

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 26 June 2002

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Witnesses

Mr J. Madden, Minister for Commonwealth Games;
Mr P. Allen, Secretary; and
Dr P. Hertan, Deputy Director, Sport and Recreation Victoria, Department of Tourism, Sport and the Commonwealth Games.

The CHAIRMAN — I thank Mr Allen for his attendance, and I welcome Dr Peter Hertan, deputy director, Sport and Recreation Victoria.

Mr MADDEN — Thank you very much, Mr Chairman, for the opportunity to brief the committee on Commonwealth Games matters. It is my first opportunity to brief the committee as Minister for Commonwealth Games, and I reinforce what a significant opportunity the Commonwealth Games are for Melbourne and Victoria.

Overheads shown.

Mr MADDEN — As you will appreciate, the Australian Commonwealth Games Association endorsed Melbourne's bid in 1996, and the Commonwealth Games Federation ratified Melbourne as the host city in October 1999. Melbourne 2006 Commonwealth Games Pty Ltd (M2006) was established out of the former bid company, and the Premier is the sole shareholder in the company and is honorary president of the organisation. Mr Ron Walker, OAM, is the chairman of the M2006 board, and the board comprises equal numbers of representatives from the Australian Commonwealth Games Association, the Commonwealth Games Federation and nominees of the state government.

To give the committee an overview of the 2006 Commonwealth Games, 72 nations from the commonwealth will be involved, which represents 30 per cent of the world's population. The games will be held between 15 and 26 March 2006, and 16 sports covering 25 disciplines will be represented. Significant numbers of people are expected to be involved in the delivery of the games, including 4500 athletes, 1500 team officials, 3000 technical officials, 15 000 volunteers and 5000 contractors — and that is before we talk about visitors coming to the state or to the country to attend the games.

The vision for the games is that it will be a landmark event in Melbourne's history, occurring some 50 years after the former Melbourne Olympic Games. We expect and are working to deliver significant benefits and, in particular, significant legacies for all Victorians as well as for Australians and Commonwealth nations.

The games will enhance our reputation as a dynamic city and provide significant benefits and legacies for all Victorians. They will provide an opportunity not only for us but also for other countries to rethink our place in the world and to reinforce our strengths as a sporting capital and as a community, a city and a state with significant skills and the expertise to deliver major events and to derive much benefit from our sporting culture. We look forward to seeing opportunities and legacies for all Australians as well as reinforcing legacies for other commonwealth nations.

Our objectives are to organise an outstanding and great sporting event, to maximise wherever possible positive media exposure, to ensure triple-bottom-line benefits and legacies, to involve all Victorians, to involve others in this country and other countries within the commonwealth, and to ensure prudent financial management.

Melbourne 2006 and the Office of Commonwealth Games Coordination are working in partnership to deliver the games for the government. There will be a division of primary responsibility between M2006 and the Office of Commonwealth Games Coordination for a range of activities that need to be delivered for the games. Melbourne 2006 will be responsible for the venue overlay and operations, the games village overlay and operations, the opening and closing ceremonies, sports competitions and the games cultural program.

The Office of Commonwealth Games Coordination was established in February 2002 to manage the government's involvement in the Commonwealth Games. It will be responsible for: ensuring that the games provide legacies for all Victorians; the provision of games venues and the games village; the coordination and management of the public domain, which is the area outside the ticketed venues where Commonwealth Games services need to be provided, including in particular traffic management, public transport, public entertainment, business continuity in the city and a whole range of other areas associated with those sorts of themes; the coordination of government services in running the games; providing policy advice to government on games issues; and providing advice on the governance and financial control of and accountability for M2006.

The next slide should be of particular interest to the members of the committee. The original 2001–02 budget for the Commonwealth Games was \$13.2 million, and that compromised a Melbourne 2006 operations budget of \$4 million, \$7.2 million for licence fees and \$2 million for infrastructure planning, comprising \$1.2 for the Melbourne Sports and Aquatic Centre stage 2 development and \$0.8 million for the Office of Commonwealth Games Coordination.

In addition, \$750 000 of support for the commonwealth games was budgeted for from Sport and Recreation. The figures differ because during the year the government supplemented this budget through Treasurer's advances for the bringing forward of payments to the Australian Commonwealth Games Association and Commonwealth Games Federation licence fees of \$2.14 million.

The CHAIRMAN — They were initially spread over a period of years. It is not actually an increase in the fee that is being paid.

Mr MADDEN — There was no increase in the fee. I just want to highlight that we have brought those payments forward and made one single payment rather than spreading it across several years; I am happy to detail the reasons for that at a later date. The advance also included Melbourne Cricket Ground (MCG) athletics track scope and tender work of \$250 000.

In relation to next year's budget, the Melbourne 2006 operations budget will be \$10.4 million, the Office of Commonwealth Games Coordination operations budget will be \$1.8 million, and the budget for the games village and issues associated with the planning and development of it will be \$1.5 million. Sport and recreation support is \$100 000.

Mr RICH-PHILLIPS — Can you clarify something? The licence fees brought forward — —

Mr MADDEN — Initially the licensing fees were to be spread over a number of years.

Mr RICH-PHILLIPS — The figure, you said, was \$2.14 million?

Mr MADDEN — You may have misheard me or I may have misstated it — the licensing fees which were brought forward involved a payment of \$21.4 million.

While this draft budget is in place the final budget for the Office of Commonwealth Games Coordination for 2002–03 will be determined based on the strategic planning requirements identified following the Manchester games. This additional budget will be subject to approval of the Treasurer and is not expected to exceed \$3 million in relation to the operation of the office.

Mr DAVIS — Not expected to exceed \$3 million?

Mr MADDEN — That is correct.

In relation to the games venues, the provision of which is the prime responsibility of the state government, I will not go into the details of what will take place at the venues as that is highlighted in the slide. The venues include the Melbourne Cricket Ground, the Melbourne Sports and Aquatic Centre, the Melbourne Exhibition and Convention Centre, Vodafone Arena, the Royal Park State Netball Hockey Centre, the State Lawn Bowls Centre at Darebin, Colonial Stadium, the Wellsford Rifle Range and St Kilda.

The CHAIRMAN — Where is Wellsford?

Mr MADDEN — It is just the other side of Bendigo — a regional location for the full bore shooting. I am happy to give you a few more details of the full bore shooting as we proceed.

Mr DAVIS — Don't games venues include accommodation? Will you come to that?

Mr MADDEN — I am talking about venues for the respective sports; the games village is assumed to be part of that, which the state is responsible for. There are some proposed games venues which are still to be determined. The basketball venues of Vodafone Arena and regional centres still require confirmation. The location of the marathon is still being finalised, although plenty of work has been done on that. Road cycling, mountain biking, clay target shooting and pistol shooting — —

Ms BARKER — I am sure you can find a mountain in Oakleigh.

Mr HOLDING — We have pistol shooting in Springvale.

Mr MADDEN — We won't go into that.

As you would appreciate, the games are a significant opportunity for this state. I have just been reminded that there will be separate accommodation outside the games village for the shooters involved in the full bore shooting in Bendigo. That is the only location for a village separate from the main village, and the site is still to be determined.

You will appreciate that this will be one of the most significant events to take place in the state in terms of its history, particularly its sporting history. It will gain momentum as we lead up to the dates in 2006. However, I think it is opportune to remind members of the committee and the audience that while we probably do not fully appreciate the significance of the event, we will be reminded of it during the games at Manchester when we see how Manchester has reinforced the value and the brand of the Commonwealth Games. They will use it as an opportunity to represent Manchester as a dynamic, go-ahead city; that is certainly the case but it needs to be reinforced to the world. They will take that opportunity to reinforce that. With the changes that have taken place in recent years in Manchester it will be a tremendous celebration for the commonwealth. The role of the commonwealth is being more and more reinforced through a focus on the benefits of a sense of community associated with the commonwealth. The Commonwealth Games are a tremendous opportunity to reinforce the role of the commonwealth and the benefits and welfare of commonwealth nations.

We should also appreciate that a significant component of the 72 nations that form the commonwealth are developing nations with developing economies. That means we have a tremendous opportunity to influence and further their development and also build and establish relationships with them so we can be involved hand-in-hand with them as they forge ahead with their development. There is no better way to do that than through reinforcing the significance of those relationships by embracing those countries through the delivery of the Melbourne Commonwealth Games in 2006.

Mr HOLDING — Obviously the MCG will play an important role in many of the events associated with the Commonwealth Games in 2006. I note the federal government's recent decision to withdraw its commitment to funding the MCG redevelopment. Could you provide the committee with some information as to the impact of this decision by the commonwealth government and where it leaves the plans for the redevelopment of the MCG?

Mr MADDEN — No doubt it has been quite a significant issue in terms of the profile of works to take place at the MCG. I mentioned in the previous presentation the argy-bargy taking place between the state and federal governments in relation to this and other issues. It should be seen as that. While sport has tremendous capital in terms of building a sense of community — we have seen that flow out of the Olympics — there is no doubt that the federal government has seen an opportunity to use it as a way of reinforcing divisions. That is very disappointing. I think one of the outstanding things about the MCG's history and traditions is it has been, is and will continue to be the people's ground. I understood that the \$90 million to come from the federal government reaffirmed and validated the prominence of the MCG in terms of the cultural significance —

Mr DAVIS — It is still available, too.

Mr MADDEN — And understanding of the quality of sport and the qualities that come out of sport in this state and nation.

The MCG redevelopment is estimated to cost a little over \$400 million. Very early in the formation of the redevelopment and the planning of that, it was recognised that one of the critical issues was the ability to fund the redevelopment of the Ponsford Stand. The committee would appreciate the three stands on the northern side: the Ponsford, the members and the old Olympic stands. In terms of business planning, the Melbourne Cricket Club has put an enormous amount of time, effort and resources into that.

Some 18 months ago, or thereabouts, the federal government indicated it was happy to facilitate the redevelopment of the Ponsford Stand by providing \$90 million to the Commonwealth Games, but that that should be directed at redeveloping the third component, the Ponsford Stand on the northern side. Based on that understanding and indication from the federal government, the Melbourne Cricket Club has worked tirelessly to ensure that three-stand development takes place.

Some time after the tender process some conditions were attached by the federal workplace minister, Tony Abbott, as to the way in which that \$90 million should be allocated. Some very invasive and intrusive conditions were placed on the conditions of the funding.

Mr DAVIS — What, obeying the law?

Mr MADDEN — I am happy to continue along that line, and I will.

The CHAIRMAN — Before you do, Minister, I remind you and all committee members that aspects of that cover industrial relations and they are the province of the Minister for Industrial Relations. This hearing and your responsibilities do not go there. I do not want to pursue areas that are not part of your responsibility. It is not fair that other members of the committee pursue areas that are not covered under your portfolio.

Mr DAVIS — Mr Chairman, on that point I understand the minister has overall responsibility for many of these Commonwealth Games sites.

The CHAIRMAN — Minister, do you have responsibility for industrial relations aspects of the MCG redevelopment?

Mr MADDEN — I do not have specific responsibilities for the IR component, but if the IR issues relate or impact on the delivery, the timeliness and the budget of the Commonwealth Games, then no doubt they are my responsibility.

The CHAIRMAN — That is what I said. I am happy to proceed on an area that concerns the impact of that, but the industrial relations issues are rightly elsewhere.

Mr MADDEN — The committee would appreciate that the conditions were placed on this at a very late stage. It had been indicated to us that the cost of those demands to the project would threaten the budget and the delivery of the building of the three-stand redevelopment.

The critical issue here, and I want to reinforce this, is that the work the MCC had done in relation to the delivery of the project was based on the very strict business planning model that requires it to continue to operate the facilities through the course of the building works. That is very important because the funds derived throughout the course of the building works fund the redevelopment. That is why the redevelopment will take place over a number of years rather than in a shorter time frame.

There is a quantum of money that it has worked through that it knows it can afford, and to have those conditions placed on the project at the last minute, after the tenders had closed — which is also in breach of the guidelines by which the federal industrial relations minister seeks to implement his conditions, but at the same time he wants to breach those conditions by delivering those conditions after the tender process — threatens the viability of the project not only because of the timeliness — and the builders themselves were concerned that the project may not necessarily be delivered in time given those conditions — but they expect additional costs associated with the project will in a sense be a threat to the timeliness because the conditions imposed by our federal colleagues will place the entire project in jeopardy or in doubt.

This is a critical issue as well because while the federal government was happy to fund the Olympic Games, and quite substantially, it at no stage placed industrial issues on the agenda for that funding of the Olympic Games. The federal government provided over \$1.14 billion to support the Sydney 2000 Olympics. I understand this was made up of \$494 million directly from the commonwealth budget, including \$175 million for capital projects from the federal government with no industrial relations tied to those conditions. The federal government also delivered \$106 million that was absorbed within the agency budget; \$60 million in forgone revenues and taxes; and somewhere in the order of \$481 million in full costs of other agencies, mainly defence. They were delivered to the games by the federal government and at no stage did it try to acquire political capital out of that. It did not try to make it political. It was happy to deliver that so we had a unified voice around the nation singing the praises of the Olympic Games.

At such an early stage in progressing to the Commonwealth Games, the federal government has seen fit to introduce conditions which it knows, and we all know here, are looking for a big fight at the MCG. As I have said publicly, the MCG is far too significant to not only the Commonwealth Games and the people of Victoria but also to the people of Australia for it to be turned into an industrial battleground, which no doubt is what was hoped by the federal government. If that was not its case, one can only then speculate that the federal government was trying to claw in its budget deficit and did not want to give the \$90 million to the Commonwealth Games. I hope that is not the case. I hope the \$90 million that it has not made available — —

Mr DAVIS — The offer is still there.

The CHAIRMAN — Order!

Mr MADDEN — I hope the \$90 million that it has not made available to the Commonwealth Games for the MCG is still available somewhere to the Melbourne Commonwealth Games. The test of the federal government will be to see if it really endorses and validates the role of the Commonwealth Games. Given the Prime Minister's role in positioning himself as the elder statesman of the commonwealth nations and his heavy involvement, I would hope and expect that he will look to delivering the \$90 million to the Commonwealth Games in another form.

That may not necessarily have to come directly to the state government if it does not want it to. It could go to Melbourne 2006 in terms of the operation of the games. I think that would be a legitimate way of delivering the money, knowing that the federal government seems to have significant difficulty handing money over to any state at this time for any issue, not just building works and infrastructure, but even to state sporting associations and sports development officers at a grassroots level.

It is obvious from its political grandstanding on the issue that where there is an opportunity to fund the states for any good work it is not prepared to do it. It will think up any excuse. In this case it has come up with a tremendous excuse where it believes, particularly its workplace relations minister, it will gain political advantage at the expense of sport, at the expense of Victoria, and at the expense of the Commonwealth Games. But there is a chance for the commonwealth government to fund the games in a manner that validates its commitment to the games in the same way it validated its commitment to the Olympic Games.

The opportunity is there; they know it is there. The chairman, Ron Walker, has worked incredibly hard to try and get that \$90 million delivered. I would, expect there is no doubt significant disappointment on his part because at a national level the good work that Ron has put in place has been undermined. However, no doubt Mr Walker, the chairman of the 2006 Commonwealth Games, will work tirelessly to ensure that the federal government does not pass up the opportunity to deliver that \$90 million to other areas of the Commonwealth Games, and I look forward to that.

Mr DAVIS — I understand that today the unionist, Martin Kingham, has said that a number of site agreements already exist on Commonwealth Games sites — a general sort of site agreement. Given that the federal Office of the Employment Advocate and other federal authorities believe that costs on the Commonwealth Games or on large building sites in Victoria may be up to 20 per cent greater than the costs on other building sites around the country because of industrial relations-imposed conditions, I am wondering what you see as the likely cost impact on a number of the Commonwealth Games sites of the site agreements that the unionist Martin Kingham has referred to today?

Mr MADDEN — I welcome the question and thank . Mr Davis for it. What you have to appreciate here is that in all of these projects the tenderers have tendered on the basis of the tender. They have gone out and come in with the figure they expect to pay, and as is the case in any major project whether it be private or public sector, they will expect to pay the market rate. They will also expect to cost the job at the market rate in a competitive manner. No doubt in major works, whether they be public or are privately delivered, there are site conditions that are negotiated between unions and the builders — the Master Builders Association. As has been case for some 10 years in this state there is sometimes a site allowance on some of those projects. Considering the quantum, the size of theses projects, I would expect there would be comparable site allowances, which I understand is the norm in comparable projects delivered either by the public or private sectors in this state.

Mr DAVIS — So compared to other states — —

The CHAIRMAN — Thank you.

Mr DAVIS — I am just trying to get to this.

Mr MADDEN — My understanding is that the cost to build in this city is cheaper than in Sydney. No doubt there is a cost to build that is more expensive in any capital city.

Mr DAVIS — Not according to those federal figures it is not.

The CHAIRMAN — But you cannot always believe that, can you?

Mr MADDEN — I understand that the cost to build is always more in any major capital city; that the cost to build in Sydney is more than in Melbourne; and that in Melbourne it is probably more than in Adelaide or Brisbane. That is not unusual. I understand that would be as expected when you also see a significant building

boom taking place in this state, so that where a significant skilled work force is in demand the market will pay probably — —

Mr DAVIS — To just understand the — —

Ms BARKER — You usually get only one question, David.

Mr MADDEN — The market will pay a slight increase.

Mr DAVIS — It is understanding an aspect of this — to understand the impact of those site agreements. You have talked at length about the need for inclusiveness and the need for all Australians to be involved. What will be the position on these sites of non-unionists? Will they be entitled to work on this site?

The CHAIRMAN — That is clearly outside the minister's responsibilities.

Mr DAVIS — No, but it impacts on the spirit of the Commonwealth Games.

The CHAIRMAN — No, it is clearly outside the minister's responsibilities. Do you have another question?

Mr DAVIS — It impacts on the inclusiveness to which he has referred to.

The CHAIRMAN — No, it is clearly outside the minister's responsibilities.

Mr DAVIS — The minister will not want to dodge this question.

Mr MADDEN — I am not dodging the issue. I am just stating it as it is. I accept that the industrial issues per se are not my responsibility.

Mr DAVIS — But the impact on the spirit of the Commonwealth Games is.

Mr MADDEN — Can I reinforce that we have an approach of cooperation in relation to any program, any project and any relationship with any organisation, whether it be in the building industry, the community sector, in health or in sport. At the end of the day the Commonwealth Games requires cooperation, consultation and collaboration on the part of all, particularly this government. We are not a government that bludgeons individuals, organisations, associations or other stakeholders in the delivery of any services or programs. We do not bludgeon them with our respective political philosophies, nor do we let them interfere with the delivery of services or programs or projects. But I think that stands in stark contrast to the federal government.

Mr DAVIS — So what are you going to do to protect those non-unionists in the spirit of the Commonwealth Games?

The CHAIRMAN — We will move on. Minister, you mentioned that shooting would be held at Bendigo and that there may be other events hosted outside of Melbourne for the Commonwealth Games, including basketball or rounds of basketball. I would ask you to detail that. I specifically raise in relation to Commonwealth Games basketball that some time ago you made \$1 million available to the City of Greater Geelong through mayor Kontelj. I understand that nothing has been done with that million dollars to secure the venue it was made available for, and in fact it has been put back on the market. Are you aware of any discussions that have taken place in recent times with the City of Greater Geelong to secure that facility? Has its lack of action put Commonwealth Games basketball in Geelong at risk?

Mr MADDEN — One of the great things about the Commonwealth Games is to have all Victorians embrace the games, not only in the lead-up but in the delivery of the games and the games taking place. We are encouraging the opportunity of having regional Victoria involved in one form or another. We think there is the opportunity for significant regional benefits to come out of the Commonwealth Games, and that is likely to occur in many ways. It is really about rural and regional Victoria maximising its involvement and the state government trying, where the opportunity exists, to maximise regional Victoria's involvement in the games. That will take place in many forms.

I think initially we will see training and lead-up training camps likely to be held in rural and regional venues. I know that significant numbers were held in Victoria around rural and regional areas in the lead-up to the Olympic Games, and the experiences of many nations was extremely positive; the warmth, the reception, the endorsement of

the respective national teams of either specific sports or generally those who trained in rural and regional Victoria was a very positive experience for the communities and for those teams. I am sure that in the lead-up to the games many rural and regional communities will try and take up the opportunity to repeat that. I am sure many of those countries that enjoyed themselves will also take up that opportunity.

As well, there is the opportunity to have some events in rural and regional Victoria, mainly in the regions. As you said, Mr Chairman, the Wellsford Forest shooting range is a venue that has been redeveloped by the government in the lead-up to the Commonwealth Games. Full-bore shooting, for those not au fait with it, is an interesting sport and one, I believe, with which particularly commonwealth nations have an association. I encourage members of the committee to take up the opportunity to experience full-bore shooting first hand. That will take place outside Bendigo in Wellsford Forest. One of the other impacts of that is that there will be a games village for full-bore shooting participants. Not only will Bendigo derive a significant economic benefit from that, but it will have that city feel it is a significant part of the Commonwealth Games.

The committee may appreciate that basketball has been introduced as a sport to the Commonwealth Games in the light of cricket not opting to be involved. We think there is a tremendous opportunity to have a number of the preliminary rounds in regional locations. They may well take place in the likes of Geelong, Ballarat, potentially Bendigo and potentially somewhere in the Latrobe Valley. The key for Geelong in particular, as you said, Mr Chairman, is ensuring that it has a venue of suitable standard.

The Arena, as it is known in Geelong, has provided an opportunity for the basketball community and the respective state and national teams over many years which have played at that venue, and it is important that that venue be retained. That venue is in private ownership. Its owner has not derived the financial benefit that I understand he may have liked. He is looking to sell the facility and is considering selling it at a reduced price on the basis of making it available to the City of Greater Geelong. To rebuild such a facility, I understand, should the City of Greater Geelong need to do that would cost millions — —

The CHAIRMAN — I understand those negotiations have actually broken down and now the signs are back on The Arena, putting it on the open market.

Mr MADDEN — When recently venturing past the facility I noticed the ‘For tender’ sign there. That is disappointing because the City of Greater Geelong owes it to the community to facilitate a positive outcome for that facility. The government has made \$1 million available to complement the purchase price and would make the purchase acceptable to the City of Greater Geelong. It is disappointing that that matter has not been resolved. I understand the City of Greater Geelong may not have been as proactive as could have been the case. I hope it sees fit to work through those issues and there is a facility in Geelong so that its community and surrounding regions can take up the opportunity to potentially stage preliminary rounds of Commonwealth Games basketball there. That would be a wonderful outcome.

We know that substantial numbers of the Geelong community enjoy basketball at that facility and it would be outstanding if that community could look forward to basketball there in 2006. It requires the City of Greater Geelong to grasp the nettle and ensure it works through that. I believe the former mayor may not have grasped the nettle when that needed to be done.

Other opportunities exist for regional Victoria to be involved in the delivery of events. One being considered is the location of the venue for mountain bike riding. Also, the venue for the clay target shooting has to be finalised. Opportunities exist for the staging of those events and to establish training facilities, but there is also a great opportunity for regional and rural industries to benefit from the Commonwealth Games. A number of those options are being explored by developing a regional benefit strategy and a games industry strategy.

They include such issues as the supply of goods and services as part of the games procurement and/or sponsorship processes, the showcasing of regional and rural industries, the exposure of business matching with trade missions, the establishment of business links for future Olympic and Commonwealth Games, direct business from hosting events and training such as retail accommodation, supply infrastructure, foods and services, business development from the environmentally friendly focus of the games, and I suppose the other area is the social and community benefits that also arise from the games. They would include the baton relay that, I understand, will pass through each of the 78 municipalities. We saw the Manchester baton relay pass through Melbourne, and in the lead-up to Melbourne 2006 I understand planning is taking place to have the baton pass through every municipality.

The cultural and arts festivals associated with the games, the enhancement of participation in activities, schools programs, the encouragement of healthier lifestyles, and the opportunity for parallel community events in the

lead-up to and around the time of the games are also important. Where there is an opportunity to build on visits in those regions, that can be examined and no doubt developed in the lead-up to the games.

The CHAIRMAN — I assume, given the list you showed us earlier with the venues of only about four disciplines still to be determined, that the clock is ticking on this?

Mr MADDEN — Absolutely. We have said openly and early that if regions are interested they should take up those opportunities and look to address the issue. The City of Greater Geelong needs to resolve the basketball issue. The venues still to be determined are for basketball, the marathon, road cycling, mountain bike riding, clay target shooting and pistol shooting.

Basketball is the critical one for Geelong. I know that you, Mr Chairman, advocated strongly that the government support the City of Greater Geelong in seeking funding at the time of the provision of the \$1 million. Geelong has been eager to try to access the triathlon event, and I am aware that you, Mr Chairman, advocated strongly in relation to that also. But that not being the case, the triathlon will be held in St Kilda. If Geelong wants a Commonwealth Games event to be held in that city, the basketball issue needs to be resolved at the earliest possible time, because the longer the problem continues the less likelihood there is that it will be resolved.

Mr RICH-PHILLIPS — Minister, I ask you about the licensing fee for the Commonwealth Games. In your presentation you said that the fee for the association or federation had been brought forward and would be paid in the 2001–02 financial year, and that that will complete the payments required under the licensing arrangements. Is that correct?

Mr MADDEN — I understand that to be the case, yes.

Mr RICH-PHILLIPS — What was the original schedule for paying the licence fee? Who decided it should be brought forward — the committee or the government? What was the reason for doing that? What discount was obtained by bringing forward the licensing fee?

Mr MADDEN — In obtaining the right to host the 2006 Commonwealth Games the state entered into a contract with the Commonwealth Games Federation which included an obligation to pay licence fees for the games. The state also negotiated the buy-out of the Australian Commonwealth Games Association's share of the joint marketing rights under the endorsement contract for the 2006 games. The bringing forward of that payment will meet in full the state's obligation to pay the *Australian Commonwealth Games Association's licence fee.

So it is paid in full now. By bringing it forward we have paid the figure in full rather than pay it across a number of years. The benefit of this, I understand — and much of this was decided through Treasury in terms of the technical issues about the advantage of paying it early — is that it avoids licence fees being further indexed, which is a requirement of the contract. It overcomes the potential for that and thereby there is an inherent or potential saving in that.

The other issue is that it also provides the Australian Commonwealth Games Association with further access to funds. That will assist the Australian Commonwealth Games Association with the preparation of Australian athletes for Melbourne 2006. We saw significant benefits, not only for the state in terms of the financial arrangements, but benefits also to the stakeholders by bringing that payment forward. You would appreciate that if the Australian Commonwealth Games Association wants its Australian team to perform admirably in 2006 the investments need to be made sooner rather than later. Many of the fledgling champions need that investment probably at this time to make sure they are capable of competing at such an elite level come Commonwealth Games time. We believe this would also assist them.

The Commonwealth Games Federation payment will meet in full the state's obligation to pay the licence fee under the host city contract. I understand that the original payment schedule was \$5 million a year indexed from 1996 to the ACGA. That was in the order of £1.58 million associated foreign exchange risk, I suppose. As you would appreciate, depending on the way that the Australian dollar progresses — —

Mr RICH-PHILLIPS — Sorry, what was the basis of the indexation?

Mr MADDEN — Sorry, I will say that again. It was \$5 million a year indexed from 1996 figures, to the Australian Commonwealth Games Association.

Mr RICH-PHILLIPS — What do you mean?

Mr MADDEN — It was based on \$5 million a year at the time of 1996.

Mr RICH-PHILLIPS — Inflated by what index?

Mr MADDEN — Indexed to inflation, and I suppose foreign exchange risk issues as well would also come into play with it. There were benefits by paying it early in terms of not only avoiding the indexation but also avoiding foreign exchange risk over that time.

Mr RICH-PHILLIPS — Are you able to tell the committee what the aggregate amounts paid to the CGF and the ACGA are, because there are obviously two separate contracts there that have been aggregated in the one licence fee payment?

Mr MADDEN — My notes here indicate that the budget papers include \$21.4 million as the total licence fees paid in 2001–02, that being \$17.1 million for the ACGA and \$4.3 million for the CGF.

Mr RICH-PHILLIPS — That was the extra, not the total?

Mr MADDEN — I understand that to be the case.

Mr RICH-PHILLIPS — That was the extra amount that was paid rather than the — —

Mr MADDEN — Yes, and I understand there were some funds paid earlier. I do not have those specific figures in front of me, but I am happy to provide you with those at a later date.

Mr RICH-PHILLIPS — Can you also provide, please, a breakdown of the original terms of the ACGA licensing agreement in terms of what the payments were going to be prior to them being brought forward in a lump sum?

Mr MADDEN — Just to clarify that again, those original terms were again the \$5 million per year from 1996.

Mr RICH-PHILLIPS — Sorry, I thought that was the federation payment.

Mr MADDEN — Sorry, that was to the ACGA. I have probably confused the issue. There were two separate payments: the \$5 million year indexed from 1996 to the ACGA — —

Mr RICH-PHILLIPS — You said that was also then subject to foreign exchange?

Mr MADDEN — Sorry, I understand it was agreed to on the basis of a foreign currency figure, so £1.58 million.

The CHAIRMAN — So it was in sterling originally?

Mr MADDEN — The agreement was in sterling, I understand.

Mr RICH-PHILLIPS — The payment to the Australian Commonwealth Games Association was in sterling?

Mr MADDEN — No, the agreement is in Australian dollars, but the payment to the ACGA, sorry, to the CGF — I am getting my initials mixed up here — was £1.58 million foreign exchange. If you want those details in writing — —

Mr DAVIS — That was 1.85?

Mr MADDEN — It was £1.58 million to the CGF. There is an inherent foreign exchange risk there because of pounds sterling, and \$5 million per year to the Australian Commonwealth Games Association indexed from 1996, so there is a CPI indexation there. Between those two figures it was considered appropriate by Treasury to bring the payment forward to overcome the indexation issue with the ACGA and the foreign exchange issues associated with the payment over time to the CGF.

Mr RICH-PHILLIPS — Was there indexation applied to the CGF requirements?

Mr MADDEN — No, I do not believe that was the case.

Mr RICH-PHILLIPS — Do you know how many years that payment was required for, or was it a one-off payment?

Mr MADDEN — No, I understand it was over a number of years.

Mr RICH-PHILLIPS — That was the annual figure, was it, £1.58 million, or was that the total figure?

Mr MADDEN — Excuse me one moment. I understand that \$1.58 million was the final figure. There were some funds paid earlier. If you want further details of that, I am happy to provide you with those further details.

Mr RICH-PHILLIPS — That was effectively the cash out figure to exit?

Mr MADDEN — I understand.

Mr RICH-PHILLIPS — If you could provide the details of what the contract was originally going to require — —

Mr MADDEN — I am happy to provide you with that.

Mr RICH-PHILLIPS — Thank you.

The CHAIRMAN — Thank you for doing that, Minister. This committee could never access those figures at the times that the contracts were taken out, so we are delighted to have you supply those figures to us.

Mr DAVIS — At the end of the contract.

Ms BARKER — While I do jest about having mountain bike riding in Oakleigh, you would be aware of some of the excellent facilities for training in preparation for the Commonwealth Games in Oakleigh, such as the Packer Park velodrome, of course.

Mr MADDEN — Thank you.

Ms BARKER — And the excellent elite athletes that we have who will be travelling to the world multidisability games in Germany in August. However, I take you to your visit overseas shortly to Manchester for the 2002 Commonwealth Games. I understand you are intending to visit Manchester for those games, and I am certain that that is a very good intention. Could you advise us of how long you will be there, what role Melbourne will play in the 2002 games and could you also provide some detail on how you intend to promote Melbourne during your visit to the Manchester games?

Mr MADDEN — Thank you. You would appreciate that Melbourne's presence at the Manchester games as the next host city is vital for a number of reasons. My role is also extremely important. In the lead-up to the Manchester games the Commonwealth Games Federation will meet in the three or four days prior to the games. It meets on an annual basis to consider all things associated with the Commonwealth Games. I am required to present a report to the Commonwealth Games Federation general assembly — this is the respective delegates from each of the Commonwealth Games nations — on the progress in planning for the 2006 Melbourne games. That will reassure them and give them confidence that everything is on track in relation to the delivery of the 2006 games.

One of the other associated issues that is of utmost importance is what is known as the transfer of knowledge program, which is ongoing, where Melbourne 2006 and government officers will learn from Manchester's experience in delivering the games. I understand that in relation to not only the Commonwealth Games but also the Olympic Games it is an important component for any of the cities that will deliver games into the future that they are part of that transfer of knowledge program, which is basically an understanding of how previous games have been delivered.

Appreciating that Manchester's approach is significantly different from Sydney's approach to the Olympic Games, while we have learnt significant amounts from the Sydney games, Manchester's games are different. We will be able to glean the best from both of those events and hence the appropriateness of being at the games to learn from the best practices of both cities.

The other opportunity is to network with those international sports administrators, athletes, the media and businesses not only for me but also for Melbourne 2006 state officers or City of Melbourne officials to enhance and excite people about the opportunities that exist in Melbourne for the 2006 games.

Tourism Victoria will be providing background information on Victoria to the international travel and sports media, and will co-host with Melbourne 2006 the Promote Victoria function to be attended by the Premier and me, and I understand the Leader of the Opposition at this stage has indicated he will be in attendance at the games. I also understand that Ian Cover, the shadow sports minister, will also be in Manchester at that time, so no doubt where opportunities present themselves to show that we are united in terms of support for the games those opportunities will be taken and given accordingly.

We think that this is a tremendous opportunity for all of us to work to identify and discuss potential sponsorships for Melbourne as well through this, and I suppose the culmination of all that will be the handover ceremony at the end of the games — our 15 minutes of fame, you could call it — where there will be a presentation showcasing Melbourne as part of the games handover. That will feature as part of the media presentation, and the broadcast of that final event, the flag handover and the handover ceremony, will be part of that 10 or 15 minutes of fame with the Premier receiving the Commonwealth Games flag on behalf of Melbourne as the host city.

It is important that we reinforce what a tremendous opportunity for all those nations, businesses and athletes that 2006 will be to build upon the work we have done to date and to generate excitement.

The contrast between Manchester and Melbourne is interesting, and we will be able to send out that message. You will appreciate that Manchester is a smaller city and has committed itself to a legacy in terms of venues and programs coming out of the Commonwealth Games. It has opted for smaller venues, the reason being to ensure that they can be used after the games have finished. The stadium is about half the size of ours and the swimming venue will hold about 3500 people, whereas ours will be significantly greater in terms of the potential patronage that can attend at the respective main venues, but the great thing for our city and for our state is that those venues will work as legacies well into the future, which will reinforce the sports culture of this state.

When you think about the legacy of the MCG and the Melbourne Sports and Aquatic Centre in particular, the key venues, we will make sure that they can operate well into the future based on sound business principles so that they are not a drain on state government resources. The additional pool to be built at the Melbourne Sports and Aquatic Centre will complement the business planning and operations of the centre. Although the state government will make the capital investment initially, the operation of the facilities will be long-lasting in contrast with Sydney, where it has significant pressure to try to make use of its facilities. They made significant capital investment in those facilities over and above the Olympics. They do not have a strong sporting event culture, long term or short term, so that has placed challenges on the use and patronage of the Olympic precinct at Homebush. We believe that will not be the case here.

The MCG, the tennis centre and the Melbourne Sports and Aquatic Centre, the prime locations, will operate well into the future without the requirement of significant support from government. It means that it strengthens the facilities, the potential of the major events, and if there are at any time additional budget dollars for sport, they can go into the implementation of sport rather than having to maintain those facilities.

We think that places us in an extremely strong position as a state to ensure that sport flourishes, grows and is strengthened, and puts us at the leading edge of event delivery, sporting culture development and sporting business enhancement well into the future. In every sense of the word, we can justifiably describe Melbourne as a sporting capital, if not the sporting capital of the world, certainly of Australia.

The CHAIRMAN — In a way my question follows upon what you were saying about the concept of legacy as a great concept, and you were talking about Manchester pursuing the same thing. However, in other areas we have seen that that legacy can turn into a burden if it is not properly planned and if appropriate precautions are not taken in the early stages of planning and so on.

In relation to the staging of the games in Melbourne, can you advise the committee of the financial models, of the details of the planning and so on that you will be pursuing to ensure that indeed we do have a legacy and not a burden?

Mr MADDEN — There are some very significant issues in that question that I am happy to address. In contrast to a city like Montreal that held the Olympic Games some years ago, you will appreciate the inherent difficulties it delivered with a winter that set in too early and because of that was not able to complete facilities. If

my mind is right in terms of the history of Montreal, there was a significant debt burden to the city. Appreciating that model and the model of other deliveries of events throughout the history of major events, we are very keen to minimise and reduce the risks, and to build and support the opportunity for benefits in terms of the legacy.

In terms of the benefits themselves, there are potential economic, environmental and social benefits — I suppose that is the triple bottom line. We are working very hard to ensure that that is the case, that the economics makes sense and that it is particularly well managed, that the benchmark environmental benefits are part of the games and that the social benefits are certainly key priorities. So they are very much the three benefits, I suppose — the economic, the environmental and the social benefits.

There is a framework about to go out for discussion detailing many of those environmental issues. As part of the advisory panel process, and as part of the structure of the Commonwealth Games legislation, that advisory panel on environmental issues will consider how best to provide environmental opportunities and environmental benefits as legacies for the state of Victoria, in terms of either the management or the development of the games.

As to the social benefits, it is again about trying to increase lasting legacies. Whether it be in terms of participation, pride and morale or the memory the events, or whether it be with education and using the opportunity to build on all those sorts of issues, we believe the games can be significant in terms of the social benefits. And again there are the economic issues — to manage them responsibly and to ensure that the economic issues leave a significant, beneficial and lasting legacy, whether they be, as mentioned previously, the facilities, or as well as the facilities, the industry and business benefits. Hence we are developing a strategy in relation to that using local industries for goods and services and using the opportunity to enhance employment and skills development. I suppose there are longer term benefits in terms of business leveraging, business matching, international investment and business linkages associated with the games.

There are other social community benefits, whether they be with arts festivals and participation or volunteer programs and strengthening the role of volunteers. In terms of sport there is a great opportunity to skill up our respective volunteers, particularly within sporting associations. The delivery of an event like this requires significant numbers of technical staff, many of them come from overseas; but a significant component of the volunteer staff in terms of the technical issues related to the delivery of the sports would come out of our sporting personnel from within Victoria.

This is a great opportunity to skill up many of those volunteers who might be involved on the fringes of their respective sports. They can become more enthusiastic about it because of the opportunity, but they can also gain a significant skilling up, thereby strengthening grassroots sport in this state by providing some of the skills training and taking it out of the realm of doing the books on the kitchen table — if you are involved in sporting administration for community groups. It will give those individuals the opportunity to strengthen their skills through the promotion and development of the Commonwealth Games. So there is a whole range of areas where I think there will be significant benefits, and I look forward to those.

That is not to say, I suppose, that there are not some inherent risks. In terms of ensuring that, we have to manage and reduce those risks, and we are working to ensure that we overcome any potential exposure to those risks. I suppose we have seen issues coming out of other games, whether they be ticket sales or sponsorship issues and the flak from the fallout; and I suppose, referring back to your earlier questions, it is about ensuring that there is the contribution as initially expected from the federal and local governments.

In terms of other risks, we saw transport issues rear their head very early just prior to the Olympic Games — so it is about ensuring that transport mechanisms are in place. We know there will be security issues, because of the world climate currently. It is about ensuring that the staff are adequate either in numbers or skills and that the sports program areas — the technical issues in particular — are managed accordingly, as are the delivery of the venues, whether it be management or operations, and village-associated issues.

I suppose the other issue worth considering is, where you have substantial numbers of people in public areas, the health and safety and operations involved — whether it be just the security issues in those cases, and we have seen the issues associated with Atlanta, or illness and injury, where you get high numbers of people coming together in one place. It is about what that means in terms of having mechanisms for identifying where those issues potentially are and, if they do occur, how you manage and overcome those issues.

There would be a significant number of people from overseas, so illness, injury, health, safety and all those issues are risks. We will ensure that they are managed accordingly in the lead-up to and at the time of the games.

Mr DAVIS — Minister, I take you back to the issue of the \$90 million the federal government offered to the state government for the Commonwealth Games. I note that the government has renounced the opportunity to accept that money, for its own reasons. In the house in June you said:

I reinforce the point that when money is taken out the government has to reconsider other options in relation to the games, and that is what the government is considering.

You also said at various points in the house that a number of other programs, including capital works, may be at risk. I wonder if you could give us an assurance, first off, that there are no projects that will be cut or no projects that will be put at risk by this government in the Commonwealth Games proposals.

We all saw *The Games* and the 94-metre 100-metre track and the shallow pool. I want to be absolutely clear that there will be no capital works or programs that will lead to unsatisfactory facilities or other concerns.

Mr MADDEN — Look, I can guarantee that there will be no cuts to any sporting programs, and I can guarantee that there will be no cuts to any infrastructure works. I can make that claim, appreciating that the budget still has to be finalised. You cannot cut a budget that is not finalised.

Can I also say to you, though, that again recognising the federal government's contribution to the Olympics, it is about what a \$90 million contribution by the federal government can do in terms of adding value to the event. There are no doubt ways in which you can add value to the event, whether it is the celebration component or whether it is festivals and activities in Melbourne and beyond Melbourne in regional Victoria.

Mr DAVIS — You are suggesting that those will be cut, that the value will be reduced?

Mr MADDEN — No, I am not saying there will be any cuts. There will not be any cuts. But what I am saying is that — —

Mr DAVIS — The value will not be added; are you putting it that way?

Mr MADDEN — Well I am saying that the value — —

The CHAIRMAN — That is the question I wanted to clarify, too.

Mr MADDEN — Yes, that is right. The value-adding by a contribution of \$90 million from the commonwealth government, we hope, will not be lost. We will hope that they will have the opportunity to provide the \$90 million in another area rather than taking it away from the games completely. So there will be no cuts; there will be no diminution.

Mr DAVIS — You have said that the value will be reduced — —

Mr MADDEN — There will be no diminution — —

Mr DAVIS — I wonder if you can detail how that will be reduced.

Mr MADDEN — There will be no diminution of the games or its delivery. But I think what is worth considering is that a \$90 million contribution by the commonwealth government, which could have added value to the games in a whole range of areas, will be a lost opportunity for the commonwealth government to add value to the Commonwealth Games for all of Australia.

It may not add value specifically to Victoria, but potentially the federal government could use the \$90 million to celebrate the Commonwealth Games around Australia and add value not only to Victoria but to Australia's experience. We expect that to be the case. That has been the case with the Olympic Games, and I believe the opportunity still presents itself for the commonwealth government to do that. We hope that will not be a lost opportunity to add value to the celebration of the games not only for Victoria but for Australia.

At the end of the day the Commonwealth Games are a celebration. The thing that all of us have learnt from the Sydney Olympic Games is the fantastic sense of celebration that sport can deliver, and we are seeing that with the World Cup. At a time when there are so many divisions in the world, sport gives us a significant opportunity to celebrate what we have in common. If we can add value to that through the federal government's \$90 million funding, we look forward to it.

Mr DAVIS — To understand this fully, I will ask this. If you had accepted that \$90 million, how would you have spent the \$77 million you have put in as replacement money? How would that \$77 million have been spent on those aspects of adding value to the games that you are describing?

Mr MADDEN — Basically the \$77 million will come from the budget surplus, so there is no reduction in the delivery of the games, but I hope that the opportunity the federal government has to add value — I trust it will do so, and I look forward to it making that contribution — is not lost for the sake of Australia and of the games in Victoria.

Ms BARKER — Perhaps Minister Abbott thinks he will be Prime Minister at the time. You should offer him the opportunity to open the games and then he might give you some money!

The CHAIRMAN — I want to clarify one aspect of that so the committee understands absolutely the position you have put. As I have understood it, you have said that you would be prepared to accept the \$90 million if offered on the original terms and conditions agreed back before tenders were let, et cetera, but that if Minister Abbott wants to continue to welsh on the promises he made you would offer another opportunity for the federal government to save face by putting that money in elsewhere.

Mr MADDEN — We welcome the opportunity for the federal government to make the contribution. It was a contribution to come out of the federal government's contribution to sport. The federal government does not fund community facilities, and it has not for some years.

Mr DAVIS — It put money into the Olympic Games.

Mr MADDEN — It has indicated over the years that it is potentially interested in funding national facilities of sorts. The committee would appreciate that there is no more iconic national facility than the MCG, with its Boxing Day test and AFL Grand Final, and it would make sense from the commonwealth's point of view to make the contribution. It did make that offer, and it was to come out of sport funding, but somewhere in the food chain the sports minister was consumed by the federal workplace relations minister and, as part of that, the \$90 million got consumed in the political industrial relations agenda of the federal government. It is disappointing, because sport should be beyond that, the Commonwealth Games should be beyond that and the federal government should be beyond that.

Mr DAVIS — Unless you are a non-unionist, in which case you will be done over by this government.

Mr RICH-PHILLIPS — If the commonwealth offers the money and you do not accept it, there is not much more it can do.

Mr MADDEN — On my understanding the critical issue here is that as a government we were happy to implement the law, but it was the extensive and intrusive implementation and interpretation of the guidelines that were sought that caused the interference, to the point where the builders themselves said they could not guarantee the delivery of this project on time or on budget, hence undermining the project. The disappointment was that in seeking to enforce his own guidelines the workplace relations minister was happy to breach his own guidelines! That is a critical point that has not been reinforced, and I would like to reinforce that today. But again, we welcome the opportunity for the federal government to involve itself in the Commonwealth Games. No doubt it will want to, and no doubt, given the anticipated success of Australian sports people in Manchester — —

The CHAIRMAN — Providing many photo opportunities.

Mr MADDEN — Yes. Given that anticipated success, the Prime Minister might reconsider.

The CHAIRMAN — Minister, that brings to a conclusion the time allocated for consideration of the estimates under your portfolio responsibilities. I thank you and your various departmental officers for your attendance here today. Some matters will be followed up with you as a result of today's hearings, and some other questions may be forwarded in writing at a later date.

Mr MADDEN — Thank you very much, Mr Chairman and members of the committee. I always look forward to coming to see you, and I look forward to returning on future occasions.

Witnesses withdrew.