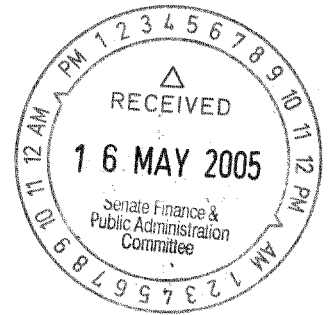




Australian Government
Department of Transport and Regional Services



Senator Michael Forshaw
Chair
Finance and Public Administration References Committee
Parliament House
CANBERRA ACT 2600

Dear Senator Forshaw

At the hearings of the Finance and Public Administration References Committee on 24 and 25 February 2005 at The Entrance and Brisbane, Departmental witnesses took a number of matters on notice and promised to get back to the Committee.

Many of these matters have been considered in detail and I am able to provide the Committee with the following information:

Tumbi Creek Project

The Wyong Shire Council applied for \$680,000 exclusive of GST in both of its applications. At the hearings Departmental officers expressed that there may have been clarification regarding GST however a search of Departmental files has not located any evidence of this clarification.

With respect to the Committee's questions regarding the financial details of the Tumbi Creek proposal, the Wyong Shire Council's Regional Partnerships application included a project budget.

This project budget included under "Other Costs", \$250,000 for landfill fees and \$320,000 for roads. The Department sought more detailed information from the Council including how the landfill fees and road costs had been determined and which cost items in the project budget would be funded by which partners.

At the hearings held on 24 February 2005, evidence given by the Wyong Shire Council explained that tip disposal fees are not Environment Protection Authority (EPA) fees for which the Council has an exemption, but represent the Council's costs of handling the material at the landfill.

The Wyong Shire Council application does not specifically request funding under Regional Partnerships for these items in its project budget. As a more detailed budget is required before the Department enters into a funding agreement with the Council, the final arrangements for this funding are yet to be finalised.

Apart from initial correspondence between then Minister for Local Government, Territories and Roads, Senator the Honourable Ian Campbell and NSW Minister for Infrastructure and Planning, Mr Craig Knowles MP in early 2004 discussing whether the dredging could be funded under the Regional Flood Mitigation Program, there was no other consultation with the NSW Government on this project.

I note from the Committee's website that the Wyong Shire Council has provided the Committee with a copy of its second application for funding under Regional Partnerships. As the Committee has now been provided with a copy of this application the Department does not intend to provide a second copy.

As discussed, applications from Wyong Shire Council seeking funding for this project were received by the Department on 10 June and 25 June 2004. These projects were subsequently entered into the TRAX system on 15 June and 1 July 2004 respectively.

Departmental files have no record of receiving any letters of support for this project from any Opposition Members, Senators or candidates.

Beaudesert Rail Project

At the inquiry hearings on 25 February 2005 in Brisbane the Senate Committee asked the Department if they were able to provide a copy of the acquittal information for the Regional Partnerships grant of \$660,000 (GST inclusive) to the Beaudesert Rail group. The Committee Hansard for these hearings indicates that the Department advised Senators that a final report and auditor's certification was received in regard to this project in late 2003. I would like to correct the record and highlight that this information was in fact received by the Department in December 2004.

I can also confirm the evidence of 25 February 2005 to the Committee where I stated that the decision to offer a grant to Beaudesert Rail was conveyed to the Department on 5 November 2003.

With regard to the Committee's request to receive a copy of the independent financial assessment of Beaudesert Rail's ongoing financial viability undertaken by KPMG, I wish to advise that this report was presented by the Department as part of its advice to the Minister. As previously discussed with the Committee, the Department does not intend to disclose the content of its advice to Ministers in accordance with the conventions accepted by successive Governments.

At the hearings the Department also undertook on notice questions concerning the liabilities of Beaudesert Rail to the Australian Taxation Office (ATO). The Department has attempted to follow up these questions and approached the ATO on these matters but has been advised that due to the operation of section 16 of the *Income Tax Assessment Act (1936)* the ATO is unable to discuss the affairs of a taxpayer with us.

The Department is aware in the list of unsecured creditors included in the provisional liquidator's report to creditors of 6 October 2003, and also in documents lodged with the Brisbane Supreme Court, that Beaudesert Rail had an outstanding liability to the ATO of \$7,238. This was confirmed in a letter to the Department of 18 August 2003

from the provisional liquidator who had asked the ATO to lodge its claim from Beaudesert Rail. The provisional liquidator also expressed the view that the ATO had no claims for any additional amounts including capital gains tax.

As one of the conditions of the grant funding Beaudesert Rail provided the Department with a disbursement of the first grant instalment of \$440,000 (GST inclusive). This disbursement included two payments to the ATO; the first of \$40,000 being the GST amount payable on the grant, with the second amount of \$6514.95 paid the ATO as an unsecured creditor.

General Items

In addition to the questions asked specifically regarding these two projects, Senators also requested Departmental officials take a number of questions on notice including:

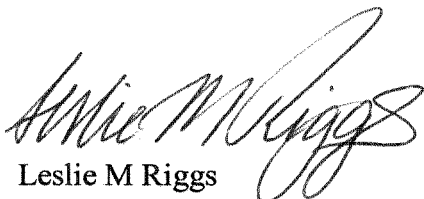
- a request to provide a list of “the Regional Partnerships projects which State Governments have supported or been financially involved in”,
- a request to provide a list of projects where “even though they were not successful, the state government supported the Regional Partnerships program”,
- a request for “any letters of support from state governments for Regional Partnerships applications”, and
- a request for “letters of support for Regional Partnerships applications from either Labor members of parliament or Labor candidates”.

As indicated in my previous correspondence to the Committee and discussed with Senators previously, an extensive manual search of files in our national and regional offices would be required to extract this information. While I would like to be able to provide this information, I am not able to commit the resources required for such an exercise at this time.

As previously advised, the first internal evaluation of Regional Partnerships found that for every \$1.00 committed to projects by the Australian Government, state governments have provided \$0.93.

I am happy to expand further on any of these matters at the next hearing that the Department is required to attend.

Yours sincerely



Leslie M Riggs
Executive Director
Regional Services

13 May 2005