



12<sup>th</sup> April, 2005

Terry Brown  
Acting Secretary  
References Committee  
Finance & Public Administration  
Parliament House  
Canberra Act 2600

Fax No: 02 6277 5809

Dear Secretary

**Inquiry into Sustainable Regions Program**

Thank you for the opportunity to appear at the inquiry into the Sustainable Regions Program on Thursday, 14 April 2005.

May I provide the committee with the transcript of a meeting held with members of ASTRAC on 6 August 2004, in addition to our submission.

Eight pages of transcript following.

Yours sincerely

*Annette Allwood*

Annette Allwood  
Tolga Woodworks

**TOLGA  
WOODWORKS**  
*Artisans in Wood*

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Transcript

6/8/04

CSIKC

TA I would like to use a tape recorder if you don't mind.

P McD Over to you

TA Well actually its over to you. Because this is the official response that the Minister is supposed to be making to us in response to the letter we sent to you.

(Shuffling of paper)

P McD Is that your understanding Bill?

Bill I thought that perhaps you will get a response from the Minister...and this meeting is an opportunity to clarify issues and address concerns and then we basically report that back to the Minister's office and at that stage take this information and your original letter into account.

TA Well that is not the understanding we got when we received it yesterday.

AA Rather than addressing your comments by letter

Bill Ok I have a copy of Tony McMullan's letter, Tony McMullan from the Minister's office, the Minister's advisor

PMcD The programme criteria has been published, do you have a copy of that

Bill We will still have to report back to the Minister's office about this meeting and my anticipation will be a further letter from the Minister's office at that point. Let's see how we go today I suppose.

TA We are trying to ascertain how the committee evaluated the impact of Jam's grant on our business that is our first question

PMcD We received an expression of interest, available to anybody in the community to put forward, advertised that people could apply for eoi or funds from ATSRAC from time to time. We received eoi and then having read them, we assess whether or not we would be interested in proceeding to a full application. The in the case of JAM we asked for a further explanation from proponent as to how there was any potential impact on other businesses in the area, the criteria as far as business competition is concerned, it concedes there will be some level of impact on some businesses somewhere that is always the case with all government grants to the private sector.

You can construe different ways of using the money how it frees up operating capital or operating cash for other things the business otherwise might not be able to do without the grant, so there is always a level of competition against other businesses when govt grants are made to the private sector.

The criteria of ours for situations where, if there are like industries or enterprises being affected (effected) operating within area, if there is product differentiation or service differentiation within those...the application then meets the criteria to go forward. Look at any application we look at them in the light of the criteria, we sought clarification from the proponent. We received that clarification the committee was of the view that sufficient differentiation in the operation of his business as to the impact of competition on any other similar businesses within the region and looked to see whether if in this particular project opportunities to increase business volume throughput or synergies between the industries or businesses to work off each other. We asked those sort of questions and received answers from them which were satisfactory for our purposes.

TA You didn't consider asking us

PMcD Well personally I don't know every business operator

TA I would like to take you back a bit further to a couple of years ago when Yvonne first addressed the Chamber of Commerce the question was asked and it is on record, whether there would any detrimental impact to any businesses as a result of this funding and the answer was a categoric no.

PMcD Well that's

TA I asked the question by the way

YT That was in terms of any funding being provided to private enterprise and it was related around competitive neutrality issues.

TT Clause 7 does have a loophole obviously because the project does not compete with existing businesses

PMcD Unless it can be shown there is unsatisfied demand for the product service or the service can be provided in a new way.

AA So that really brings us back to our letter

PMcD Move to the letter to the Minister you are talking about

AA Yes the same one we sent to you

PMcD Yes a copy of. So which part are you talking about. How did the committee evaluate the impact of JAM's plan on our business. We have already answered that. Is the Honourable Minister aware that this project also includes a private residence - no he is not. The proposal we have does include a private residence.

AA The plan at the Council does.

PMcD Yes but the proposal we are funding has not got the private residence as part of it.

YT A clarification of where the funding is going could be useful because in the contract, milestones, absolutely no govt funding being provided for private residence, it is not included to be used for that not able to be used for that

TA Basically as far as I see it, the governments assisting someone to start a business in competition to us

PMcD The business is already there is it not?

AA That is exactly the problem. The business is not there, he does not have a showroom, he is in the industrial estate in Tolga and he is moving across the road

PMcD The business currently exists does it not?

JC He owns a business in the industrial estate

PMcD I am not talking about a new building, I am talking about his business currently exists, is that not correct? So we are not starting up a new business and there would be nothing wrong with starting up a new business anyway that not excluded from the parameters of the programme just because it is a new business can't be started up, whether its new, existing, the criteria which we use for the general assessment criteria is what is used.

AA So you would then think he is not going to compete directly with us

PMcD Well on the information we have been given is, we are satisfied that it is not a direct competition and in fact it should according to the information we have assist your business.

AA Could can you tell us or show us that, what that information is?

PMcD Well the information we have is that my understanding is that his product and services are different from yours.

TA OK well let me show you one of his products. Its right here. That's it there. That table

PMcD The products that are subject to this project

TA OK that's one of his products that he came to my business and asked me if I would put it in my showroom to sell on his behalf. That didn't happen. And now he is starting across the road.

PMcD You didn't put it in your showroom?

TA No, no it is in competition to me. I employ people. I would just like to give a bit of background about myself & my business...no no no

PMcD You are pointing the finger at me and I don't really need to be threatened or harassed in a sense like that

TA Well I have been feeling threatened for the last three months

PMcD I am an independent chairman of this committee and it is a committee decision, it is not Peter McDade's decision solely

AA Jim you would know a lot about us

PMcD The local members of the committee have a much better idea of who is doing what in the area. I don't know everything about the area and I don't pretend to and I don't expect to.

TA OK OK

PMcD I don't need to be lectured to or pointed at or let me tell you this or tell you that. The committee has assessed this as a committee it is the collective wisdom of the committee not just mine, that has made the decision to recommend it to the Minister

TA So the community leaders in this region have made that decision.

PMcD Ultimately it is a technical point. It is the minister's decision, we recommend.

TA The community leaders in this region have recommended that this project go ahead in competition to Tolga Woodworks.

PMcD They didn't recommend to the minister that it go ahead in competition with Tolga Woodworks. We recommended to the Minister that the project the proponent put to us which had differentiated product which was for the assistance in establishing infrastructure in his business was to go ahead.

TA I will tell you why I feel threatened and why I point the finger. I have spent 25 years establishing my business and I would like to let you guys know something I haven't put in that letter, we pay our selves \$26000 a year each, we work seven days a week, and we work really hard. We have borrowed, paid loans, renovated houses to pay off our business loans, we have done it all by ourselves, we have put up with pilots strikes, we have tolerated world heritage listing and the closure of the timber industry in this area and we put up with Sept 11 and the consequence of no tourists coming to this area internationally, so this particular project supported by the govt in opposition to my business is just about the last straw for me. And that's why I have been emotional about it because public leaders and I would like to point the finger at you because you are one of the people on the committee representing the Atherton Shire have made a decision

PMcD He is representing the region not Atherton shire

TA Well the four mayors representing their shires

JC I accept I am the leader of the Atherton Shire

TA Have made a decision that I think is really going to hurt my business. We pay our staff more than we pay ourselves to keep going. I drive a ute that is 1990 model and it has done 320,000 kilometres, I don't get around in any flash cars, so I'm not making a fortune and I think a lot of people in this region know how tough it is to be in business these days. So I am highly offended by the committee and what they have done to me and what they are going to do to my business and I am here now to find out what they now can do for me instead of somebody else for a change and that is where I would like to take this forward, for what the committee and this circus of \$18m can do for me.

PMcD Well I'm not sure I can answer that last question at this point in time because the eoi have closed until we finalize the actual budget of the programme of moneys left. The opportunity has been there for almost 3 years for any business enterprise to put an application in for assistance or government grant for a project in their business. And it has been well publicized as you said at the very beginning of the programme you were aware of it then.

TA We had a meeting with this good lady and we made a decision we couldn't afford dollar for dollar and that is a fact of life, so we couldn't carry ahead with our submission.  
PMcD Well ultimately the decision is yours the choice is yours, if you say you can't afford to put money into your project on a fifty fifty basis, you couldn't borrow the money etc then ultimately that is your decision. It is not the committee's fault that we haven't been able to assist you.

AA Can I take this back a little, because I am very curious as to the information you gathered to assess this. Question 4, you obviously used tourism visitor numbers as a background, can you tell me what they were, where you got those from?

PMcD I can't off the top of my head to give you the exact visitor numbers cited but there has been a tourism

AA That discussion was around the table

PMcD The tourism strategy or a tourism.. study of the tourism industry was undertaken by TTT which indicated there, the need for increased visitors to tableland and part of that and we have published this in all our documents particularly in the action plan document that we would be interested in gauging, gauging people, put together projects which will not only be in their area but link in to other strategically important industries on the tableland, tourism being one of them, that would be a additional tip for regional benefit for the whole region. The project as put to us, dovetails into that tourism project the Tolga area being as moving towards a cluster for woodwork, artwork type enterprise, attracting, deliberately putting in place strategies to attract increased visitation to that area.

AA So that Tolga area came out of TTTs assessment?

Tolga hub, tourism cluster of woodworking places, that has that come from TTT? I have not heard of this before?

PMcD Not in that particular document it has certainly been publicised recently.

YT It certainly has been talked about

AA I have not seen anything about it, you have used that.

PMcD We used a variety of sources of information

AA So they are the ones we would like to have access to, so if you wouldn't mind addressing that to the Minister, they are the sort of things, like visitor spending patterns. How did you, obviously you

PMcD That was in the tourism document, visitor spending patterns

AA For the Tablelands? Who gathered all this information? Jim, were you aware of this? I have never been involved in any sort of gathering

YT TTT when they did the strategy.

JC TTNQ didn't it? Yes TTNQ frankly. A figure

AA This is all a bit rubbery isn't it. You are making these decisions but you don't really have anything definite to go on

PMcD Why would you say that? What we have just given you is the information we have in a study

AA But you haven't got that information

PMcD I haven't got it here today with me right now, but I can get a copy of it.

AA Yes please I would be very keen to see that.

PMcD And show you the spending patterns, the type of tourists that are likely to be attracted

AA This is on the Atherton Tablelands, not Cairns

PMcD Atherton Tablelands, and that is part of the tourism strategy that the committee has been keeping in mind when it looks at all projects

JC Have you seen the tourism strategy

AA No

JC I just asked if they had seen that tourism strategy.

YT I can get a copy of that

JC Annette was very involved with TTT over the years

PMcD This was a study under by TTT a couple of years ago, 12 months ago the actual report came out.

AA Can I come back to the due diligence, we have heard this word bandied about a fair bit lately. Can we ask what was done in that regard?

PMcD The department actually, and I am only saying this because it has been reported in the press, when I am asked questions about due diligence I point the finger elsewhere, the depart does due diligence, the committee doesn't get involved in due diligence process for good reason, to maintain the independence of the committee in that assessment and the objectivity of that assessment.

AA So Bill that would be your area?

Bill Yes, we arrange a due diligence of the project which looks at the liability of the project proposal, the trading history and so forth of the applicant and if that comes through all clear, then the recommendation of the committee can go forth. It is an integral part of the process and is generally done before, pretty much all projects funded under this programme. In particular the private sector proponents.

TA So in the case of JAM, he is going to move into the tourist industry, because they haven't been in that before? They are going to build a workshop 50 metres from our place, which we have, they are going to build a showroom 50 metres from our place, which we have, and they are going to start selling timber products from the local area, which we do, they are going to make furniture, which we do, they are going to help other artists local artists selling product in their showroom, which we do, and high school students put some of their products in, we employ high school students to do work at our place. So I am just amazed that your committee cannot see how this guy has turned around and wants to copy Tolga Woodworks. When we borrowed \$200,000 some years ago, it cost us \$350,000 to pay it off, you give this guy \$200,000 at the drop of a hat. And I am asking for a level playing field, and I couldn't be more fair than that, a level playing field. I don't care is somebody wants to move a metre away from my business and start up in competition to me, I can handle that, but when the government turns around and funds \$204,000, it just makes me sick in the gut. And I lose a hell of a lot of respect for people like Jim Chapman who I respected before now.

AA That was a question.

PMcD What was the question then, sorry

JC The total plan he put together. How come the answers came up differently

The due diligence is not done by the public servants, they contract

Bill Independently. The due diligence as I tried to explain before, maybe it wasn't clear enough, basically goes to the viability of the applicant and their trading history and so forth and not looking at that broader range of issues in terms of competition neutrality and those sorts of things. They are issues considered by the committee in their deliberations in making a recommendation, it is quite a separate... basically.. what you get is some funding to a particularly business, how robust is that business, they're the sorts of issues in relation to that business alone, what sort of strategies and if all that comes up OK, then the due diligence is fine. That was what was assessed through that due diligence process.

TA So where do we go from here? Well the first I heard of this was a media release 8 weeks ago.

PMcD Well there is nothing we can do about that?

TA Nothing? Even though my business will lose retail value?

PMcD Just let me finish. There is nothing we can do about the timing of announcements, of the Deputy Prime Minister and Senator Boswell, that is not in our court. When an application comes to us we are not obliged or required in fact we're not allowed to advertise to everybody that we have received this application. We receive an application, an eoi, we invite an application. If once we have forwarded that to the minister with a recommendation, that is then subject to confidentiality by the committee, we are not allowed to discuss that with anybody, because it can compromise the position or the decision that the minister has to make. The due diligence process is then undertaken it then goes through the department into the minister and the minister makes the decision. It is out of our control as far as the announcement of projects. So it is not our position or capacity to be able to tell everybody that we have received an application and we have recommended it to the minister. There are processes in government that are in place for this particular programme, as I understand it for all programmes, even regional partnerships, dairy wrap, sustainable regions, the other, prior to sustainable regions, regional solutions all had the same operating procedure. So we can't do anything about the timing of the announcement of the decision by the minister. The fact that it came out eight weeks ago is the decision was made and announced. As far as your position is concerned Trevor as I said before any enterprise within the region has had the opportunity at any time to put up an application. In your case you have said you couldn't afford or couldn't match a dollar for dollar basis, so you choose not to go ahead with an eoi. That's the criteria that we apply to all businesses as far as getting a grant from the programme, from private enterprise. We try where we can to get more than a fifty fifty contribution from the private sector. There are some govt grants where they don't get any contribution from the private sector. They put in place govt grants. So where we go from here is not within the pervue of the committee to be able to go anywhere, with here in your particular case if the opportunity arises where eoi are opened and invited again then you would be welcome to submit an application for funding and it would be considered. I can't say it would be approved I can't say it would be declined, it would be considered by the committee the same way as it considered and processed all other applications. So as far as our processes are concerned we are tied to what the programme and the criteria and processes are and that is as far as we can take it. We can't take it any further than that.

TA No twinge of guilt Peter?

PMc What do you mean?

TA No that's fine.

PMc Trevor

AA Peter you are giving somebody this money to set up in opposition...

PMc I was talking to Trevor

TA Excuse me, but I would rather listen to my wife at the moment

PMc Well listen to your wife

AA If government come in and make decisions which obviously this one is, there has got to be some allowance made for the future loss of income of that business, which is going to be in jeopardy, which we are. So where do we go with that?

Bill Well certainly with this argument that we have been talking this last few minutes comes down to this issue of competition and competition neutrality. Those issues were fully assessed by the committee and made a recommendation on the basis of the information it had available to it and it sought from the applicant and on the basis of its

local knowledge and was satisfied there was a product differentiation, it was a different business that wouldn't harm existing businesses, that is why the key criteria under the programme, that is the assessment that has been made. That is the view that you obviously strongly disagree with.

AA Are we able to see what he put forward? What the product range will be, if it's not going to be in competition to us?

Bill These issues were assessed as part of the application

YT There would have to be permission from ...

AA Permission from whom?

Bill & YT From the applicant

YT He could provide you with that. Because of the way the meeting documentation and applications have to be handled by us we can't release information without the permission of the particular applicant.

AA If we got that information and it showed there was competition, in direct competition, where do we go from there?

Bill At this stage the assessment has been made that the business is different from yours and seek approval that the right information that the applicant has provided in confidence, it a confidential process, any application is a confidential process and you could look at that to see if it helps you satisfy yourselves that there isn't... a degree of competition.

AA There is only so much you can make with wood and there are only so many artists up here so I have quite happily answered that question in my own mind, so where do we go from there, once we have proved that it is direct competition

Bill Well I can't answer that question at this point in time

Aa Hypothetically, where do we go? My next step is to find out what product he hopes to make there, then present that to whom, that that is in direct competition? To you, to ATSRAC committee, then what is my step 3?

Bill Well you present it to the committee, write to the minister, complain to the minister for a further investigation if you are not satisfied, how it would be handled from there on in I do not know.

AA Who would I address that to, just the Minister?

Bill Address it to the committee or the minister

AA And we could probably put in a counter claim?

Bill I am not sure what your next step would be. As I said it is hypothetical at this point. The assessment was made that there was not that competition

AA

Ta By the time that fact is established you guys will be long gone

YT I will see JAM and that that information is provided to you

Bill That would be useful

JC It should go through the channel, I am not sure what the channel is

YT Direct to the proponent

AA Up to date Once we have got that information we will get further advice, because there is not room in the town for two of us.

Bill Useful to try and establish... take things one step at a time

AA So we will hear from you on that?

YT Yes I will give him a call on Monday morning run that past him and if it is OK I will give it to you Monday afternoon.

AA Then Peter we would send a letter to your committee, saying we think this is direct competition



PmcD All we would do with it is send it on the department. There is nothing in our area of operation where we could handle that, complaints. You could certainly send it to us, but we would send it on to the department.

JC Which ever way you send it, one will send it to the other to get comment anyhow, it has to go through that process. If you send it to us, we send it to them.

PMcD But there is no decision we can make on any of the information or anything like that, even if you wanted information out of here from the committee, that is effectively freedom of information legislation, atrsac cannot make a decision to release that information

JC Commercial in confidence, there has to be a procedure, if this was yours, you wouldn't want it handed out

TA What I don't appreciate is how difficult it is going to be for me to have confidence in the leaders of our community in the future because they are the ones who were on the committee and I thought they would be on our side in terms of not trying to affect small businesses that have started from scratch and worked their backsides off to establish something and now turn around and work against somebody who has got federal govt funding

JC Perhaps you should wait until you see the service and put yourself in the position of judging. I will say no more, you just judge it for yourself.

AA Well thank you, in closing I think I would just like to say, which I am sure you have all heard before how disappointed we felt with this whole process, I really did expect that you people would have some vision and look for some new ideas and new industries not just simply copycat a perceived success, it is disappointing and I think you have lost a lot of opportunity.

AA Thank you

TA Thank you for your time