

LEGISLATIVE ASSEMBLY



WESTERN AUSTRALIA

1998

**PUBLIC ACCOUNTS AND EXPENDITURE
REVIEW COMMITTEE**

**FOLLOW-UP REPORT ON
WESTERN AUSTRALIAN GOVERNMENT
FINANCIAL ASSISTANCE TO INDUSTRY
REPORT 1996**

Report No. 39

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FINANCIAL ASSISTANCE TO INDUSTRY
REPORT 1996**

Report No. 39

Presented by:

Mr M W Trenorden, MLA

Laid on the Table of the Legislative Assembly
on 3 December 1998

ORDERED TO BE PRINTED

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Members	Mrs M.R. Holmes, MLA
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Committee's Functions and Powers

The Committee obtains its powers and functions from the Standing Orders of the Legislative Assembly. Standing Order 412(1) states that the functions of the Committee are -

... to inquire into, consider and report to the Parliament on any proposal, matter or thing connected with the receipt and expenditure of public moneys, including moneys allocated under the Annual Appropriation Bills and the Loan Fund.

Moreover the Committee is empowered by Standing order 412 (2) -

- (a) to examine the public accounts transmitted to the Assembly by the Auditor-General;
- (b) to examine the financial affairs and accounts of Government Agencies of the State whether or not such accounts have been audited by the Auditor-General;
- (c) to examine all reports of the Auditor-General, copies of which have been laid before the Assembly;
- (d) to inquire into, and report to the Assembly on any question which -
 - (i) it deems necessary to investigate;
 - (ii) is referred to it by a resolution of the Assembly;
 - (iii) is referred to it by a Minister of the Crown, or
 - (iv) is referred to it by the Auditor-General;
- (e) to report to the Assembly from time to time, any alteration which the Committee thinks desirable on any matter relating to the form of those accounts or in the method of keeping them or in the mode of receipt, control, issue or payment of public moneys;
- (f) to inquire into expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation and report to the Assembly from time to time, upon any matter connected with that expenditure which the Committee considers ought to be brought to the notice of the Assembly;
- (g) to consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine; and
- (h) to consider whether the objectives of public expenditure are being achieved or may be achieved more economically.

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Chairman's Preface

Mr Speaker,

I have the honour to submit the Committee's Report No.39 which is a follow-up report to the 1996 Report on *Western Australian Government Financial Assistance to Industry* (No.31).

This report examines the Ministerial responses to the recommendations arising from the 1996 Report, which is a requirement under Standing Order 414(5) of the Legislative Assembly. The follow-up procedure is a crucial element of the accountability of the Executive to Parliament and is important to the effectiveness of the Committee.

Report No.31 was tabled in 1996 by the previous Committee of which only myself and the Deputy Chairman were Members. I would like to acknowledge the cooperation of the current Members of the Committee in the tabling of Report No.39., given that three of them were not on the previous Committee.

Report No.31 was the culmination of the most lengthy and complex inquiry ever undertaken by a Public Accounts and Expenditure Review Committee. It focused on the processes underpinning Western Australian Government financial assistance and the two major agencies involved in the administration of financial assistance - the Department of Commerce and Trade and the Department of Resources Development. The Committee conducted a number of local hearings, sought and received several submissions and also undertook an extensive investigative tour of the United States and the Republic of Ireland. The final report made several findings and 28 recommendations.

The response to the Report was encouraging with nearly 70% of the report recommendations being either supported or partially supported on a whole of Government level. The Committee acknowledges the moves by the agencies reviewed in the Report to implementing several of the Committee's recommendations.

Notwithstanding, the Committee in this Report (No.39) has recommended some further improvements to some of the processes and structures associated with financial assistance to industry by Government particularly in the areas of: Industry Policy; Agreement Acts; the Role of the Auditor General; Oversight of Financial Assistance; and Inter-Agency Coordination.

Finally, I would like to acknowledge the contribution of the Committee's staff, Senior Research Officer, Mr Andrew Young, and Research Officers, Ms Kirsten Robinson and in particular Ms Amanda Millsom-May. I would also like to thank Mrs Patricia Roach for her secretarial assistance in the production of this report.

MAX TRENORDEN, MLA
CHAIRMAN

Recommendations

The Public Accounts and Expenditure Review Committee recommends the following -

Recommendation 1 of this Report (p.6)

That the Cabinet Standing Committee on Strategic Planning give priority to the completion of an industry policy.

Recommendation 2 of this Report (p.13)

That where an Agreement Act has an effect on a local authority, that local authority should be involved in the negotiation process with the Proponent and the State Government.

Recommendation 3 of this Report (p.13)

- (a) That the Government formalise a process whereby local governments are able to have their claims of revenue loss or foregone income addressed expeditiously.**
- (b) That the Government give consideration to local government claims. Claims should be able to be submitted for either new or existing Agreement Acts.**
- (c) That the Government should advise the local authority of its decision. Reasons should be given for any rejections.**

Recommendation 4 of this Report (p.13)

That the Auditor General conducts a review of current Agreement Acts to determine -

- 1. whether any elements are anti-competitive; and**
- 2. any adverse impact of the local government rating provisions.**

Recommendation 5 of this Report (p.15)

- (a) That in the absence of the portfolio-based standing committees, the Parliament establish a specialist standing committee to scrutinise and make recommendations on financial assistance packages.
- (b) That the Parliament determine the financial package threshold requiring scrutiny.

Recommendation 6 of this Report (p.18)

That the Government amend the *Financial Administration and Audit Act 1985* in accordance with the Committee's Recommendation No.26 of Report No.31.

Recommendation 7 of this Report (p.20)

That the Department of Commerce and Trade, prior to the Business and Investment Embassy service being available in 1999 -

1. consults with the Department of Resources Development to obtain current information on eg project approval processes and financial assistance schemes, for potential industrial and project developers. Although DRD is not the agency responsible for the management and funding of the Embassy, it should be viewed as a valuable information source given its status as the lead coordinating agency for major projects in the resources sector; and
2. consults with Regional Development Commissions, local governments, the State Planning Commission and LandCorp to obtain relevant information.

MINISTERIAL RESPONSE

Standing Order 414(5) of the Standing Orders of the Legislative Assembly states that -

Where a report of the Committee recommends that a particular action be taken by the Government with respect to a matter, the appropriate responsible Minister of the Crown, shall, as soon as practicable, but within not more than three months, or at the earliest opportunity after that time if Parliament is in adjournment or recess, report to the House as to the action (if any) proposed to be taken by the Government with respect to the recommendation of the Committee.

CHAPTER ONE

BACKGROUND

Introduction

The follow-up procedure is a crucial element of the Public Accounts and Expenditure Review Committee's ("the Committee") role as it enables the Committee to assess and take stock of its own activities and recommendations arising from its reports, whilst at the same time enhancing the accountability of the Executive to Parliament.

A formal mechanism exists within the Committee's Standing Orders that requires the Government to respond to the recommendations of the Committee's reports. Standing Order 414 (5) states that -

Where a report of the Committee recommends that a particular action be taken by the Government with respect to a matter, the appropriate responsible Minister of the Crown, shall, as soon as practicable, but within not more than three months, or at the earliest opportunity after that time if Parliament is in adjournment or recess, report to the House as to the action (if any) proposed to be taken by the Government with respect to the recommendation of the Committee.

There is no formal obligation under the Standing Orders for a newly constituted Public Accounts and Expenditure Review Committee to consider or follow-up on Government responses to previous Committee's reports.

In the case of Report No. 31, *Western Australian Government Financial Assistance to Industry*, this was tabled on 17 October 1996 and a new Committee was appointed on 11 March 1997.

Committee Members (October 1996)

Mr Max Trenorden, MLA (Chair)
Mr Larry Graham, MLA (Deputy Chair)
Mr Barry Blaikie, MLA
Mr Mike Board, MLA
Mr Clive Brown, MLA

Committee Members (March 1997)

Mr Max Trenorden, MLA (Chair)
Mr Larry Graham, MLA (Deputy Chair)
Mrs Monica Holmes, MLA
Ms Alannah MacTiernan, MLA
Mr Ian Osborne, MLA

The current Committee has decided on this occasion to follow-up the work of the previous Committee and report back to Parliament on the responses by Government to its recommendations. The Committee appointed a sectional or sub committee in September 1998 comprising the Chairman and Deputy Chairman who prepared the draft report prior to adoption by the full Committee.¹

¹

Under Standing Order 411(1), the Committee may appoint a Sectional Committee or Sectional Committees of two or more of its members to inquire into and report to the Committee upon such matters with which the Committee is concerned as the Committee directs.

Industry Commission Report

During the preparation of this report, the Committee was also mindful of the release in February 1998 of the Industry Commission's Report on *State Territory and Local Government Assistance to Industry*. The Commission examined industry assistance on a much broader level than the Committee and took a different approach to its definition of financial assistance. For further commentary, please refer to page 21.

Report No.31

The Committee's report on *Western Australian Government Financial Assistance to Industry* was the culmination of the most lengthy and complex inquiry ever undertaken by a Public Accounts and Expenditure Review Committee. The inquiry was initiated by the Committee itself and took the best part of 18 months (March 1995 to October 1996) to identify the level of accountability and effectiveness of the provision of financial assistance and define and put into context financial assistance as a tool used by government.

As with most of the inquiries undertaken by the Committee, it focused on *process*, moreover the processes which underpin Western Australian Government financial assistance to industry.

In its report, the Committee initially identified -

- the degree to which important concepts of financial assistance are understood; and
- the clarity with which the objectives of financial assistance are formulated and stated.

It then -

- examined the criteria and assessment mechanisms applied to requests for financial assistance and commented on the adequacy of these mechanisms;
- identified what level of evaluation is undertaken by Government to ensure that the financial assistance is effective and provides a net benefit to the State;
- examined the level of accountability of financial assistance and the role played by Parliament and the Auditor General in monitoring financial assistance; and
- examined whether current systems and structures encourage an efficient and coordinated approach to financial assistance.

The two most important agencies involved in the administration of financial assistance - the Department of Commerce and Trade (DCT) and the Department of Resources Development (DRD)—provided a focal point for the examination of many of the above issues which were primarily reported in Chapter 5, *The Efficiency and Effectiveness of Financial Assistance - Management, Criteria and Evaluation*.

Through a large number of local hearings, submissions, briefings and meetings with those involved in government financial assistance to industry in Ireland and the United States of America, the Committee made several findings and 28 recommendations which it considered would -

- require the development of an industry policy;
- significantly strengthen accountability measures;
- improve the assessment, criteria and processes;
- improve the evaluation of financial assistance;

- protect the State's finances;
- improve the reporting of financial assistance;
- require the measurement of the effectiveness of financial assistance; and
- provide a better information base for industry.

For a complete list of the Committee's recommendations please refer to Appendix One.

Follow-up Action

The Committee wrote to the following Ministers immediately following the tabling of the report, requesting a response to its recommendations in accordance with its Standing Orders -

The Hon. R.F. Court, MLA	Premier of Western Australia
The Hon. C.J. Barnett, MLA	Minister for Resources Development
The Hon. H.J. Cowan, MLA	Minister for Commerce and Trade

- ▶ The Hon. H.J. Cowan tabled an initial response to the Committee's report on 31 October 1996, shortly after the report was tabled. The Minister only responded to those recommendations that related specifically to DCT (see Appendix Two).
- ▶ The Hon. C.J. Barnett responded to the Committee on 16 April 1997. He informed that he had provided comments on the report to the Minister for Commerce and Trade for inclusion in a consolidated government response to the Committee's recommendations that was to receive Cabinet consideration prior to tabling in the House.
- ▶ A comprehensive whole of Government response was tabled in the Legislative Assembly on 27 November 1997, some 13 months after the original report was tabled (see Appendix Three).

CHAPTER TWO

WHOLE OF GOVERNMENT RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS

Overview and Approach

The Committee decided to comment on the whole of Government response to Report No.31 and subsequent correspondence relating to the implementation by Government of several of the report's recommendations. The Committee also acknowledged the initial response by the Minister for Commerce and Trade to the report's recommendations and noted that most of the comments made by the Minister concurred with those made in the whole of Government response. Where they have differed, these have been highlighted.

The Committee was encouraged by the whole of Government response and that the majority of the report's recommendations were supported.

Whole of Government Response to the Committee's 28 recommendations

<i>Supported</i>	<i>Partially or Provisionally Supported</i>	<i>Not supported</i>
16 recommendations	3 recommendations	9 recommendations

However, it did observe on several occasions where a recommendation was supported that there was a lack of sufficient detail on the Government's proposed action or plan for implementation; it was just "supported". An example of this was the Government's response to recommendations on the implementation of an industry policy and strategy.

As a result of these observations, in March 1998 the Committee wrote to: the Hon. R.F. Court, MLA; Dr Des Kelly, Chief Executive Officer, Department of Resources Development; and Mr Richard Muirhead, incoming Chief Executive Officer of the Department of Commerce and Trade, seeking information on the implementation of the Committee's recommendations where they had been supported.

Responses were subsequently received and have been included in the following summary which analyses aspects of the responses to the Committee's report on a Chapter by Chapter basis.

An Effective Relationship Between Government and Business - Chapter Three

In its Report No. 31, the Committee recommended in Recommendations 1 and 2 that: a cost benefit analysis should be carried out before any decision is made to offer financial assistance to industry; and that Government should not enter into second or competitive bidding to attract industry. In supporting both these Recommendations, the Government has essentially

acknowledged that the provision of financial assistance to industry must be valid and justifiable and that the task for Government is to create an environment that promotes business growth.

Implementation

Changes to the Industry Incentive Policy (IIP) by DCT (see pp.8-9) have recognised that the Western Australian Government does not enter into competitive bidding to attract industry to the State.²

Industry Policy - Chapter Four

During the course of its inquiry, the Committee had heard strong arguments that the efficiency and effectiveness of financial assistance to industry would be enhanced if it were underpinned by an industry policy. The Committee made three recommendations advocating that: an industry policy should be a priority for Government; it should be developed by a Ministerial taskforce; and a strategy should be developed for the delivery of the objectives of the industry policy.

The Government's response to the recommendations was particularly pleasing with two out of the three recommendations supported, including an acknowledgment by Government of the need for the implementation of an industry policy to be a priority.

Implementation

Some four months after the whole of government response and seventeen months after the report was tabled, the Committee wrote to the Hon. Premier in March 1998 and sought information on the current status of the development of an industry statement/policy by the Cabinet Standing Committee on Strategic Planning, which had been referred to in the Government's response.

In response, the Hon. Premier informed the Committee that -

... the Cabinet Standing Committee on Strategic Planning has had discussions on the development of a framework for an industry policy. It is expected that the policy would be progressed during future meetings of the Standing Committee.³

Recommendation 1 of this Report

That the Cabinet Standing Committee on Strategic Planning give priority to the completion of an industry policy.

² Department of Commerce and Trade (WA), *Industry Incentive Scheme- Guidelines and Assessment Process*, p.6

³ Letter from the Hon. R.F. Court, MLA to Mr Max Trenorden, MLA, Chairman, PAERC, 22/7/98

The Efficiency and Effectiveness of Financial Assistance: Management, Criteria and Evaluation - Chapter Five

1. Department of Commerce and Trade

On the issue of Parliamentary Controls, the Government's response to the Committee's Recommendation 7 differed to DCT's earlier response tabled by the Deputy Premier, the Hon. Hendy Cowan in October 1996.

Recommendation 7 stated that -

- (a) Financial assistance packages involving amounts of \$2 million or more should be submitted to Parliament before approval can be granted by the Cabinet.
- (b) When the Parliament is not sitting, financial assistance packages requiring Parliamentary scrutiny should be submitted to the Public Accounts and Expenditure Review Committee.

The Government in its response was supportive of the principle of Parliamentary reporting. However, not the thresholds for reporting. It proposed the following reporting regime -

\$0 - \$200,000	to be tabled annually in the House;
over \$200,000	to be tabled in Parliament as soon as possible after the agreement is reached with the recipient. ⁴

It also did not comment on the role of Parliament in the scrutiny of these packages as was the intent of the Committee's recommendation.

By comparison, the response tabled by the Deputy Premier referred to a speech that he made some sixteen months prior to the Committee's report, in which he had invited Parliament to provide a mechanism for its involvement in approval of assistance packages involving amounts of \$2million or more.

One of the options for seeking Parliamentary approval was 'The Parliament establishing a specialist Standing Committee or expanding the role of an existing Committee to scrutinise and make recommendations on a proposal within an agreed time limit'.⁵ Another was introducing direct legislation to enable a specific package and introducing a motion for approval of the package by both Houses within an agreed time limit, after which the motion shall be deemed to have been passed ...⁶. He also noted at the time that Parliament had yet to respond to this request.

The Committee considers that the Government has not acted upon this and the matter should be brought up in the House (see pp 14-15).

⁴ Response by the Western Australian Government to the Recommendations of the Public Accounts and Expenditure Review Committee, Report No.31, *Western Australian Government Financial Assistance to Industry*, 27/11/97, p.3.

⁵ Response by the Hon. H.J. Cowan, MLA, Minister for Commerce and Trade, to the Recommendations of the Public Accounts and Expenditure Review Committee, Report No.31, *Western Australian Government Financial Assistance to Industry*, 31/10/96, p.2

⁶ *ibid.*

On the issue of criteria, in Recommendation 9 the Committee supported the view taken by the Auditor General, that the IIP criteria used by DCT to assess the value of a proposed inventive package should be referred to as “essential criteria”. The Government in its response did not support the Committee’s recommendation, as it intended to change the IIP criteria to allow for both desirable and essential criteria to operate.

The Government supported Recommendation 10, that ‘The threat of locating to another state or country should not be considered a valid reason for granting financial assistance.’

The Government also supported Recommendations 11 to 13 which examined the need to -

- accurately measure the net economic benefit prior to financial assistance being offered or granted;
- establish a method of evaluating the effectiveness of each financial assistance package, prior to financial assistance being offered or granted; and
- report the net benefits of all assistance packages to Parliament on an annual basis.

Implementation

In July 1998 the Chief Executive Officer of DCT, Mr Richard Muirhead, advised the Committee of progress made on the implementation of several of the recommendations arising from Report No. 31.

He informed that Cabinet had approved changes to the old IIP in September 1997 which had included a change of name to the Industry Incentive Scheme (IIS).

The rationale for the changes were explained as follows -

... the changes follows on from reviews of the scheme by the Office of the Auditor General, the Public Accounts and Expenditure Review Committee and the firm of Deloitte Touche Tohmatsu (commissioned by the Department of Commerce and Trade as part of ongoing strategic audits of the agencies programs). Extensive revision and modifications of the guidelines are intended to improve prospective applicants’ understanding of the criteria by which projects are assessed and the assessment process. The changes are also intended to clarify the purpose of the scheme and are expected to enhance the effectiveness of the scheme in achieving its objectives and improve the efficiency of assessment, through identifying ineligible projects earlier in the assessment process.⁷

Significant modifications were described as -

- a substantial redrafting of the aims of the scheme;
- the separation of the scheme criteria into Eligibility Criteria and Essential Criteria;

⁷

Letter from Mr Richard Muirhead, Chief Executive Officer, Department of Commerce and Trade to Mr Max Trenorden, MLA, Chairman, PAERC, 9/7/98, p.1

- an expanded description of the assessment process, including the introduction of a diagram illustrating the process;
- changes to the range of incentives offered under the scheme; and
- the inclusion of sections describing the Government's security and accountability requirements, and obligations under the Freedom of Information Act.⁸

In comparing the old IIP and the new scheme, the Committee observed the following -

1. Improvements have been made to the project appraisal process which now require certain eligibility criteria to be met before the project is further considered. Essential criteria have also been added. In doing so, DCT has improved its criteria process, but not implemented the Committee's recommendation that all the Industry Incentives criteria should be referred to as essential.
2. Accountability provisions have been included which require the successful applicant to provide regular performance information to DCT. In turn DCT has developed economic indicators to monitor and measure applicants' performance.
3. Employment targets have been included as an option to minimum capital establishment costs.
4. The range of possible incentives have narrowed slightly.
5. The new guidelines have acknowledged the spirit of Recommendation 10 that 'The threat of locating to another state or country should not be considered a valid reason for granting financial assistance'.

In his letter to the Committee, Mr Muirhead also alluded to how DCT was implementing Recommendations 11 to 13 which related to measuring the economic benefit to the State. He informed the Committee that the new assessment process included assessment of the benefits to the State in the form of identifiable revenue and expenditure flows to Government directly and indirectly from the project.⁹ The new PAS/DS model (Project Analysis System using Decision Support Software), formerly referred to as BENE, (Project Financial Benefits Model), would also be used to assist in this process. Mr Muirhead also argued that -

The provision of assistance is closely linked to performance requirements of the project receiving support. These performance requirements are the basis of measurement of the effectiveness of the assistance package offered and are incorporated in legal agreements which establish the assistance arrangements. Details of the arrangements are tabled in Parliament when they are established, and the status on each project is included in a directory published twice yearly by the department and made available to the Minister, Treasury, the Auditor General and Parliament.¹⁰

⁸ *ibid.*

⁹ *ibid.*

¹⁰ *ibid.*

2. Department of Resources Development

In its Report No. 31, the Committee recommended in Recommendations 14 and 17 improvements to the transparency of Agreements Acts; timelines for government assistance contained in Agreement Acts; compensation avenues for local authorities; and the requirement that Agreement Acts should be accompanied by a net or cost benefit analysis when they are introduced into Parliament. These recommendations were supported by the Government in its whole of Government response to the Committee's report.

However, the Committee noted that the Government's support for Recommendation 14 (c) regarding local authorities was qualified on the basis that, 'the onus of proving revenue loss or forgone income as a result of a state agreement would rest with the local authority/authorities concerned ¹¹' (also see pp.10-13).

The Committee considers Government support crucial in improving the overall transparency and accountability of provisions relating to financial assistance within Agreement Acts. Further comments in this regard are made under the heading "Implementation".

The whole of Government response also supported Recommendation 16 with respect to the need to implement changes to the then named Project Financial Benefits Model (BENE).

Implementation

In April 1998 the Chief Executive Officer of DRD, Dr Des Kelly, advised the Committee on plans for implementing the recommendations of the Committee. On the recommendations relating to Agreement Acts, Dr Kelly said that the Department had given effect to Recommendations 14(a) and (b) and 17 in order to satisfy National Competition Policy guidelines adding that -

... any potentially anti-competitive legislation must be accompanied by a public benefits test which demonstrates that the public benefit outweighs any costs arising from anti-competitive provisions in the legislation. The provision of assistance or incentives would need to be justified in any public benefits analysis undertaken under Treasury rules. ¹²

He also advised that -

Recommendation 14(c) has also been implemented in that DRD is prepared to consider any submissions from local government which claim that State Agreements have resulted in a revenue loss or revenue forgone for the local authority. ¹³

The Committee is concerned that respective local authorities might be financially disadvantaged in this process, particularly in negotiating and proving issues like rate revenue impacts. Consequently, it sought the opinion of the Western Australian Municipal Association (WAMA) which recently conducted studies on the effects of Agreement Acts on local councils.

¹¹ Government Response, op.cit., 27/11/97, p.4

¹² Letter from Dr Des Kelly, Chief Executive Officer, Department of Resources Development to Mr Max Trenorden, MLA, Chairman, PAERC, 9/4/98, p.1

¹³ *ibid.*

WAMA considered that the State Agreement Act was an outdated and anti-competitive mechanism that impeded the equitable operation of Local Government.¹⁴ WAMA's Director of Strategy, Mr John Martin, further described WAMA's position that -

State Agreement Acts compromise the autonomy of Local Governments around the State by restricting their rating capacity through the exemption of companies under agreement from the full payment of Local Government rates.¹⁵

WAMA supported the Committee's Recommendation 14(c) regarding compensation for local authorities, but was concerned about the lack of willingness of the State Government to address the issue in an equitable manner. Such has been the Association's interest in the area that it conducted a survey early in 1998 of local councils affected by the State Agreement Act process. Five case studies were developed from the survey responses which examined five local councils, covering a sample of 18 Agreement Acts ranging from 1952 to 1992.

The survey found that the impact and consequent revenue loss caused by various State Agreement Acts on councils throughout the State is wide ranging and in many aspects unquantifiable, and that 'proving' revenue loss was, in many cases, an almost impossible task.¹⁶ One of the major concerns expressed by the councils surveyed was that -

The lack of flexibility to collect rates that better match expenditure responsibilities today remains one of the main sources of Local Government frustration, with Councils identifying multi million dollar infrastructure investment upon land under Act that can only be rated either according to the provisions of Section 533B¹⁷ or Unimproved Value (UV) ... Even if the revenue loss occurred simply as a result of the rating prohibition, obtaining a Gross Rental Value (GRV) from the Valuer General for the purposes of calculating the loss is an expensive and time consuming exercise.¹⁸

WAMA was only aware of one local government that had commissioned a valuation from the Valuer General's Office, which had estimated rate income foregone over an eleven period from 1987 to be around \$1.3 million.

WAMA reported that one local council surveyed did not consider the rating issue to be a problem due to its recent negotiation with the Company concerned for an increased ex-gratia payment.¹⁹

14 Letter from Mr John Martin, Director of Strategy, Western Australian Municipal Association, to Mr Max Trenorden, Chairman, PAERC, 6/11/98, p.1

15 *ibid.*

16 *ibid.*

17 Section 533B was inserted in the *Local Government Act 1960* in 1970 and applied to land held under State Agreement Acts and Petroleum Production Licences. It contained three subsections, 533B (1) which pertained to valuations and 533B(2) and (3) which enabled the cost of Local Government infrastructure provided by the lessee (company) to be offset against rates in subsequent years. Sections 533B(2) and (3) were repealed in 1995 and are no longer available to companies. The 1994 Amendment to the *Local Government Act* provided that companies which had not exercised their option under 533B only had three months from the 1 July 1995 to do so or they lost the right forever. It is understood that the draft 1994 Amendment proposed that all rights under Section 533B be terminated after 5 years and that this provision was not agreed to by Cabinet. (Courtesy of the Western Australian Municipal Association, 1998)

18 Letter from Mr John Martin, *op.cit.*, 6/11/98, p.2

19 Western Australian Municipal Association (1998), *State Agreement Acts - 5 Local Government Case Studies*, p.12

However, the Committee considers this arrangement may be problematic as it is not a statutory obligation and provides no long term certainty for additional revenue to the council.

Another issue of concern was the inability of councils to consult with companies in the formulation of the Agreements, given that some had dated back to the 1950s.

WAMA considered that the State Government should -

- thoroughly reassess the State Agreement Act mechanism in terms of its long term viability, considering a dynamic, more competitive alternative to any new Acts, which address key stakeholders' concerns through a formal consultation process;
- immediately review any conditions in existing State Agreement Acts that restrict local government's ability to operate autonomously and effectively service the local community; and
- formally involve local government during the drafting and negotiation of any new State Agreement Acts, until an alternative mechanism can be adopted.

The Committee concurs with WAMA that some Agreement Acts restrict local authorities financially and that local government should be consulted during the drafting and negotiation of new State Agreement Acts. It also reinforces Recommendation 14, in particular 14(c), which deals with compensation for revenue loss.

The Committee agrees with the Government response that local government should be held responsible for assessing and making a claim for lost revenue. It also notes the comments made by the Minister for Resources Development in the *North West Telegraph*, in which he was reported as saying that the '...whole-of Government support for the Committee's recommendation was not binding, ... however the Government would take into consideration the pressures on local governments with the arrival of big industry'.²⁰

The Committee considers that the Government should be responsible for formulating guidelines for this claims process. Due consideration should also be given to the financial burden placed on local authorities in engaging the Valuer General's Office in assessment calculations.

It is timely that the Government assesses the provisions in current Agreement Acts relating to local government and ratings. The Government should ascertain if there are any serious equity or financial issues impacting on either the local authority or the company and any anti-competitive elements resulting from capital improvements, such as infrastructure, after the developmental stage of the proponent's operation.

20

North West Telegraph, 10/12/97, p.3

Recommendation 2 of this Report

That where an Agreement Act has an effect on a local authority, that local authority should be involved in the negotiation process with the Proponent and the State Government.

Recommendation 3 of this Report

- (a) That the Government formalise a process whereby local governments are able to have their claims of revenue loss or foregone income addressed expeditiously.**
- (b) That the Government give consideration to local government claims. Claims should be able to be submitted for either new or existing Agreement Acts.**
- (c) That the Government should advise the local authority of its decision. Reasons should be given for any rejections.**

Recommendation 4 of this Report

That the Auditor General conducts a review of current Agreement Acts to determine -

- 1. whether any elements are anti-competitive; and**
- 2. any adverse impact of the local government rating provisions.**

Commenting on the Department's support of Recommendation 15, which advocated justifying, both in terms of net economic and social benefits, assistance under the Resource and Resource Processing Assistance Policy, Dr Kelly argued that -

... it has always been the case that the provision of assistance, by way of short term royalty relief, is justified in terms of net economic and social benefits. If a project is experiencing temporary cash flow difficulties but can demonstrate long term viability then the State would provide short term royalty relief to ensure that the employment and other benefits associated with the project are retained in Western Australia.²¹

²¹

Letter from Dr Des Kelly, op.cit., 9/4/98, p.1

Dr Kelly also commented on progress made on the implementation of recommendations 16 and 18 which addressed the then named Project Financial Benefits Model (BENE). He informed that -
Recommendations 16 & 18 have been implemented and the Department's new project evaluation model the Project Assessment System (or PAS) will be used to evaluate, monitor and review project assistance and incentives request.²²

Multiple Assistance: Incidence and Implications for the Administration of Financial Assistance - Chapter Six

The Government did not agree with the Committee's Recommendation 19 that DCT should limit its outsourcing of assessment and selection processes to two schemes. The Committee hopes that if outsourcing is carried out by DCT on a needs basis that the decision making processes are transparent.

The Committee stands by its finding that, 'No adequate case has been made for the outsourcing of assessment and selection processes for DCT's industry incentives and business development schemes.'²³

Implementation

Mr Muirhead advised the Committee that DCT was intending to outsource assessment processes in the near future and that 'the timing of this is dependent on establishing appropriate out sourced contract panels for purchasing these services'.²⁴

Accountability of Financial Assistance - Chapter Seven

1. Oversight of Financial Assistance

The Committee recommended in Report No. 31 that it should have an oversight role in financial assistance to industry. Based on the Government's response to Recommendation 20, it appears that the Government is not in favour of Parliamentary oversight of financial assistance, particularly by the Committee. In hindsight, the Committee accepts that it is not the best placed to oversight financial assistance, as it could compromise its principal role. Reviewing a financial assistance package after it has been given is vastly different to having an oversight role prior to the approval of that assistance package.

Nevertheless, the Committee still considers that Parliament through some other mechanism should have an oversight role in financial assistance. This may be via one of the portfolio-related standing committees recommended by the Commission on Government (COG) and supported with qualifications by the Public Accounts and Expenditure Review Committee, the Standing Orders and Procedure Committee and the Select Committee on Procedure of the Legislative Assembly.

²² *ibid.*

²³ PAERC Report No.31, Finding, p.64

²⁴ Letter from Mr Richard Muirhead, *op.cit.*, 9/7/98, p.2

COG recommended that the Legislative Assembly establish the following system of Committees-

- (a) The Estimates and Financial Operations Committee (Recommendation 31 in the Commission's *Report No.1*); and
- (b) up to four portfolio-related committees (see 9.3.2. and 10.3.2.).²⁵

The three Committees mentioned on page 14 supported the general concept of the COG recommendation on the basis that the PAERC be retained. The Select Committee on Procedure further advocated the establishment of three instead of four portfolio-related standing committees, namely: Education, Social Development and Community Affairs; Health and Justice; and Primary Industries, Resources, Transport and Trade.²⁶ This was also recommended by the Standing Orders and Procedure Committee as the preferred approach.²⁷

This recommendation for the establishment of specialised committees was similar to the concept outlined in the Deputy Premier's response referred to on page 7 of this Report. However, the Committee noted that the Government had not followed-up on the issue.

Since the Committee tabled its Report in October 1996, DCT has approved \$7.7 million in assistance under the Industry Incentive Policy/Scheme to nine companies/businesses without any form of Parliamentary scrutiny. The assistance ranged from \$10,000 to \$4 million.²⁸

Recommendation 5 of this Report

- (a) **That in the absence of the portfolio-based standing committees, the Parliament establish a specialist standing committee to scrutinise and make recommendations on financial assistance packages.**
- (b) **That the Parliament determine the financial package threshold requiring scrutiny.**

2. Commercial Confidentiality

The Committee recommended in Report No. 31, that 'No organisation seeking financial assistance shall be granted such assistance if it is not prepared to divulge the relevant information to the appropriate authorities' (Recommendation 24). This recommendation was supported by the Government in its whole of Government response to the Committee's report.

²⁵ Commission on Government (WA), Report No.2, Part 2, 1995 - Recommendation 110(2), p.176

²⁶ Select Committee on Procedure (WA), *Final Report*, June 1996, p.xviii

²⁷ Standing Orders and Procedure Committee (WA), *Report on the Commission on Government Recommendations*, Recommendation 11, June 1998, p.xii

²⁸ Letter from Mr John Loney, Executive Director, Industry Development Division, 13/11/98. Data was collected from October 1996 to 30 June 1998 and includes both loans convertible to grants and grants.

Competitive advantage and its associated commercial confidentiality implications are only justified in the application for financial assistance. Once the assistance has been granted, there is no justification.

Stages of Financial Assistance and Openness

There are three distinct stages of the financial assistance to industry process relevant to standards of openness.

1. In the process of applying for financial assistance the Committee believes that a minimum standard is that the applicant make full disclosure to the government agency administering the assistance.
2. After assistance has been granted the minimum standard required is full disclosure to the Parliament of details of -
 - how much assistance was granted and to whom it was granted;
 - for what purpose / initiative was the money granted;
 - the proposed benefits, in the form of production, exports, employment etc; and
 - the identified costs, other than the direct financial assistance, of the project.
3. The Committee believes that a post evaluation process should follow to ensure that the purpose and proposed benefits have been met.

Implementation

The new *Industry and Technology Development Act 1998* (refer to page 21) provides part of the framework for dealing with the issue of commercial in confidence matters. It restricts persons who perform functions or exercise powers under the Act from, amongst other things, revealing trade secrets or information that has commercial value to the person, or persons who provide the information.²⁹

The Industry Incentive Scheme (IIS) has also addressed and tightened confidentiality requirements during the assessment process. Department of Commerce and Trade CEO, Mr Muirhead explained that -

The assessment process requires applicants to provide information which establishes the case for assistance, and where needed for the department to form its assessment for the project, commercial in confidence information must be provided by the applicant”.³⁰

The assessment guidelines also stipulate that -

²⁹ *Industry and Technology Development Act 1998*, Section 29(3)

³⁰ Letter from Mr Richard Muirhead, op.cit. 9/7/98, p.2

No organisation shall be considered for the provision of assistance without preparedness to provide all information considered relevant to the appraisal process. Information supplied by applicants and marked confidential, will be treated as commercial-in-confidence by the department and government officers.³¹

Applicants are also advised that the Department is subject to the *Freedom of Information Act 1992*.

The Committee concurs with the spirit of Section 29(3) of the new *Industry and Technology Development Act* and its application to financial assistance. However, it is concerned at the level of understanding of government agencies of what is confidential and what is not. The protection of trade secrets or commercially sensitive material associated with applicants for financial assistance should be afforded on the understanding that this information may be made public after the assistance has been granted. This distinct difference needs to be reinforced within Government.

Ultimately, the principle should always be that the price of doing business with Government that involves the provision of financial assistance, is full disclosure to the responsible agency making the assessment. In turn, this must be reflected in full disclosure to the Parliament after financial assistance has been granted. DCT has improved its transparency in this regard by the compilation of a six monthly directory of current financial support. The Auditor General should also have complete access to information in order to follow an audit trail of financial assistance (see also below).

Such is the Committee's ongoing interest in the issue that it has included it as a business item entitled, "Commercial Confidentiality - Striking the Balance", at the upcoming Biennial Conference of the Australasian Council of Public Accounts Committees to be held in Perth in February 1999. The Conference will include both parliamentary and audit delegations from Australia, New Zealand, Papua New Guinea, United Kingdom and Canada.

3. Role of the Auditor General

The Government provisionally supported Recommendation 25, which advocated the clarification and strengthening of the powers of the Auditor General to properly audit, examine and make enquiries into financial assistance to industry. However, it did not support Recommendation 26, which proposed power being given to the Auditor General, by way of legislative amendment, to access private sector records and persons, in relation only to the financial assistance being investigated. As a consequence it also did not support Recommendation 27, regarding retrospectivity.

The Committee reinforces its recommendations and considers that scrutiny of the performance of the agency administering the funds should not be undertaken solely by the agency itself. The Auditor General or Parliament itself should also be able to carry out this function without being constrained by commercial confidentiality.

³¹

Department of Commerce and Trade (WA), *Industry Incentive Scheme Guidelines and Assessment Process*, 1997

Former South Australian Chief Justice, Sir Anthony Mason, in a 1980 judgement, aptly described the people's right to know in this process -

It is unacceptable in our democratic society that there should be a restraint on the publication of information relating to government when the only vice of that information is that it enabled the public to discuss, review and criticise Government action.³²

Essentially, where an organisation or individual has been the recipient of some form of financial assistance, the Auditor General must be given powers to access and follow the "money trail" for reasons of accountability. However, this would not typically constitute a comprehensive audit of the organisation. The Committee considers that the Government may have misunderstood the Committee's recommendation in this respect.

Recommendation 6 of this Report

That the Government amend the *Financial Administration and Audit Act 1985* in accordance with the Committee's Recommendation No.26 of Report No.31.

Inter-Agency Coordination of Financial Assistance - Chapter Eight

The Committee welcomes the positive Government response to its Recommendation 28, which advocated the establishment of an "Information Centre" to be located in either DCT or DRD. This would enable project proponents and existing projects to receive timely advice and access information relevant to their needs and requirements. DCT is currently implementing an initiative similar to the one outlined in the Committee's recommendation.

This recommendation was based on evidence and information received during the inquiry process which implied that there was a lack of consistency in the criteria for assistance between departments and that some project proponents had difficulties in establishing the role and services provided by key agencies particularly involved in infrastructure assistance. The Committee found that there was a need for clarity of the process of inter-agency coordination and the provision of information from a coordinated place.

Implementation

The newly established Office of Information and Communications (OIC) located within DCT, recently outlined its priorities, strategies and outcomes, in a submission to the Cabinet Standing Committee for Information and Communication Issues.³³ One of these was the development of a *Business and Investment Embassy*. The submission described the concept as providing a '... one-stop-shop for doing business with Western Australian companies and investing in the State,

³² *Commonwealth of Australia v John Fairfax & Sons Ltd* (1980) 32 ALR 485; 55 ALJR 45 at 49 (Mason J)

³³ Office of Information and Communications (WA), Submission to the Cabinet Standing Committee for Information and Communications Issues, *Priorities Strategies and Outcomes*, February 1998.

and accessing economic and regulatory information'.³⁴ DCT has managed and funded the creation of the *Embassy* prototype with the involvement of a group of core agencies.

The Committee wrote to the Executive Director of the OIC, Mr Stephen Collins, in September 1998 seeking an update on progress with the concept. In his response, Mr Collins provided the following information -

- The prototype of the Embassy has been completed by the contractor and presented to the Hon Hendy Cowan, MLA ... and the Hon Mike Board, MLA ...;
- The Hon Hendy Cowan has requested that a demonstration be made to Cabinet. It is scheduled for 5 October 1998;
- The demonstration will be accompanied by a Cabinet Submission asking Cabinet to note the progress and intent of the Embassy;
- The contractor has also provided a comprehensive management plan for maintaining and updating the proposed content and services to be available through the Embassy;
- The thrust of the management plan has been included in a Request for Quotation document which is being finalised by the Department of Commerce and Trade for presentation to the Information Technology industry within a few weeks;
- It is our intention to have a full Embassy service available in the first quarter of next year to assist Western Australian business; regional industry; and potential investors from overseas;
- It is also possible that the Embassy will include a service currently supported by the Ministry of Fair Trading to help businesses search the national Business Names register;
- The Department of Commerce and Trade is working with the Small Business Development Corporation on its Business Licensing Information Service project, which will provide businesses with information on licensing requirements from all three tiers of government on all major stages of business 'life'; and
- The Department of Commerce and Trade has also been working closely with the federal Department of Industry, Science and Tourism, (DIST), which is co-operating with other federal and state agencies on the Business Information Service. This Service is a very broad project which aims to allow Australian business to access on line all the business information and services provided by federal and states' agencies and local government ... In the interests of promoting the Embassy the Department ... is working closely with DIST to ensure compatibility between the two projects...³⁵

The Committee acknowledges the initiatives implemented by DCT to improve the information available to potential investors and local urban and regional businesses. However, it considers that the information and data collected must be current, accurate and well coordinated. The Committee in its Report No.31, received evidence from one Project Manager who highlighted the confusion that comes from a lack of coordination and upfront promotion of assistance.

³⁴ ibid, p.10.

³⁵ Letter from Mr S. Collins, Executive Director, OIC, to Mr M. Trenorden, MLA, Chairman, PAERC, 30/9/98

Recommendation 7 of this Report

That the Department of Commerce and Trade, prior to the Business and Investment Embassy service being available in 1999 -

- 1. consults with the Department of Resources Development to obtain current information on eg project approval processes and financial assistance schemes, for potential industrial and project developers. Although DRD is not the agency responsible for the management and funding of the Embassy, it should be viewed as a valuable information source given its status as the lead coordinating agency for major projects in the resources sector; and**
- 2. consults with Regional Development Commissions, local governments, the State Planning Commission and LandCorp to obtain relevant information.**

CHAPTER THREE

OTHER ISSUES

In compiling this follow-up report, the Committee acknowledges developments which have taken place in relation to financial assistance to industry on both a state and federal level, since the Committee tabled its report in October 1996.

Industry and Technology Development Act 1998

The *Industry and Technology Development Act 1998* was assented to on 20 May 1998 with the original bill being first introduced nearly one year after the Committee tabled its report. Some of the features of the draft legislation were addressed by the Committee in its report together with an examination of the recommendations made by the consultants reviewing the *Technology and Industry Development Act 1983*.

The Second Reading Speech of 16 October 1997 described the aim and purpose of the Bill -

The Industry and Technology Development Bill provides a more effective and accountable framework within which the Government can encourage, promote, facilitate and assist the development of industry, trade, science, technology and research activities in the State. The Bill also provides for the continuation of the Western Australian Technology and Industry Advisory Council ... The existing Technology and Industry Development Act was reviewed by an independent steering committee in August 1994, and the final report of this steering committee was tabled in this House in March 1995. The recommendations of that review with regard to legislative changes were to consolidate the legislation governing assistance and support to industry into one Act, to address a number of drafting and technical legal issues in the original Acts, and to broaden the focus of, and make more flexible, the enabling legislation The Bill repeals three existing Acts which govern this State's support to industry. These Acts are the Technology and Industry Development Act 1983, the Industry (Advances) Act 1947, and the Inventions Act 1975.³⁶

Features of the Act include -

- ▶ Defining the general powers and functions of the Minister (Part 2)
- ▶ Defining forms of financial support (Part 3)
- ▶ Reference to industry support guidelines and ministerial approval requirements (Part 3)
- ▶ Provision of financial support (Part 3)
- ▶ Confidentiality provisions (Part 7)

Industry Commission Report

On the 23 February 1998, the Federal Government released the Industry Commission's report on *State, Territory and Local Government Assistance to Industry*, nearly 18 months after it was originally submitted to the Federal Government.

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Hansard, 16/10/97, pp. 6970-6971

According to an article in *The Australian Financial Review*³⁷, the Commission found that -

- State Governments waste \$6 billion a year in business subsidies that do no more than shuffle jobs between regions and could actually hinder growth;
- States find it difficult to abstain from offering assistance because of the perceived economic and political cost of losing out to other States; and
- Because most State budgetary assistance is selective and discretionary and therefore secretive, there is potential conflict of interest for publicly accountable officials.

The article also reported that the Industry Commission's report showed that the States provided \$2.5 billion a year of financial assistance to industry with another \$3.2 billion worth of payroll tax exemptions. This was in addition to the \$9.9 billion of Commonwealth Government assistance and subsidies.

The Public Accounts and Expenditure Review Committee considers that its definition of financial assistance was well-balanced and clearly outlined for the purposes of the report what it considered was financial assistance. Contrastingly, the Industry Commission for the purposes of its inquiry, viewed assistance as '... government action which discriminates between activities, firms or industries'³⁸ and that '... the key rule of thumb used for identifying an action of government as assistance is whether it benefits, in economic terms, one business or group of businesses or some activities of business or groups of businesses in comparison with others.'³⁹ The Commission also provided commentary on forms of direct and non-direct assistance in the absence of a clear definition.

³⁷ *The Australian Financial Review*, 24/2/98, pp.1 & 6

³⁸ Industry Commission, *State, Territory and Local Government Assistance to Industry*, Report No.55, 1996, p.xxvii

³⁹ *ibid*, p.4

CHAPTER FOUR

APPENDICES

Appendix One

RECOMMENDATIONS ARISING FROM REPORT NO.31

CHAPTER THREE - An Effective Relationship Between Government and Business

Recommendation 1

A detailed cost benefit analysis should be carried out before any decision is made to offer financial assistance to attract industry.

Recommendation 2

The Government should not enter into second or competitive bidding to attract industry to the State.

CHAPTER FOUR - Industry Policy

Recommendation 3

The Government should establish a Ministerial Taskforce to develop an industry policy.

Recommendation 4

The implementation of an industry policy should be a priority for the Government and be tabled by the Premier in the Parliament at the earliest opportunity.

Recommendation 5

The Government should develop a strategy for delivering the objectives of the stated industry policy.

CHAPTER 5 - The Efficiency and Effectiveness of Financial Assistance: Management, Criteria and Evaluation

Recommendation 6

The Government should adopt and publish a policy identifying the amount at which financial assistance packages are required to be submitted to Cabinet for approval.

Recommendation 7

- (a) Financial assistance packages involving amounts of \$2million or more should be submitted to Parliament before approval can be granted by the Cabinet.**
- (b) When the Parliament is not sitting, financial assistance packages requiring Parliamentary scrutiny should be submitted to the Public Accounts and Expenditure Review Committee.**

Recommendation 8

The role and powers of the Department of Commerce and Trade and any other State Government agency should prohibit the use of equity investments as a form of financial assistance to industry.

Recommendation 9

The Industry Incentives Policy criteria should be referred to as “essential criteria”, consistent with the recommendation of the Auditor General’s Report Number 5, November 1994.

All criteria should be satisfied before any organisation is granted or offered financial assistance.

Recommendation 10

The threat of locating to another state or country should not be considered a valid reason for granting financial assistance.

Recommendation 11

The key factor in determining whether financial assistance should be provided, is the degree to which that financial assistance will return a net economic benefit to the State.

The net economic benefit should be accurately measured prior to financial assistance being offered or granted.

Recommendation 12

Prior to financial assistance being offered or granted, a method of evaluating the effectiveness of each financial assistance package should be built into the agreement with the proponent.

Recommendation 13

The net benefits of all financial assistance packages should be reported to Parliament annually.

Recommendation 14

- (a) The transparency and accountability measures detailed elsewhere in the Report should apply to Agreement Acts.
- (b) All Agreement Acts should stipulate a time limit for the life of any government financial assistance and the amount of financial assistance, including revenue foregone.
- (c) If, as a result of the terms of any State Agreement, a local authority suffers a revenue loss, or is required to forego income, the State should give consideration to compensating that local authority.

Recommendation 15

The provision of assistance under the Resource and Resource Processing Assistance Policy should be justified in terms of net economic and social benefits rather than the expectation of money be recouped.

Recommendation 16

The recommendations of the consultants reviewing the Project Financial Benefits Model (BENE) should be implemented without delay.

Recommendation 17

All Agreement Acts introduced into Parliament which contain provision for assistance should include a net or cost benefit analysis as part of the Bill.

Recommendation 18

The Department of Resources Development should include post assistance evaluation and project monitoring as part of the refinement and redevelopment of the Project Financial Benefits Model (BENE).

**CHAPTER SIX - Multiple Assistance: Incidence and Implications for the
Administration of Financial Assistance**

Recommendation 19

The Department of Commerce and Trade should not outsource its assessment and selection processes except for those Innovation and Research and Development Schemes where the Department has traditionally outsourced such functions.

CHAPTER SEVEN - Accountability of Financial Assistance

Recommendation 20

- (a) The Public Accounts and Expenditure Review Committee should oversight financial assistance to industry.**
- (b) The Public Accounts and Expenditure Review Committee should be provided with additional resources and expertise when it is reviewing financial assistance.**

Recommendation 21

Financial statements (unaudited if necessary) should be tabled in the Parliament at the earliest possible opportunity.

Recommendation 22

Annual financial statements should be presented in a form where the information relating to financial assistance packages is provided in a precise and readable format.

Recommendation 23

Every 6 months, a consolidated report containing all current financial assistance packages should be tabled in the Parliament.

Recommendation 24

No organisation seeking financial assistance shall be granted such assistance if it is not prepared to divulge the relevant information to the appropriate authorities.

Recommendation 25

The powers of the Auditor General to properly audit, examine and make enquiries into financial assistance to industry should be clarified and strengthened.

Recommendation 26

The Auditor General should have the power to access private sector records and persons, in relation only to the financial assistance being investigated, by way of amendment to the *Financial Administration and Audit Act (1985)*.

Recommendation 27

Any increased power granting the Auditor General the right to access private sector records or persons, should not be retrospective.

CHAPTER EIGHT - Inter-Agency Coordination of Financial Assistance

Recommendation 28

- (a) In the interests of improving the level and effectiveness of inter-agency coordination, the Government should establish an “Information Centre” to enable project proponents and existing projects to receive timely advice and access information relevant to their needs and requirements.
- (b) The “Information Centre” should be physically located in the premises of either the Department of Commerce and Trade or the Department of Resources Development.

Appendix Two

Appendix Three