly what the situation is for this council.

Senator O'BRIEN—Does this project meet all other tests laid out in the regional partnerships guidelines?

Ms Riggs—Answering that question would go very close to disclosing the terms of our advice to the minister about this project, and you would be aware that that is not a matter we have generally been happy to disclose here.

Senator O'BRIEN—Are you saying that, if we ask you whether a project meets certain tests set out in the guidelines, you will not be able to answer?

Ms Riggs—Our judgment about those is conveyed to the minister; it is the fundamental element of our advice about a project application.

Senator O'BRIEN—I take it that means you are unable to tell us. Where the reason for rejection is, as advised to us, 'Suitable partner funding and community support not demonstrated,' has that sort of information—whether a project has or has not met certain guidelines—been approved by the minister?

Mr Riggs—For each project we assess, we would put an advice to the minister which would tell the minister our view about whether or not the project met each of the selection or guideline criteria. If his or her decision is then to not approve an application where our advice has included 'not met' in respect of any one—or maybe more than one—of the criteria and that advice is accepted by the minister, then the normal process is for the department to convey that advice in a letter to the proponent. That would not be done until after the minister as decision maker had made his decision.

Senator O'BRIEN—I take it the minister has the discretion to approve whether the guidelines are met or not—is that how I should understand it?

Mr Riggs—It is a discretionary grants program.

Senator O'BRIEN—So the answer to my question is 'yes'?

Mr Riggs—We provide advice to the minister, based on the guidelines and the more detailed processes and procedures manuals that we have inside the department. But, at the end of the day, it is the minister's decision to fund or not to fund a project proposed under Regional Partnerships.

Senator O'BRIEN—I am just trying to understand the relevance of guidelines in that process. We have probably had this conversation before, but I am just a bit surprised that you cannot tell us whether the department formed a view as to whether this project met or did not meet other guidelines.

Mr Riggs—I was not responsible for other guidelines; I was only responsible for the guidelines for this program at the time.

Senator O'BRIEN—I meant the guidelines for this program, rather than the guideline that I specifically mentioned in my questions earlier.

Mr Riggs—I do not believe I can go any further. I can only say that at the end of the day—taking into account our advice and the recommendation of the ACC—the minister at the time clearly believed that this was an appropriate project to fund under the terms of the Regional Partnerships program.

Senator O'BRIEN—So you do not believe you can assist us in making this process more transparent?

Mr Riggs—I think in a previous hearing we might have discussed the way in which—if we believed there were matters that might have an element of risk for the Commonwealth—we would normally provide for measures which would mitigate against that risk in the funding agreement. Perhaps one of the ways for us to proceed is for you to consider the terms of the funding agreement around this project. I am happy to make any signed funding agreement for any Regional Partnerships or Sustainable Regions project available to the committee for its members' consideration.

Senator JOHNSTON—The risk was managed through that contract?

Mr Riggs—That is how we would seek to manage a risk in any project. I am not saying there was a risk here; I am saying that that is the process, and I think that might be the best way I can assist the senator on this occasion, without discussing the nature of the advice to the minister.

Senator O'BRIEN—The purpose of my question was to ascertain the relevance of the published guidelines to the approval process. That was the basis of my question, which was basically about transparency. Are you saying the contract will answer that question?

Ms Riggs—I am saying that I find myself in the position where I believe that it would be inappropriate for me to tell you what the department's assessment of this project was on a criterion by criterion basis—or even in total—because at the end of the day that formed the basis of our advice to the minister and the minister then made a judgment about whether the project was suitable to be funded under Regional Partnerships. Clearly, in this case the minister made that judgment in the affirmative. I have separately said to you that, if we believe there are risks to the Commonwealth in funding a project, then we generally seek to mitigate those risks through the funding agreement. I am happy to make a copy of the funding agreement for this project or any other project that has been funded available to you. You might then be in a position to assess whether or not we thought there were particular risks in this project.

Senator O'BRIEN—Could we have a copy of that funding agreement. Not having it does make it difficult to pursue all the matters that we would like to pursue in relation to this application today. When could we have a copy of that funding agreement?

Ms Riggs—We will aim to get it here not later than during the luncheon adjournment, given that that is only some 35 minutes away.

Senator O'BRIEN—That may be of assistance—we will see how we go. We will have limited time to assimilate the information, obviously, but we will do what we can. The proponent of this project has told the committee that the project is behind schedule. Has that affected the payment of funds to the project?

Ms Riggs—I am sorry, I missed the first part of your question.

Senator O'BRIEN—The proponent has told the committee that the project is behind schedule and I wanted to know whether that has affected the payment of funds to the project.

Ms Riggs—I believe that it may have done in this case. I believe that the way in which the milestones for the project are constructed in the funding agreement means that they have to achieve certain things in order to draw down other than the first payment, but I will confirm that. I cannot give you the detail at the moment about 'Payment was due on date X and now we expect it will not be made until date Y.' I can tell you that our expectation is that this project will now be completed by the end of the 2005 calendar year, and that is certainly later than originally intended. I think when the application was first made the proponents may have hoped to complete it in time for the 2005 tourist season and now—as I believe they said to you in their evidence—they have missed that and are hopeful that they will have it completed this year so that it will be available for the 2006 season.

Dr Dolman—In addition there have actually been two payments made under the funding agreement to date, so it would appear that there is only a final payment to be made. The payments were \$105,000, excluding GST, on 22 February; and \$125,000, GST exclusive, on 18 May. Those dates were both this year.

Senator O'BRIEN—That is the bulk of the funding?

Dr Dolman—That is correct.

Senator O'BRIEN—Are there any guidelines for payment of government grants to family trusts? Does the department of finance have any specific guidelines for the payment of grants such as this to family trusts?

Ms Riggs—Not that I am aware of. We can check.

Senator O'BRIEN—I do not recall too many family trusts appearing as successful grant proponents in this type of program.

Ms Riggs—They are legal entities. As I understand the rules under which we operate, both generically as public servants and also in Regional Partnerships, I think we are able to make payments to organisations and entities but not to individuals.

Senator O'BRIEN—In relation to the Kimberley Aboriginal Pastoralists Association project, funded under the Regional Partnerships program, I understand it was awarded \$317,130. Can you outline the assessment process for that project.

Ms Riggs—The assessment process for Sustainable Regions works along very similar lines to Regional Partnerships. The national office and the regional office look carefully at the application against the Sustainable Regions program guidelines. The difference is that in the first instance the Sustainable Regions Advisory Committee in the Kimberley would have made a recommendation directly to the minister to fund this project. Having looked at the application and assessed the project against the criteria, the department would then have provided advice to the minister.

Senator O'BRIEN—That all happened in the six-month period between November 2002 and May 2003, according to the information you provided as at 31 December 2004.

Ms Riggs—Certainly the funding agreement was signed in June 2003.

Senator O'BRIEN—The day of approval was 7 May 2003, according to the document we have. Presumably the process was complete when the approval was given—other than the agreement itself?

Ms Riggs—That would be right.

Ms Gosling—I will have to seek clarification on when the funding agreement was executed. It may have been on 11 February 2004. I will have to clarify that because I have two conflicting dates as to when the funding agreement was actually signed—June and February. It may be just a mistake in the typing. I think it was probably June.

Senator O'BRIEN—The department advised that the grant comprised 51 per cent of the project funding. The Kimberley Sustainable Regions Advisory Committee told us partner funding totalled \$299,000, but they could not recall the sources of that funding. Can you outline the project partners, including their proposed contributions?

Ms Gosling—The information I have is that Lotterywest was contributing \$54,356 and the Indigenous Land Corporation was contributing \$114,840. I am not sure that that gets us to \$299,000.

Senator O'BRIEN—It is a fair way off.

Ms Gosling—I am not sure whether there was other partner funding that is not detailed in the information I have.

Senator O'BRIEN—Where would that be found?

Ms Gosling—I am sorry; what I have outlined were the cash contributions. There were also in addition some in-kind contributions: the Kimberley Land Council, to the value of \$40,000; the Office of Aboriginal Economic Development, to the value of \$40,000; and the Kimberley Development Commission, to the value of \$10,000. But I do not have the detail as to what those values were attributed to in terms of in-kind contribution.

Senator O'BRIEN—One of the project partners was the Indigenous Land Corporation. The Sustainable Regions Advisory Committee Executive Officer, Mr John Durant, told the committee that there was a public falling-out between KAPA and the ILC, which created some serious dissonance. Do you know when this falling-out occurred?

Ms Gosling—I do not have any information about what Mr Durant has claimed to be a public falling-out between those parties.

Senator O'BRIEN—So the department was never made aware of that?

Ms Gosling—We certainly were aware that the Indigenous Land Corporation had some concerns about the progress of the project. We certainly also had some concerns about the progress of the project.

Senator O'BRIEN—When did the department become aware of the ILC concerns?

Ms Gosling—I do not have that level of detail in front of me. I am sure there would have been dialogue over a period of some months before we were formally notified that the Indigenous Land Corporation proposed to withdraw its funding support for the project, but I do not have the time frame and the dates of that.

Ms Riggs—It would have been in the latter part of 2004, over the course of several months in the second half of calendar 2004.

Senator O'BRIEN—What contact did the department have with the ILC to discuss this problem?

Ms Riggs—Most of those discussions took place between staff in our Western Australian office and representatives of the ILC.

Senator O'BRIEN—We have not been able to have them before us, which is why I am asking you the questions.

Ms Riggs—The conversations took place there. They were about the issues around concerns we had in relation to the project. For example, in the middle of the last calendar year, or in the earlier middle part, we had determined that a milestone report that was due from KAPA was unsatisfactory. They were not able to satisfy us that they were meeting the milestone for the payment of the next component of the grant. So we had those concerns. There were discussions between us and the ILC, for example, about our concerns but also their concerns. They too were funding partners to the project.

Senator O'BRIEN—When you say 'we', are you talking about the Western Australian—

Ms Riggs—I mean we, the department.

Senator O'BRIEN—From Canberra or from Perth?

Ms Riggs—No, I have already said that these conversations were carried out by staff in the Western Australian office.

Senator O'BRIEN—Can you tell us when they took place?

Ms Riggs—Not in detail. It was in the latter part of calendar 2004. For example, there was a formal meeting about this in November 2004.

Senator O'BRIEN—Am I correct in understanding that the department decided to withdraw funding in November 2004?

Ms Gosling—In November 2004 the department formally notified the grantee, the Kimberley Aboriginal Pastoralists Association, that we had some concerns with the progress of the project and we would be suspending payment until they provided us with further information about how they intended to take the project forward.

Senator O'BRIEN—So how did the Kimberly Aboriginal Pastoralists Association respond?

Ms Gosling—We negotiated the date. We had initially asked for some information in December but on 21 January they provided a written response which the department further assessed in terms of what we thought was the way forward with the project.

Senator O'BRIEN—What happened?

Ms Gosling—At that point in the course of this process we became aware that the Indigenous Land Corporation was withdrawing its funding. So that was also taken into account, to think about what was the way forward.

Ms Riggs—We provided advice to the minister about what we knew about this project and about the response we had had from KAPA, and the upshot of our advice was that the minister decided to terminate any further funding to this project. The project was rescinded.

Senator O'BRIEN—Do you know when that decision was made?

Ms Gosling—I do not have the date the decision was made.

Senator O'BRIEN—Do you know if it was made in January?

Ms Riggs—No; it would not have been made in January. It would not have been made until February at the earliest.

Ms Gosling—It was probably June/July, I suspect.

Senator O'BRIEN—Which minister made that decision?

Ms Gosling—It would have been Mr Anderson.

Senator O'BRIEN—What funds were paid to the Kimberley Aboriginal Pastoralists Association under this grant?

Ms Gosling—They received an initial first payment of \$165,000 on 18 June 2003.

Senator O'BRIEN—Is that the only payment they received?

Ms Gosling—Yes.

Senator O'BRIEN—Has the department sought to recover any of those funds?

Ms Gosling—Not at this stage, as the decision to rescind the funding has only just recently been made. That is something we need to look at and probably obtain legal advice on in terms of what should be the next steps.

Senator O'BRIEN—I suppose that raises the question: has the department sought to recover or has it recovered any other grant moneys under this program?

Senator JOHNSTON—If there is any litigation flowing from any of these things I think we should steer very carefully around those issues.

Senator O'BRIEN—The question was: 'Has the department sought to recover'—I have not asked about specific litigation.

Ms Riggs—Our first step in seeking to recover is generally to write a nice, formal letter saying, 'Under the terms of the agreement, if you breach the agreement we can ask for our money back.' That would be an indication of seeking to recover. Whether we would make a judgment that it was economic to pursue anything further is a case-by-case decision. Can I take that on notice?

Senator O'BRIEN—Yes, please—decisions made and any actual recovery. Do I understand that this particular project is no longer an ongoing Sustainable Regions funded program?

Ms Riggs—That is right. This is no longer considered by us to be a project. It is a terminated former project under the program.

Senator O'BRIEN—What happens to the funds which were originally allocated to this project and which will now not be paid towards this project?

Ms Riggs—I think the way to answer that question is to say that notionally they are back in the pool of moneys that might be available for recommendation by the Kimberley Sustainable Regions Advisory Committee. I would also note that those funds are only available until 30 June 2006 and time is running out for new projects to be initiated, agreed to and completed in that time frame. There are issues around the proper management of the moneys that the parliament has appropriated for this program.

Senator O'BRIEN—Are you aware of the reason ILC gave for withdrawing their support for the project?

Ms Riggs—My understanding was that there were issues not only to do with the progress of this project, which is what gave rise to our concerns, but also—if I recall the oral briefing I had from staff in the Western Australian office—around the management of KAPA that would give rise to questions about whether they had appropriate management structures in place to remain a viable organisation. That too would be a concern for us.

Senator O'BRIEN—I take it that the AquaCarotene project went through the normal stages for application and approval, starting with an expression of interest? Is that right?

Ms Riggs—We will just check that. Yes, I understand it to have gone through the normal process.

Senator O'BRIEN—When did the department become involved in this application? Was it at a very early stage or only after a full application was lodged?

Ms Riggs—The advice I have is that our involvement started at the point at which we received an application on 13 August 2004.

Senator O'BRIEN—This company received a grant of \$170,181 through the Regional Partnerships program and was approved in January this year. Could you tell us how the success of the application was communicated to the applicant?

Ms Riggs—The normal process would be for the decision to be communicated to the department, the ACC, the local member and the proponent by a letter signed by the decision maker, who for this project, I believe, was Mr Cobb.

Senator O'BRIEN—Is that the normal process? In the normal course of events, would Mr Cobb have written direct to the proponent of the project saying that they had been successful?

Ms Riggs—That is correct.

Senator O'BRIEN—Mr Cobb seems to think it would be the task of the Western Australian regional office of the Department of Transport and Regional Services to contact the successful applicant.

Ms Riggs—I am paraphrasing outrageously, of course, but Mr Cobb would write a letter saying: 'Congratulations. We're going to give you X amount of money for project Y. The department will be in touch to arrange a funding agreement.' That would be the normal tenor of the letter. That is the normal process. The initial advice about a successful outcome for an application comes by letter from the minister's office, or in this case from the parliamentary secretary's office.

Senator O'BRIEN—The first instalment of the grant was paid on 14 February. That was \$85,220. Could you advise us of the milestone that had been achieved, justifying the first instalment being paid?

Ms Riggs—Provided all necessary development approvals are in place, the first payment is commonly made on the signing of the funding agreement, with subsequent payments being dependent on milestones.

Senator O'BRIEN—So there is an up-front payment before milestones, effectively.

Ms Riggs—In effect, yes, except in those cases where development approvals are still required, in which case we commonly now have a funding agreement that requires at least a first milestone of getting the development approval before we make any substantial contribution.

Senator O'BRIEN—The second instalment of \$68,160 was scheduled to be paid on 1 April this year. Was it in fact paid?

Ms Riggs—It was in fact paid but my understanding is that it was paid on 22 April.

Senator O'BRIEN—What was the milestone that had to be achieved for that second instalment?

Ms Riggs—I regret that I do not have sufficient detail at this stage, but I will seek to provide you with that information after the luncheon adjournment.

Senator O'BRIEN—Would it be the Western Australian office that was required to establish the meeting of a particular milestone for agreements relevant to its state of operation?

Ms Riggs—The department's process for managing a funding agreement under Regional Partnerships once it is in place is that it is the responsibility of the closest relevant regional office to maintain contact with the proponent, remind them that milestones are coming up, receive their progress reports, undertake whatever level of checking they believe is necessary to satisfy themselves that the progress report represents a genuine reflection of what is happening in the project and then make a payment that may be due in relation to the receipt of that progress report detailing the completion of the relevant milestone.

Senator O'BRIEN—So it is acceptable that someone other than the department would undertake the actual checking process?

Ms Riggs—No. Officers of the department have to exercise a judgment about the extent to which the claims of the proponents to have done certain things need to be checked.

Senator O'BRIEN—Mr Smith, from that company, told the committee that an independent management group undertook the compliance work. Is that correct?

Ms Riggs—I do not know at all what that is a reference to. At the end of a project we require that the grant recipient provide us with an audited closure on the grant moneys. Perhaps that is the reference. But, unless it were a very big project and we wanted to be particularly rigorous in the way in which we mitigated against any risk, that would not necessarily apply to a milestone report.

Senator O'BRIEN—Okay. The third instalment, \$16,801, was scheduled to be paid on 1 May. Was that money paid and, if so, when?

Ms Riggs—I have information which tells me that it was actually paid on 29 June. I also have information that tells me it was paid on 29 June 2004, which I assume to be a typo, given the dates of the earlier payments.

Senator O'BRIEN—And considering when the agreement was signed.

Ms Riggs—Yes. So I am assuming it is a typo and that it was 29 June 2005.

Senator O'BRIEN—Do you know what milestone had to be achieved for that third instalment?

Ms Riggs—It would have been completion of the project, but I would prefer to tell you after the luncheon adjournment how that was described as a milestone.

Senator O'BRIEN—I would appreciate that. Was the paperwork leading to the initiation of these payments something managed from Canberra—

Ms Riggs—No—

Senator O'BRIEN—or was it managed from Perth?

Ms Riggs—Funding agreements are negotiated by staff in the relevant regional office.

Senator O'BRIEN—According to the application, this grant was basically to recommission the Karratha facility of the company because it had become unserviceable. Was the funding more for repair and replacement of equipment than for expanding capacity?

Ms Riggs—The brief description I have of this project was that the funding was to be used towards expanding the Karratha facility, including the purchase and installation of new plant and equipment, and also to contribute to staff and production costs associated with initiating

production. So, yes, there is an element of start-up in there, but there is also an element of expansion, some of which was about new plant and equipment.

Senator O'BRIEN—Do you know whether the capacity was actually expanded as a result of this grant?

Ms Riggs—I would want to see the final closure report on the project before I answered that question. If we have received that I will seek to cite that for you as soon as possible; if not, I will be happy to make a summary of it available to the committee when it is received.

Senator O'BRIEN—The financial statements of AquaCarotene Ltd for the half year ended 31 December say:

The Company was granted \$170, 181 to assist with the recommissioning of its Karratha facilities for the generation of Dry Marine Algae.

Does that fit with your understanding of what the grant was paid for?

Ms Riggs—I can only say to you that in the descriptions that I have available to me now the term 'commissioning' is used but not the term 'recommissioning', and the term 'new plant and equipment' is used, as is the term I have already used: 'initiating production of algal meal'. As I understand it, this facility had existed at least in part as a research and development facility associated with what is now a production facility for algal meal. To the extent that there was an element of recommissioning something that had been used in that research and development phase then that may be an appropriate term, but I also believe that what we have done is assisted the creation of a facility that can produce the algal meal on an ongoing basis and at saleable production levels and that contributed therefore to the employment base in the Pilbara.

Senator O'BRIEN—Was the process of due diligence undertaken by the department on this grant checked beyond the question of whether the company was a properly registered company? I assume the department did that.

Ms Riggs—We undertook sufficient assessment under the risk based matrix for assessment, which I think we have previously provided you with, to assure ourselves about the existence of the company, the composition of its board and the acceptability of its financials up to that point. Our assessment was such as to enable us to subsequently make an advice to the minister.

Senator O'BRIEN—Would the minister have been made aware that the company's accumulated losses for the half year ending December 2004 were \$26.6 million?

Ms Riggs—I am not going to discuss the terms of our advice to the minister.

CHAIR—Was that the question?

Ms Riggs—Yes, it was: 'Was the minister made aware of that?' I am not going to discuss the terms of our advice to the minister.

CHAIR—Are you saying that that is advice? Isn't this a matter of fact, as distinct from advice as to what the department's view on a particular application may be?

Ms Riggs—I am sorry, Mr Chair, I heard—

CHAIR—If you take your comment to its logical extent, you could probably argue that you could never discuss anything you said to the minister because it is all advice. Isn't it the case that the question was: if this is a matter of fact as would appear in the company's accounts, which are publicly available, was that fact communicated to the minister?

Ms Riggs—In relation to the specific question that Senator O'Brien is asking, the minister's or, indeed, the parliamentary secretary's decision was made prior to the matter that he is making public here being a known fact. Given the date of approval of the project, that could not have been made available to him by anyone, including the department.

CHAIR—But, if the due diligence is done completely, should it not show up that sort of information? In other words, it should show up the financial state of the company at the time the due diligence is done.

Ms Riggs—Our advice to the minister about any project includes the outcome of our due diligence work, which is based on the best advice available to us on the financial standing of a company and on the information we seek through the application form that is available at the time of the assessment.

Senator O'BRIEN—Are you saying that the department was not aware of the fact that the company had basically expended most of its capital before the grant was approved?

Ms Riggs—This grant was approved on 20 December 2004. The period you are talking about had not even been completed then, as I heard the information that you were quoting.

Senator O'BRIEN—You say it was approved in December. I thought it was approved sometime in January.

Ms Riggs—I have copies in front of me of a letter from Mr Cobb dated 20 December. If the tables we have provided this committee with have any date other than that in it, then that is why I was really careful when I answered.

CHAIR—When was the due diligence completed?

Ms Riggs—Sometime in the period between when we received the application and when we put advice to the minister.

CHAIR—Can you be a bit more specific than that?

Ms Riggs—No. I would have to search the file to find out when that was done.

CHAIR—Who did the due diligence?

Ms Riggs—It was an officer of the department.

CHAIR—When we questioned Mr Smith about this project, he put quite a lot of comment and information to us about the great prospects for this project. He put a lot of scientific information to us, much of which, I have to confess, I am not anywhere near an expert on. The question I want to ask is: did the department examine or consider the potential of this project and test the assertions regarding the success that Mr Smith was suggesting would be achieved, given that it was fairly unique—I think only one other place in the world, or one other company, was involved in producing pure beta carotene from algal meal—or was it just accepted that they knew what they were talking about?

Ms Riggs—The assessment of this project, like all the others, was undertaken on the basis of the information available to us and our capacity, where necessary, to base it on a proper assessment of the relative risk to the Commonwealth of accepting bad information given the amount of money being asked for and so on—in exactly the same way as any other project.

CHAIR—That is what I am trying to ascertain.

Ms Riggs—For a project of this size, we would not, for example, seek to establish whether or not this was an appropriate processing technology. That just would not be cost effective.

CHAIR—I put to you that if you are assessing the building of a caravan park or of a scenic railway, there is readily available information about what those activities involve, how they operate and so on. I am drawing the comparison with this project, which was highly scientific and technical in nature and almost unique. I am wondering whether or not, in respect of the nature of such a project, you would see that it would be appropriate to examine further the predictions that the proponents would make. With no disrespect to Mr Smith, any proponent coming forward with that sort of a project would want to sell it. They could have brought you the hydrogen car or something.

Ms Riggs—There have been projects under both Regional Partnerships and Sustainable Regions, where the investment requested from the Commonwealth was large and where there was little evidence to us—that is, the relevant assessing officers and those whom they sought guidance from—to suggest that the claims made in respect of the project might be substantiated. In the case of this project, our assessment was that we did not need to ask large quantities of detail (a) because of the sum proposed and (b) because part of the evidence that was presented to us enabled us to satisfy ourselves that there was indeed a going business proposition here. I think it would be inappropriate for me to go too much more into the detail of what I mean by that. But that made this proposal of a quite different character to some other proposals that I have seen in my 2½ years in the job, where there were great ideas but no evidence that there was in fact a platform for us to believe there was a going business proposition. This one had such evidence.

CHAIR—You did not seek advice from, for instance, the Industry, Tourism and Resources? You believed you had sufficient expertise in DOTARS to make the assessment?

Ms Riggs—I understand the point that you make about the science. Our judgment here concerned whether or not there was a viable business proposition, not whether the science was appropriate.

CHAIR—I do not distinguish between the two in this case but thank you.

Senator O'BRIEN—The financial statement of AquaCarotene states, 'On 13 January, the company was advised by Mr Barry Haase, MHR, federal minister for Kalgoorlie'—I think it means member, not minister—'that it had been successful in receiving funding via the Regional Partnerships program.' That is where my January date came from.

Ms Riggs—I need to correct what I said to you earlier. I have a letter dated 20 December in front of me. It is a letter from John Cobb to Barry Haase advising him that he has approved it. I have a letter from John Cobb to Mr Smith advising him of the approval, also signed but undated. I cannot therefore assure the committee of the date on which that second letter was dispatched, but I can assure you that Mr Cobb's date of approval was 20 December.

CHAIR—Mr Haase knew about it in advance of Mr Smith and so did the ACC.

Senator O'BRIEN—I take it the department was not aware that there had been a loss of over half a million dollars on the natural betacarotene project in the half year leading up to the granting of the funds?

Ms Riggs—Given the timing of the decision, we could not have been aware of that. Dr Dolman tells me that we were aware that they had not made profits in the period leading up to the application because they were in an R&D phase. Indeed, that was not a particular cause for concern. They were in an R&D phase and it is not unusual for companies not to make profits during such a period. Regarding the reference you have made to the half year leading up to the decision, no, we could not have been aware of that, particularly given that the application was lodged with us somewhat earlier and there had been an election in the intervening period which created a period in which decisions about applications were not made because of the caretaker conventions.

Senator O'BRIEN—In those circumstances, did you seek an update?

Ms Riggs—I cannot answer whether or not we sought an update. I do not know. I will ask the Western Australia office. But it would still not have been the piece of information that you have quoted several times today, because that was for a period that ended after the date on which the decision was made.

Senator O'BRIEN—I appreciate that the number might change. I wonder what question was asked in the process of due diligence.

Ms Riggs—I will seek to find out.

Senator STEPHENS—Perhaps you can remind me whether the department has been asked for and has supplied guidelines for undertaking due diligence when it is undertaken by a departmental officer?

Ms Riggs—I am sure they are part of the suite of information we have given you, but I will confirm that and if we have not, we will provide it again.

Senator STEPHENS—Has there been any change to the information that has been supplied to us, given some of the issues that have been raised in—

Ms Riggs—I will ensure that you have our most recent material.

CHAIR—I am sure the secretariat staff will be able to advise us, too, without having to wade through the volumes of material. The committee will now have a private meeting.

Proceedings suspended from 12.40 pm to 1.31 pm

CHAIR—We will resume the proceedings. Ms Gosling, is there something you want to update us on?

Ms Gosling—Yes. I want to table the membership lists for both the Darling Matilda Way and the Northern Rivers and North Coast New South Wales Sustainable Regions Advisory Committees.

CHAIR—Okay, the committee will accept that. Is there anything else?

Ms Riggs—I understand that the funding agreement that I promised in respect of Cove Caravan Park is only about 10 or 15 minutes away. I also said that I would provide further information in relation to Ms Key's visit to Infoterra in Ottawa. The timing of that was March 2004. Our estimate of the costs above and beyond the cost of the other business Ms Key was in North America for at the time of that visit is some \$150.

CHAIR—You are going to provide us with the full amount of the additional costs. I think you indicated \$3.8 million since the—

Ms Riggs—It was \$3.8 million in total, including the \$1.1 that we had already—

CHAIR—Okay.

Senator O'BRIEN—The next project I wanted to talk about was the Newman town centre revitalisation. Application for funding for this project was received by the department on 30 January last year. The department sought further information on 2 February from the proponent. Was that additional information supplied?

Ms Riggs—Could I ask you to repeat the dates which you identified in that question?

Senator O'BRIEN—The department received the application on 30 January and on 2 February requested additional information of the applicant. I wanted to know whether the information was supplied.

Ms Riggs—While I cannot answer that question with surety, what I can say to you is that that additional information would have been sought by the assessing officer in order to allow the officer to undertake the assessment. Since I know an assessment was completed in respect of that project, I would have to assume that at least some of the additional information was provided sufficient for the assessor to at least progress the assessment.

Senator O'BRIEN—There does not appear to have been a notation in the department's letter of rejection that the information requested was not supplied, so I have assumed that it was supplied. The department rejected the application and advised the shire on 6 July to that effect.

Ms Riggs—The minister decided not to approve that application and, consistent with our processes, the department then so advised the applicant.

Senator O'BRIEN—Did that communication indicate that a minister or parliament secretary had made that decision?

Ms Riggs—I do not have a copy of the letter in front of me. What I can tell you is that, with the exception of a very small number of projects where it is obvious at a very first reading of the application that the organisation applying is ineligible to apply under the guidelines, all decisions in respect of project applications under Regional Partnerships are made by the minister.

Senator O'BRIEN—No such indication appears in the correspondence, so I take it that means that it would have been rejected by a minister or a parliament secretary.

Ms Riggs—I can assure you for this project that in respect of that application the decision was taken by one of the appropriate decision makers. I do not have in my notes whether it was the minister or a parliament secretary.

Senator O'BRIEN—In the correspondence of 6 July the reason for rejection was:

Because the project does not have contributions from a broad cross-section of the community ...

What should we take that to mean?

Ms Riggs—Without having the detail of the project in front of me, that is the type of expression which I would take to mean that the project did not fully satisfy the notions implicit in the partnership criterion that related both to support and to the actual contribution of partnership funding towards the project. But I am reading between the lines based on what you have read out to me.

Senator O'BRIEN—The second reason given for rejection was that the project was considered the core responsibility of the shire. Did the department receive any representations from the federal member for Kalgoorlie, Mr Haase, or his office following the rejection of the grant application?

Ms Riggs—Without the detailed file in front of me, I cannot answer that question, so I will take it on notice.

Senator O'BRIEN—Alternatively, was there any request from the then minister, Mr Anderson, or his staff seeking a review?

Ms Riggs—Not to my knowledge, but I will ask that the file be reviewed.

Senator O'BRIEN—The summary document of the Regional Partnerships program provided to the committee for this inquiry described the proposal as poor value for money. Do you know what the basis of that comment was?

Ms Riggs—Not in any detail, no.

Senator O'BRIEN—It appears, based on the assessment undertaken by the department, this application missed the mark by a fair margin. The committee was advised by the CEO of the East Pilbara Shire Council that the council did not appeal the decision to reject the application. It appears, however, that the Pilbara ACC sought a review off its own bat. When did the department become aware that there was a request to review the rejection?

Ms Riggs—I do not believe that we did become aware of that. We became aware of a subsequent application for a project that appeared to have some similar elements but that had been reworked from the proposal which had been rejected. We received that application on 19 August 2004.

Senator O'BRIEN—The ACC has provided a copy of a letter from the department to the chief executive officer of the shire, Mr Cooper, dated 6 September, advising that as an election had been called there would be no decision on the application. Is that standard practice?

Ms Riggs—Yes. I believe we sent one of those to every proponent with an application still somewhere in the process at the time that the election was called.

Senator O'BRIEN—There is a second letter provided to us dated the next day which, again, refers to the application and the lack of detail as to how, and over what period, the funds would be spent. That letter again sought more detail. Do you know if any additional information was received by the department in response to that letter?

Ms Riggs—I will take that question on notice.

Senator O'BRIEN—There was another letter from the department dated 16 September last year. That also sought further information. Do you know when DOTARS received a response to that second letter?

Ms Riggs—I will take it on notice.

Senator O'BRIEN—What is the purpose of putting a deadline on the provision of information in relation to these grants in this correspondence?

Ms Riggs—In the early stages of Regional Partnerships, the department received many complaints, either directly to us, through ACCs or through members of parliament via the minister's or parliamentary secretary's officers, about the amount of time that it took the department to assess applications. When we analysed our processes, we discovered that apparently one significant contributor to the time it took for assessment to be undertaken was the time it took proponents to provide us with additional information which we sought after having first read the applications. So, with the concurrence of the people involved in the process and advice to the ACCs after discussions with decision makers, we took the view that we would

constrain the amount of time that proponents could have to provide information on the basis that we were being blamed in part for delays that they were building into the process. We sought to constrain that for the good of all.

Senator O'BRIEN—When you put those deadlines in, would the department enforce them?

Ms Riggs—Our practice guidance to our staff is that, if they have heard nothing in that time frame, they are to remind the proponent of the letter and the time frame to negotiate one further extension of time if the proponent so seeks it. Whether or not further information is received in that time, they are then to proceed to assess the application as best they can based on the information they currently have in front of them. This, again, is about ensuring that we meet commitments to everyone to process these applications in a timely way.

Senator O'BRIEN—So this is fairly routine, is it?

Senator O'BRIEN—Despite all this, funding for this project was announced during the election campaign. Was that the end of the assessment process, once the announcement was made?

Ms Riggs—It was the end of the assessment of the applications received on 19 August, yes.

Senator O'BRIEN—Did the department, at any time between the receipt of the second application and the election announcement, convey to a minister, or a parliamentary secretary or their office, the state of the current applications?

Ms Riggs—I do not believe we were asked to provide such information, and I do not believe that we did so.

Senator O'BRIEN—I take it the department had no role in the development of announcements in what was called the Kalgoorlie package?

Ms Riggs—Not to my knowledge.

Senator O'BRIEN—Was there any contact by the department with the federal member or his office about this package before the announcement or otherwise during the election campaign?

Ms Riggs—I do not believe so, Senator.

Senator O'BRIEN—Can you tell me what assessment of this project was undertaken after the letter of 16 September was sent?

Ms Riggs—Not without consulting the files to see what activity might have occurred.

Senator O'BRIEN—Could you do that, please. Ms Riggs, you sent a letter in December advising that this project was an election promise. Was that the end of the assessment process?

Ms Riggs—No; I already said to you that as soon as the project was announced as part of a package of the measures during the election campaign, we ceased assessing the application we

had received on 19 August. My letter of December was the start of a process to assess whether or not there were the risks to the Commonwealth in proceeding to provide funding as had been promised in the election campaign. It was a separate process.

Senator O'BRIEN—In terms of this particular application, are you able to describe the way in which one might differentiate the second application from the first?

Ms Riggs—No, I will take that on notice.

Senator O'BRIEN—Perhaps you could tell us what the differences of significance are?

Ms Riggs—We will be happy to review the applications and point those out.

Senator O'BRIEN—Can I take it that the announcement, in essence, was the grating of the applications made?

Ms Riggs—Which announcement?

Senator O'BRIEN—The election announcement of the funding of this project.

Ms Riggs—The parties involved in an election in Australia are entitled to make commitments that they will seek to give effect to should they become government. The announcement as part of a package of measures by the then government—and now government—during the election campaign was an expression of intent. My letter to the proponent of this project and a number of others announced either in the same package or in other commitments made by the government during the campaign was intended to provide a process by which we could properly determine what risks, if any, might need mitigation in creating funding agreements for such projects. Each of those, as we have come to that point, has been the subject of an advice to the minister, after which confirmation of the delivery of the election commitment has been made. I do not know how else to answer your question. The election commitment was a statement of intent. The funding agreement, which would have been created some time earlier this calendar year, is the ultimate signal of giving effect to that commitment.

Senator O'BRIEN—I was trying to find out whether there was any difference between what was applied for the second time around and the election commitment.

Ms Riggs—In the same way that I have agreed that we will tell you if there are any significant points of difference between the first and the second application, I will be happy to ask officers to do likewise with the second application and the project to be described, as we understand, by the funding agreement that is in place.

Senator O'BRIEN—Can you confirm that there was an assessment of an application from Primary Energy Pty Ltd by the department in July or August 2003?

Ms Riggs—I can confirm that an application was received under the Namoi Valley Structural Adjustment Package in June 2003.

Senator O'BRIEN—Did an assessment of that application find that it did not meet that program's guidelines?

Ms Riggs—I do not believe so. That package—and that application was received before the initiation of Regional Partnerships—was assessed by a committee established by the minister, the Namoi Valley Advisory Committee, and their assessment was subsequently endorsed by the New England and north-west ACC as being appropriate under that package.

Senator O'BRIEN—Why was the application left in limbo at that time?

Ms Riggs—My recollection is that it was around that time that the issues about whether or not New South Wales had settled its water sharing arrangements for the Namoi Valley and associated regions—and, indeed, other regions of New South Wales—were starting to be questioned. I believe that this project, and I think a small number of other projects which had first come to the department under the Namoi Valley Structural Adjustment Package, in essence were put on hold until it became clearer how New South Wales might be proceeding with its water sharing arrangements.

Senator O'BRIEN—Was there any discussion with other departments about this application, or was there any need for any contact with other departments?

Ms Riggs—I would like the opportunity to correct the record if I am wrong, but I believe there were discussions with the Department of Industry, Tourism and Resources in relation to this application.

Senator O'BRIEN—When did the department return to consider this application, if I can put it that way, or revisit the application?

Ms Riggs—In the middle of 2004 the department was asked by Minister Campbell, who was then one of the ministers in the portfolio, to progress the application.

Senator O'BRIEN—And was that the reason the application was reviewed—or was it reviewed?

Ms Riggs—The Namoi Valley Structural Adjustment Package had not received separate funding, so if the application was to proceed it had to proceed under the funding envelope of the Regional Partnerships program. That was all that was available to us. The initial assessment under the Namoi Valley Structural Adjustment Package guidelines, which had been separate and had some different elements from those of Regional Partnerships, and an assessment against the broad terms of the Regional Partnerships guidelines were brought together at that stage, and advice was provided to Minister Campbell.

Senator O'BRIEN—But that was the only support for the project at that time?

Ms Riggs—The only mechanism that was available at that time to progress it would have been through the Regional Partnerships appropriation.

Senator O'BRIEN—And the impetus was Senator Campbell's letter?

Ms Riggs—Senator Campbell wrote to me—I think I was then acting deputy secretary—indicating that he believed that sufficient progress had been made by the company on the project to warrant its now being assessed.

Senator O’Brien—Did anyone else write to you around that time expressing support for the application, and by that I mean from within the government?

Ms Riggs—I do not believe so, but I do need to say that about two weeks after that I proceeded on a period of some seven or eight weeks leave.

Senator O’Brien—Can you confirm that you did receive a letter from Mr Peter Langhorne, the senior adviser to the former Minister for Transport and Regional Services—that is, Mr Anderson—in relation to this application?

Ms Riggs—Yes, I believe I did.

Senator O’Brien—I think it was dated 27 July.

Ms Riggs—It may have been addressed to me and I might have seen it when I returned from leave. I believe I proceeded on leave on 19 July, so I would not have received it personally. But I have seen it since. I believe there is such a letter.

Senator O’Brien—Can the committee have a copy of that letter?

Ms Riggs—I would need to consult with the minister’s office.

Senator O’Brien—That was a letter seeking that the application proceed?

Ms Riggs—I do not recall the contents of the letter.

Senator O’Brien—Where is the letter now?

Ms Riggs—If the letter exists—and we have had this conversation on the presumption of the accuracy of my memory that such a letter exists—I assume it is on an appropriate departmental file.

Senator O’Brien—Since you saw it, have you ever had a copy in your possession?

Ms Riggs—I am not entirely sure what your question means. I have indicated to you that, if the date you have given me is accurate, I was on leave at the time and, therefore, I have seen it since. That suggests to me that I have had at least the original letter in my possession.

Senator O’Brien—Are you still working from the same office that you worked in back in the middle of 2004, or have you moved offices?

Ms Riggs—Up until last Friday, I was still physically located in the office I had been in but not the office I was in during June and July of 2004, because I was acting deputy secretary then and I was sitting in the deputy secretary's office.

Senator O'BRIEN—When you saw the letter it would have been after June and July, judging from what you have just told us, so presumably it is the office you have recently vacated.

Ms Riggs—I am not in the habit of keeping copies of official documents separately from files, except occasionally for a limited period when I might need them; for example, in the creation of a briefing folder such as we have in front of us today.

Senator O'BRIEN—Did you have a safe place in your office for such matters that might not be on the file and that you wanted to keep or keep safe?

Ms Riggs—No, I really tried very hard not to keep documents in my office that required particular security other than the locking of my office. I believe that to do so is not necessarily good practice. I do have a C-class container outside of my office, in my executive assistant's area, for those rare occasions when I might find myself with such a document in my possession overnight.

Senator O'BRIEN—Would this letter, or a copy of it, have found its way into such a C-class container?

Ms Riggs—I do not believe so.

Senator O'BRIEN—You did not have any safe or safe storage place in your office, as such?

Ms Riggs—I have lockable filing drawers and a lockable desk-side unit. The office is lockable.

Senator O'BRIEN—And that is it?

Ms Riggs—Yes, that is it.

Senator O'BRIEN—I suppose everyone has got lockable filing cabinets in a sense. There are different sorts of lockable filing cabinets; I am not sure if I completely understand you. Do they lock with a very simple key or are they locked by some other device?

Ms Riggs—A key.

Senator O'BRIEN—Was a copy of this letter held in your office or that of your executive assistant at Christmas last year?

Ms Riggs—I do not know.

Senator O'BRIEN—Why would you not know that?

Ms Riggs—I deal with a large number of pieces of paper on any given day and in any given week. Off the top of my head I cannot recall why I might have had a copy of any particular piece of paper in my office some six or seven months ago, or whether I did or not.

Senator O'BRIEN—So you do not recall ever having had a copy of this letter under your control?

Ms Riggs—No, I have not said that; I said that it is not my practice to keep copies of important documents other than on the file, except for limited periods of time—for example, as I said, when we might create briefing folders or when, perhaps, a small number of us need to be simultaneously working on the same document.

Senator O'BRIEN—But you do not rule out having had this particular piece of correspondence in your possession, irrespective of the other caveats you put on the holding of documents?

Ms Riggs—No, I do not rule it out. I have no particular memory of having had a copy of this letter at that time.

Senator O'BRIEN—What about at any time other than the one time you saw it?

Ms Riggs—I have already indicated to you that I believe I have seen the original of this letter.

Senator O'BRIEN—And I am trying to find out whether you had a copy for longer than the period you saw the original or the original for longer than the time you first saw it.

Ms Riggs—I do not know.

Senator O'BRIEN—Did that letter purport to direct the department to advance the consideration of the Primary Energy application?

Ms Riggs—I do not know. I do not have a copy of that letter with me, I do not profess to recall its contents in detail and I do not know what it did or did not say, let alone what it might or might not have purported in addition to that.

Senator O'BRIEN—Was it a normal thing to receive letters from Mr Langhorne about grants that were under consideration within the department and the subject of correspondence between the parliamentary secretary and the department?

Ms Riggs—No. I do not believe that I saw many such letters.

Senator O'BRIEN—This was a one-off, was it?

Ms Riggs—I would not say that that is the only time I have seen a letter from Mr Langhorne asking the department to do something, but, in relation to the fact that under Sustainable Regions some couple of hundred projects have been approved and under Regional Partnerships some, I think, 900 applications have been assessed in the time since the program came into being, it is

certainly not a normal occurrence for the department to receive a letter from Mr Langhorne in respect of a particular project.

Senator O'BRIEN—You say you were away when it was received; did it go to someone else first?

Ms Riggs—What I said was, if the date you read out was accurate and if my memory serves me correctly, I would have been on leave at the time it arrived and I can only assume it went to somebody else first.

Senator O'BRIEN—You do not know whether that is the case—is that what you are telling us?

Ms Riggs—I cannot know. I was not there.

CHAIR—What arrangements would you have made for correspondence in those circumstances?

Ms Riggs—Someone would have been acting in my position. I assume it would have gone to them.

CHAIR—Is that the procedure that would normally be in place? Would you put that procedure in place? I assume that when you go on leave some specific arrangement is made for somebody to act in your position and they would receive correspondence addressed to you and would deal with it accordingly. Is that correct?

Ms Riggs—That is correct.

CHAIR—Who was the person acting in your position at that time?

Ms Riggs—I first acted in the deputy secretary's role and subsequently proceeded on leave directly from there, so I was gone from the position of Executive Director, Regional Services for a period of three months. Mr Andrew Wilson, Ms Wendi Key and Dr Dolman—although I am not sure it was in that order—each acted for a month. Without knowing the detail of the letter, I do not know whether the letter came to me in my role as executive director or whether it came to me in my role as acting deputy secretary, so I cannot know where the letter first came to. However, to come back to your question: yes, it would be normal for someone to be approved to act in the position if I were to go on leave for a period of a week or longer, and in that role they would normally receive correspondence addressed to me.

Senator O'BRIEN—Was an application attached to the letter?

Ms Riggs—I do not know.

Senator O'BRIEN—Do you mean that you cannot remember?

Ms Riggs—I have tried really hard to say that I believe I have seen such a letter. I have tried to say that I have really no recollection of the detail of that letter and part of that is that I do not

know if there was an attachment to it or not. If I think really hard about it, there may have been an attachment but I do not believe it was an application.

Senator O'BRIEN—Do you recall whether the letter purported to give a direction to the department?

Ms Riggs—No, I do not.

Senator O'BRIEN—I am given to understand that it directed that a minute on the approval of the application be drafted to Mr Lloyd. You do not recall that?

Ms Riggs—I am not trying to be difficult. I can say again that I do not recall the detail of this letter that you or one of your advisers clearly have seen and which I do not have a clear memory of.

Senator O'BRIEN—I understand that departmental officers prepared a brief in relation to this application that strongly recommended against approving the grant on the basis that the proposal did not fit the Regional Partnerships program guidelines. Is that correct?

Ms Riggs—I do not know the time period that you are talking about, but if it was during a period when I was not in the role of executive director and/or I was on leave then I would not necessarily have knowledge of the content of such a briefing.

Senator O'BRIEN—No, you would not necessarily. Are you saying that you do not have knowledge of such a brief?

Ms Riggs—Dr Dolman advises me that he does recall that a brief on a Primary Energy proposal was prepared around the middle of last year to then Minister Lloyd, who had very recently replaced Minister Campbell as the junior minister in the portfolio.

Senator O'BRIEN—Dr Dolman, can you confirm that the brief did not proceed from the department to Mr Lloyd?

Dr Dolman—I do not understand the question.

Senator O'BRIEN—Could you confirm that the brief that was prepared in relation to this project did not proceed from the department to Mr Lloyd?

Dr Dolman—You are asking me did we not provide that advice?

Senator O'BRIEN—That it did not reach Mr Lloyd, whatever the intent was in preparing the advice.

Dr Dolman—I am not sure that I understand the question.

Senator O'BRIEN—Can you confirm that a senior officer in the department intercepted the brief and withheld it from Mr Lloyd?

Ms Riggs—Senator, a brief finally went to Minister Lloyd, on the basis of which he exercised the minister's decision-making function.

Senator O'BRIEN—A brief may have. I am asking about the brief which was prepared apparently by Dr Dolman, which recommended against approving the grant. So I am asking about that particular brief. There could be a number of briefs, but I am asking about that particular brief.

Ms Riggs—Senator, in the normal course of events, a brief might go through a number of iterations within the department.

CHAIR—Ms Riggs, I do not really think that is an answer to the question. It was a fairly straightforward question that was asked of Dr Dolman, and I think there is pretty much a yes or no answer. I think the question was, 'Was the brief intercepted before it got to Mr Lloyd?'

Ms Riggs—Senator, the question is: when does a brief to the minister become—

CHAIR—It seems to me that there is somewhat of a reluctance to answer these questions.

Ms Riggs—But it seems to me that there is also an issue about when does a brief become an approved departmental brief. I would not wish us to move away from the fact that, at the end of the day, the final brief that goes to the minister is one that meets the satisfaction of the most senior decision maker in the department who takes a responsibility for it. So I have to tell you that the people in the regional services division might often draft briefs. Branch heads might read them, might even sign them, but then come and discuss them with me. If I take—

Senator O'BRIEN—But you were not there.

Ms Riggs—I am trying to describe the process. If I take a different view from the view that they have expressed and we have a conversation and we agree to moderate the view that is expressed in the brief or to moderate the line or to provide some additional options for consideration or whatever, that is not a brief until the final process has worked through and has got to the minister.

CHAIR—That is all well and good, and that is perfectly understandable, but you are not being asked to tell us about the general way in which this is done. We fully understand those things. You have been asked specifically about this brief. Dr Dolman was asked about this brief, and we have yet to get an answer to Senator O'Brien's question. Your answer about the normal practice is not really germane to the question.

Ms Riggs—Well, Chair, I have to take a different view. A more senior officer is entitled at any stage in the process to say, 'Hang on, we need to have a conversation about the appropriate nature of advice to go to the minister.'

CHAIR—I understand what you are saying. The point is that you have been asked specifically about what happened in this case and you are not answering that. Dr Dolman has been asked that question and is not answering. Rather, what you are doing is telling us what may or may not happen as a general rule. You have been asked specifically about this brief that was

prepared recommending against approving the grant. You were asked the question, ‘Was it intercepted?’ That is how I understand the question and we are still waiting for an answer. All of what you have said, Ms Riggs, suggests to me that you should be able to answer the question about what happened in this case.

Dr Dolman—In this case I did prepare advice. There was a discussion with a more senior staff member and that advice was subsequently provided to Minister Lloyd and a decision was taken.

Senator O’Brien—Who was this more senior person?

Dr Dolman—It was Ms Lynelle Briggs, who was acting secretary at the time.

Senator O’Brien—So this brief was somehow placed in the hands of the acting secretary?

Ms Riggs—The secretary receives a copy of every piece of advice proposed by the department.

Senator O’Brien—This is Lynelle Briggs who is now the Public Service Commissioner?

Ms Riggs—That is right.

CHAIR—Did you say that the secretary receives a copy of every brief? Earlier on you said that it might or might not be seen by a person higher up in the chain before it goes to the minister. Which is it?

Ms Riggs—I was trying to describe a multitude of circumstances where briefs are prepared—

CHAIR—You just specifically said that it is always seen by the secretary. Is that the case?

Ms Riggs—No. They are always copied to the secretary. Secretaries exercise judgment about the detail with which they pay attention to pieces of paper that cross their desks, as do people at many other levels in the organisation.

CHAIR—I would describe that as the secretary being aware of it and having an option to intervene or intercept the progress of a document were he or she to so decide. That would be a decision to intervene by the secretary or acting secretary.

Ms Riggs—Yes. The reason that process exists is so that the secretary can be broadly aware of the breadth of advice being proposed and can make a judgment about where they want to have a discussion about the nature of the advice.

Senator O’Brien—Presumably so the brief will say something else?

Ms Riggs—I can imagine a number of other circumstances in which—

Senator O’Brien—It won’t be for punctuation, will it?

Ms Riggs—Yes. The other two witnesses will both tell you that sometimes they get back copies of briefs that they have signed off to the minister from me which do precisely say that—asking them to pay attention to their punctuation next time.

Senator O’Brien—Yes, but getting copies back is one thing, intercepting is another.

Ms Riggs—It is a quality assurance function.

Senator O’Brien—I find it hard to believe that at the level of secretary there is a quality assurance function. One would expect a rather more significant intervention than punctuation or quality assurance.

Ms Riggs—I have used the term to describe an array of quality assurance. Yes, I too would hope that it might not be about punctuation at that level.

Senator O’Brien—I think we can take it that the brief would have had to have been changed substantially as a result of that interception and intervention.

Dr Dolman—It is probably fair to say there was a change in nuance.

Senator O’Brien—A change in nuance. Ms Riggs, you are not—

Ms Riggs—Ms Riggs was on leave.

Senator O’Brien—So you are claiming to be in the clear on this one?

Ms Riggs—I just was not present.

Senator O’Brien—I gave you the opportunity. What happened to the original document? Is it still on file?

Dr Dolman—I presume there would be a copy on file.

Senator O’Brien—It was never seen by the minister in that form?

Dr Dolman—I do not believe so.

Senator O’Brien—Would it have been by any of his staff in that form?

Dr Dolman—I have no way of telling whether or not it was seen by his staff.

Senator O’Brien—You do not know of any way that it would have been transmitted to the minister’s staff in that form whilst it was in your control?

Dr Dolman—I did not take it forward and discuss it with any of the minister’s staff.

Senator O'BRIEN—So your copy is still on file and the copy that went to Ms Riggs could be anywhere?

Dr Dolman—I might need to check whether or not the draft was on file. Normally, the final version would be the official version that is on file, and that would be the version that was seen and signed by Minister Lloyd.

Senator O'BRIEN—But, in any case, you have a copy? I think you have just told us that.

Dr Dolman—I would have a copy if it was on file. Like Ms Riggs, I do not have a habit of keeping large quantities of documents; once they are dealt with, I usually rely on them being on the correct departmental file.

Senator O'BRIEN—When did you prepare the brief that was intercepted by Ms Briggs and when did you transmit it?

Dr Dolman—I am not aware of the exact date. Minister Lloyd, I understand, took a decision on 2 August 2004, so I imagine it would have been in the week prior to that. There would have only been a few hours, I guess, between the two drafts of this brief that we have been talking about.

Senator O'BRIEN—So, clearly, your first brief did not align itself with Mr Langhorne's requirement for this project. You saw Mr Langhorne's letter, didn't you?

Dr Dolman—I did seek Mr Langhorne's letter. I am not sure I can recall the full details, but I know that the brief we provided did address the issues raised in that letter and in the letter that Minister Campbell had written.

Senator O'BRIEN—Going to the issue of the SONA procedures or guidelines—as they have been variously described—for this project, every brief that goes to the ministry in relation to the Regional Partnerships program identifies an action officer. Who was the action officer identified on the minute that went to Mr Lloyd—that is, the second one that he signed off on?

Dr Dolman—We will take that on notice.

Senator O'BRIEN—This was an application considered under those SONA procedures and signed off on as such. That is correct, isn't it?

Dr Dolman—That is correct. The reason this was considered under the SONA procedures was that it was an application under the Namoi Valley Structural Adjustment Package. The reason for that was that it was for a prospectus, which is precluded from funding under Regional Partnerships eligibility guidelines. Those eligibility restrictions did not apply under the Namoi Valley Structural Adjustment Package. I guess that was the reason why this was put forward under the SONA procedures: that it would have been unfair to judge the project against criteria that did not apply at the time the application was made.

Senator O'BRIEN—Was the reason that Ms Briggs intercepted your first brief because it was based on the standard guidelines?

Dr Dolman—No. I do not believe there were any changes to that part of the brief.

Senator O'BRIEN—Do the SONA procedures kick in at any time?

Dr Dolman—The SONA procedures essentially describe the circumstances when they would be used. The procedures themselves talk about when it would be appropriate to use them.

Senator O'BRIEN—The former minister stated in August last year that the Primary Energy grant was for 'engineering design and quantity surveying work, legal work, environmental impact statements, state government planning fees and product life cycle analysis', which I take it is planning studies and research. Is that correct?

Dr Dolman—I have not got the reference you are reading from, but that does sound like a reasonably accurate description of the project.

Senator O'BRIEN—And that was outside the program guidelines that relate to private enterprises or cooperatives?

Dr Dolman—That is correct. Both the planning aspects of it and the fact that it involved a prospectus were outside the Regional Partnerships guidelines, but they were not outside the Namoi Valley Structural Adjustment Package guidelines.

Senator O'BRIEN—Primary Energy entered into a contract with the CSIRO in September 2003 to undertake a life cycle assessment of greenhouse gas and air pollution emissions. Some of the grant was to meet the cost of that work—is that correct?

Dr Dolman—I am sorry, I do not have that detail. I cannot recall anything along those lines, but I can check the files for you.

Senator O'BRIEN—If that is so, it appears that some of the funds were to be applied retrospectively, given that the contract Primary Energy entered into with CSIRO was in September 2003. That is apparently nearly one year before the application was recommended for approval—or recommended for something.

Dr Dolman—As I have said, I do not recall that being part of the project and nor do I recall any issue of retrospective funding being raised.

Senator O'BRIEN—Sure. I suppose the test will be what was contained in the actual approval. That is why I put a question to you earlier. You said you would take it on notice, so we will see. I am raising the point because I want to find out if it was work already contracted by the proponent before the grant was supplied. That would make it retrospective.

Dr Dolman—As I say, I cannot recall there being any issues of retrospective funding with this project. I will check that. Essentially, the majority of the project was about facilitating the establishment of the ethanol biorefinery plant in Gunnedah, about fundraising through a prospectus and about a range of legal work and other work that needed to be done to make that happen. I cannot recall any work by CSIRO being part of that project.

Senator O'BRIEN—But you will check that?

Dr Dolman—I will check that.

Senator O'BRIEN—Thank you. Can you tell me when funds were provided for Primary Energy?

Dr Dolman—I would probably have to confirm the exact dates that the payments were made, but there was an intention in the funding agreement for the first payment to be made on 30 September 2004.

Senator O'BRIEN—The letter from Mr Langhorne directed that funds be provided as soon as possible after the approval of the grant. The letter actually specified a time period, did it not?

Dr Dolman—I do not have a copy of the letter. I vaguely recall it might have said something like 'as soon as possible'. There was an issue about this project. If it were not to go ahead in Gunnedah, there was a prospect of a similar project, I think, going ahead somewhere else, not in regional Australia. There was an issue of some urgency around the project, which is the basis for the letters, but I cannot recall any detailed timetable being part of those letters.

Senator O'BRIEN—In the contract, I presume the amounts of each instalment and the milestones required are set out.

Dr Dolman—That is correct.

Senator O'BRIEN—Can you tell us what they are?

Dr Dolman—The contract has five milestones. The first one, having a number of parts, involves: plant design and specifications; some expenditure, it appears, for planning; an environmental impact statement, I think; the production life cycle analysis; project legal fees; project management and project development; some office expenditure; and some travel.

Senator O'BRIEN—How much was the first instalment?

Dr Dolman—It was \$426,800, including GST.

Senator O'BRIEN—And that was paid on about 30 September?

Dr Dolman—On 30 September. The second milestone involves further work on plant design and specifications, further legal fees, further project management and project development, further office expenditure and travel, some promotional activities, some tax-structuring advice and project accounting. That was meant to be completed on 31 March 2005. The third milestone involves further project—

Senator O'BRIEN—How much was that milestone worth—will it be worth or could it be worth?

Dr Dolman—Sorry, I might have misled you slightly before. There was an initial payment to commence activities on the signing of the contract—that was the \$426,800. Meeting milestone 1 involved a second payment of \$342,100. Meeting milestone 2 involved a payment of \$235,400. That was meant to be completed on 10 May—I think I said that before.

Senator O'BRIEN—Was the first milestone payment of \$342,100 made?

Dr Dolman—I understand we are getting information about whether or not the milestones were met on time and what payments have been made.

Senator O'BRIEN—So there was a signing payment of \$426,800. Is there any expected date for the first milestone?

Dr Dolman—The expected date was 31 December 2004. That is the payment date. There is also a milestone date, which is the same.

Senator O'BRIEN—So it was paid? No—you don't know?

Dr Dolman—No.

Ms Riggs—This is the funding agreement. What we are trying to do is confirm the meeting of milestones and the actual payment dates that the proponent has been able to achieve so far.

Senator O'BRIEN—You have given us the amount and the criteria for the second milestone.

Dr Dolman—The third milestone involved further project legal fees, project management and development, further office expenditure, further travel, further tax structural advice, project accounting and third-party consulting engineering. The milestone was scheduled to be completed on 31 July 2005 and the payment of \$235,400 was due to be made on 10 May 2005. Sorry, I am confusing those. The fourth payment on the third milestone of \$155,100 was meant to be made on 1 August 2005. The fourth and fifth milestones are simpler. The fourth one involves project management and project development. It was due to be completed on 30 November 2005. The fifth milestone is the completion of the activity, which is scheduled for 28 February 2006. There are no payments associated with the fifth milestone, but milestone 4 involves a payment of \$50,600 due on 1 March 2006.

Regarding the payments that have been made to date, the first payment was \$426,800, made on 29 September 2004. That was within one day of the arrangements that were specified. The second payment was \$342,100. Again, that was the same amount specified in the contract. That was made on 27 January 2005. The third payment has also been made: \$235,400. That was made on 11 May 2005. Essentially the payments are being made in accordance with the contract, the funding agreement.

Senator O'BRIEN—That is around \$1 million.

Ms Riggs—That is correct.

Senator O'BRIEN—Can we get a copy of the contract?

Ms Riggs—Yes.

Senator O'BRIEN—As to the matter of the due diligence undertaken by the department in relation to the grant, I take it that no due diligence was conducted by the department when there was an application for a grant under the Namoi Valley Structural Adjustment Package?

Ms Riggs—We would have to check the file. That program was not devoid of due diligence but it certainly was not systematised in the way our approach is now. I would want to check the record to see what had been done.

Senator O'BRIEN—I would appreciate it if you would provide that. When the matter was reconsidered in July and August 2004, was there a subsequent application of the Regional Partnerships program that had been lodged?

Dr Dolman—I do not think an application was provided. However, I think that supplementary information was provided at the time.

Senator O'BRIEN—Is that what was enclosed with Mr Langhorne's letter?

Dr Dolman—I cannot recall. It does not sound very likely that it would have been enclosed with Mr Langhorne's letter. I cannot recall whether it was enclosed or whether it was obtained separately from the proponent.

Senator O'BRIEN—So there was not actually an application; there was some additional information which added to the earlier application. Is that how we should understand it?

Dr Dolman—That is correct.

Senator O'BRIEN—Can you tell me what due diligence process occurred in late July and early August on this project?

Dr Dolman—I would have to take that one on notice and check what due diligence assessments were undertaken at that time.

Senator O'BRIEN—So you do not recall any diligence process. Is that what you are saying, Dr Dolman?

Dr Dolman—I do not recall the detail of what assessment was done at the time.

Senator O'BRIEN—It would have to have been pretty quick.

Dr Dolman—There was almost a month between the letter from Mr Campbell and the advice to Minister Lloyd.

Senator O'BRIEN—But when did you actually get the additional information?

Dr Dolman—I guess that is what I do not recall. I would have to look at the information.

Senator O'BRIEN—So you are saying that the due diligence process was started on receipt of Minister Campbell's letter?

Dr Dolman—What I am saying is that I do not recall what the process was or when it was done—I would have to look at that.

Senator O'BRIEN—Could you advise us, on notice, exactly what the process was and over what period. Dr Dolman, I want to put it to you that your original advice proposed that the application not proceed and that that was the application intercepted by Ms Briggs. Is that right?

Dr Dolman—As we have said previously, I do not feel that I can provide comment on advice provided to ministers, particularly draft advice.

Senator O'BRIEN—But it was not provided to the minister; I think we have established that.

Ms Riggs—Then it was from the working papers within the department.

Senator O'BRIEN—Every piece of scribble is potentially that, is it? So you are declining to answer that question?

Dr Dolman—On the basis that it was advice to the minister.

Senator O'BRIEN—We will leave it at that for the moment.

CHAIR—The committee will now take a short adjournment.

Proceedings suspended from 2.52 pm to 3.01 pm

Senator O'BRIEN—I have some questions about the Jimbour Amphitheatre Regional Partnerships grant, which has received some coverage today in the *Age* newspaper. It is not on the list but it is in today's paper. Are you equipped to answer those questions?

Ms Riggs—No, we are not equipped answer those questions.

CHAIR—Have you seen the article in today's media?

Ms Riggs—No. We loyally came here before we read the newspapers, and so we are remiss, Senator.

Senator O'BRIEN—I will provide some questions and you may prepare to answer them for next week if that is possible.

Ms Riggs—We will do our best.

Senator O'BRIEN—I am sure you can do better than your best. You always do better than your best!

CHAIR—We are just arranging for a copy of the extract from the newspaper to be provided to you. Some people question whether newspapers are the most reliable source, but we can get copies of that article for you before you leave today.

Ms Riggs—So we will talk about that next week?

CHAIR—Yes. I think Senator O'Brien has indicated he will provide—

Senator O'BRIEN—I will provide some general questions to go on with. There may be other questions that arise.

CHAIR—We cannot just leave these things, you know. We want to give you the opportunity to respond and to give the National Party the chance to respond if they wish.

Ms Riggs—I understand.

Senator O'BRIEN—I have a few questions about the dredging project in that thundering waterway Tumby Creek. You indicate that Dr Dolman is 100 per cent across that. I am glad you are indicating that. Two equal grants of \$748,000 were approved by Mrs Kelly on 26 June and 11 July respectively, more than 12 months ago. How are the contract negotiations going?

Ms Riggs—As I understand it, we are still waiting for the Wyong city council to obtain permits for the dredging from the New South Wales department of lands.

Dr Dolman—And also final costing. The costing will vary, I guess, depending on any conditions that might be imposed as a result of those approvals and the flushing of the creek earlier.

Senator O'BRIEN—If the creek has been flushed out to some significant extent that will modify the amount of the grant, I take it?

Dr Dolman—It is not our understanding that it is going to make a huge difference but you would expect it would reduce the cost.

Senator O'BRIEN—And that will reduce the grant?

Dr Dolman—In advice provided to the council we indicated we would expect any savings to be shared in proportion to contributions to the project.

Senator O'BRIEN—If it costs them less because of the elements, are they savings to be shared?

Dr Dolman—In the advice we suggested that, because we are paying two-thirds, we would expect the majority of the savings to flow to us. We suggested that all the savings flow to us initially until we get to equal sharing and then any further savings would be shared equally.

Senator O'BRIEN—The contract has not actually been signed?

Dr Dolman—That is correct. We cannot sign the contract until we have those approvals and a firm costing.

Senator O'BRIEN—I take it that no funds have been provided to the proponent?

Dr Dolman—That is correct.

Senator O'BRIEN—That is because there has been no environmental approval from the New South Wales government authority.

Dr Dolman—In essence the funding was always conditional on them obtaining those approvals that they need from the New South Wales government. As you say, they are primarily environmental approvals.

Senator O'BRIEN—The regional partnership guidelines published on the department's web site say, 'The following type of project will not be funded: project proposals that are requesting funding for projects that cannot obtain or that are in the process of obtaining the relevant approvals or licences to progress.' That means that this is a project that is currently ineligible, doesn't it?

Dr Dolman—Our preference is always to have projects with all the appropriate approvals first; however, the guidelines are written in such a way to allow for some flexibility. I think the word 'generally' is used in there. Also, it says, 'cannot obtain'—

Senator O'BRIEN—It also says, 'or are in the process of obtaining'.

Dr Dolman—In this case a decision in principle to approve the project was taken but conditional on them obtaining the relevant approvals prior to any funding being provided.

Senator O'BRIEN—The point that I am making is that, according to the guidelines, this is a project which does not appear to be eligible until it gets that approval. This is off the web site. The heading in the guidelines says 'What projects are not eligible for funding?' I read the relevant dot point that seems to apply to this proposal.

Dr Dolman—The wording is:

Project proposals that can not obtain or have not yet obtained the relevant approvals or licences to progress will not generally be considered.

The word 'generally' there gives some latitude to ministers.

Senator O'BRIEN—The web site does not say that. I have a printout of the relevant page of 12 August 2005, and in the 'What projects are not eligible for funding?' section it mentions projects that cannot obtain, or that are in the process of obtaining, the relevant approvals or licences to progress. I can show you a copy of the page.

Dr Dolman—That is okay; we will check that. I know that the guidelines that the minister has approved and the printed version that I have include the words 'not generally considered'.

Senator O'BRIEN—What do the guidelines currently say? It starts, 'Project proposals that are requests for funding for projects that cannot obtain'—and then how does it go?

Dr Dolman—The wording is:

Project proposals that can not obtain or have not yet obtained the relevant approvals or licences to progress will not generally be considered.

In the case of Tumbi Creek it is our expectation that they will be able to obtain those approvals at some point. In any event, the guideline uses the words 'generally not be considered'. In this case the approval was given conditional on them obtaining those necessary approvals, and no funding will flow unless they obtain those approvals.

Senator O'BRIEN—I am checking the web site now. What is on the web site is what I recited. Be that as it may, no approval has been obtained in the 12 months since the grant was announced.

Dr Dolman—That is correct. Obviously it is getting close to the time when we will need to review what can be done about that.

Senator O'BRIEN—Have projects been rejected because they did not have such approvals?

Dr Dolman—As I think Ms Riggs said before, we have processed more than 1,000 applications, and a number of them are in very different circumstances, so it would be hard for me to be absolutely sure that some projects have not been rejected because they have not been able to obtain the necessary approvals.

Senator O'BRIEN—So Tumbi Creek is coming to the point where we will either have to get the approval or the funding will have to be withdrawn.

Dr Dolman—That is essentially the case.

Ms Riggs—We will consider what advice we might give the minister about what his options might be.

Dr Dolman—That would be a decision for the minister. I am aware of other projects that have received approval through the normal process without access to the SONA procedures, where they have not had development approval, conditional approval has been granted, the relevant development approvals have been obtained and the projects have proceeded.

Senator O'BRIEN—Were they also done in the election campaign?

Dr Dolman—I do not believe that there was any particular timing of those. A number that fall into that category were approved well before the election campaign.

Senator O'BRIEN—Has there been a recent inspection of the creek by the Commonwealth to see whether there has been any more flushing of the mouth of the creek?

Dr Dolman—I would have to check with the regional office whether they have done an inspection recently. I know they have had some discussions with the council.

Senator O'BRIEN—I am told the creek is flowing pretty freely now. Do you know whether that is the case?

Dr Dolman—I have no way of telling. When we saw it that day, it was flowing but, equally, it was very shallow.

Senator O'BRIEN—Has the department taken any action to support the dredging of Kincumber Creek, also located on the Central Coast?

Dr Dolman—I think we answered that question at the hearings in Lakes Entrance. No application has been received for Kincumber Creek.

Senator O'BRIEN—Ms Riggs, in the absence of environmental approval for the Tumbi Creek proposal, how long will it be before the department advises the minister to consider alternative uses for those moneys?

Ms Riggs—It is no longer my responsibility, but had I continued to be responsible we would be pretty close to that now.

Senator O'BRIEN—Dr Dolman, with due respect to Ms Riggs's answer, can you give us an unequivocal answer? I am not being critical; I understand your position, Ms Riggs, but you did have to qualify it and I am trying to get an unqualified answer.

Dr Dolman—I do not think there is an unequivocal answer to that question. There is no set timetable that is written down in any program or documentation that talks about the time we would allow a project to try to meet the conditions. However, it is an issue of concern.

Senator O'BRIEN—Let us take a step back. Has Wyong Shire Council made application to the New South Wales authority for a permit to dredge Tumbi Creek and dump the spoil, as provided for in its grant applications?

Dr Dolman—It is my understanding that they have made such an application. I could confirm that for you, if that is not the case.

Senator O'BRIEN—Has that application been refused?

Dr Dolman—As far as I know, they are still waiting to hear from the New South Wales government.

Senator O'BRIEN—Is it true that there remains on the table an offer from the New South Wales government to share the cost of dredging the creek and dumping the spoil on the floor of the lake?

Dr Dolman—I am not aware of the detail. At the time of the hearings at Lakes Entrance, I think the council said that that offer was still on the table. However, there was a large amount of

community resistance to that proposal, and they expressed that they were unwilling to go ahead with the proposal.

Senator O'BRIEN—Thank you for that. We had a discussion about the University of New England national maths, science and information technology centre project earlier in the year, but I think the discussion was based on that first table of not necessarily accurate project data provided to the committee. The project was awarded a Regional Partnerships grant of \$4.9 million on 24 June last year—is that correct?

Dr Dolman—Yes, that is correct.

Ms Riggs—Yes, that is correct.

Senator O'BRIEN—The application was lodged 10 days earlier or thereabouts—15 June 2004?

Ms Riggs—An application in the form of a Regional Partnerships application in our required pro forma was lodged on 15 June.

Senator O'BRIEN—We have asked the University of New England and the New England North West Area Consultative Committee about the ACC's involvement in the project development. We have received the advice that the ACC involvement was minimal. I take it the department does not quibble with that response?

Ms Riggs—I think it is a reasonable characterisation.

Senator O'BRIEN—Exactly what involvement did they have?

Ms Riggs—We asked them to provide a comment on the application once we had received it and gave them a very limited time period in which to make that comment.

Senator O'BRIEN—Why was the UNE project assessed under the SONA procedures?

Ms Riggs—Because it was a project that had significant national impact. While it physically had a hub at a particular location, its intention was to provide a benefit to school teachers and ultimately to school students of maths and science in regional Australia, across Australia—an absolutely perfect project for consideration under those arrangements.

Senator O'BRIEN—But not perfect under the general guidelines?

Ms Riggs—To be considered under the SONA arrangements a project must in broad terms meet the guidelines for Regional Partnerships. It is quite clear from the SONA procedures that that is the case.

Senator O'BRIEN—I am thinking of the Primary Energy grant which seemed to fall foul of significant principles, according to Dr Dolman's evidence.

Ms Riggs—No, it involved the creation of a prospectus—

Senator O'BRIEN—For a private company.

Ms Riggs—The Primary Energy project involved some planning activity and the creation of a prospectus, matters which generally for private sector projects would not be considered. However, the SONA procedures allow that, where there is a significant national impact to be achieved from a project, some element of those—without detriment to the broad terms of the guidelines—might be set aside. That is why SONA was used in the case of Primary Energy.

Senator O'BRIEN—But in the case of the UNE project, was there any aspect of the guidelines that this application fell foul of?

Ms Riggs—To the extent that some of the proposed partnership arrangements—for example, the hub centres in each of the other states and territories—were not actually confirmed, it might otherwise have caused us to have reservations about the committed nature of the partnerships involved.

Senator O'BRIEN—And to that extent it fell foul?

Ms Riggs—Yes.

Senator O'BRIEN—There are some projects covered by the Atherton Tableland Sustainable Regions program that I want to talk about. Firstly, there is a Nature Trust Australia kenaf project which was expected to create 250 jobs and an alternative crop. It was listed in the list of approved projects on the ATSRAC web site on 12 January 2005. It said:

Nature Trust Australia—Kenaf. Long-term project to develop a new tablelands crop.

Whilst the web site has been taken down, I have been given a printout of the document. According to your department's not approved projects list, the kenaf project was not approved. The decision was made by John Anderson and the applicants were supposedly informed on 27 May 2004. However, the proponent, Dr Steve Ockerby, general manager of the NTA group, says a grant of \$750,000 under the Sustainable Regions program was approved by John Anderson on 13 July 2003, but that the NTA group did not engage in satisfactory negotiation with the department. The grant was rescinded on 24 June 2004 and the company did not receive any grant money. Could you tell us exactly what happened?

Ms Riggs—As I understand this, the project was initially recommended by ATSRAC, the Atherton Tableland Sustainable Regions Advisory Committee. That recommendation was accepted by the minister—I do not have the dates for this project in front of me—in around mid-2003. The department then sought to negotiate a funding agreement with the proponent. We were never satisfactorily able to conclude a funding agreement with the proponent for a number of reasons and ultimately the minister concluded that the grant should not proceed.

Senator O'BRIEN—What problem led to the view that it was not possible to conclude a satisfactory agreement?

Ms Riggs—I would prefer to take that on notice but, from my very unclear memory, there may have been two main elements. One was that the proponent had perhaps failed to understand

that when the Commonwealth gives one a grant there are certain conditions and stringencies involved in that grant, even through the standard funding agreement—like having to acquit it and prove that you have done with it what you would said you would do, and so on. The proponent may not have been entirely aware of what those conditions were. I think the second element was that the request for the funding had been made at a time when I am sure the proponent believed that the project would proceed, but during the course of negotiating the funding agreement, from our perspective it became a little clearer that the time lines for the project, and whether there was a market for the product from any such project, were nowhere near as settled as the original project application had proposed was the case. I think there may have been issues on both sides along those lines.

Senator O'BRIEN—That does not seem to reflect very well on the committee that recommended approval.

Ms Riggs—It is a judgment you might want to make. Perhaps in the early days of the program the committees and the department were less clear about what to look for in applications and the sorts of due diligence signals that might be indicators of good and perhaps less solid projects. Experience has taught the department and, I think, the committees quite a lot in that regard.

Senator O'BRIEN—In hindsight, it is clear that a number of projects would not have been funded and were funded under that proposal and they did not lead to the outcome that was promised.

Ms Riggs—You may make that judgment.

Senator O'BRIEN—I am sure many people make the judgment, given the number of projects funded that did not actually lead anywhere. How is it that a grant of \$150,000 was allocated to a study for a food and fibre hub on the tablelands and, instead, a document was produced that promoted the idea of a luxury hotel and convention centre on the banks of the Barron River or the foreshore of Lake Tinaroo?

Ms Riggs—Does your question seek to create a link between the work done on whether there was a possibility that there might be a food and fibre hub on the tablelands and a subsequent recommendation in relation to a tourism project?

Senator O'BRIEN—Yes; that is what seems to be contained in an article from the *Tablelander* of 2 July last year.

Ms Riggs—My recollection of the report in relation to the food and fibre hub suggested that it could not proceed in the form that had originally been conceived by the consultants and there might be other elements of development that might be reasonable for the tablelands to better pursue. I do not have the article you are referring to in front of me. I think my recollection is that to have proceeded directly from that to the notion of support for a particular tourism project may not be a strictly accurate recording either of the article or of the way ATSRAC operated at the time. I am happy to see if we can find a copy of the article and, if I am wrong in my assertion to you, I will then provide you with some further information on notice.

Senator O'BRIEN—The \$150,000 grant for the food and fibre hub went to the ATSRAC committee, did it not?

Ms Riggs—No, it went to the Tablelands Economic Development Corporation.

Senator O'BRIEN—Mr McDade in his evidence to this committee on 23 June said the minister approved the \$150,000 grant. It was Mr Anderson who approved that one?

Ms Riggs—Yes, it would have been.

Senator O'BRIEN—Mr McDade also said that ATSRAC developed the proposal itself and engaged the consultant itself.

Ms Riggs—I do not wish to be at odds with other evidence that you have but I can assure you that the Atherton Tableland Sustainable Regions Advisory Committee has no legal entity status and could not have received a grant. It could not have engaged a consultant. The grant was paid to a body called the Tablelands Economic Development Corporation. The project may well have flowed from discussions that the ATSRAC had as members of a committee, but the engagement of any consultant would have been through TEDC and that is certainly the body to whom we made the moneys available and from whom we are still awaiting a final audited report on the completion of that project.

Senator O'BRIEN—So as far as the department was concerned, it was a grant to that body and that body was paid the money?

Ms Riggs—My recollection is there was a steering committee for that project. Members of ATSRAC—I think not all of them but a subset of the members of ATSRAC—may have been part of that steering committee, as were some other good citizens from the tablelands and TEDC. And, again, I think a departmental officer participated in that steering committee.

Senator O'BRIEN—So the department is in absolutely no doubt as to who the applicant was and who the money was paid to. Will you undertake to look at the evidence of Mr McDade with respect to this grant? It does concern me that he seems to be saying something quite different, and he was obviously an important figure in the ATSRAC at all relevant times.

Ms Riggs—I certainly accept that Mr McDade was an important figure in ATSRAC at the relevant time and we will certainly look at his evidence. I am happy, of course, to make a copy of the funding agreement available to this committee to put beyond doubt who the legal entity was in terms of the management of that grant.

Senator O'BRIEN—There is other evidence you might want to look at. Dr Geoff Stocker said:

The Pinnacle report which was commissioned by ATSRAC did not really confront the most pressing of the problems relating to the most effective use of grant money. It appears to have largely been a Brisbane based desk exercise with few people resident in the region consulted.

So you might also want to look at that evidence, which seems to be confirming—

Ms Riggs—And, having looked at that evidence, what is it that you are asking me to do in terms of my evidence to this committee?

Senator O'BRIEN—I guess if there is an application that has been approved by ATSRAC and funds have gone to a body when the proponent really is the ATSRAC and it is using a device to get the money to their preferred consultant, I would have thought that would concern the department considerably.

Ms Riggs—I will make inquiries as to whether that was the case.

Senator O'BRIEN—I do not know if it is the case either, but it seems to be suggested on that evidence—that is the point I am making. Going back to the Primary Energy question: there were two things that you said about the moneys that were paid to Primary Energy. At first you said you had to get more information, but later you gave us the dates. Are the dates that you gave us in relation to that Primary Energy grant the actual dates—is that how I should understand it?

Ms Riggs—The actual payments and the dates on which they were made are also part of what Dr Dolman gave you.

Senator O'BRIEN—So, as we said earlier, it has been confirmed that they have been paid somewhere in the vicinity of \$1 million to date?

Dr Dolman—That is correct.

Senator O'BRIEN—Going back to the ATSRAC issue, the regional tourism strategy project was announced by Senator Boswell on 24 October 2002 to the Atherton Tableland Promotion Bureau for a regional tourism strategy, and that was listed as an approved project by the department. There appears to be no recommendation from ATSRAC for this project. Do I understand that correctly?

Ms Riggs—Senator, can I confirm that your question was whether or not ATSRAC was involved in the recommending of this project to the minister?

Senator O'BRIEN—Yes.

Ms Riggs—I will take any revision to my answer on notice—and it was before my time and certainly before Ms Gosling's time that this project came to the minister—but in relation to the Sustainable Regions program I am not aware that a recommendation can get to the minister for a project to be funded other than through the relevant Sustainable Regions advisory committee. That is one of the fundamental elements of process in that program.

Senator O'BRIEN—I understand that. The reason I raise it is that I cannot find evidence of that recommendation. Perhaps you can.

Ms Riggs—We will examine the file and confirm that there is in fact a recommendation from the committee to the minister.

Senator O'BRIEN—Do you know whether a report by the Atherton Tableland Promotion Bureau was actually produced?

Ms Riggs—I understand that it was. The brief record of this project, which was not on the detailed list that I have, says this project is completed. One element of that project was to produce a report, and the indications I have in front of me are that such a report was produced.

Senator O'BRIEN—Do you know where we can get access to it? Can it be supplied?

Ms Riggs—Unless someone gives me cause to reconsider, I believe we should be able to make a copy available from the file.

Senator O'BRIEN—How many Sustainable Regions or Regional Partnerships grants were approved by the relevant minister or parliamentary secretary prior to due diligence being completed?

Ms Riggs—I would have to take that on notice.

Senator O'BRIEN—Can you detail the extent of due diligence carried out by the department on the Atherton Hotel, the Kalamunda Caravan Park and the JAM Custom Kitchens and Furniture projects?

Ms Riggs—I will take it on notice.

Senator O'BRIEN—Where due diligence inquiries are made, is a written report kept on file?

Ms Riggs—That would be my expectation. It would be how the process is described for the benefit of guiding departmental officers.

Senator O'BRIEN—If they exist, would we be able to receive copies of such due diligence reports carried out by the department?

Ms Riggs—I would have to take some advice on that. You know that we always aim to cooperate as fully as we can, but I would want to check that. I would also have to consider whether there might be some elements of it that we might want to exercise some white-out licence on.

Senator O'BRIEN—I presume that you mean that you try to cooperate as far as the minister will permit you, not as far as you can. I would not want you to mislead.

Ms Riggs—Consistent with the guidance that I will seek, Senator.

Senator O'BRIEN—Yes. Mr McDade said in his evidence of 13 April that one Ms Leslie Riggs asked, 'Why are we spending all this money on due diligence for these particular projects? Surely the committee can recommend to the department whether due diligence is required in certain projects.' So the question arises: was the department actively trying to reduce the levels of due diligence in mid- to late-2003?

Ms Riggs—When I first arrived and started to examine the program processes for Sustainable Regions, there was no structured approach to due diligence in the same way as we had constructed one for Regional Partnerships. I found an instance or two where we had spent on due diligence for a couple of projects that were only in the order of \$100,000 of grant each. We had spent due diligence by purchasing outside consultants of up to \$25,000. That is not a very sound risk based approach to managing risk effectively for the Commonwealth. It is the working through of that with the staff and the members of Sustainable Regions committees, with respect to the Sustainable Regions Program, that might give rise to the comments Mr McDade made. I make no comment whatsoever as to the accuracy of his claims about precisely what I said, but there was an element of ‘there ought be some local knowledge’—after all the Sustainable Regions committees are locally appointed people—that can inform our risk based judgment about how much due diligence we would need to do on any particular project. But that would also be informed by the size of the project, the nature of the proponent and so on. That form of judgment had not been systematised and consistently followed through by the department in the program up to that time. No, we were not seeking to reduce due diligence but to target our efforts in that regard appropriately with due cognisance of the relative risk of different types of projects and organisations.

Senator O’Brien—In his evidence on 23 June, Mr McDade stated he received an email from the department blaming ATSRAC for the high cost of due diligence. Would you be able to supply us with a copy of that email?

Ms Riggs—I do not know. I do not know who sent it. I do not know that it in fact exists, although I am not gainsaying Mr McDade’s claim of its existence. I have no knowledge of whether or not a hard copy or a soft copy of it would still exist. We will simply seek to examine the record.

Senator O’Brien—Thank you. Mr McDade states, in another example, that the department suggested that council proposals did not need due diligence. Is that correct?

Ms Riggs—No, that is not correct. They need forms of due diligence but they may well be quite different forms to those one would apply to a private sector organisation. Prima facie, for example, one might take the view that a council is not going to be allowed to go broke by its state government, whereas that would unlikely be true of a private sector organisation. So you might allow for a larger project or a larger amount of grant funding to go to a council than you would allow to a private sector organisation without doing a very intensive due diligence on the project that is in question.

Senator O’Brien—If the cost of a proper due diligence is to be tempered by comparison with the value of the project, are we getting to circumstances where these committees ought not recommend proposals where the proponent does not supply enough verifiable information upon which a due diligence can be conducted?

Ms Riggs—I am not quite sure that we would all necessarily have common understanding of your term ‘proper due diligence’, but I do believe that it is incumbent on whoever makes recommendations to a minister about the expenditure of Commonwealth moneys that there be some proper consideration given to the likelihood that the organisation to receive the moneys is one that has demonstrated its capacity to manage moneys appropriately, has in place appropriate

governance, has demonstrated for a period that it has managed its financial affairs well, and knows the difference between its own revenue and expenditure and that which comes to it from grants and the need to manage those in particularly accountable ways. The final element of due diligence is one that we had some reference to this morning, which is: is this a fair and proper way of actually carrying out that particular project?

I think the former two ought to always be ones that those recommending to the minister form a view about. There may be different layers of information that they need to form that view, and they might need to collect more of it or less of it, but I think they ought to form a view. In relation to the third one, I think that is the type of due diligence that can be costly because it generally requires not just an examination of financial records but the forming of a view by someone who is familiar with an industry, for example, about whether that is one of a number of right ways to go about a project. I think it is probably very difficult for an advisory committee to form such views without professional advice, and that is where the department—in the case of large projects, particularly in the private sector which requires that sort of stuff—ought to target the expenditure of a pretty scarce resource towards doing that kind of full-blown financial and project due diligence. That is what our due diligence risk framework seeks to do.

Senator O'BRIEN—This is an issue which, as you are very well aware, has arisen in a number of areas, not just Sustainable Regions. It does not seem to be an area in which one can lightly cut the financial corners—if I can put it that way—and conduct an exercise that is not out of scale with the size of the grant being sought. It just seems to me that it is indicating that, where that is necessary, you are starting to get in the realm of questioning whether the organisation seeking the grant is the sort of organisation to whom the grant ought to be given.

Ms Riggs—I guess there are three forms of protection. The first is the assessment of the project against the criteria for the program, whatever program it is and whatever the project is. The second is having some notion of due diligence and some structured risk based approach to due diligence so that you do target whatever those more expensive resources are and the types of organisations and projects most likely to benefit from that. The third is the way in which you construct the funding agreement so as to mitigate as far as possible the risk that, even having done the most expensive due diligence you can imagine, the company may still go wrong and the project may still fall over. There is always a really difficult judgment in there. I suggest that, if I think that is a difficult judgment for public servants in formulating advice to ministers, it is of necessity almost a more difficult judgment for the decision maker rather than the adviser in those circumstances. I do not think I have seen a way of being 100 per cent risk free in this environment other than not to have the program.

Senator O'BRIEN—There is almost no such thing as being risk free. It is risk minimisation, as you said. We could probably continue this discussion for some time and I think your comments might be helpful in terms of the way the committee reflects on this matter in the final report. I am mindful of the time. I just wanted to go back to that Tumby Creek issue. It has been drawn to my attention that the passage about the guidelines on the projects that are not eligible that you referred to as well as the passage that I referred to are in the document. I just wanted to get a better understanding of this. Firstly—and this is what you said—it says:

Project proposals that can not obtain or have not yet obtained the relevant approvals or licences to progress will not generally be considered.

But then, secondly, it says, ‘Project proposals that are requesting funding for projects that cannot obtain or that are in the process of obtaining the relevant approvals or licences to progress are not eligible.’ How should I understand that? It seems to me that one is almost guidance that you will not generally consider the matter but the second seems to be setting out the type of project that is not eligible for funding.

Ms Riggs—We have a confession to make. This is one of the areas where the wording of the guidelines was changed from its originally approved form to its currently approved form. In your examination of the guidelines you have caused us to realise that we did that—changed the arrangements—imperfectly. The third dot point under what projects are not eligible for funding—the one that reads ‘project proposals that cannot obtain or have not yet obtained the relevant approvals or licences to progress will not generally be considered’—is the current statement of the minister’s approved wording of the guidelines. The fifth open circle subpoint to the fourth dot point in this section of the guidelines was the material that was updated by the section that was just read out and it should have been deleted. I appreciate that, by publishing it with both forms of words in there, we have created a conundrum for you and, indeed, for our applicants. We will seek to correct that.

Senator O’Brien—For completeness, can we have a copy of the revised guidelines as signed off by the minister?

Ms Riggs—Yes, as soon as we can do that.

Senator O’Brien—I do have some questions on Dimboola that I can table.

CHAIR—Those will be questions on notice.

Ms Gosling—Can I clarify some information I gave in relation to the Kimberley Aboriginal Pastoralists Association. I wanted to clarify the dates in relation to the consideration of that project. The project was approved by the minister on 7 May 2003. The funding agreement was executed on 18 June 2003. The first payment of \$150,000 was made in July 2003.

Senator O’Brien—Thank you for that.

Ms Riggs—Could I please table a copy of the funding agreement between the Commonwealth of Australia, as represented by this department, and the trustee for the Van Herk Family Trust in relation to the Cove Caravan Park and, likewise, the funding agreement between the Commonwealth of Australia et cetera and Primary Energy Pty Ltd, as I promised. Senator, I will secure you a copy of the minister’s signature but I can assure you that this is a hard copy of the currently approved guidelines, which I would also like to table.

CHAIR—Thank you.

Senator O’Brien—Were they signed off by Mr Lloyd or Mr Anderson?

Ms Riggs—I believe they were signed off by Mr Anderson.

CHAIR—We still have further issues to be pursued by senators on the committee. We will resume on a date to be fixed, probably some time next week. The secretariat will be in discussion with you about that.

Senator BARNETT—We are hoping for next week, are we not?

CHAIR—That is the plan but we obviously need to consult people's availability, but we will all be here in Canberra for parliament from Tuesday through to Thursday. This committee is meeting in another guise on Thursday afternoon and Friday with regard to another inquiry, so those times will not be available. I am sure we will be able to work something out to endeavour to finish the evidence of the department at the end of next week, if that is possible.

Ms Riggs—We will be delighted to hear from the secretariat about what the timing might be.

CHAIR—We are delighted to hear it. I could pick up on your comment about making a confession and say that we have done our penance. I appreciate the attendance of the officers today and also the support, as always, of Hansard and our secretariat staff. Thank you.

Committee adjourned at 4.02 pm