

hectares of old-growth eucalypt against a target of 18,700 hectares', and

- (iv) the Federal Government is funding logging operations in the Styx and Upper Florentine valleys and publicly-funded road construction is planned to continue in the Upper Florentine; and
- (b) calls on the Government to immediately protect in full all areas that the Prime Minister promised to protect during the 2004 election.

Question put.

The Senate divided. [4.04 pm]

(The President—Senator the Hon. Paul Calvert)

Ayes.....	8
Noes.....	44
Majority.....	36

AYES

Allison, L.F.	Bartlett, A.J.J.
Brown, B.J.	Milne, C.
Murray, A.J.M.	Nettle, K.
Siewert, R. *	Stott Despoja, N.

NOES

Bernardi, C.	Bishop, T.M.
Boswell, R.L.D.	Brandis, G.H.
Calvert, P.H.	Carr, K.J.
Chapman, H.G.P.	Colbeck, R.
Crossin, P.M.	Eggleston, A.
Ferris, J.M.	Fielding, S.
Fierravanti-Wells,	Fifield, M.P.
Forshaw, M.G.	Heffernan, W.
Hogg, J.J.	Hurley, A.
Hutchins, S.P.	Johnston, D.
Joyce, B.	Kirk, L.
Ludwig, J.W.	Lundy, K.A.
Marshall, G.	McEwen, A.
McLucas, J.E.	Moore, C.
Nash, F.	O'Brien, K.W.K.
Parry, S.	Patterson, K.C.
Payne, M.A.	Polley, H.
Ronaldson, M.	Scullion, N.G.
Sherry, N.J.	Stephens, U.
Troeth, J.M.	Trood, R.B.
Watson, J.O.W.	Webber, R. *
Wong, P.	Wortley, D.

* denotes teller

Question negatived.

AUDITOR-GENERAL'S REPORTS

Report No. 13 of 2006-07

The DEPUTY PRESIDENT—In accordance with the provisions of the Auditor-General Act 1997, I present the following report of the Auditor-General: Report No. 13 of 2006-07—*Performance Audit: Management of an IT outsourcing contract: Follow-up audit: Department of Veterans' Affairs.*

COMMITTEES

Finance and Public Administration

References Committee

Report: Government Response

Senator SCULLION (Northern Territory) (4.07 pm)—On behalf of the Minister for Justice and Customs, I present the government's response to the report of the former Finance and Public Administration References Committee on its inquiry into regional partnerships and sustainable regions programs, and I seek leave to incorporate the document in *Hansard*.

Leave granted.

The document read as follows—

SENATE REPORT FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE REGIONAL PARTNERSHIPS AND SUSTAINABLE REGIONS PROGRAMMES GOVERNMENT RESPONSE

November 2006

Introduction

On 2 December 2004 the Senate referred a number of matters to the Finance and Public Administration References Committee (the Committee) regarding the administration of the Regional Partnerships and Sustainable Regions programmes.

The Committee tabled its report in the Senate on 6 October 2005. The report comprised a majority report and a minority report from Government Senators.

Government Response

The majority report of the Committee responds to allegations of misuse of the programmes in the period prior to the 2004 election, serious impropriety in approval and announcement processes, concealed processes and political conditions placed on grants. The report fails to substantiate any of these allegations and reaches the conclusion that the administration of both programmes is 'reasonably sound'.

The Government welcomes this finding and with it the bipartisan endorsement of the role of the Area Consultative Committee (ACC) network and Sustainable Regions Advisory Committees (SRACs) in delivering positive outcomes for Australian communities.

The minority report highlights the hundreds of successful projects across the country and the benefits these projects are providing to local communities. Some \$250 million has been approved for nearly 1000 projects identified by local communities as high priority since 2001.

Six case studies cited in the Report from which the majority of conclusions have been drawn are atypical of most projects funded.

Two of these projects (Primary Energy and Beaudesert Rail) were originally assessed under arrangements that existed prior to commencement of the Regional Partnerships programme.

In two of the six cases (A2 Dairy Marketers and Tumbi Creek) no Australian Government funds had been spent at the conclusion of the Inquiry, and approval for the A2 Dairy Marketers project had been withdrawn.

The Committee found no evidence of inappropriate interference by Ministers in the assessment of projects and has not identified any breach of the established caretaker conventions prior to the 2004 election.

The Committee also received evidence in this Inquiry that the distribution of approved projects closely reflects the pattern of applications received. The Government encourages all Senators and Members of Parliament across all States and electorates to work with their local communities to identify worthwhile projects within their communities that may be eligible for assistance under

the Regional Partnerships and Sustainable Regions programmes.

The majority report claims to have been hindered by a lack of cooperation by the Department of Transport and Regional Services (DOTARS). It is critical of claimed "misleading information" provided by the Department to ACCs and for failure to table all documents sought by the Committee, particularly in relation to the Department's advice to Ministers.

The Department operated over the course of this Inquiry within long-standing conventions accepted by successive Governments relating to non-disclosure of advice provided to Ministers. The Department's position was supported by advice from across the public service and Ministers. Consistent with that advice, the approval of the Minister was sought before documents were released to the Committee.

RESPONSE TO RECOMMENDATIONS**Response to Majority Report Recommendations****Regional Partnerships Program**

Recommendation 1: The Committee recommends that the operation of the SONA guidelines cease.

Government Response – Noted

The Government announced on 15 November 2005 that changes to the *Regional Partnerships* programme will permit the Government to direct a pool of funds within the *Regional Partnerships* programme for specific investment priorities which may not otherwise be brought forward by Area Consultative Committees (ACCs).¹

The *Regional Partnerships* programme has been used by the Government to deliver associated programmes. One such example is the Rural Medical Infrastructure Fund, which is based on *Regional Partnerships* programme guidelines but is also subject to specific criteria. These criteria are published on the *Regional Partnerships* web site. When new Government priority areas are identified, additional or modified guidelines or criteria may be issued as required, and published on the *Regional Partnerships* web site.

The SONA procedures have not been used since August 2004 and it is considered that special con-

siderations such as those made under SONA procedures will no longer be required.

Recommendation 2: The Committee recommends it be mandatory for all Regional Partnerships program applications to be developed in consultation with local Area Consultative Committees.

Government Response – Disagree

It is usual practice for ACCs to be consulted in relation to *Regional Partnerships* applications, however, it is important that the Government maintains the ability to fund projects which have not come to its attention through the work of ACCs and which it regards as a high strategic priority. It is also important for reasons of fairness that applicants retain the ability to have an application assessed under the programme even if it is not supported by an ACC.

Recommendation 3: The Committee recommends that Area Consultative Committees must receive relevant applications and be afforded an opportunity to consider and make recommendations not less than ten working days from receipt of the application.

Government Response – Agree

This is existing practice under the *Regional Partnerships* programme. It is normal practice for ACCs to comment on applications and generally have at least ten working days for comments.

See response to Recommendation 2.

Recommendation 4: The Committee recommends that the Department of Transport and Regional Services incorporates and outlines appropriate assessment procedures for multi-region funding applications into the published Regional Partnerships guidelines.

Government Response – Agree in part

There has never been an impediment to multi-region projects under the *Regional Partnerships* programme. The published guidelines apply to multi-regional projects.

As part of the Government's proposed enhancements to the *Regional Partnerships* programme, DOTARS Regional Offices will work with local ACCs to facilitate the development of quality projects including the coordination of projects which cross ACC boundaries.²

Recommendation 5: The Committee recommends that multi-region funding applications be referred to all relevant Area Consultative Committees for review comments and recommendations.

Government Response - Agree

This is existing practice under the *Regional Partnerships* programme.

See also response to Recommendations 2 and 3.

Recommendation 6: The Committee recommends that a biannual statement be tabled in the Senate by the Minister representing the Minister for Transport and Regional Services, listing:

- the Regional Partnerships program grants approved in the preceding six month period;
- the Department of Transport and Regional Services and Area Consultative Committee's recommendations; and
- where the funding decision is inconsistent with the departmental and/or Area Consultative Committee recommendation, a statement of the reasons for the decision.

Government Response – Disagree

The Government is not persuaded that this proposal would improve programme accountability. The publication of advice concerning recommendations made to the Minister for Transport and Regional Services by departmental advisers and by other bodies such as ACCs, is not supported. Publication of such advice would make it difficult for ACCs to provide a critical assessment of projects. This approach is consistent with long-standing practice in relation to the confidentiality of departmental advice to Ministers.

A list of all projects funded under both programmes is already available on the Department's web site.

Recommendation 7: The Committee recommends that the Government address inequities in the distribution of Regional Partnerships program funding consistent with the ANAO Better Practice Guide.

Government Response – Agree in part

The distribution of approved projects reflects closely the pattern of applications received. ACCs are already required to ensure equitable distribution of projects within their regions under key performance indicators imposed by the Department.

In accordance with ANAO's Better Practice Guide, all applications for funding under the *Regional Partnerships* and *Sustainable Regions* programmes, are assessed "in accordance with requirements of procedural fairness" (page 45).

Recommendation 8: The Committee recommends that the exclusion of the Australian Capital Territory (ACT) from eligibility for Regional Partnerships program funding be rescinded.

Government Response – Agree

Current programme policy permits Australian territories to apply for funding. However the programme guidelines do not permit the funding of projects which would result in cost-shifting from Territory Governments to the Australian Government. Guidelines will be changed to clarify Territory government eligibility.

Recommendation 9: The Committee recommends that the Government review resourcing of Area Consultative Committees, and training for committee members and employees, to ensure that they can adequately perform their role in relation to the Regional Partnerships program.

Government Response – Agree

See also response to Recommendation 10.

Recommendation 10: The Committee recommends the introduction of three-year operational funding contracts for Area Consultative Committees.

Government Response – Agree

The Government announced on 15 November 2005 that funding to meet the annual operating costs of ACCs, which is currently met from within the funds appropriated to the *Regional Partnerships* programme as a whole, will be separately identified and ACCs will be allocated funding in accordance with a three year contract.

This three year contract will encourage ACCs to continue to facilitate other Government programmes though they will not be permitted to

reduce the level of effort involved in developing suitable *Regional Partnerships* projects.

The operational funding appropriation for ACCs will also be indexed within existing appropriations.³

Recommendation 11: The Committee recommends that the Government negotiates with each Area Consultative Committee in relation to key performance indicators including job creation and partnership support, to ensure performance measures are regionally appropriate.

Government Response – Agree in part

Key performance indicators currently apply to ACCs to ensure programme objectives are met. Performance indicators for ACCs will be reviewed this year. While the review will involve consultation with ACCs, effective measurement of ACC performance and performance across the *Regional Partnerships* programme, requires a national set of indicators.

The Government announced on 15 November 2005 that the Minister for Transport and Regional Services will provide written advice and guidelines each year to ACCs outlining the Government's broad policy priorities for the *Regional Partnerships* programme.⁴

Recommendation 12: The Committee recommends that Area Consultative Committee recommendations be disclosed to funding applicants on request.

Government Response - Disagree

The Department provides unsuccessful applicants with advice setting out the reasons their projects did not meet the programme's criteria, including the extent of support for the project. It is not appropriate to release the views of ACCs or other bodies and individuals which are provided to the Minister for Transport and Regional Services in the course of considering the merits of individual projects. To do so would reduce the ability of ACCs to provide a frank assessment of the priority of individual projects.

Recommendation 13: The Committee recommends that the Government conduct a review of the role of Area Consultative Committees to ensure that their contribution to regional development is maximised.

Government Response - Disagree

The Inquiry report reaches positive conclusions regarding the role of ACCs. ACCs often make suggestions for improvements to the Minister for Transport and Regional Services and the Department which are often adopted. The need for a further review is not considered necessary at this time beyond the normal processes for ensuring continuous improvement.

The Government is implementing a series of changes to improve the effectiveness of ACCs and their governance arrangements that were announced on 15 November 2005. These changes include:

- local communities and local Members of Parliament will be consulted more extensively by ACCs in the process of developing each ACC's strategic regional plan;

- funding to meet the annual operating costs of ACCs, which is currently met from within the funds appropriated to the *Regional Partnerships* programme as a whole, will be separately identified and ACCs will be allocated funding in accordance with a three year contract;

- the Government will appoint the Chair and Deputy Chair of each ACC, and provide guidelines for the appointment of other members to help committees be representative of the communities they serve; and

ACC boundaries will be reviewed to ensure boundaries of rural ACCs reflect areas of common interest, and consider whether the boundaries and number of metropolitan ACCs are appropriate.⁵

Sustainable Regions Program

Recommendation 14: The Committee recommends that the appointment process for Sustainable Regions Advisory Committee members, including selection criteria, be made public.

Government Response – Disagree

It is not usual practice to disclose the reasons for the appointment or non-appointment of Board members. The case has not been made to depart from that convention in relation to this programme.

Recommendation 15: The Committee recommends that the Government adopt a skills-based

approach in relation to the appointment of future Sustainable Regions Advisory Committees, including the two new bodies announced during the 2004 election campaign.

Government Response - Agree

This has been the approach adopted.

Regional Partnerships and Sustainable Regions Programs

Recommendation 16: The Committee recommends that the Australian National Audit Office audit the administration of the Regional Partnerships and Sustainable Regions programs, with particular reference to case studies highlighted in this report.

Government Response – Noted

The Australian National Audit Office is conducting a performance audit of the *Regional Partnerships* programme in 2006.

Recommendation 17: The Committee recommends that projects that cannot obtain or have not yet obtained relevant approvals or licences not be eligible for Regional Partnerships or Sustainable Regions funding.

Government Response – Agree in part

This is already generally the case. However, there are some instances where it is not appropriate to insist on development approvals ahead of assessment. For instance, a community group that has raised funds through raffles and similar activities should not necessarily be forced to use those funds seeking approvals while there is high uncertainty about a project proceeding because they have not secured programme funding. In such cases approvals are made subject to securing relevant consents.

Recommendation 18: The Committee recommends that competitive neutrality procedures be strengthened, including the introduction of a procedure for potential competitors to lodge objections.

Government Response – Agree in part

The Government announced on 15 November 2005 that greater emphasis will be placed on assessment of competitive neutrality issues associated with applications. Projects where assistance greater than \$25,000 is sought for a business or commercial venture will require a statement from

the ACC Chair that identifies any competitive neutrality risks posed by the project, prior to the assessment of the project for funding approval.⁶

Recommendation 19: The Committee recommends that due diligence procedures be strengthened, including a routine inquiry into legal action against applicants.

Government Response – Disagree

Due diligence is already assessed rigorously. The scope to continually improve processes will be reviewed. It is not considered appropriate to exclude consideration of an applicant due to pending legal action as such action may have no basis.

Recommendation 20: The Committee recommends that no funding be approved for projects that do not meet Regional Partnerships and Sustainable Regions guidelines and fail other tests including proper due diligence.

Government Response – Agree in part

See response to Recommendation 1.

Recommendation 21: The Committee recommends that it become formal policy that ministers and their staff are kept strictly at arm's length from decisions, including all relevant departmental advice, on applications from their own electorates. The portfolio minister and his or her staff should not be included in the circulation of departmental advice on applications for projects in the minister's electorate.

Government Response – Agree in part

The Government announced on 15 November 2005 that funding approval will be subject to decision by a new Committee comprising the Minister for Transport and Regional Services, the Minister for Local Government, Territories and Roads, and the Special Minister for State.

The Committee has adopted the practice that, where there is consideration of a project in the electorate of one of the Ministers, the Minister in question does not take part in the decision-making process.

However, the Government considers that Ministers should retain the normal capacity of Members and Senators to make representations on behalf of their constituents in respect of an application for funding.

Recommendation 22: The Committee recommends that Ministers and Parliamentary Secretaries, and their staff, should be prohibited from intervening in the assessment of grants.

Government Response – Agree in principle

No evidence of inappropriate interference has been identified by the Inquiry.

Recommendation 23: The Committee recommends that from 1 July preceding a general election, the following procedures apply to grant approvals and announcements: when a Minister's decision to approve or not approve a grant is different to the recommendation of either the Area Consultative Committee or the Department, or the funding amount approved is different from the amount recommended, then the grant approval decision be made in conjunction with the relevant Shadow Minister. The Committee further recommends that all grants approved in these circumstances be jointly announced by the Minister and the Shadow Minister.

Government Response - Disagree

Established caretaker conventions already exist which prescribe grant decision making practice ahead of an election. The Committee found no evidence that there was any breach of caretaker conventions prior to the 2004 election in the case of these programmes.

Recommendation 24: The Committee recommends that the government develops and discloses procedures to govern cessation or transition of Regional Partnerships and Sustainable Regions programs.

Government Response – Agree in principle

As such transitions are now complete, there would appear no need for such procedures. However, this recommendation will be considered should such circumstances again eventuate.

Recommendation 25: The Committee recommends that the government reviews the efficacy of a grants-based approach to regional development.

Government Response - Disagree

The Government is committed to a grants-based approach to regional development.

The Stronger Regions Statement of 2001 sets out the Australian Government's policy for regional

development which contains the following principles:

regions and communities taking responsibility for dealing with the challenges and opportunities confronting them;

the Australian Government standing by as a partner to help regions and communities realise the future they want for themselves; and

a recognition that regions and communities almost always have a better understanding of their needs and opportunities than central agencies or governments.

Recommendation 26: The Committee recommends that the Regional Partnerships and Sustainable Regions programs should complement, not compete with state and local government funding programs.

Government Response – Agree

Regional programmes are aimed at working partnerships with a wide range organisations, government agencies and businesses.

The programmes leverage on average three dollars for every dollar of Australian Government support. State and/or local governments are funding partners in relation to the majority of projects. Contributions to projects by state governments equate to an average of \$0.93 for every \$1 of support from the Australian Government under the *Regional Partnerships* programme. Contributions to projects by funding co-partners (including state governments) equates to an average of \$2.15 for every \$1 funded under the *Sustainable Regions* programme.

Response to Minority Report Recommendations

Recommendation 1: The Government Senators recommend that the Government promotes the RP and SR programs and educates the public on how the programs work, to restore the public's confidence in these programs following the misperceptions generated by this inquiry.

Government Response - Agree

Options to best promote the support available under these initiatives are being considered. Area Consultative Committees and Sustainable Regions Advisory Committees will continue to play a key role in assisting their regions to understand

the programme guidelines to enable them to access this assistance.

Recommendation 2: The Government Senators recommend that the Key Performance Indicators be promoted publicly, to assist in educating the public about the benefits of the programs and the outstanding returns delivered to local communities.

Government Response - Agree

Key performance indicators for ACCs have been put on the *Regional Partnerships* and ACC web pages (www.regionalpartnerships.gov.au and www.acc.gov.au). Aggregate results against indicators will be published when available.

Recommendation 3: Government Senators recommend that project applications requiring co-funding be considered simultaneously by the relevant levels of government.

Government Response - Disagree

Implementation of this proposal could adversely affect applicants and could delay approval of applications. State and local government programmes have different mechanisms for considering proposals, including annual funding rounds.

Recommendation 4: Government Senators recommend that restrictions on ACC media activities be lessened.

Government Response - Disagree

As organisations that receive the majority of their funding from the Australian Government, it is appropriate that the current procedures for marketing of ACC activities be retained so that consistent messages about programmes and the ACC network can be communicated.

Recommendation 5: Government Senators recommend that template marketing material be developed for only minor adjustment by individual ACCs.

Government Response – Agree

ACCs are provided with generic marketing material. Templates that ACCs can tailor for their own purposes are being developed as part of ongoing support for ACCs.

Recommendation 6: Government Senators recommend that ACCs be advised of grant approvals in advance, and that they be encouraged to assist

with arranging grant announcements and any follow up matters relevant to their local projects.

Government Response – Agree in part

Members of Parliament and Senators are encouraged to include their local ACCs in the announcement of successful applicants and any subsequent public events including launches and openings.

¹ Minister for Transport and Regional Services – Media Release – “Changes to make *Regional Partnerships* stronger” – 15 November 2005

² Media Release – 15 November 2005

³ Media Release – 15 November 2005

⁴ Media Release – 15 November 2005

⁵ Media Release – 15 November 2005

⁶ Media Release – 15 November 2005

Senator O'BRIEN (Tasmania) (4.08 pm)—by leave—I move:

That the Senate take note of the document.

Better late than never: 14 months after this very important committee report was presented to the Senate, we see this document presented. Having had the opportunity to look at the document, I now know why—because this is a feeble response to a very important committee report which was presented to the Senate. In the last sitting week of 2006, we see this document presented.

Let me remind the Senate that this report shows that the government had taken advantage of its stewardship of the public purse to fund projects willy-nilly around the country, with more regard to its electoral prospects than to the interests of the taxpayer, fairness or proper process. As a result, quite a number of recommendations—some of which have actually been accepted by the government—were proposed by this committee. Let me remind the Senate that I said when the report was presented that it was a report which would shock the nation, and indeed it did. At that time, I named some projects where the spending total of \$5 million was to do such

things as fund a steam train that would not go, a creek that dredged itself, a milk company that folded before the ink on the funding announcement was dry, an ethanol company worth \$1 that still has yet to produce a drop of fuel and a hotel funded to run ‘Wacky Wednesdays’ and stunt bikini babes while other communities on the Atherton tableland cry out for potable drinking water. What a travesty!

And, 14 months later, what particular matters was the government keen not to agree to in this report? Surprise, surprise, from the point of view of the majority report of the committee: the government has declined to agree with those recommendations which allowed better scrutiny of the government’s administration of this program, ‘regional rorts’. That is what the public came to know this program as. ‘Regional rorts’ were editorialised around the country as shocking misbehaviour by this government in the exercise of its administrative responsibilities—spending from the public purse basically for the purpose of funding the government’s election campaign rather than really funding the interests of regional Australia.

We see that, where the committee recommended that area consultative committee recommendations be disclosed to funding applicants, the government disagreed. Where the committee recommended that the government conduct a review of the role of area consultative committees to ensure their contribution to regional development is maximised, the government disagreed. Where the committee recommended that biannual statements be tabled in the Senate by the minister representing Minister for Transport and Regional Services, listing the Regional Partnership Program grants approved in the preceding six-month period, the Department of Transport and Regional Services’ and the area consultative committees’ recommendations, the government disagreed. Where the