

# Chapter 10

## Atherton Tablelands Sustainable Region Advisory Committee

10.1 The Atherton Tablelands Sustainable Region Advisory Committee (ATSRAC) was the subject of a large amount of evidence given to the Committee in the course of this inquiry.<sup>1</sup> The evidence from members of the Atherton Tablelands community was overwhelmingly negative, and focused on perceptions of conflict of interest arising from the composition of ATSRAC, concerns that approved projects did not meet the SRP guidelines, the lack of transparency of the application process and allegations of misplaced regional priorities.

10.2 This chapter examines the Committee's concerns with the structure and operation of ATSRAC, using several projects as examples. Evidence received by the Committee regarding the Cradle Coast SRAC highlighted the contrast between the two advisory committees. Therefore, the Cradle Coast SRAC's composition and operation are discussed as a counterpoint throughout this chapter.

### Background

10.3 The Committee heard that ATSRAC has little credibility with members of the community because of the number of projects that had failed or been viewed as unworthy, a belief that program criteria were not applied consistently and lack of transparency of processes.<sup>2</sup>

10.4 The evidence suggested that, rather than contributing to the development and economic recovery of the Atherton Tablelands region, the Sustainable Regions program had introduced a wedge into the community. Dr Geoffrey Stocker provided the following observation:

In my opinion the system of grants used by the Commonwealth DRAP [Dairy Regional Assistance Program] and ATSRAC programs in an endeavour to support disadvantaged communities such as those on the Atherton Tableland, has not in general had the desired effects. Indeed they have been so divisive that some have not taken up approved grants while others proudly proclaim that their new businesses were established without government funding.<sup>3</sup>

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1 See *Committee Hansard*, 13 April 2005, 14 April 2005, 23 June 2005, 11 August 2005; and *Submissions 1 and 1a*, 17, 21, 40, 44, 46, 48 and 48a, 49, 50, 55 and 55a.

2 *Committee Hansard*, 14 April 2005, pp 63-65.

3 Dr Stocker, *Submission 21*, p. 4.

10.5 The Committee heard that Ms Riggs, Executive Director of Regional Services, DOTARS, had expressed some reservations about the regional benefits of projects recommended for SR funding by ATSRAC:

What strikes me as I look at the projects that have been supported in the Atherton region is that it is hard to see how a number of smaller projects contribute to a more sustainable future, viewed on a regional basis. I can see that each of them has merit at an individual level for a very small part of the Tableland, but I cannot see how the committee has brought those together into a strategic view of a platform for a more sustainable future.<sup>4</sup>

10.6 ATSRAC's broad regional priorities, which are reproduced below, are comparable to those of the other SRACs (discussed in the previous chapter). The fact that the Committee did not receive any evidence of SRP projects on the Atherton Tablelands that had broad community support suggests that problems may have emerged from a lack of local ownership of the priority setting process, a lack of ability among ATSRAC members and staff to recognise and promote suitable projects, the poor or inconsistent application of program guidelines and community perceptions about the politicisation of the committee.

### **Committee composition**

10.7 Many of the submitters' and witnesses' concerns focused on the presence on ATSRAC of the mayors of each of the four local government areas—Mayor Jim Chapman of Atherton Shire, Mayor Anne Portess of Herberton Shire, Mayor Mick Borzi of Mareeba Shire and Mayor Ray Byrnes of Eacham Shire. ATSRAC had only two other members—initially Mr Peter McDade (then ATSRAC Chair), a former officer of the Queensland Department of Primary Industries based in Brisbane; and Professor Bob Beeton, of the School of Natural and Rural Systems Management at the University of Queensland, also based in Brisbane.<sup>5</sup>

10.8 The ATSRAC committee's membership, which lacks locally based industry and community representatives, would appear to conflict with the following statement in the SRP guidelines that SRACs should have a broad-based membership:

Each region is led by a locally based Sustainable Region Advisory Committee (SRAC) comprising business, community and local government members.<sup>6</sup>

10.9 As discussed in the previous chapter, DOTARS declined to provide advice regarding the process by which SRAC members are selected and appointed, although Mr McDade gave evidence to the Committee that he was approached around August 2001 by Ms Wendy Armstrong, an adviser to the Hon John Anderson MP, then

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4 Ms Riggs, quoted in *Committee Hansard*, 23 June 2005, p. 50.

5 Mr McDade, *Committee Hansard*, 13 April 2005, p. 140.

6 DOTARS, *Submission 14*, Attachment A, Sustainable Regions Programme Guidelines, p. 5.

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Minister for Transport and Regional Services, and offered the position. He believed he had been selected because of his involvement with many Atherton Tableland industries through his former role with the Queensland Department of Primary Industries in industry deregulation and registering primary producer cooperatives.<sup>7</sup>

10.10 The four mayors' membership of the committee evolved from a previously existing taskforce, which had aimed to bring together the four shires of the Atherton Tablelands region to address strategic development issues.<sup>8</sup> Mayor Chapman gave evidence that there had been no consultation process prior to the appointment of ATSRAC—the mayors simply received a written offer of appointment.<sup>9</sup>

10.11 Mr McDade told the Committee he had believed his and Professor Beeton's presence would ensure the independence and rigour of ATSRAC.<sup>10</sup> However, there was a clear perception among those who gave evidence to the Committee that ATSRAC had been appointed for the mayors to 'look at how to spend this \$18 million' and divide it up between the shires.<sup>11</sup> For example, Dr Stocker stated:

The makeup of the...committee, especially the dominant presence of the four local Mayors, was bound to introduce at least a suspicion of parochialism into deliberations.<sup>12</sup>

10.12 Mr Blanckensee, long-term chair of Far North Queensland ACC, took over from Mr McDade as ATSRAC chair in late 2004. He told the Committee that at the start of the SR program, he believed the mayors attempted to break the money down between their shire boundaries 'rather than looking at what was required across the whole tablelands to build a strong region'.<sup>13</sup>

10.13 The Committee notes that ultimately, responsibility for the composition and functionality of the ATSRAC board rests with the minister who appointed it. The Committee also recognises the difficult position of the mayors, who were elected to represent their shire but required, as members of ATSRAC, to subsume the interests of the shire under a strategic view of regional benefit. However, these tensions may not have been problematic had ATSRAC been appointed with a more balanced membership.

10.14 Evidence to the Committee regarding the process for appointing another SRAC contained similar concerns—that the SRAC was 'appointed by the Federal

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7 Mr McDade, *Committee Hansard*, 13 April 2005, p. 139.

8 Mr Blanckensee, *Committee Hansard*, 13 April 2005, p. 136; Mayor Byrnes, *Committee Hansard*, 11 August 2005, p. 3.

9 Mayor Chapman, *Committee Hansard*, 11 August 2005, p. 4.

10 Mr McDade, *Committee Hansard*, 13 April 2005, p. 140.

11 Mr Nasser, *Committee Hansard*, 14 April 2005, p. 37.

12 Dr Stocker, *Submission 21*, p. 3.

13 Mr Blanckensee, *Committee Hansard*, 13 April 2005, pp 133-134.

Government and was not representative of the range of views and interests of the North Coast Community'.<sup>14</sup>

10.15 Several witnesses suggested a more appropriate structure for ATSRAC would have included successful local businesspeople with a strong knowledge of the dominant local industries. Views diverged on whether some elected representatives should be committee members, but the inclusion of industry representation to ensure a more strategic approach was a common theme.<sup>15</sup>

### ***Cradle Coast SRAC model***

10.16 In contrast, the Cradle Coast SRAC, located in north-west and western Tasmania, has been successfully accepted by the community and no contentious SRP projects appear to have emerged from the region. This seems to be mainly due to the structure and operating processes of the Cradle Coast Authority, which forms the basis of the Cradle Coast SRAC. Mr Roger Jaensch, chairman of Cradle Coast SRAC, told the Committee that the Cradle Coast Authority is a joint authority under the Local Government Act of Tasmania and is owned and funded by the nine local government councils of north-west and western Tasmania.

10.17 The nominees for the independent board are selected on the basis of skills relevant to the region in the areas of agriculture, industry, commerce, education, tourism and local government.<sup>16</sup> Industry and community members of the board are appointed through a public nomination process and two positions are appointed from nominations by member councils and general managers.<sup>17</sup>

10.18 Mayor Roger Chalk of Waratah-Wynyard Shire Council, one of the Cradle Coast Authority shareholder councils, informed the Committee that the Authority had evolved from a regional organisation of the nine councils represented by the nine mayors. He said it had been a very political organisation and lacked cohesion for addressing regional issues—therefore the councils established the Authority in 1999 to take a cohesive approach to addressing the economic difficulties the region was experiencing.<sup>18</sup>

10.19 When the region was announced in 2001 as one of the sustainable regions, the Cradle Coast Authority proposed to the minister that the Authority would be an appropriate body to take on the role of advisory committee, rather than duplicating its structure and functions by creating a separate SRAC. The minister appointed the

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14 Ms Cameron, *Submission 60*, p. 2.

15 Mrs Allwood, *Committee Hansard*, 14 April 2005, p. 2; Mr Blanckensee, *Committee Hansard*, 13 April 2005, pp 135, 137; Dr Stocker, *Committee Hansard*, 14 April 2005, p. 112.

16 Mr Jaensch, *Committee Hansard*, 30 June 2005, p. 58.

17 Mr Jaensch, *Committee Hansard*, 30 June 2005, p. 58.

18 Mayor Chalk, *Committee Hansard*, 30 June 2005, p. 60.

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Authority board as the advisory committee for the region, with the addition of one member of ACC Tasmania.<sup>19</sup>

10.20 The Committee considers the Cradle Coast SRAC structure a good model for ATSRAC and other SRACs, particularly given that it evolved from a previous council of mayors and balances local government representation with business expertise.

### **Regional priorities**

10.21 As discussed in the previous chapter, each SRAC was required to develop a set of regional priorities, which form part of the assessment criteria for SRP applications. These priorities were to be developed in conjunction with the local community through various means including community meetings.

10.22 ATSRAC's Action Plan and Prospectus are available from the Sustainable Regions website.<sup>20</sup> The prospectus provides a framework for government and private investment in the region and the action plan outlines the objectives of the program, the regional priorities and the role of ATSRAC.<sup>21</sup> The Atherton Tablelands regional priorities, as outlined in ATSRAC's Action Plan, state that ATSRAC will support projects that:

- Have clear long term outcomes that are sustainable;
  - [Have] Clear objectives that address local priorities and for which progress can be measured;
  - Encourage the development and retention of intellectual property within the Region;
  - Encourage the local development of tourism;
  - Contribute to the development and maintenance of a “Tableland” brand;
  - Improving [sic] community wellbeing;
  - Build on earlier projects (ie, from the former Mayoral Taskforce); are synergistic with parallel projects; lead to new job creation; see projects as a capital investment leading to enduring benefits...that will be sustained and retained within the Region; develop the enthusiasm, skills and optimism of the Region’s youth; and address gaps in community capacity in areas of community need;
  - Build youth enterprise in the Region;
  - Utilise and enhance the Region’s amenity and modern life style choices;
- and

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19 Mr Jaensch, *Committee Hansard*, 30 June 2005, p. 59.

20 DOTARS, Sustainable Regions website, [www.sustainableregions.gov.au/qld/ath/pubs.aspx](http://www.sustainableregions.gov.au/qld/ath/pubs.aspx), accessed 1 August 2005.

21 ATSRAC, *The Atherton Tablelands Strategic Framework and Prospectus for Regional Development 2002-05*, January 2003; ATSRAC, *Atherton Tablelands Sustainable Region Advisory Committee Action Plan 2002-05*, July 2002.

- Consider large projects in the context of the 2010 Regional Plan for Far North Queensland.<sup>22</sup>

10.23 Mr McDade told the Committee that the Action Plan was developed by an ATSRAC subcommittee chaired by Professor Beeton in association with the Atherton Neighbourhood Centre. The subcommittee used data from various government departments and the expertise of some people who had done 'research on the history of the tableland and some of the more current issues that were being developed'.<sup>23</sup>

10.24 The Committee is concerned that a document upon which the initial allocation of \$18 million of taxpayers' money depended was essentially developed by summarising preceding studies of the tableland. There seems to have been little in the way of real consultation or community input to the document, as required under the program.

### ***Dissatisfaction with the community consultation process***

10.25 Mr McDade described the public consultation process on the draft document as including a round of six public meetings to which industry leaders were invited and the release of the draft document through the ATSRAC office, council offices and the Tableland Economic Development Corporation. Changes were made as a result of the consultation.<sup>24</sup>

10.26 A number of people gave evidence that they had attended initial community meetings at the start of the SRP and were dissatisfied with the approach taken by ATSRAC in developing the regional priorities. For example, Dr Stocker told the Committee that the initial community forums were a case of 'sit down and look at this and go away' without any opportunity for discussion of the issues. He also expressed concerns that ATSRAC's strategic plan was developed by a consulting firm and was not seen as the community's vision.<sup>25</sup>

10.27 Similar concerns were expressed by a submitter in relation to Far North East New South Wales (FNENSW) SRAC's regional priority setting process, which involved a vote at community consultation meetings, advertised as 'information sessions'. Ms Alicia Cameron claimed that the process by which priorities were determined was 'easily distorted to suit particular interests' and 'was in no way reflective of broader community priorities or needs'.<sup>26</sup>

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22 ATSRAC, *Atherton Tablelands Sustainable Region Advisory Committee Action Plan 2002-05*, July 2002, p. 7.

23 Mr McDade, *Committee Hansard*, 13 April 2005, p. 141.

24 Mr McDade, *Committee Hansard*, 13 April 2005, p. 142.

25 Dr Stocker, *Committee Hansard*, 14 April 2005, p. 114.

26 Ms Cameron, *Submission 60*, p. 2.

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### *Allegations of misplaced regional priorities*

10.28 The Committee received evidence from residents of Dimbulah, a town of approximately 500 residents located in Mareeba Shire. They represented the Dimbulah Reticulated Water Action Group which lobbies to gain access for Dimbulah to reliable and safe water supply, as the town's current supply was unreliable and suffered from very low water pressure and unhygienic water quality.<sup>27</sup>

10.29 The Queensland Government had committed to funding 40% of the approximately \$1 million cost of pressure pumps, a new reservoir and an improved filtration system. Mareeba Shire Council had said that Dimbulah residents would be responsible for funding the remaining 60%—a prohibitive cost for the small community. The Action Group therefore requested Mareeba Shire Council to apply for SRP funding for the 60% cost.<sup>28</sup> However, the Committee heard that Dimbulah residents had been informed that the provision of a water system would probably not fall within the scope of the SR program because other sources of government funding were available and therefore Mareeba Shire Council would not apply for funding for the project.<sup>29</sup>

10.30 The Dimbulah residents were particularly disillusioned because they had been involved in initial ATSRAC workshops at Mareeba Town Hall after the demise of the local tobacco industry, at which the problems with the Dimbulah water supply were discussed.<sup>30</sup> Dimbulah witnesses also said that as part of the establishment of an industrial estate in Mareeba, Mareeba Shire Council had received SR funding for basic water, sewerage, electricity and telecommunications infrastructure.<sup>31</sup>

10.31 The claim that provision of a water system is out of scope of the program is questionable in light of the following statement in DOTARS' submission:

Funding is available for a wide range of projects including minor infrastructure, skills building, encouraging small businesses and local enterprises, as well as for addressing social development, environmental and cultural issues.<sup>32</sup>

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27 Ms Fabris, Director of Nursing, Dimbulah Health Clinic, correspondence to Mr Briggs, Chief Executive Officer, Mareeba Shire Council, 7 April 2005, in Ms Taylor, answers to questions on notice, received 14 April 2005.

28 Ms Taylor, *Committee Hansard*, 14 April 2005, pp 51-52.

29 Ms Taylor, *Committee Hansard*, 14 April 2005, p. 50.

30 Mr McKinley, *Committee Hansard*, 14 April 2005, p. 53.

31 Mr McKinley, *Committee Hansard*, 14 April 2005, p. 56.

32 DOTARS, *Submission 14*, p. 5.

10.32 The priorities of other sustainable regions, for example, Far North East NSW SRAC, include 'infrastructure as an enabler of development',<sup>33</sup> and the Gippsland SRAC priorities are even more specific, including 'provision of water, sewerage and transport infrastructure'.<sup>34</sup>

10.33 The Committee heard that as a result of continued pressure from Dimbulah residents, Mareeba Shire Council made a unanimous decision at its meeting of 5 April 2005 to lodge an expression of interest with ATSRAC for the Dimbulah water system renewal project.<sup>35</sup> By this stage, however, it was too late, as ATSRAC was not accepting any further applications because the remaining funds in the program were expected to be exhausted to process existing applications.<sup>36</sup> It is regrettable that this expression of interest was not lodged at an earlier date.

10.34 The Committee believes the renewal of Dimbulah's water supply fits within ATSRAC's regional priorities. The Committee recognises that access to sewerage, communications and water infrastructure are fundamental to regional development as their absence means that many industries cannot operate.

### ***Cradle Coast regional priorities***

10.35 Cradle Coast SRAC took a different approach to developing regional priorities that also garnered more community support. It initiated a regional strategic planning process and analysed several industries that required development. From this process Cradle Coast SRAC created a Sustainable Regions Investment Plan<sup>37</sup> and proposed to the minister that the money available to the region would be best distributed through a strategic investment approach rather than a competitive small grants program for the whole of the money. The plan outlines 'where investment could be applied to address some of the long-term structural and economic issues that made us one of the regions chosen to participate in this program'.<sup>38</sup> The minister accepted the investment plan as a basis for use of the region's SR funds, subject to his discretion.<sup>39</sup>

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33 DOTARS, Sustainable Regions website, [www.sustainableregions.gov.au/nsw/fne/priorities.aspx](http://www.sustainableregions.gov.au/nsw/fne/priorities.aspx), accessed 23 August 2005.

34 DOTARS, Sustainable Regions website, [www.sustainableregions.gov.au/vic/gip/priorities.aspx](http://www.sustainableregions.gov.au/vic/gip/priorities.aspx), accessed 31 August 2005.

35 Mareeba Shire Council, General Meeting Minutes, 5 April 2005, tabled 14 April 2005.

36 Mr Lawrence, ATSRAC Executive Officer, email to Mr Briggs, 5 April 2005, in Ms Taylor, answers to questions on notice, received 14 April 2005.

37 Cradle Coast SRAC, *Cradle Coast Sustainable Regions Investment Plan*, October 2002, tabled document, 30 June 2005.

38 Mr Jaensch, *Committee Hansard*, 30 June 2005, p. 59.

39 Mr Jaensch, *Committee Hansard*, 30 June 2005, p. 59.



10.36 Mr Jaensch explained to the Committee that the investment plan contained six key areas, each structured differently. For example, the tourism and the education and training programs were run as targeted grants programs, and the food industry program included a \$1 million small grants component as well as a project commissioned with the University of Tasmania to develop a food innovation centre to create research and development capability to support the local food industry.<sup>40</sup>

10.37 The Committee believes this approach is a good model for other SRACs as it includes more specific priorities and allocates some funding towards research to identify how the program could best be structured and targeted to benefit the region. The Committee recognises that grants based programs are not sufficient to meet regional development needs and an element of strategic investment planning is also required.

### **Application of program guidelines**

10.38 A number of witnesses from the Atherton Tablelands had attended community meetings at the commencement of the Sustainable Regions Program and had received the impression that the purpose of the program was to create employment in new, innovative or more diverse industries to replace the declining, deregulated or closed industries in the region such as the tobacco, timber and dairy industries.<sup>41</sup>

10.39 However, many people saw the SR grants on the Atherton Tablelands as assisting individual businesses to gain an unfair competitive advantage. For example, Mr Denis McKinley told the Committee that he believed some people saw the program as an opportunity to 'feather their own nests' and commented that few of the SRP projects were 'really focused on the overall outcome for the tableland...'<sup>42</sup>

10.40 Mr Trevor and Mrs Annette Allwood talked about SRP funding polarising rather than galvanising the small Atherton Tablelands community, and said that '...people who are in a position where they can utilise the funding are seen as opportunistic'.<sup>43</sup> Mr and Mrs Allwood believed it was fair if a competitor set up with their own funding, but saw inequities with their competitors being subsidised by the government.<sup>44</sup>

10.41 The inquiry also raised questions about the rigour of ATSRAC's assessment processes and adherence to program guidelines. Particular concerns included competitive neutrality considerations, allegations of political favouritism or conflict of

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40 Mr Jaensch, *Committee Hansard*, 30 June 2005, pp 61-62.

41 Mr and Mrs Allwood, *Committee Hansard*, 14 April 2005, p. 2.

42 Mr McKinley, *Committee Hansard*, 14 April 2005, p. 62.

43 Mr and Mrs Allwood, *Committee Hansard*, 14 April 2005, p. 7.

44 Mr and Mrs Allwood, *Committee Hansard*, 14 April 2005, p. 10.

interest and the requirement for relevant approvals (e.g. development approvals) to be obtained prior to a project being approved.

### ***Lack of transparency***

10.42 One witness, Ms Jean Campbell, summed up many Atherton Tablelands residents' concerns with the lack of transparency of the SR program and lack of avenues for community input as follows:

The public has only become aware of grant approvals (some) when they have been announced in the local newspapers. This has caused considerable anger in the community with many taxpayers questioning the wisdom of some of the funding allocations and what they believe to be a waste of their tax dollars on projects that ultimately will not benefit them, the public, in any significant way. Many members of the public feel alienated and isolated in that there appears no avenue to protest or object to ATSRAC decisions.<sup>45</sup>

10.43 The Committee recognises that ATSRAC was unable to release commercial-in-confidence information, because under the program requirements SRACs are not permitted to disclose that an application has been received until after the minister has made a decision about it.<sup>46</sup> The effect of these restrictions, however, could be overcome if the government removed, or at least relaxed, commercial-in-confidence provisions.

10.44 DOTARS suggested that there were adequate mechanisms for third parties to raise concerns in relation to funding decisions made under the program, including writing to the minister or parliamentary secretary to ask that a decision be reconsidered or reviewed; or contacting the Commonwealth Ombudsman.<sup>47</sup> The Committee does not consider these avenues sufficient, and believes the government should consider alternatives such as those discussed below that would allow public scrutiny and input during the application assessment process.

### ***Competitive neutrality***

10.45 The SRP general assessment criteria, which SRACs are required to assess each application against, include the following:

The project does not compete directly with existing businesses, unless it can be shown that there is an unsatisfied demand for the product/service or the product/service can be provided in a new way.<sup>48</sup>

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45 Ms Campbell, *Submission 55*, p. 2.

46 Mr McDade, cited in *Committee Hansard*, 14 April 2005, p. 13.

47 Ms Riggs, correspondence, received 12 July 2005, p. 2.

48 DOTARS, *Submission 14*, Attachment B, Guidelines – General Assessment Criteria.

10.46 DOTARS gave evidence to the Committee that the SRP competitive neutrality requirements were as follows:

Under the Sustainable Regions Programme the proponents are required in the application form to identify how their project will impact on other businesses or groups in the area. In addition the SRAC when looking at a project is required to give consideration to the criterion of competitive neutrality.

The Department relies in part on the local knowledge of the SRAC and EO to determine if there are potential competition issues.<sup>49</sup>

10.47 Mr McDade explained ATSRAC's investigation of competitive neutrality processes as involving ATSRAC making its own inquiries, requesting product differentiation information from the proponent and relying on ATSRAC members' and executive officer's local knowledge.<sup>50</sup> He also said that ATSRAC believed that this criterion could be met even if a proponent was ostensibly competing against other businesses, if they could sufficiently differentiate their product or introduce new services.<sup>51</sup>

10.48 The Committee was concerned to discover that information in relation to this criterion was only sought from *proponents*, and that ATSRAC and DOTARS did not carry out any further investigation such as contacting existing businesses or seeking advice from people with expertise in the relevant industry.<sup>52</sup>

10.49 Dr Stocker suggested to the Committee that competitive neutrality could be more thoroughly assessed by opening applications made by individual businesses to public scrutiny. The removal of commercial-in-confidence qualifications would give community members and competing businesses the opportunity to make submissions on the proposed project.<sup>53</sup> While the Committee recognises that proponents may wish certain information to remain confidential, they must accept that in applying to receive public funding, there is an increased obligation to disclose information to the public. Dr Stocker suggested that making proponents aware at the start of the process that their application would be public would allow them the choice of accepting the accountability requirements or not applying:

I would say that applicants should be warned at the start that their application will not be treated in confidence, so they should not bother to put in one [if they do not accept this condition]. If it is treated in confidence it creates too many other problems. If their proposal is so good that they

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49 Ms Riggs, correspondence, received 12 July 2005, p. 2.

50 Mr McDade, *Committee Hansard*, 23 June 2005, p. 26.

51 Mr McDade, *Committee Hansard*, 23 June 2004, p. 30.

52 ATSRAC commissioned an independent competitive neutrality review on one occasion in relation to the Rose Gums project—see *Committee Hansard*, 23 June 2005, pp 24-25.

53 Dr Stocker, *Committee Hansard*, 14 April 2005, p. 109.

have to keep it confidential, they should use conventional sources of finance, such as banks or finance companies.<sup>54</sup>

10.50 Ms Campbell suggested the introduction of a public notice as the final step before project approval was granted, with a one-month period for members of the public to comment on the proposal. She believed such a measure would 'ease public disquiet' and bolster the due diligence process.<sup>55</sup>

10.51 The Committee received relevant evidence from the Pilbara ACC about an alternative approach it took to assessing competitive neutrality regarding an application for funding made under the RPP. The ACC required the proponent to obtain letters of support or acknowledgement from identified competitors.<sup>56</sup> This ensured that competitors were aware of the application and had an opportunity to put their case to the ACC before it made a recommendation about the project.

10.52 The three projects discussed below, JAM Custom Kitchens, the Atherton Hotel and Kalamunda Ecostay, raised concerns among community members relating to competitive neutrality, conflict of interest and the lack of transparency of the application process.

#### *JAM Custom Kitchens and Furniture*

10.53 On 15 April 2004, Senator Ian Campbell, as acting Minister for Transport and Regional Services, approved an application by JAM Custom Kitchens and Furniture for \$204,350 of SRP funding to build a showroom, workshop and timber heritage display. The grant was announced on 6 May 2004.<sup>57</sup>

10.54 Mr and Mrs Allwood, proprietors of Tolga Woodworks studio, gallery and café in Tolga, gave evidence to the Committee that they did not believe ATSRAC had carried out its duties in relation to competitive neutrality before recommending JAM's application for approval, as the new showroom was to be located within 50 metres of their business, which had been operating for over 20 years:<sup>58</sup>

Due diligence was not done, product differentiation was assessed by asking the proponent to comment, the findings of the Tourism Strategy were ignored, and an assessment of the impact on my business was not carried out. No one from the Committee or the Department ever contacted me. This

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54 Dr Stocker, *Committee Hansard*, 14 April 2005, p. 118.

55 Ms Campbell, *Submission 55*, p. 2.

56 Mr Simpkins, Executive Officer, Pilbara ACC, *Committee Hansard*, 14 July 2005, p. 124.

57 DOTARS, *Revised SRP tables*, received 11 May 2005, p. 8.

58 Mr and Mrs Allwood, *Submission 1 and 1a*; Mr and Mrs Allwood, *Committee Hansard*, 14 April 2005.

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was a "me too" attempt to capitalise on my successful woodworking enterprise, rather than an innovative tourism project.<sup>59</sup>

10.55 Mr McDade told the Committee that ATSRAC had conducted its normal investigation of competitive neutrality, including requiring the proponent to address that question in the application form and drawing on the local knowledge of ATSRAC members and staff—in this case, Mayor Chapman—who 'knew both parties very closely and knew their businesses very closely'. ATSRAC also asked JAM to provide further information about product differentiation, and the Committee made the assessment that the criterion was not being breached.<sup>60</sup>

10.56 Mr and Mrs Allwood also expressed concerns about the lack of transparency regarding the assessment of competitive neutrality, and requested from ATSRAC and JAM information about product differentiation and the products that JAM would be producing. They were refused that information on the grounds it was commercial-in-confidence.<sup>61</sup> However, DOTARS provided the following information to the Committee:

The applicant advised that no other business in Tolga provided cabinet making services. JAM also provided an explanation of how its showroom would complement other woodwork enterprises in Tolga whose products were aimed at a different segment of the market.<sup>62</sup>

10.57 The Committee questions why Mr and Mrs Allwood were not provided with this information when they requested it. Mr and Mrs Allwood's main concern was that the first they knew of the project was when its approval was announced, and they had not had an opportunity to comment with respect to an application that would directly affect their business, and there was no process for appeal or objection.<sup>63</sup>

10.58 JAM Custom Kitchens and Furniture advised ATSRAC in October 2004 that the company would not take up the offer of funding.<sup>64</sup> The Committee heard that the construction of the workshop is proceeding without the proponent taking up the grant.<sup>65</sup> This suggests that the project would have occurred irrespective of the funding, and therefore the grant would not have resulted in a net benefit to the Atherton Tablelands or met the SRP project assessment criterion of '[t]he extent to which Australian Government funding is needed to realise the project...'<sup>66</sup>. However, the fact

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59 Mr and Mrs Allwood, *Submission 1*, p. 2.

60 Mr McDade, *Committee Hansard*, 23 June 2005, p. 42-43.

61 Mr and Mrs Allwood, *Committee Hansard*, 14 April 2005, p. 2.

62 Ms Riggs, correspondence, received 12 July 2005, p. 5.

63 Mr and Mrs Allwood, *Committee Hansard*, 14 April 2005, p. 13.

64 Ms Riggs, correspondence, received 12 July 2005, p. 5.

65 Mr Allwood, *Committee Hansard*, 14 April 2005, p. 12.

66 DOTARS, *Submission 14*, Attachment B, Guidelines - General Assessment Criteria.

that the funding was not taken up does not excuse the shortcomings in the program that became evident in relation to this project, for example, overlooking competitive neutrality considerations, over-reliance on the proponent's view of competitive neutrality and a lack of transparency.

### *The Atherton Hotel*

10.59 Competitive neutrality concerns were also raised in relation to a \$500,000 grant to the Black Stump Hotel, Atherton. The purpose of the grant was as follows:

Project funding...will support the construction of ten four star hotel rooms with business facilities, a 350 seat function room and a 50 seat conference facility.<sup>67</sup>

10.60 The Committee received evidence from a number of Atherton residents, most of whom owned or worked for other licensed premises in Atherton, that there was a deficit in the due diligence process in that no existing businesses with similar facilities were given the opportunity to comment on whether they approved or disapproved.<sup>68</sup>

10.61 Mr Michael Nasser, part owner of the Barron Valley Hotel in Atherton, believed the government 'should not be handing out taxpayers' money to duplicate existing facilities that are threatening the livelihoods and jobs of current employees'.<sup>69</sup> The Committee also heard allegations that the extension funded by SRP would be used to house poker machines and entertainment acts rather than conferences, although DOTARS indicated that the funding agreement would not allow for SRP funds to be used to construct space to house poker machines.<sup>70</sup> However, the Committee was not satisfied that the grant would not be used to facilitate other, non-conference related activities.

10.62 Mr Len Curtis, an Atherton Shire Councillor, told the Committee that Atherton currently has other conference venues and function centres catering for between 250 and 450 people, and the town only hosts two or three conferences a year. He attempted to get Atherton Shire Council to place a condition on the development approval that the extension funded by SRP could only be used for functions, but was unable to do so.<sup>71</sup>

10.63 The witnesses also expressed animosity at government subsidisation of competitors rather than 'fair' competition. Mr Nasser said:

If anyone else wants to get in on the act and do it on a level playing field, well and good. But, if someone is going to get half a million bucks to build

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67 DOTARS, *Revised SRP tables*, answer to question on notice, received 11 May 2005, p.7.

68 Mr Nasser, *Committee Hansard*, 14 April 2005, p. 18.

69 Mr Nasser, *Committee Hansard*, 14 April 2005, p. 18.

70 Ms Riggs, correspondence, received 12 July 2005, p. 3.

71 Mr Curtis, *Committee Hansard*, 14 April 2005, p. 20.

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an extension to their pub to duplicate what we do, we are going to lose a number of employees because there is just not enough people in the town to support it.<sup>72</sup>

10.64 The witnesses asked for copies of the letters of support for the project, but were denied on the grounds it was commercial-in-confidence information.<sup>73</sup> They also contacted the then Minister for Transport and Regional Services to request a review of the decision. DOTARS stated that the minister requested the department undertake a review of the material facts relating to the project, and the review 'confirmed that the project will contribute to expanding the Tablelands Tourism identity'.<sup>74</sup>

10.65 Apart from being an inadequate answer to a serious matter, the department's response suggests the project's expected contribution is limited to raising the region's tourism profile ('identity') and that that the review avoided or glossed over the project's impact on local employment or the business of competitors. If so, the department's review is likely to be seen by already disgruntled local residents as adding insult to the injury caused through the shortcomings of the process with the grant in the first place.

#### *Kalamunda Ecostay*

10.66 On 17 April 2003, ATSRAC recommended for funding an SRP application by Innesfree Pty Ltd to provide eco-tourism based accommodation for backpackers (who were expected to work as fruit pickers on nearby farms) and self-drive tourists. On 9 July 2003, a \$150 000 grant was approved for the Kalamunda Ecostay project by then Deputy Prime Minister and Minister for Transport and Regional Services, the Hon John Anderson MP.<sup>75</sup> This project raised questions about compliance with relevant planning laws and concerns about possible conflict of interest and the lack of transparency of the application process.

10.67 Evidence about this project also raised questions about inconsistencies in ATSRAC's assessment of projects against the program criteria. Although ATSRAC recommended the Kalamunda Ecostay project, the Committee heard from Ms Gaye Taylor, a Mareeba Shire Councillor, that a similar proposal had been rejected on the grounds it did not fit the program's criteria:

For several years, one of our other councillors has been asking for bunkhouses to be built at the Dimbulah Caravan Park. We have nowhere to put itinerant workers when they come to the town. A council officer emailed ATSRAC and received the response that the bunkhouse project

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72 Mr Nasser, *Committee Hansard*, 14 April 2005, p. 25.

73 Mr Nasser, *Committee Hansard*, 14 April 2005, p. 27.

74 Ms Riggs, correspondence, 12 July 2005, p. 4.

75 Ms Riggs, correspondence, 12 July 2005, p. 4; DOTARS, *Revised SRP tables*, answer to question on notice, received 11 May 2005, p.7.

was not within the criteria and that council may want to reconsider the application.<sup>76</sup>

10.68 The email from Ms Yvonne Tunney, then ATSRAC Executive Officer, to Mr Kieran Coyle of Mareeba Shire Council, stated that the bunkhouse project would not appear to meet SR criteria including competitive neutrality requirements and ATSRAC's priorities such as a 'significant regional focus...and...significant regional sustainability and viability'.<sup>77</sup> The same questions could be asked of the Kalamunda Ecostay project, as discussed below.

10.69 The Committee took evidence from Mr Leslie and Mrs Jenny Tenni, who live next door to the project site. They had initially believed their neighbours intended to establish a small number of cabins to accommodate itinerant workers. However, when construction commenced in November 2004 and a material change of use application was lodged with the council, they discovered that the project for backpacker accommodation had become a caravan park to accommodate 140 people. They expressed concerns because the land zoning did not allow for this use. Mr and Mrs Tenni were concerned to discover that SR funding for this project had been approved before council approvals were obtained.

10.70 One of the mandatory requirements which SR applications must meet is that '[p]roposals must comply with relevant planning and environmental laws'.<sup>78</sup> Council development approval, however, had not been obtained at the time the project was applied for or approved, and building appears to have commenced in November 2004—well before approvals were obtained. DOTARS advised the Committee that ATSRAC 'recommended this project with the knowledge that the development approvals had not been finalised, but were confident that these approvals would be forthcoming'.<sup>79</sup>

10.71 Mr McDade told the Committee that ATSRAC had considered the Kalamunda proposal under its normal processes, including comparing it against program criteria and regional priorities and investigating letters of support, and recommended it for approval because it would help to address the deficit in itinerant workers on the tablelands in peak harvest time.<sup>80</sup> He also said that a letter from Atherton Shire Council to the proponent had been attached to the application. The letter outlined the steps the proponent would need to take to gain the necessary approvals. Mr McDade believed that the criterion relating to approvals was not a matter for ATSRAC to

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76 Ms Taylor, *Committee Hansard*, 14 April 2005, p. 54.

77 Ms Tunney, email to Mr Coyle, 14 December 2004, in Ms Taylor, answers to questions on notice, received 14 April 2005.

78 DOTARS, *Submission 14*, Attachment B, Guidelines - General Assessment Criteria.

79 Ms Riggs, correspondence, 12 July 2005, p. 4.

80 Mr McDade, *Committee Hansard*, 13 April 2005, pp 154-155.



consider as it would be considered at the due diligence stage undertaken by a person contracted by DOTARS.<sup>81</sup>

10.72 Ms Riggs informed the Committee that DOTARS had made the funding agreement for the Kalamunda Ecostay project conditional on development approvals being obtained as part of the first milestone.<sup>82</sup> The Committee is concerned that a supposedly mandatory project assessment criterion was not really considered during the project assessment stage, and was only enacted through a funding agreement developed well after the project had been recommended, approved and announced.

10.73 Mayor Jim Chapman informed the Committee that Atherton Shire Council members voted four to three to give the approval to change the zoning of the land.<sup>83</sup> Council officers, however, had recommended the project not be approved because it was inconsistent with the shire's planning scheme.<sup>84</sup>

10.74 The Committee is concerned that Mayor Chapman did not abstain from the vote, as a potential conflict of interest existed. Mayor Chapman had previously made a decision to support this project as a member of ATSRAC and was also one of the people who approved the change of land zoning on the council.<sup>85</sup>

10.75 The Committee heard that ATSRAC has a conflict of interest declaration process whereby mayors declare a conflict of interest when discussing a matter in their shire. In some cases they leave the meeting. The ATSRAC minutes of 21 March 2002 stated that members discussed the issue of conflict of interest and 'pending advice to the contrary from DOTARS, proposals put forward by councils need to have no ATSRAC member abstain'.<sup>86</sup> ATSRAC, however, was unable to provide any evidence that DOTARS provided advice on this matter.<sup>87</sup>

### ***Cradle Coast project assessment model and conflict of interest processes***

10.76 Cradle Coast SRAC deals with potential conflicts of interest by seeking declarations, excluding the relevant members from deliberations on proposals where conflicts may arise and noting them in the minutes of the SRAC meetings.<sup>88</sup>

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81 Mr McDade, *Committee Hansard*, 23 June 2005, p. 39.

82 Ms Riggs, correspondence, 12 July 2005, p. 4.

83 Mayor Chapman, *Committee Hansard*, 11 August 2005, p. 13.

84 Mr Curtis, *Committee Hansard*, 14 April 2005, pp 28-29; Mayor Chapman, *Committee Hansard*, 11 August 2005, p. 13.

85 Mr Tenni, *Committee Hansard*, 14 April 2005, p. 68.

86 *Committee Hansard* 13 April 2005, p. 134; *Committee Hansard*, 11 August 2005, pp 8-9.

87 ATSRAC, answer to question on notice, received 10 June 2005.

88 Mr Jaensch, *Committee Hansard*, 30 June 2005, p. 66.

10.77 Cradle Coast SRAC's project assessment processes involve a detailed assessment by each committee member of various aspects of each project. When applications are sent to committee members, comments and technical advice are included, as is an assessment sheet that is completed by each member before attending the meeting. The process in the meeting includes a discussion about each project, covering whether there is sufficient information for it to be assessed and then going through each of the eligibility and assessment criteria. Mr Jaensch told the Committee he ensures that every SRAC member has an opportunity to state whether they believe the criteria have been met.<sup>89</sup>

10.78 Cradle Coast SRAC added to the program's generic project assessment criteria a set of criteria specific to each priority area outlined in the investment plan. Each committee member is required to give a proposal a score out of five against each criterion. The scores are then averaged and included with the recommendation to the minister to show the relative strength of the application compared to other applications.<sup>90</sup> The Committee suggests that other SRACs examine Cradle Coast SRAC's internal project assessment processes and consider adopting a similar approach.

### ***The @GIS project***

10.79 A further sign of the troubled state of the Sustainable Regions Program in the Atherton Tablelands area emerged in relation to a grant to three councils for a geographic information system (GIS) project. Atherton, Eacham and Herberton Shire Councils set up a separate entity, known as Atherton Tablelands GIS (@GIS) to run this project.<sup>91</sup> The then Minister for Transport and Regional Services approved SRP funding of \$1.6 million for the project on the 9 July 2003. The funding was intended to:

...enable local governments, businesses, organisations and individuals to better understand the region and stimulate growth in investment, trade and the regional economy through electronic collection and manipulation of data.<sup>92</sup>

10.80 The Committee became aware of allegations of corruption in relation to the administration of the project, including claims that \$110,000 of Sustainable Regions funds had been 'absorbed' by the Atherton Shire Council.<sup>93</sup> Other allegations included that the three councils had not provided the \$1.5 million of cash and in-kind support

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89 Mr Jaensch, *Committee Hansard*, 30 June 2005, pp 62-63.

90 Mr Jaensch, *Committee Hansard*, 30 June 2005, pp 62-63.

91 For a discussion of the of the council's establishment of this project and in-kind and cash commitment, see *Committee Hansard*, 11 August 2005, pp 9-11.

92 DOTARS, *Revised SRP tables*, received 11 May 2005, p. 7.

93 Ms Kerri-Ann Stout, 'Funds probe may widen', *Cairns Post*, 13 September 2005.

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required under the conditions of the grant<sup>94</sup> and that a consulting firm had been engaged to review the project without seeking three written quotes as required under the Queensland Local Government Act.<sup>95</sup>

10.81 The Queensland Audit Office has the appropriate jurisdiction to investigate these matters and the Committee understands that it is about to commence an audit of the financial statements of Atherton Shire Council, Eacham Shire Council, Herberton Shire Council and @GIS as part of its annual audit program.<sup>96</sup> The Committee notes that the Queensland Crime and Misconduct Commission also has jurisdiction to investigate local government joint ventures and has recently released public sector fraud and corruption guidelines.<sup>97</sup>

10.82 The Committee considers that this project demonstrates the importance of tracking government-funded projects beyond their initial funded period to ensure outcomes are achieved, monies are expended appropriately and the promised partner support is actually provided.

## **Conclusion**

10.83 The Atherton Hotel, Kalamunda Ecostay and JAM Custom Kitchens projects highlight the inherent difficulties in providing government grants to the private sector, namely that while the grant may have a particular purpose, it frees up capital for other purposes (for example, the purchase of poker machines), raises due diligence and competitive neutrality questions and can create fractures in small and already fragile communities. This particularly applies if the grant process is not seen as transparent, rigorous and equitably accessible.

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94 K. Stout, 'Auditors probe three councils', *Cairns Post*, 12 September 2005.

95 *Committee Hansard*, 14 April 2005, pp 29-32.

96 Advice from the Queensland Audit Office to the Senate Finance and Public Administration References Committee Secretariat, 23 September 2005.

97 Crime and Misconduct Commission Queensland, 'CMC releases public sector fraud and corruption guidelines', media release, 15 March 2005.

