

# TRANSCRIPTS

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into 2016–17 Financial and Performance Outcomes

Melbourne — 14 February 2018

#### Members

Mr Danny Pearson — Chair	Ms Sue Pennicuik
Mr David Morris — Deputy Chair	Ms Harriet Shing
Mr Steve Dimopoulos	Mr Tim Smith
Mr Danny O'Brien	Ms Vicki Ward
Ms Fiona Patten	

#### Witnesses

Mr Richard Bolt, Secretary,  
Mr Corey Hannett, Coordinator-General, Major Transport Infrastructure Program,  
Mr Justin Hanney, Head, Employment, Investment and Trade,  
Mr Luke Wilson, Lead Deputy Secretary, Corporate Services,  
Mr Andrew Abbott, Deputy Secretary, Creative and Visitor Economies, and Chief Executive, Creative Victoria,  
Mr Tim Ada, deputy Secretary, Industry Development and Innovation,  
Mr Matt O'Connor, Deputy Secretary, Industrial Relations Victoria, and  
Ms Lill Healy, Deputy Secretary, Policy, Programs, Small Business and Employment, Department of Economic Development, Jobs, Transport and Resources;  
Mr Kevin Devlin, CEO, Level Crossing Removal Authority;  
Mr Jeroen Weimar, CEO, Public Transport Victoria;  
Dr Gillian Miles, Head, Transport for Victoria;  
Mr Duncan Elliott, CEO, North East Link Authority;  
Mr James Flintoft, Chief Executive, Regional Development Victoria;  
Mr Peter Todd, Acting CEO, VicRoads; and  
Mr Peter Sammut, CEO, Western Distributor Authority.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2016–17 financial and performance outcomes. All mobile telephones should now be turned to silent.

I would like to welcome Mr Richard Bolt, Secretary, Department of Economic Development, Jobs, Transport and Resources; Mr Corey Hannett, Coordinator-General, Major Transport Infrastructure Program; Dr Gillian Miles, Head of Transport for Victoria; Mr Justin Hanney, Head, Employment, Investment and Trade; and Mr Luke Wilson, Lead Deputy Secretary, Corporate Services.

Additional witnesses in the gallery are Ms Lill Healy, Deputy Secretary, Programs Small Business and Employment; Ms Beth Jones, Acting Chief Executive, Agriculture Victoria, and Acting Deputy Secretary Agriculture, Food and Fibre; Professor German Spangenberg, Deputy Secretary, Agriculture Victoria Research; Mr James Flintoft, Chief Executive, Regional Development Victoria; Mr Tim Ada, Deputy Secretary, Industry Development and Innovation; Mr Matt Carrick, Deputy Secretary, Investment and Economic Projects; Mr Andrew Abbott, Deputy Secretary, Creative and Visitor Economies, and Chief Executive, Creative Victoria; Mr Peter Betson, Deputy Secretary, Resources; Mr Matt O'Connor, Deputy Secretary, Industrial Relations Victoria; Mr Peter Sammut, Chief Executive Officer, Western Distributor Authority; Mr Evan Tattersall, Chief Executive Officer, Melbourne Metro Rail Authority; Mr Kevin Devlin, Chief Executive Officer, Level Crossing Removal Authority; Mr Duncan Elliott, Chief Executive Officer, North East Link Authority; Mr Jeroen Weimar, Chief Executive Officer, Public Transport Victoria; Mr Peter Todd, Acting Chief Executive Officer, VicRoads; Mr Michael Hopkins, Deputy Head, Policy and Reform, Transport for Victoria; Mr Simon Burrage, Acting Chief Financial Officer; and Ms Anthea Harris, Lead Deputy Secretary, Strategy and Planning.

I would like to welcome all witnesses sitting in the gallery. Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts and any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I will now give the witness the opportunity to make a very brief opening statement of no more than 10 minutes. This will be followed by questions from the committee.

**Mr BOLT** — Thank you, Chair, and thanks to members of the committee for the opportunity to present to you and take your questions. I do not have control over the slides, so thank you to whoever is doing that.

### **Visual presentation.**

**Mr BOLT** — I just want to briefly remind committee members of what we are here to do as a department. The context of how the economy is performing, the work we do with community and industry, our work across Victoria and the portfolio critical to our success and what indeed we have ultimately delivered are clearly the subject of today. What we are here to do can be boiled down to a focus on productivity, competitiveness and sustainability in the economy, but also inclusion. So prosperity and inclusion, as we have said before, are the twin objectives of the department, and to do it we have a focus on job creation as a fundamental driver, the connection of people and businesses as a means to that end, and a particular focus on Victoria and Victoria's reputation for livability now and in future, and we have of course an outcomes framework, which I believe we have presented to you before and is summarised in that slide.

If I can go to the next slide, the overall picture for the Victorian economy in terms of job creation and in terms of gross state product is very strong. We are indeed a positive outlier in the federation and indeed amongst the advanced economies of the world, and the graphs up there summarise the situation particularly in the rise since 12–13, up to 15–16, and the year in question which is the subject of this inquiry.

The next slide shows the one issue that is the subject of commentary worldwide in the Western economies, which is wage growth. It has clearly been historically higher and there has been a general trend down since about the middle of 2011, a slight uptick for Victoria relative to the nation in this calendar year, and of course the general driver of wages growth, of productivity in particular, is perhaps a particular challenge for the business community and for government in its economic facilitation role.

A context for the department's work, particularly in infrastructure but well beyond that, is population growth. The trend remains substantial. We are growing very rapidly — 400 people per day are being added to the population of Victoria — creating demand for services, creating demand therefore for goods from the private sector, and therefore growth and jobs come from that, but so too do demands on government to provide expanded services, in particular expanded infrastructure services such as transport. The largest component of the increase remains net overseas migration, followed by natural increase and of course a significant but a minor proportion of net interstate migration.

The next slide is something I did want to emphasise to committee members. I think that the business of government is increasingly demanding — and, if done properly, very productively demanding, if I can put it that way — as to how government interacts with the communities it is here to serve and how well it talks to them about their aspirations, their priorities and our plans and how they might mesh with community aspirations. I think when it comes to anything from major works to planning for regional development, we have attempted, and I think in many important areas advanced our capacity, to understand and have dialogue with our communities.

An example follows, which is in the case of regional planning, as I have mentioned. We have strengthened regional planning quite considerably, and this is a major government priority which revolves around the formation of regional partnerships, which have been around now for a couple of years, and the second round of regional assemblies has already been held. In the 16–17 year, the subject of this inquiry, 1400 people attended those regional assemblies. They were very open discussions, and in fact in the current year that number has grown, which is a good sign as to interest in participation.

Another example would be our work with small business to develop regulation reform, and I think I have already mentioned the work we have done to plan the infrastructure rollout in the metropolitan transport case in particular, but also to manage its impact on network and on people's abilities to move as we shut parts of the network down in a coordinated way, and we have dialogue with our communities to ensure they understand what is coming and can work around it.

We also work with industry significantly to support economic growth — the subject of the next slide — and you will see there a range of highlights of the 16–17 year, including projects facilitated in attracting capital investments to create something like 6200 jobs, attracting the headquarters of 11 major ICT companies, which is a leading edge, I think, of a shift in our economy towards being seen as a home for the ICT industry; the successful trailing of the cultivation of medical cannabis and the list goes on, as you will see there — I will not read them all out to you.

That includes also dealing with the downside of technological and economic change, and you would be well familiar with debate, members of this committee, about what technology change will do to jobs. Will it destroy them, will it create them, will it be a downside, will it be a plus? I think it is probably fair to say that it will be all of those things, and the important point is to grasp the opportunity to benefit from technology change and to manage the downside as markets shift, not always due to technology but also due to other factors in international markets, which may play against the competitors of particular industries that were once quite vibrant here.

The next point repeats the issue of our focus on social inclusion. We seek job growth, we seek prosperity. We also seek that should be spread, under government's direction, to as many Victorians as is possible in as equitable way as possible. Here we can see that unemployment remains steady at something like 5.8 per cent — it bounces somewhat around that figure. Underemployment has risen to roughly 9 per cent and appears for the

time being to be stable, and hopefully will fall over time. Youth unemployment certainly has surged and then moderated back to what is still a level of 13 per cent that government would like to see come down, and to that end we have in a sense pioneered in this term a new approach to getting jobseekers quite remote from the labour market into work through the Jobs Victoria Employment Network.

We have taken other measures in respect of long service leave to modernise those laws and also to conduct an inquiry into labour hire and insecure work, which is currently of course the subject of legislation that the Parliament has been debating. We have focused on those areas in an attempt, and in the case of Jobs Victoria in particular a successful attempt, to bring the benefits of economic growth as widely as possible to people who are disadvantaged.

The work across Victoria: while the focus of population growth is mostly happening in Melbourne, it is also significantly happening in the regions, in major regional cities, and even where it is not happening, regional development is still of course a major focus of the government. Here is a range of work that is underway to improve freight transport from the regions with the Murray Basin rail project, in which during the year in question stage 1 was completed and stage 2 began. We have secured commonwealth funding for the regional rail revival program, at \$1.57 billion. Extra regional train services have been delivered.

Trade missions, with a significant focus on regional industries, particularly food and fibre, and tourism, including fibre, have been conducted and resulted in new export sales. Food and fibre exports are indeed strong.

The program of locating public service functions and jobs increasingly in the regions has taken further steps through the Latrobe Valley GovHub commitment. The Latrobe Valley transition package is also a major priority for us and for government as a whole. Chair, I should take a time check here. I am probably going to test your patience if I go much longer.

**The CHAIR** — I think you have about 90 seconds, but I am happy to extend that by a modest amount, Secretary.

**Mr BOLT** — I am not far off. Thank you, Chair; I appreciate the indulgence from you and the committee. Melbourne is of course a substantial focus for all the reasons I have outlined: the population and the size of the economy of a city that is now globally recognised for its livability. We have made good progress on the major infrastructure projects that will make Melbourne increasingly mobile and livable and also provide the widest access to the best jobs in the city, to all parts of the city — all to the benefit of productivity, all to the benefit of inclusion.

Level crossings — we have made good progress there ahead of schedule, and up to 28 are anticipated to be removed by the end of 2018. A new contract to build 65 high-capacity metro trains was awarded, and indeed I think at the moment a prototype, or indeed the first, is on display in Federation Square for people to walk through. The country road crossings and rail crossings and pedestrian crossings also have been the subject of considerable investment. Stations have been modified and revitalised.

We are expanding the Melbourne Convention and Exhibition Centre, and that project is on track and will certainly make it competitive again with anything else in the country for attracting international visitors to a very large convention industry here. That also extends to the regions. Geelong Performing Arts Centre has been engaged to build stage 2. And of course the port of Melbourne lease was finalised, and that will also unlock in the fullness of time significant investment, we would expect, in the port's capacity.

Working across the portfolio is the next slide. We are a vast array of different services in this department. We place a great deal of emphasis, with my colleagues on the executive board at this table and elsewhere, on ensuring that we realise the benefits of regional development — working with transport, the visitor and creative economies working together, and again with regional development and again with the transport portfolio. So it is not just a series of functions all doing their own thing. We seek to knit them together into something that will deliver synergies for the course of this term of government with a long-term benefit. There are examples up there. Whether it is in realising the benefits to local jobs and industry of the major transport infrastructure program run by Corey Hannett, to my left or it is the integrated transport planning work done by Gill Miles, and its impact on the regional and metropolitan economic activities of Justin Hanney, on my right. However you put it, we are seeking to make those tighter and tighter connections, so that the sum is greater than its parts.

Rolling stock development, which is the next slide, is another example of that. It now has a very explicit twin focus on meeting our transport needs as they grow rapidly and at the same time creating the maximum of local jobs, in which we have, through the high-capacity metro trains contract, struck what was an unexpectedly good result in gaining 60 per cent local content for that particular project for trains to be built at Newport, and resulting in 1100 jobs over the lifetime. The same endeavour goes to continuing orders of existing models of trains and E class trams. It is a focus on ensuring industry continuity, maximum jobs as well as maximum transport outcomes in a growing city and a growing state.

As far as our BP3 outcomes are concerned, Chair — and I have almost finished — we delivered 84 per cent of the measures in budget paper 3, and there are several highlights listed there of which we are proud. We are not claiming of course that we have achieved everything, and we concede 60 per cent did not meet the target to within 5 per cent. There are explanations that have been given in our annual report for those, and we are happy to explore any of those. We would also be more than pleased to explore the successes, including for example the largest ever attendance at creative industries portfolio agencies related to Melbourne as a global city — 11.7 million. But it is not just Melbourne again. Increasingly the creative life of regional Victoria is attracting more and more visitation, more and more interest and raising the profile of Victoria, not just Melbourne, for its livability and its creative output.

The final slide has a few other highlights. Again, there are so many of these that we can only pick a few, where we have the areas of export sales, domestic visitation, international visitation, road maintenance and the meeting of scheduled services across the public transport system. You see there the achievements for the 16–17 year.

Thank you again for your indulgence, and that is my presentation.

**The CHAIR** — Thank you, Secretary. I might commence, if I may. The budget paper reference is budget paper 4, page 2, from the 2016–17 budget. That relates to the \$5 to \$6 billion which was allocated for the level crossing removal program. Could you outline to the committee the work that the Level Crossing Removal Authority in conjunction with the department conducted over the course of the 16–17 financial year in relation to this program?

**Mr BOLT** — Thank you, Chair. That is of course a major focus of particularly the major transport infrastructure program, and within that the Level Crossing Removal Authority. As I indicated only in outline — and we are very pleased to provide more detail — there has been considerable work done in advancing that particular program of the removal of 50 level crossings. Before I ask Corey Hannett to elaborate, I make the point, which might in a sense repeat the point I made earlier but it applies to this. The work being done between Transport for Victoria and the major transport infrastructure program to realise the benefits of the removals to the overall functioning of the network as well as to the local amenity that comes with level crossing removals has been a major focus. I guess it is on the Cranbourne–Dandenong line where that particularly plays out in terms of raising the overall throughput of a line that is the subject of enormous population growth at the end of it. I will leave that general observation there and ask Corey to say more about the program itself.

**Mr HANNETT** — Thanks, Richard. First of all, if I go back to the middle of last year and where we had got to, we were pretty well two-thirds of the way through our procurement process in terms of awarding contracts across the program. We took a holistic view of the 50 crossings and decided to package them up in ways that we worked on lines not just different sites at different times.

We have finished the Burke, McKinnon and Centre roads crossings last year. We have also obviously just removed three crossings on the Caulfield–Dandenong line last week. We have also completed the Mountain Highway and Scoresby Road level crossings and Melton Highway as well. We have got the North East Program Alliance, which was awarded last year as well. We are removing Lower Plenty Road, Grange Road and doing a duplication of the Hurstbridge line as well as part of that project. We have also awarded a contract for the North West Program Alliance, which is for Skye Road and Camp Road. Camp Road was finished earlier this year as well.

Then on to the Western Program Alliance, on the western part of Melbourne. We have started work on Kororoit Creek Road and we are doing Abbots Road as well.

In terms of the Frankston line, which we call the Southern Program Alliance, we have started work down at Seaford Road and the Patterson River bridge as well.

What we are looking at today is 15 crossings being removed. We have another, I think, 32 in procurement. Hopefully by the end of the year we will go up to 28 crossings removed. To the middle of last year we had expended nearly \$2 billion and it significantly ramps up this year. As part of that there has been an enormous amount of community consultation over the last, I suppose, nearly three years, where —

**The CHAIR** — Can you maybe elaborate for the committee just some of that work in the context of 16–17 in terms of the nature of the community consultation that you have conducted in that period?

**Mr HANNETT** — Sure. If I go to the Caulfield–Dandenong project, obviously we awarded the contract two years ago, but what was very important from the middle of last year backwards, is that we have to actually finalise the design of the public open space, the interaction with station precincts and the community, so things like the look of our stations, installing noise walls up on the viaducts, community space around station precincts and the urban design and look and feel of those stations has been a big part of what we are doing. That basically goes for all the crossings in delivery which we have procured in the last 12 months. We have been very, very conscious to interact with the community in a way that we get extensive feedback on, I suppose, the look and feel and the community respect of what we are building.

**The CHAIR** — Okay, that is good. In terms of employment that was created in 16–17 in terms of job creation as a result of this project, could you briefly outline to the committee the employment growth as a result of this project in 16–17?

**Mr HANNETT** — On the Caulfield–Dandenong line, as we speak right now there are around about 2000 people working on the project. Across the program — bear with me.

**The CHAIR** — We can take that on notice, if you like, and we can come back to it later in the hearing.

**Mr BOLT** — We can take that question on notice. I could invite Kevin Devlin, if he has got anything more to add. He has found it.

**Mr HANNETT** — Sorry. I can talk to the broader program if you like, or just on the crossings.

**The CHAIR** — Briefly.

**Mr HANNETT** — In terms of the authorities, as of the middle of last year we had employed 620 FTEs. But across the program, where we are today and what we are going to create, for the Metro Tunnel project itself we are looking at creating around 7000 jobs. On the level crossings program itself we are creating up to about 4500, and as I said before, the Caulfield to Dandenong project itself has nearly up around 2000 people working on the job. Also, as we have been doing these big major shutdowns over the last couple of years, the workforce has had a dramatic spike as well, so we are creating a lot of jobs for a lot of people even in short periods of time as well. Then I have got the West Gate tunnel project — that is creating about 6000 jobs for people — and on top of that the north-east link project, which obviously is in the business case development phase, we believe will create about 5000 jobs, and that —

**The CHAIR** — Look, thank you, Mr Hannett. We might come back to that a little bit later. I will just hand over to Mr Smith, please.

**Mr T. SMITH** — Thank you, Chair. Welcome, Secretary and agency heads. The Victorian Auditor-General's report *Managing the Level Crossing Removal Program* at page 9 found:

The cumulative cost of the program has increased by more than 38 per cent — based on the initial estimate of \$5–6 billion in 2015 — to \$8.3 billion at July 2017.

How do you explain such an extraordinary cost blowout of between \$2.3 billion and \$3.3 billion for this project?

**Mr BOLT** — Thank you, Mr Smith. I might start on that, and I may invite Kevin to come to the table to elaborate. The 17–18 state budget, which is relevant because it is the end of the 16–17 period that this is in reference to, allocates 6.88 billion to remove those level crossings. The figure 8.3 also incorporates modernisation work, which is budgeted at 1.39 billion — network modernisation works are not level crossing removals per se; they are complementary works — and there is also a level of indexation, which necessarily

comes into the \$5 billion to \$6 billion figure and makes the comparison that you have mentioned substantially less surprising perhaps than the raw figure does. But having said all of that, I will hand over to Kevin Devlin.

**Mr DEVLIN** — I think it is important too just to highlight and make sure we are comparing apples with apples in terms of the original estimates and the government's estimates of 5 to 6. That was for the removal of the 50 level crossings. It is certainly the case that once we started the planning works we looked at and identified significant opportunities to expand the scope of the public transport investment that we were doing to deliver some value for money while we were there doing the work, so there are significant power and signalling upgrades being done, there are bus interchanges, shared paths, precinct improvements to stations and duplications at the Altona loop, for example. We have put forward opportunities for the government to fund and invest in significant additional improvement of the public transport network while we have been out there, so a lot of that obviously accounts for the increase that you are referring to, which is an increase in investment and value.

**Mr T. SMITH** — So your contention is contrary to what the Auditor-General said, that quite simply the scope of the project was \$3 billion greater than what was budgeted for in 2015–16?

**Mr DEVLIN** — No, I think I am saying the same thing: the scope has increased. The government is taking the opportunity to invest in additional scope for the betterment of the public transport system while we have been out there delivering it, so we are saying the same thing. It is not referring to a cost blowout of the original scope; it is additional scope that is being delivered.

**Mr T. SMITH** — So could you give me an example? You talked about signalling changes and a few other additions to the original scope. Could you give a cost for these extensions to the scope?

**Mr DEVLIN** — Well, for example, the business case clearly splits up the level crossing works and the \$6.8 billion with the metropolitan network modernisation program, which is the capturing of \$1.4 billion of significant investment in stations across the network. For example, on the Cranbourne-Pakenham line we are replacing over 2000 overhead gantries and installing 150 new signalling systems and 5000 kilometres of overhead wiring; as I mentioned, on the Altona line there is a kilometre extra of duplication of the Altona loop; we are making a significant investment in station upgrades to DDA compliance; and there is additional futureproofing of the network, whether it be at Camp Road, making provision for wider bridge structures and future duplications of the rail system. The list is extensive, and we think it is delivering good value for money for the taxpayer while we are out there doing these significant occupations, which are at a significant logistical and cost premium. We are doing as much work as possible while we are in the corridor.

**Mr T. SMITH** — So are any of these level crossing removals, any individually or a group of them, subject to a BCR?

**Mr DEVLIN** — In the business case, which is available on our website, it is clear we have approached this project as a program of works, so there is a single collective BCR figure for the level crossing removal project as a collection of 50, because again, the sum of the individual crossings as a total collective improvement of the transport corridor is greater because of the whole 50 and their improvement across the network. So there is a single BCR figure that has been calculated for the whole program.

**Mr T. SMITH** — Which is?

**Mr DEVLIN** — So at a 7 per cent discount rate it is 0.78. At a 4 per cent discount rate it is 1.28. So we gave a range in terms of the desirable discount rate. Obviously interest rates are fairly low at the moment, so we gave a sensitivity on that BCR, so it ranges from 0.78 to 1.28, depending on which discount rate you adopt.

**Mr MORRIS** — Just a point of clarification if I might: so there is one BCR for the entire project?

**Mr DEVLIN** — For the entire program of 50; there are not individual BCRs for each site.

**Mr MORRIS** — So we could be doing 25 level crossings that are negative or worse BCR, and in fact if they were dropped, the BCR of the whole project could improve significantly, but we do not know because that work has not been done. Is that correct?

**Mr DEVLIN** — That is correct. There are still 170 level crossings across Melbourne. The government —

**Mr MORRIS** — No, no — I am aware of the geography of our metropolis. I am asking if there is any work being done individually so we know what the benefits are by site.

**Mr DEVLIN** — Sorry. To answer your question, we are doing before and after studies at each of the level crossing sites to assess the improvement in traffic performance, for example. Recently we have completed studies on the 10 level crossings completed. There is I think up to a 75 per cent increase in throughput through those intersections and up to 40 per cent faster movement through those intersections. Some of the maximum trip times as well compared from say 20 minutes beforehand to 3 minutes after the level crossing removal, so really improving reliability and throughput and getting people through those intersections quicker. So that is specific work that we are doing at each of the sites. Obviously the other benefits of the level crossing program in terms of safety and reliability, being able to run more trains more often, we do not have those benefits calculated yet.

**Mr MORRIS** — I am interested in looking at the BCR, not the editorial. So essentially what you are saying is that you have one BCR for the total project and you do before and after traffic counts so that you figure out whether the project is good or not after it is done?

**Mr DEVLIN** — Yes, and then if the —

**Mr MORRIS** — After it is done we find out whether it is going to be any good or not?

**Mr DEVLIN** — No, the business case has that benefit assessment done, so what we are doing is testing the outcomes of that modelling work in the business case with the actual performance across all benefits.

**Mr MORRIS** — The assessment is done on each crossing?

**Mr DEVLIN** — Yes. Data is collected at each crossing which goes into the overall economic model.

**Mr MORRIS** — Yes, but we are finding out after the event whether it has worked or not.

**The CHAIR** — We might come back to that, deputy.

**Mr MORRIS** — Well, you do not know before you do the job, before you do the work on a particular site, whether it is going to be a benefit or not.

**The CHAIR** — We might come back to that.

**Mr MORRIS** — Seriously, Chair, the government has had 26 minutes of the hearing so far. I am simply trying to get an answer to my question.

**The CHAIR** — The presentation went for 15 minutes, my own question went for 6 minutes —

**Mr MORRIS** — The presentation finished at 9.52, according to the clock on the wall.

**The CHAIR** — No, the presentation finished at 9.47 and then I had 6 minutes, which was 9.53. It is 10.01, so you have had 8 minutes. You are certainly welcome to pursue this line of questioning at the next question.

**Mr MORRIS** — Okay. If that is the way we are going to play it, that is fine.

**Mr DIMOPOULOS** — Good morning, Secretary and officers. My question relates to what Mr Hannett and Mr Devlin were talking about in relation to the investment other than the removal of the crossings themselves, because I think that is a significant component. In the 16–17 financial year — I refer you to the same budget reference as the Chair, so the state capital program, page 2 — just in terms of the signalling upgrades, I think it was Mr Devlin who explained it at a high level quantum, but I just want to understand what actually does that investment in that financial year achieve in terms of running frequent reliable transport. Is it a matter of saving 3 or 4 minutes per peak hour service? Is it a matter of providing some safeguards for potential crashes or pedestrian incidents? I just want some granulated information, because my understanding is that this is a significant investment and you can couch it in terms of signalling upgrade and it actually means very little to people other than, ‘Oh yeah, we get some new bells and whistles’, but what exactly does that investment achieve in terms of train frequency and passenger and pedestrian safety?

**Mr BOLT** — Chair, I ask, along with Kevin, if we could have Jeroen Weimar to go through the impacts, particularly I think on the corridor in question and the impact it has on throughput on the basis, as I said earlier, that there is a large demand for increased public transport on that corridor.

**Mr WEIMAR** — Thank you. I am Jeroen Weimar, CEO at Public Transport Victoria. Obviously we are working very closely with Kevin and his colleagues at the Level Crossing Removal Authority around how we ensure that the investment we put into each level crossing removal actually leads to a better outcome for our network. We are seeing sustained growth for metropolitan train services and we are trying to put more and more timetabled services onto the network. We have added about 300 timetabled services a week in the last few years.

One of the challenges we have of course with level crossings is that not only do they cause a significant safety risk but also they do require us to slow our trains down as they are coming in to each of those crossings. The removal of those systemically across the network will improve the conditions for us to move towards a metropolitan turn-up-and-go rail service. We are some way away from that on most of our lines at the moment.

What we are also seeing with investment in those corridors, as was indicated earlier, is a significant improvement in the quality of the infrastructure. So we are seeing a replacement of power systems, we are seeing a replacement of signalling systems, we are seeing an upgraded track condition, all of which are part of our long-term rejuvenation of the rail network and to deal with additional pressure.

A lot of the work on the Cranbourne-Pakenham corridor especially, which is work ongoing now, is also about enabling the introduction of the new high-capacity metro trains due to start in trial mode at the end of the year and into service in the middle of next year, which the committee will appreciate is a fairly significant logistical undertaking in terms of the necessary infrastructure extensions around extending station platforms, changing signalling alignments, upgrading power supplies et cetera.

**Mr DIMOPOULOS** — So level crossing removals themselves aside, on the investment in signalling upgrades, station upgrades, precinct upgrades, how does that figure in that financial year in terms of the context of historical investment in the rail corridors generally? Do you have a sense of it?

**Mr WEIMAR** — I could not give you a broken-down number right here, but what we can see is I think in the last two to three years we have replaced brand-new stations — you know, we have replaced I think 10, 11 stations on the network, so brand-new stations; we have significantly upgraded the power infrastructure and the signalling infrastructure. That is all work that at some point would have needed to have been done. So it has enabled us to bring forward some investment, it has allowed us to move some of our maintenance and renewal activities into other parts of the network, so clearly we are taking every opportunity we can to jam as much work into the level crossing opportunity as we possibly can.

**Mr DIMOPOULOS** — And finally, Secretary, Mr Hannett and I think Mr Devlin were talking about consultation in response to questions from the Chair earlier. I just want to understand a bit more about the consultations in the 16–17 financial year, particularly in the Cranbourne-Pakenham corridor generally. Can I get a bit more detail on the work undertaken in the reporting period?

**Mr BOLT** — Yes. From memory, I think 16–17 certainly was the year of intense engagement on the question of not only the individual level crossings but how the entire corridor was going to be rebuilt. Kevin is best placed to give us the stats.

**Mr DEVLIN** — During the financial year certainly, as Mr Hannett mentioned, on the Caulfield–Dandenong line our expert panel for the public open space ran an extensive eight-month consultation program to consult with the community and experts around what that space was going to look like and how that was going to come together. That report was recently published by Professor Tim Entwisle, who chaired that committee, and there was a tremendous amount of work that went into arriving at how that new public open space was going to be utilised. That was a significant effort from the authority during that period. Also early in the financial year we were completing the Frankston line consultation. Again, there was significant consultation along that line with tens of thousands of residences and businesses consulted during that period.

**Mr DIMOPOULOS** — Tens of thousands?

**Mr DEVLIN** — Yes. We letter dropped over 60 000 option assessment reports to the community. That corridor is obviously very extensive. There are 13 level crossings being removed along that corridor. That enabled the government to be informed and make some decisions about the preferred solutions on those level crossing removals. Just recently we have completed the contact award for that southern program alliance, which will go on and deliver those level crossings. Works have already started on the Patterson River bridge and Seaford Road level crossing removal.

**Mr MORRIS** — Back to the level crossing removals, I just wanted to unpack a little bit some of the conversation we were having about figures. Essentially, and I am not seeking to verbal anyone, but what I took out of the earlier testimony was that essentially it was project creep, scope creep, that has effectively expanded the project significantly in terms of cost. The budget figures in the 2017–18 budget talk about 6.878 billion for the level crossing removal program and separately a 1.4 billion amount for the metropolitan network modernisation program. The figure in the budget for the level crossing removal program is still significantly higher than the \$5 — 6 billion, almost \$1 billion higher than the maximum figure that was quoted earlier. Can we have an explanation for that, please?

**Mr DEVLIN** — Obviously when the government came to power they set up the authority, and our first task was to develop a business case to outline how we were going to go about delivering these 50 level crossing removals. That work informed the actual funding approvals. When we worked through that and when we worked through all the consultation that I just mentioned we have landed at a different range and different options at different sites than, I suppose, what the original estimates or forecasts considered. Once we were able to do the work, do the planning and investigation work and demonstrated the significance of how we were going to go about doing this on the operating network and brownfield environment, we provided that advice to government in the form of a business case to inform their investment decision.

**Mr MORRIS** — And your view of what it would cost was clearly significantly different to theirs, to the claimed cost.

**Mr DEVLIN** — I suppose we have had the advantage of then spending 12 months doing a lot more detailed investigations on the ground, understanding the condition of the assets. The assets are significantly —

**Mr MORRIS** — I think the point is it is not fair to blame scope creep entirely for the blowout. There is still a significant variance between what the government said it would cost and what you say it will cost.

**Mr DEVLIN** — It is my understanding the government indicated pre-election that their estimate was 5 to 6 billion. Our business case demonstrates approximately 6.8. As I think the secretary indicated, there was a degree of escalation in that as well. Obviously this funding goes out to 2022. The previous estimate was estimated in 2014 dollars. So there are a number of factors that are going into informing that final estimate.

**Mr MORRIS** — Where I come from \$1.8 billion is a lot of money.

**Mr BOLT** — If it is possible to just add one point to the question of scope, Mr Morris, which is that in addition to the level crossings being removed there is also the rebuilding of stations that are integral to that particular package of works that I think are additional scope in the program. So you add that to indexation, and I think that that accounts for a great deal of —

**Mr MORRIS** — And that is part of the modernisation program, I assume.

**Mr BOLT** — Most of the station works along the lines to accommodate the high-capacity metro trains are not in the 6.8 — they are in the other part of the package — but I understand the five or so stations that are actually on the elevated rail line are in the \$6.8 billion. I beg your pardon. My mistake. Apparently not.

**Mr T. SMITH** — The observation is that your contention is the Auditor-General is wrong. Is that basically what you are saying?

**Mr DIMOPOULOS** — I think that is what you are saying.

**Mr DEVLIN** — I think my previous comment stands, that the Auditor-General identified there is additional scope being delivered, and that additional scope is being funded. My answer was trying to describe that there is additional investment being made.

**Mr T. SMITH** — So, for example, going back to what you were saying before about BCRs, the level crossing at Werribee Road, Werribee, has been selected for removal despite only seeing four trains a day pass through it. What was the BCR for the removal of that particular level crossing, and what is the cost of the removal of that particular level crossing?

**Mr DEVLIN** — I do not have those figures off the top of my head and, again, we do not have the individual BCRs for individual sites. I will add that those figures are not quite accurate. There are on average over 100 freight trains a week going through that level crossing and, again, there are future plans for expanded services going through that crossing, not to mention the safety hazards that that level crossing provides.

**Mr T. SMITH** — VAGO also stated that DEDJTR did not follow the high-value, high-risk guidelines to update the business case to reflect ongoing changes to program cost estimates and that the changing cost with no assumed benefit increase would result in a reduced benefit-cost ratio. Why did your department not require the HVHR process to apply to such a large infrastructure project?

**Mr BOLT** — We are confident we did comply with the guidelines. I note that we understood VAGO's conclusion to the contrary, and obviously we have a difference of opinion on that score. We believe we followed the guidelines, and we believe they are a very important discipline on investment commitments of government. I do not know if you wish to add to that, Kevin. We have actually made that point in our response back to VAGO, and so we just do not accept the premise of the question, Mr Smith.

**Mr T. SMITH** — Are you saying you did embark on it?

**Ms Shing interjected.**

**Mr T. SMITH** — Hang on. I am just —

**The CHAIR** — Mr Smith, briefly.

**Mr T. SMITH** — I am trying to understand. You are suggesting that VAGO's interpretation of what has gone on here is incorrect. Is that what you are saying?

**Mr BOLT** — That is right, and we have informed them of that.

**Mr T. SMITH** — So you did embark upon an HVHR process. Is that what —

**Mr BOLT** — We did, and we followed the guidelines, and that is the advice we have given to VAGO.

**Mr DIMOPOULOS** — I have just a couple of further questions in relation to the significant investment in the reporting period in what has become a shorthand way of describing the entire program, which is the level crossing removal program, but as we know now it is far bigger than the level crossing removals. One is to pick up the question raised by the Deputy Chair about the increased scope. Were there elements of the consultation that yielded a different result that then also had to be matched in terms of a budget commitment that may explain some of the variance?

**Mr DEVLIN** — That is correct, yes. As I touched on, part of that significant consultation, particularly on the Frankston line, identified strong sentiment from the community for options that we recommended to government. Ultimately that required additional funding to deliver those different options that the business case did not assume. We again think that was a significant investment being made on that line, not a cost. That is part of the increase to the total 8.3 that is reflected in the current budget papers.

**Ms SHING** — Just to pick up there by way of supplementary, Mr Devlin, in relation to a number of community options that were canvassed in the relevant period, including by local members of the coalition, if rail under road had been selected as options, notwithstanding any physical constraints, would there have been a significant add-on to the amount that was required to deliver those outcomes?

**Mr DEVLIN** — As you point out, depending on the engineering constraints —

**Ms SHING** — Let us put to one side gas pipelines and the existence of obstacles that are there.

**Mr DEVLIN** — Correct. So where there is generally a neutral engineering baseline then typically rail in the ground is more expensive than elevated rail. But again, it depends. Every site is different, and all of these level crossings are located in different precincts and different areas that require different responses. So that is what we have been doing from the outset — trying to find the best solution for each individual site on its merits. But certainly when you go down in the ground it requires very large and long occupations and high disruption to the rail corridor compared with what we have been able to achieve with other more innovative solutions such as the elevated rail.

**Ms SHING** — And that would obviously have had a significant knock-on effect to the end amount required to deliver those particular outcomes had they been feasible.

**Mr DEVLIN** — Absolutely correct.

**Mr T. SMITH** — I refer to page 279 of the DEDJTR 2016–17 annual report, which details that between 1 July 2016 and 30 June 2017, \$3 657 196 was spent on what you call level crossing removal project awareness. Could you indicate what that actually entails, how many people are involved in this erstwhile awareness program and what that actually means in terms of headcount, communication spinners and the like?

**Mr BOLT** — We are certainly prepared to talk about people and the communication effort, Mr Smith, and I think Mr Devlin can run through the figures, but I would just preface that discussion by pointing out how vitally interested, particularly in a brownfields environment of a level crossing removal, the public is to understand the impact, have some say on how open space is used and have some say on how the impacts that they will otherwise feel are managed. That is an increasingly high-touch requirement of communities. It requires a significant amount of discussion with communities in order to gain their confidence and to adjust our plans to the reasonable needs of them, and so it cannot be done without considerable application of effort. Against that background, it is over to Kevin to give some stats.

**Mr DEVLIN** — Thanks, Secretary. I can add that certainly the level crossing program has been very unique compared to other projects that have been delivered over the recent decades. Typically, single projects are quite confined to a particular geographic area, which impacts mainly on one or two councils in a discrete area of Melbourne.

The challenge for the level crossing project has been that these 50 level crossings have been spread right across Melbourne. We interact with every local council bar two, I think, across Melbourne, and as the secretary indicated the significant consultation task across Melbourne that then puts on the authority has required significant investment to respond to those community expectations to be consulted with, and to do that right across Melbourne requires lots of feet on the ground. The best form of consultation we find is getting out there and talking face to face with people, and we need people to do that.

The other big part of what we have done, as I touched on, is that in delivering these projects in an operating environment we have bused over 6.6 million people on temporary bus replacement services during the course of delivering these level crossings, and that requires a huge amount of effort and logistics and people to manage that level of disruption and to try to minimise the impact on those 6.6 million commuters. I think that is inclusive of about 320 000 separate bus trips. That level of disruption has never been encountered before on the Victorian metropolitan network. We have responded to be able to give the information that commuters need and allow them to make these choices and plan their alternative trips. Again, that requires us to prepare a lot of information and get a lot of information out at train stations every day across the network. That is what is driving our estimates, I think. Currently we have approximately 90 stakeholder engagement staff, and we are still overwhelmed by the task that we are delivering.

**Mr T. SMITH** — Approximately 90; not a bit higher than that?

**Mr DEVLIN** — Not on current, no. We have 93, I think, exactly.

**Mr HANNETT** — At 31 December, 93.

**Mr T. SMITH** — And they are communications staff?

**Mr HANNETT** — Yes.

**Mr DEVLIN** — Communications and engagement staff, yes, which do the multiple tasks of managing, during delivery and construction, the disruptions, they have managed commuters and also the pre-project stage of consultation.

**Mr HANNETT** — It is probably worth also pointing out that of those 93 staff, as at the end of last year, some of our team are actually embedded out with the contractors in the alliance relationship we have in the field. So they will actually physically have jobs working as part of the delivery team, not sitting in the office in the city with us. We have actually embedded a lot of our teams out on the jobs just to make sure we are fully integrated with what is going on.

**Mr T. SMITH** — Are there any staff that are undertaking, say, dual roles, in say communications on the one hand and other internal tasks throughout the week, doing dual roles that you might not be describing as purely stakeholder management but —

**Mr BOLT** — Is your point, Mr Smith, that we are not counting towards that figure?

**Mr T. SMITH** — You are not?

**Mr BOLT** — No, I am asking you that question. Is your question: are there staff who we are not counting towards that figure doing communication roles?

**Mr T. SMITH** — Correct, yes.

**Mr DEVLIN** — I can say that at times it takes more than that to go and consult. I think on the Frankston line we doorknocked over 800 homes, and we called on all the engineers within the authority to help do that doorknocking exercise. I think it is a key part. All our delivery engineers working on the job, part of their role is to communicate with stakeholders in the community. Of course there are functions that a lot more of our staff are called on to do. That is the nature of delivering this type of quite unique program of works.

**Mr T. SMITH** — When you are doorknocking homes and the like to inform them of the sort of project that will be built very close to them — in some respects over their back fence — are the artists' impressions and the like you are using specifically accurate?

**Mr DEVLIN** — They are artists' impressions, so by definition they are an indication. We use multiple tools to try to create a picture. Obviously often engineers can picture some of the final product on the ground. How we take the community through that and try to visualise what we are proposing to do before we have actually built that is a real challenge, and we do use multiple tools and techniques to try to bring the community along that journey to understand what we are trying to do and what the outcome is going to be.

**Ms PENNICUIK** — Good morning, Secretary, and everyone else, and thanks very much for coming along. I wonder if I could ask some questions about Transport for Victoria. In the Public Transport Victoria questionnaire there was a reduction in salaries of around \$3 million from 2015–16 to 2016–17 attributed to transferring staff from PTV to Transport for Victoria. Could I ask: how many staff are there in Transport for Victoria, and how many went from PTV and how many from other agencies or parts of the department?

**Mr BOLT** — Ms Pennicuik, could I have that page reference to the questionnaire again?

**Ms PENNICUIK** — It is the PTV questionnaire, page 12, not the general questionnaire.

**Mr BOLT** — So that has to do with the consolidation of certain categories of staff from both VicRoads and PTV into Transport for Victoria to realise what you might call the multimodal functions of Transport for Victoria. There has been a transfer of staff. It is not a loss of staff over the entire portfolio. Gill Miles can elaborate.

**Dr MILES** — There is a total of 194 positions and funding for 39 positions transferred from VicRoads and PTV into the department to add to the existing resources that were in the department to create Transport for Victoria. So there is currently a headcount of about 490 people in the department.

**Ms PENNICUIK** — In Transport for Victoria — 490?

**Dr MILES** — Yes.

**Ms PENNICUIK** — Great. Thank you. Do you have an organisational structure that is publicly available for Transport for Victoria? I could not find it on the website.

**Mr BOLT** — Couldn't you?

**Ms PENNICUIK** — No.

**Dr MILES** — We can get you a copy. It is on the public website, certainly.

**Ms PENNICUIK** — Okay. That would be great. I just wondered in terms of the way Transport for Victoria operates, if you look at Transport for London, for example, it has six committees and panels, and they are called: audit and assurance committee; customer service and operational performance panel; finance committee; programmes and investment committee; remuneration committee; and safety, sustainability and HR panel. Does Transport for Victoria have any similar type of structure of committees or panels?

**Dr MILES** — Transport for Victoria was enacted in early 2017, and the structure of Transport for Victoria has a coordinating role as well as the agencies within the transport portfolio continuing to have their own legislation —

**Ms PENNICUIK** — They are all listed there.

**Dr MILES** — Yes. We have been in the process of setting up Transport for Victoria, and the agencies retain their own audit risk profiles. As part of the governance arrangement that we are setting up across the portfolio we will be implementing a broader audit risk committee, and that looks over the entire portfolio. There are a number of other committees that either Jeroen or Peter will be very happy to talk to, specifically around advisory bodies around the roads business and the public transport business.

**Ms PENNICUIK** — The way those committees are structured, their role and who is on them, is that all publicly available?

**Dr MILES** — Not as a picture. That is a good question.

**Mr BOLT** — I do not have any sense of why it should not be known, but we have not made a virtue, for example, of the department's audit, risk and integrity committee, which oversees the whole portfolio, to put it in context. I do not know whether it is publicly available, but I have no issue at all with informing you who is on it. So if you wish, we will provide membership of the committees that you are interested in.

**Ms PENNICUIK** — I am interested in it. I think Victorians are interested in how it is operating. For example, if you compare it with Transport for London, the agenda, meeting papers and minutes of the board as well as all the committees and panels are publicly available, so there is a benchmark.

**Mr BOLT** — There is. Thank you.

**Ms PENNICUIK** — Is there a separate corporate plan that Transport for Victoria is working with or is developing or has developed?

**Mr BOLT** — No. The department still has ultimate oversight of everything within it including Transport for Victoria, and we are a third of the way roughly through our latest what we call a strategic plan, but which is a combination of strategy and corporate plan. Transport for Victoria's priorities are embedded in part of that document.

**Ms PENNICUIK** — Under the legislation there should be the development of a Victorian transport plan. I have not seen one. Well, there have been a few iterations of those over the years. I have not seen one for a while, and that is the role of Transport for Victoria. Has work commenced on that?

**Mr BOLT** — So it is clearly a very critical function of Transport for Victoria, to understand and to analyse the pressures and the opportunities in the system and lay out planning for advice to governments. Against that background, Gill can explain what has been done.

**Dr MILES** — Thank you. The accountability around planning is ensuring that there is up-to-date data and options for government. Of course as a department we provide advice to government and government makes the decisions on the investment pipeline. The manifestations of that work appear in a number of documents that are publicly available: the *Regional Network Development Plan*, a cycling strategy was released, there is a road safety strategy, there is a rolling stock strategy. So that is how I would articulate the planning frameworks that we are using as the policy structures for implementing activity on the network.

**Ms PENNICUIK** — Thanks, Ms Miles. I see all of those, but I suppose what I do not necessarily see is the overarching plan for Victoria that I would presume Transport for Victoria is set up to do. There are lots of strategies, but how are they all fitting into one whole plan?

**Mr BOLT** — Knitted together in a single plan. That is ultimately a question of advice we give to government, and government itself then needs to obviously decide in what form it which to release the planning information of that kind. I would just simply say that the work that has been done gives a very strong foundation for planning across the state, across the modes, into the future and is a solid foundation for governments to actually make their investment decisions and their service decisions on. I am not sure I can say more than that at this stage.

**Dr MILES** — So the thing I could add to that is that *Plan Melbourne* embodies a transport planning approach, and the government's infrastructure plan articulates the government's desire for the future pipeline.

**Ms SHING** — Mr Devlin, I might ask you to rejoin the table, if you could, please. I would like to continue with a discussion on level crossing removals and that references again the presentation that the secretary made at the outset, and also the allocation of funding under the 16–17 budget. It seems to me, based on the conversation that has been had here today and in recent months and over the reporting period in question, that on the one hand there are some who claim that the solutions are too expensive and constitute an improper use of resources, but on the other that options that were far more expensive should in fact have proceeded where they were possible and neutral from an engineering perspective. On the one hand some are saying that there was insufficient consultation in relation to discussions with the community around the solutions that were ultimately determined for locations, but on the other that the level of engagement, the level of consultation and the level of resourcing put in including by reference to the LXR awareness expenditure program, has been overreach.

There are two diametrically opposed positions that are being advanced by a number of people who may have a subtext, and I am not asking you to comment on a political narrative that might be being run. What I do want to know, though, is: you have mentioned the fact that this is an unprecedented program around change and around infrastructure investment, by reference to other jurisdictions, during the 16–17 period, how has the allocation of resources been made to have people understand the impact of the changes that will affect them in their immediate environment? Also, how has that been in fact used to make sure that people are aware of the changes and how they will impact upon them in their immediate environment — whether that is where they live, or how they travel — and how has that, based on all of the advice that you have provided, been an appropriate use and expenditure of money, including by reference to modernisation and other value-add improvements?

**Mr DEVLIN** — I think, as I touched on before, delivering the scale of infrastructure in operating environments in built-up areas where they are in shopping strips and already well-developed precincts, it is very different from delivering in a greenfields project. They are also important, as we are doing up in Mernda, which is out in a paddock, so a different level of intensity there. But certainly the challenge for us has always been, from day one, to balance all the competing interests of keeping Melbourne moving, consulting with the community and keeping them informed, keeping commuters informed about travel choices and costs and value for money for the taxpayer, as well as improving the network.

Doing that in an operating brownfields environment with ageing infrastructure is very challenging, and certainly we have undertaken extensive consultation. Consultation does not mean agreement, and I think they are some of the things that we are working with communities to try and explain: that we have had to give the best information and give the best recommendations, balancing lots of competing interests, and that is the challenge with delivering big infrastructure. It needs a lot of enthusiastic, dedicated people to plan and deliver this and get out there and face the community and face commuters. That is what we are resourced to do, and that is what I think we have been doing reasonably successfully.

During our disruptions we get together with PTV and MTM, and I think compliments increase during the periods of those disruptions because of the attention that we put into it. All of that has steadily grown and we continue to improve and learn as we are delivering the program. So for that last financial year we have embedded the lessons learned and continue to strive to do better.

**Ms SHING** — And how do we stack up in relation to the last financial period and the allocation of funding under the budget, as referenced in your presentation, to other jurisdictions where there has been large-scale interference — not with level crossings necessarily because they are a relatively unique beast, but in other areas? It might be the UK, it might be Singapore, it might be other parts of the very developed and densely populated areas of the world.

**Mr DEVLIN** — It is an interesting point. We probably have not been able to find an exact example project because, as I mentioned, of the nature of 50 touch points right across a huge metropolitan city like Melbourne. As I mentioned, a lot of other infrastructure projects, whether it be some of the works in Hong Kong or Crossrail in London, are significantly disruptive and huge projects but they are discrete geographic locations that are not necessarily spread throughout the whole metropolis. So we have not yet found a comparative project. That is why I say we are innovating and creating some new benchmarks on how to deliver this type of program of works.

**Ms SHING** — But on the process of consultation and community consultation and discussion and understanding about disruption that occurs as a necessary part of large-scale change, other jurisdictions have gone through this. Other jurisdictions go through this all the time; it is the nature of progress in a growing city. How have you learned from other jurisdictions in the course of the planning and delivery of this sort of project?

**The CHAIR** — Briefly.

**Mr DEVLIN** — Certainly, together with the coordinator-general, we have been visiting other jurisdictions around Australia and overseas to learn how they have been doing it — Crossrail in London, for example, and New South Wales. It is certainly the case that for decades it is a big part of delivering infrastructure projects and we are just happening to do it on a much, much larger scale than ever before.

**Mr MORRIS** — Secretary, I understand that in recent times a number of cost centre and reporting arrangements for a number of the department's major projects have been merged or consolidated. Did those consolidations occur in 2016–17 or have they occurred since?

**Mr BOLT** — Do you have examples in your mind, Mr Morris, I am sorry?

**Mr MORRIS** — My advice is that a number have been merged, so I am asking if that is correct.

**Mr BOLT** — That is a specific accounting question. It is probably best to refer to Simon Burrage.

**Mr HANNEY** — Is it referring to Major Projects Victoria and Development Victoria?

**Mr BOLT** — It could be. I think that there are so many areas in which we have merged different entities, Mr Morris, that would have reflected themselves in changes in cost centres, that the answer to your question is almost certainly 'yes', but I am not sure that we can give you a particular good account of it here without speculating. I am happy to take it on notice and come back to you.

**Mr MORRIS** — Yes, perhaps in that case on notice.

**Mr HANNEY** — Mr Morris, is it Major Projects Victoria and Places Victoria consolidated into Development Victoria?

**Mr MORRIS** — I am simply advised that a number of consolidations have occurred. I am not in a position to give —

**Mr HANNEY** — I could speak to that, if that is helpful. So it has been consolidated. Major Projects Victoria, which is inside the department, and Places Victoria, have been merged into one entity, so that is called Development Victoria. There is no additional funding to those in that financial year; they have used consolidated budgets. What we did was take Major Projects, so projects that they would have been doing would

have been things like the tennis centre and the state library, and Places Victoria, that have done commercial developments, a lot of them in open space. We have brought those two skill sets together. Essentially the main one was to merge their leadership groups so there is only one CEO, not two CEOs et cetera.

**Mr MORRIS** — I am also interested in the general question, so what I am going to ask you, if you can provide on notice, is a list of all the cost centre codes and outputs in the department's accounts and copies of all the monthly accounts for those cost centre codes or outputs for 2016–17.

**Mr BOLT** — We will take that on notice, Mr Morris.

**Mr MORRIS** — Thank you. Since I am reasonably okay for time, can I ask an entirely different question, Secretary? I have not read this particular page of the questionnaire, but I believe you have provided a list of lapsing programs in the department for the 2016–17 year as part of the questionnaire that was provided to the committee. Can I ask you to provide a list of programs lapsed in 2016–17 and for which funding has been renewed, information on how many years that funding has been renewed and how much it has been renewed for?

**Mr BOLT** — We did anticipate the question, Mr Morris, because I think you have raised it with other secretaries. We were not able to get you what I would call a quality assured product to table at this meeting, but we are on the way to doing so.

**Mr MORRIS** — Excellent, thank you.

**Ms WARD** — Good morning, everyone. Happy Valentine's Day. I am sure there has been lots of love in the room this morning. My apologies for coming in late. I was at the Rosanna level crossing removal, which is going gangbusters, as I am sure many of you are aware — months ahead of schedule and they are about to embark on 44 days of non-stop work, with 1000 people working, which is just terrific.

Which brings me to my question regarding employment growth in the state, and I will remind people that I am the Parliamentary Secretary for Industry and Employment. I see in your presentation that you talk about the Victorian economy performing strongly and you are talking about employment growth. I note that in the 2016–17 year our jobs grew by about 11 000 over that year. About two-thirds of them were full-time, and I believe that we were about 60 to 70 per cent of Australia's job growth overall.

One of the things that I am interested in teasing out a bit is the effect of the infrastructure that we are building, including the level crossing removals. How is that affecting our job growth? Is it the main driver? How is it happening?

**Mr BOLT** — I may start on that. Thank you, Ms Ward. The figures for employment growth from 15–16 to 16–17 that I have here are 117 600 workers, accounting for 71.6 per cent of all the new employment in Australia. Full-time employment for that same period was 80 200 employees, reflecting 68.2 per cent of new employment. The jobs growth was led by education and training as well as healthcare and social assistance, and they added roughly 25 000 jobs each over the 16–17 year. Manufacturing added 19 000 jobs, which may be counterintuitive.

**Ms WARD** — Do you know which sectors in manufacturing?

**Mr BOLT** — I might ask if Justin Hanney does know.

**Mr HANNEY** — A lot of it is in a lot of the defence advanced manufacturing areas. Whilst we have seen changes to the auto sector — we have seen some of the support programs, LIFT and FIMP, which you are familiar with — we have got some hard data around those where we are seeing employment growth in the manufacturing space. What we anticipated in some of the traditional blue-collar manufacturing areas, they have transitioned, and we are seeing additional growth in that manufacturing space as well.

**Ms WARD** — Thank you.

**Mr BOLT** — The question you raised, I could go on. There are other statistics here, but they actually are not just reciting statistics; they go to the point that the growth is broadly based. There is no doubt that the construction programs are creating a significant impetus, an additional direct impetus, to employment. Beyond

16–17 as a lot of projects ramp up that will only increase. Much of their impact is not simply direct job creation but it is also putting money into pockets that is spent elsewhere and creates demand for other services and goods, which are reflected in figures like this. So it is a broad economic growth that is assisted by an infrastructure program — by no means dominated by it, but it is certainly a significant contribution to it.

I would say in the long term the benefit of providing for increased mobility in Melbourne, bearing in mind that the spatial growth in employment is particularly around the CBD, around centres like this, to be able to get people in and out of the CBD but also in and out of regions — from regional cities to Melbourne, between regional cities — will also create a platform for future growth, in the long run, of employment. The better people can move, in very broad and simplistic terms, the more jobs you can get spinning off, if you like, the infrastructure platform that we are developing.

**Ms WARD** — Great. Thank you. In your presentation you also talk about wage growth in Australia has been slow. How do you see that affecting the economy in Victoria? You may have addressed this in your presentation. I apologise for missing it.

**Mr BOLT** — I would not, so thank you again for the question, Ms Ward, about wage growth. It picks up a little of, I guess, Ms Shing's point about how different phenomena are seen as good and bad. But I guess the risk that is seen, according to our kind of commentators — and I will not speculate too much more on this because I am not an economist — is that if wages growth is suppressed too far then clearly there is a risk that we will not get the demand growth that we would see for goods and services that itself feeds further growth in employment, and obviously there is a counterview that inflationary pressures could result from an excess in wages growth, which I understand is a factor in what is happening in the stock market in the US at the moment. But I will leave it there, except to say that the government's priority, I would say, is to ensure that wages grow healthily and equitably across the economy, and we are playing our part in that.

**Mr T. SMITH** — Secretary, in December 2016 the government stated that the north-east link was estimated to have a cost of \$10 billion, but between then and now costs have escalated from 10 billion to 13 billion to the most recent figure of 16.5 billion. Can you explain that dramatic increase in cost?

**Mr BOLT** — I think that it may be sensible to have Duncan come up and explain the work that has been done to refine and make more specific and reliable cost estimates, which necessarily involves very careful questions of route selection and of how the link itself will be constructed, out of which of course will become clearer and clearer what the cost is likely to be. That work is now well underway.

**Mr ELLIOTT** — Thank you. Duncan Elliott, CEO of North East Link Authority. Yes, we have spent the last 12 months essentially undertaking detailed assessments of route options. We have undertaken extensive geotechnical investigations and obviously have had the benefit of developing a business case for consideration as part of this upcoming budget for the project. Incorporated in the cost — obviously this is a complex brownfield project; there is no reserve for this project. Therefore the cost and extent of tunnelling to mitigate impacts on the community is extensive.

In addition to that, we are incorporating significant public transport enhancements as part of the Doncaster busway on the Eastern Freeway, and as has been previously mentioned the project does have a life cycle of some 10 years, which then brings into the project cost the escalation rates that apply over the period of construction. Certainly also the extent of land acquisition has been better understood to enable the project to proceed.

**Mr T. SMITH** — Okay. Well, you have not answered my question.

**Mr BOLT** — I do not think we are in a position, Mr Smith, to get behind any prior cost estimate. We are going through a process to give government the best advice we can on the costs and benefits of the project, and out of all that we hope to provide the most reliable cost estimate that will inform a decision on commitment to the project.

**Mr T. SMITH** — So in terms of the consultation process that occurred throughout 16–17 — I mean, there was one in my own electorate that you did not even invite me to, so I just wonder whether or not you are confident that you have consulted in a way that is fair and reasonable for people who are going to be affected by this process?

**Mr ELLIOTT** — Absolutely I am confident. As mentioned earlier, we have been issuing updates on the project to some 380 000 households across the north-eastern suburbs, the eastern suburbs and the northern suburbs affected potentially by the corridor selection. Those updates were issued last year. The drop-in sessions we ran were about exposing people to the benefits and challenges of each of the corridors and the trade-offs that we needed to take into account and get feedback on the criteria we were using to assess those corridor options. We had well over 2400 people through those sessions, and we had more than 12 of those across the northern and eastern suburbs. Before that, we ran a community survey to help inform the criteria we use to assess the options, and that had a response rate of over 7000 people from across the project area and those who move through it. So, yes, in terms of exposing people and giving people the opportunity to come face to face and talk to our experts and share the working that we had done at the time, we had quite comprehensive turn-ups to those sessions, and we tried to make sure that we were running those sessions across all of the affected areas.

**Mr T. SMITH** — So, for example, the people in Yallambie that you have written to to say that you might be acquiring their homes, how do you think that is going for them in their lives, because they do not know for a fact that you are going to acquire their home, you just might be, which creates enormous, I suppose, questions for them with regard to the value of their property? It is really quite distressing for them, and they do not feel that they have been spoken to or indeed consulted with by your team at all.

**The CHAIR** — Order! Mr Smith, you are asking the witness to offer an opinion. Perhaps you might like to rephrase your question.

**Mr T. SMITH** — Could you perhaps speak to the people in Yallambie about what that actually means for them with regard to these questions that they now have about their properties might or might not being acquired?

**The CHAIR** — The witness can only answer in relation to the 16–17 financial year.

**Mr T. SMITH** — Mr Elliott had referred to a number of issues pertaining to now in his answer to my original question, particularly about the tunnelling of the project, which directly relates to people who are potentially losing their properties in and around Yallambie, so I am following on from his initial answer to my question.

**The CHAIR** — The witness cannot offer an opinion. The witness can answer a question in relation to the 16–17 year. I appreciate that if the witness has strayed beyond that financial year, that might then lead a member to ask a question around that. But I would encourage all witnesses to confine their comments in relation to the 16–17 financial year, because that is what we are for. Outside of that scope, we have the estimates process. Mr Smith to continue.

**Mr BOLT** — If I can just interject, I understand your point, Chair, but now that we are into it, it would be difficult perhaps not to answer the question about Yallambie residents. I think the only thing that Mr Elliott could possibly do is to cast light on what communication has occurred and is occurring with those affected people rather than attempting to infer their state of mind.

**Mr T. SMITH** — Sorry, Chair, I asked a question relating to 16–17. Mr Elliott then referred to the project in its current scope, which involves properties potentially being acquired in the northern part of the Ivanhoe electorate. That creates enormous uncertainty for these people. He strayed into 17–18, not me, therefore I am asking him a question based on his initial answer.

**Ms SHING** — Again, the rules of evidence in fact do not apply here, Mr Smith, around examination in chief and cross, so just talk generally about it unless you have a point of order.

**The CHAIR** — The witness has strayed into 17–18 currently, so Mr Smith is entitled to have a follow-up supplementary question in relation to that financial year, which is why I made my point about ensuring that witnesses confine their comments to the 16–17 financial year. If Mr Smith is asking about the level of consultation and communication in relation to residents in Yallambie in relation to this project, as it relates to the current status, then I will let the question stand if the witness can now answer.

**Mr T. SMITH** — Thanks, Chair.

**Mr ELLIOTT** — We are maintaining close contact with those residents. We have case managers who are working closely with those people and maintaining a regular dialogue to understand their issues and concerns and providing them with updates on information as it becomes available.

**Mr T. SMITH** — But when will they know for certain whether or not you intend to acquire their property?

**Mr BOLT** — If I can just say, Chair, I think that is a question on a future government decision and is really well out of scope and our ability to answer the question. It is also out of the time scope of the hearing.

**Ms SHING** — I would like to move on to a different subject matter and to touch on the issue of job creation in regional Victoria. To that end I note that this was a feature of the presentation and is also outlined in budget paper 3, page 136, under 'Regional development', which outlines the jobs created in regional Victoria for the period — as anticipated at 1200 jobs — and a target set out, which also includes new investment in regional Victoria resulting from government facilitation services and assistance, and a 16–17 target of \$700 million. One of the key challenges that we have had, as was evidenced in the graph that was put up in the course of the presentation, was the discussion on regional jobs and in particular youth employment for people who have experienced a spike or a surge, as I think you indicated, Secretary, in your comments, up to 2013–14, before a trend that starts to see that slowing down.

I am particularly interested in the areas which have featured traditionally prominently in areas of underemployment and low employment, and to that end the Latrobe Valley is one such area. You mentioned that this has been an important area of investment, but to what extent has the investment of that record funding that I have outlined and referred to actually translated into jobs on the ground, not just in an insecure fashion, as it might relate to labour hire or other areas, but long-term secure employment and within that long-term secure employment for prospects within the public and the private sectors as well as for people entering the job market either after a period out of the job market, in transition or young workers?

**Mr BOLT** — Thank you, Ms Shing, there is a lot in that question.

**Ms SHING** — I like to pack as much in as I possibly can.

**Mr BOLT** — I will ask Mr Hanney to elaborate, but just to provide the context, which completes in a sense the answer I gave earlier to Ms Ward on employment statistics, in the year in question regional Victoria's slight fall in unemployment of 0.5 of a percentage point to 5.4 per cent is of course slightly better than metropolitan Melbourne, and that was an increase in regional employment to 24 700 workers. So against that backdrop quite a lot has been done that gives a more specific flavour to what has been achieved in different parts of the state. I will hand over to Mr Hanney, who may also in turn, with the indulgence of the committee, call on the CEO of RDV, James Flintoft.

**Mr HANNEY** — Thanks, Secretary. Ms Shing, can I just start with how we do investment attraction, because I think that is important.

**Ms SHING** — If you could just lean in closer to the microphone as well. It is often a little difficult for people to hear, given some weird acoustics that take place in this room.

**Mr HANNEY** — Sure. How we undertake investment attraction is important in the context of regional Victoria. Regional Development Victoria is an agency, and one of its primary purposes is to look at employment and investment in regional Victoria. We have got a set of international offices and they work back into Invest Victoria and Regional Development Victoria. So as soon as we see an investment, one of the lenses that is placed over the top of that potential investment is: are they suitable to be located in regional Victoria? If they are, one of our objectives is to try and facilitate them into regional Victoria.

If I could just go through some numbers in the first instance in terms of what has been achieved. The outputs that were achieved were 1213 full-time equivalent against our target of 1200, so we just beat what our target was, but we also saw \$920 million in new capital investment in regional Victoria. The objective there is that is additionality; they are things that we do not believe would have otherwise occurred unless there was the intervention of government in the investment facilitation side.

Just to use some examples: Flavorite Tomatoes — their expansion of the hydroponic tomato facility saw \$11.5 million in capital expenditure; the Tribal Group established their Asia-Pacific headquarters, 50 full-time

jobs, 1.2 million in capital expenditure, in Geelong; Victoria Valley Meat Exports, export value adding 73 new full-time jobs, \$1.2 million in capital expenditure, in Gippsland; Waranga Green Energy, a bioenergy project, 30 full-time jobs, 31 million capital expenditure, in Loddon Mallee. So there are examples of those. Then there are some very large ones, like LiveTiles establishing their Asia-Pacific headquarters in Geelong, which is 500 jobs; and Seeley International, which is in Geelong, are at 205 jobs. The breakdown of that: we have got Barwon South West, 215 jobs — 18 per cent of the total jobs and 187 million of capital expenditure; Gippsland, 186 jobs — \$428 million of capital expenditure; the Grampians, 234 jobs — 19 per cent in capital expenditure; Hume, 437 jobs — 86 million in capital expenditure; and Loddon Mallee, 141 jobs — \$109 million in capital expenditure.

**Ms SHING** — This might be something that you can extrapolate and break down for us perhaps on notice. How does youth employment and how do youth employment prospects fare better as a result of this investment and as a result of not just this program but a range of other programs? One of the challenges that we have in regional Victoria is convincing people that there are opportunities for employment, whether through private or public investment or through programs and assistance that are designed to train and upskill people on the one hand and find them secure employment on the other. Where do we get the correlation between the investment that has been provided and that you have outlined today as giving rise to those extra jobs on the ground and meaningful opportunities for young people, without having to travel to Ballarat, Bendigo, Geelong, Traralgon or Melbourne?

**Mr HANNEY** — I will get Mr Flintoft to comment. I will just give a macro response, which is that it is different in different areas, as you know — the pathway in terms of obtaining a skill and whether there is an employment opportunity. In the western part of the state we are seeing significant changes by way of agriculture and employment. However, in major regional centres we are seeing real employment growth. We have got a series of programs within the department that are there to facilitate the specific employment of young people. In all the negotiations we take with those companies around their investments, we talk to them about employment of young people and local employment. James can talk specifically —

**The CHAIR** — Briefly.

**Mr HANNEY** — Sure.

**Mr FLINTOFT** — I will try and keep it short, but draw me up —

**The CHAIR** — Otherwise provide the information on notice.

**Ms SHING** — I am happy for you to take it on notice, and we will come back to this in a subsequent set of questions. Thanks, gentlemen.

**Mr T. SMITH** — Just a brief follow-on from where I left off before the break, and then I will hand over to Mr O'Brien. Can you please elaborate why you rejected the federal government's offer of \$15 million towards a business case and planning for the north-east link?

**Mr BOLT** — I think that that is best answered by either Corey or Duncan.

**Mr ELLIOTT** — That was a decision of government.

**Ms SHING** — Can you just read your name into the record. I think the transcript operator is having trouble seeing it.

**Mr ELLIOTT** — Sorry. Duncan Elliott, CEO of the North East Link Authority. That was a government decision, not a decision that was made by the North East Link Authority.

**Mr T. SMITH** — Do you have any understanding about why they made that decision?

**Mr BOLT** — I think that is a —

**The CHAIR** — You are asking him an opinion.

**Mr BOLT** — Yes, that is right.

**Mr T. SMITH** — It was not an opinion. I asked for understanding.

**Mr BOLT** — It is a question really —

**Ms WARD** — You are. You are asking for speculation on why somebody has made a decision.

**The CHAIR** — Order! Ms Ward! I am happy for you to rephrase it, Mr Smith, if you would like.

**Mr T. SMITH** — The question is so simple, Chair. I cannot rephrase it anymore. It cannot be dumbed down any further. Why did the government reject \$15 million on offer from the commonwealth to assist the planning of north-east link? Mr Elliott said it was a government decision. I asked him why he understood the government to have made that decision. I was not asking for an opinion on the decision; I just asked him to explain why they made it, because he would probably know more than most. I do not know if I can dumb it down any further than that. It is pretty simple.

**Mr BOLT** — Mr Smith, I think that the best place to direct that question is to the government rather than to ask an official to speculate.

**Ms SHING** — He just cannot wait till May.

**Mr BOLT** — Obviously these are things that are the subject of advice that is confidential between us and ministers, and we should not speculate on their motives in matters of federal-state relations.

**Mr D. O'BRIEN** — We are all quivering with excitement at the prospect of estimates in May, aren't we, Ms Shing?

**Ms SHING** — You just wanted to get the word 'quiver' on the transcript.

**Mr D. O'BRIEN** — I did. The department's annual report, page 154, refers to ex gratia payments for legal disputes. Are you able to provide what costs the department incurred for legal action against the Minister for Agriculture, including a breakdown of costs for legal action with respect to each case?

**Mr BOLT** — Action against the Minister for Agriculture?

**Mr D. O'BRIEN** — Against the minister, yes. The costs of defending action against the minister obviously.

**Mr BOLT** — Can I do that for the 16–17 year? I do not have that information to hand. Can I consider that, take that on notice and give you a response, please?

**Mr D. O'BRIEN** — Sure. While you are doing that, you may need the follow up as well with respect to contingent liabilities for legal disputes, which is on page 138 of the department's annual report. Could you indicate what of those contingent liabilities relate to legal action referred to on page 206 of the annual report relating to the Port Phillip Bay dive scallop fishery action?

**Mr BOLT** — I presume the specifics relate to the first question. If I can sweep those two up and come back to you as to what I can say about the 16–17 year and the cost of defending those actions. I do not have the information in my own mind, as you can probably imagine, and it is probably too detailed to ask somebody to come up and explain, so I will come back to you.

**Mr D. O'BRIEN** — Yes. Is that likely to be available, though? We are just a little concerned here. We often get, 'Oh, yes. We'll look into it and come back to you on notice', but I would like an assurance that we will actually get the costs where they can be provided.

**Mr BOLT** — I will take advice on that, Mr O'Brien. I can assure you we will get you a response quickly. We like to do that. We take the information away, and we can respond quickly. It will not necessarily be in every case that we can give you the information, but we will give you an answer on whether we can and, if so, what it is.

**Mr D. O'BRIEN** — Sure. Continuing on fishing matters, the annual report refers to the stocking of barramundi at Hazelwood, which occurred in April 2016, the same month that the government announced a tripling of the coal royalty. Was DEDJTR aware that that policy was going to be coming out before they put

barramundi into Hazelwood power station, given that that decision had a significant bearing on the subsequent closure of Hazelwood prematurely?

**Ms SHING** — Point of order. Changes to the coal royalty did not actually have any bearing on anything in relation to anything, Mr O'Brien.

**Mr D. O'BRIEN** — Well, hang on, Ms Shing. Let the witness answer that. They do not need your assistance with it.

**The CHAIR** — Order!

**Mr BOLT** — So is your point the tripling of the coal royalty leading to the closure of Hazelwood leading to the barramundi matter —

**Ms SHING** — That is the narrative. Welcome to the coalition's world.

**The CHAIR** — Order! Ms Shing!

**Mr D. O'BRIEN** — Anyway, you do not understand the economics, obviously, Ms Shing.

**Ms SHING** — Nobody actually thinks that this closed Hazelwood. Nobody except you.

**The CHAIR** — Order! Ms Shing!

**Members interjecting.**

**The CHAIR** — Order!

**Mr D. O'BRIEN** — Let the record stand. Ms Shing has been regularly more interested in the barramundi at Hazelwood than she has been in the thousand workers who lost their jobs. Anyway, sorry, Secretary —

**Ms SHING** — Are you reflecting on me, Mr O'Brien?

**Mr D. O'BRIEN** — The question stands —

**The CHAIR** — Order!

**Ms SHING** — Sorry, point of order. I would seek a withdrawal of that comment from Mr O'Brien.

**Mr D. O'BRIEN** — Which comment?

**Ms SHING** — 'Let the record show that Ms Shing is more interested in barramundi than she is in jobs creation for the Latrobe Valley'. I take offence.

**The CHAIR** — The member takes offence.

**Mr D. O'BRIEN** — I withdraw.

**Ms SHING** — Thanks, Mr O'Brien.

**Mr D. O'BRIEN** — The question stands. Was DEDJTR consulted about the increase in the coal royalty?

**Mr BOLT** — Being the department responsible for the regulation of mining in this state, you can safely assume that we gave advice to government on the subject. The question of the closure of Hazelwood is an entirely different issue. It was a decision taken by Engie. I do not wish to enter the contest on this issue, but the closure of Hazelwood was, on everything I have understood, driven by very different considerations than that particular increase in royalties. It was a more —

**Mr D. O'BRIEN** — Can I ask then, Secretary — I will disagree with you — if the department knew that Engie was going to close Hazelwood in March 2017, would it have proceeded with the barramundi trial?

**Ms SHING** — Point of order —

**Mr BOLT** — That is the question I am coming to.

**The CHAIR** — Order! I think that that is speculative, Mr O'Brien.

**Mr BOLT** — All I would say is —

**The CHAIR** — I am happy for you to rephrase. It is speculative. I am happy for Mr O'Brien to rephrase it.

**Members interjecting.**

**The CHAIR** — Order!

**Mr D. O'BRIEN** — We have just established that DEDJTR had intimate involvement in the tripling of the cold royalties. Now, the secretary is quite at liberty to suggest that that had nothing to do with the closure of Engie, but it is fairly —

**Ms SHING** — You have started the question —

**The CHAIR** — Order! Ms Shing!

**Mr D. O'BRIEN** — All right, can I rephrase the question, Chair?

**The CHAIR** — Yes, Mr O'Brien. I would encourage you to do so.

**Mr D. O'BRIEN** — In establishing the barramundi at Hazelwood did the department do any planning or consideration of how long Hazelwood pondage would stay warm due to the closure of Hazelwood coming at some stage in the near future, which Ms Shing seems to think was inevitable in March 2017?

**Mr BOLT** — All I can say is because we were not privy to the internal considerations of Engie that led to the closure of Hazelwood at quite short notice, we were not well-informed with much notice of that intention, and clearly, had we been, we would have factored it into our decision on the stocking of barramundi. Whether that decision would have been different is a question that I would have to go back and replay history to answer, and I have not done that. And we will clearly be considering it in the future.

**Ms PENNICUIK** — I have got a couple of questions about signalling, which I am sure you would be very disappointed if I did not have. The department keeps changing its high-capacity signalling from year to year. If I could just remind you, last year I raised an issue about the high-capacity signalling trial that in the previous year was running on the Sandringham line, and then it was moved last year to the South Morang line. Then if I look at the general questionnaire, page 39, I see that only \$3.2 million was spent on stage 1 of the trial and the rest has been transferred to the Metro Tunnel. Does that mean that there is now no trial going ahead of high-capacity signalling anywhere, or is it continuing on the South Morang line, because it says here the majority of the funding has been transferred away from the trial of high-capacity signalling?

**Mr BOLT** — Thank you, Ms Pennicuik. Yes, we would have been disappointed if you had not asked a question on signalling, and we are very happy to illuminate the question of decisions taken on the choice of line on which to trial high-capacity signalling and the expectation of where it would be subsequently rolled out for operational performance. I could raffle this between Evan Tattersall and Jeroen Weimar. I might start with Jeroen as the CEO of Public Transport Victoria.

**Mr WEIMAR** — Thank you, Richard. I am pleased to confirm that the high-capacity signalling trial will be progressing as indicated last year on the South Morang line. It will be done as part of the Metro Tunnel PPP signalling program, because actually it is the key test bed for the introduction of high-capacity signalling in live operations on the Metro Tunnel. So we will be going to South Morang, we will be testing the deployment there, we will be doing the work on the rule book and the update and the amendments with the drivers on the existing X'trapolis fleet, and those learnings will then be built into the implementation of high-capacity signalling on the Metro Tunnel project.

**Ms PENNICUIK** — So given that so much of the funding — and the actual expenditure was \$2 million out of \$56 million — has been transferred to the Metro Tunnel project, how can that continue without that funding, if you could explain that to me?

**Mr WEIMAR** — Well, we have combined —

**Ms PENNICUIK** — Sorry, I cannot quite hear you. You could perhaps slow down a bit and get the microphone closer. It is very acoustically strange in here, so I cannot hear what you are saying.

**Mr WEIMAR** — You will recall a couple of years ago we had a standalone project to trial high-capacity signalling. What we have been doing and what we did 18 months ago was to decide that of better value for the state was to introduce this in conjunction with the Metro Tunnel, so there is a significant signalling component as part of the Metro Tunnel program. There is a PPP for that; that has now been awarded. They will be responsible for doing the trialling of high-capacity signalling on the South Morang line, so we have combined the budget that we had set aside for high-capacity signalling with the much larger Metro Tunnel program for introducing high-capacity signalling there, and they will be working on it together. Rather than having two sets of projects running in parallel, rather than having two sets of contractors, we thought we would do it with one.

**Ms PENNICUIK** — What a great idea. I was always a bit concerned about the way the trials were running between certain stations on certain lines and not being integrated.

Also, if we could just talk about signalling again, because signalling is often overlooked as one of the most important ways of actually improving the way the public transport system runs. The government is starting to put out media releases about, ‘Well, if we fixed up the signalling, we’d be able to run more trains’, which is a point I have been trying to make for quite a long time. If we look at page 27 of the questionnaire, the conventional signalling upgrade for Caulfield–Dandenong, again there is a very large variance of around \$150 million there due to incorporating the spend and investment associated with infrastructure works of the high-capacity metro trains. Could you actually explain in more detail as to what is happening there? Is that conventional upgrade now not occurring, and is it all going to be high capacity? I ask because at the last hearing I queried why it was not going to be high-capacity signalling and I was told it had to be conventional signalling, and now it is not all going to be conventional signalling — or is that the case?

**Mr BOLT** — I think the answer lies in the fact that there is a two-stage upgrade of signalling that is effectively going to happen: one to upgrade the line prior to the Metro tunnel being introduced; and then an upgrade to high-capacity signalling once the tunnel is completed. But Jeroen can either correct or elaborate on that.

**Mr WEIMAR** — Yes, that is correct. The work that is happening right now on the Caulfield–Dandenong corridor is the upgrade of the entire signalling system. We need to do that for a number of reasons. One is some of the signalling is quite old and therefore needs to be upgraded. We are in the corridor anyway, we thought we would upgrade it as you have indicated. Secondly, it is an upgrade and a replacement of our conventional signalling system, so we will continue to have an upgrade of the basic conventional signalling system on the entire Caulfield–Dandenong corridor. That will continue. That will allow the introduction or maintain the existing operation of V/Line trains, the existing Metro train fleet, as well as the freight services that run up and down the corridor. It will make that signalling system more reliable and more effective.

What it will also do is enable the introduction of high-capacity metro trains running with conventional signalling, so when the first trains are introduced at the very end of this year and in service next year they will run with conventional signalling on that upgraded corridor. So we have had to do a lot of work to ensure that the new conventional signalling system on that corridor is also aligned with the longer HCMT and the change to platform links et cetera. It also provides the base infrastructure for when we roll out high-capacity signalling in a number of years time on that corridor.

**Ms PENNICUIK** — On Caulfield–Dandenong?

**Mr WEIMAR** — Correct.

**Ms PENNICUIK** — And all the way to Sunbury?

**Mr WEIMAR** — That is right, ultimately. The work that we are now doing in the Metro tunnel is to trial the high-capacity signalling system and the changes that we have to make to the operation of the railway to make that work. When we get into 22, 23, 24, as a preparation work for opening the Metro tunnel in 26, we will then be rolling out high-capacity signalling on that corridor as a part of opening the Metro tunnel.

**Ms PENNICUIK** — Chair?

**The CHAIR** — Briefly.

**Ms PENNICUIK** — Thank you, Chair. So it does beg the question, I suppose, that that is quite a long way off. We are doing a trial on the South Morang line. Why could we not upgrade the signalling on that whole line to high-capacity signalling, or has that got to do with the rolling stock? I ask because waiting all that time out to 2024, which is still six years away, rather than rolling out high-capacity signalling across the existing network is, I suppose, one of the key questions.

**Mr WEIMAR** — We will be the first jurisdiction in Australia to introduce high-capacity signalling onto an existing network. It is a really complex engineering and train operations feat. It is a very significant change in the operation of our network. That is why we need to trial it within the existing brownfield environment of the South Morang line. Our focus absolutely is on the introduction to the first line that absolutely needs it, which will be the new Sunbury–Dandenong line with the Metro tunnel, so it is the absolute focus to make sure that we get it ready for there. That gives us about eight to nine years to go and introduce it, which is about right for a project of this scale. It does then provide the infrastructure, the capability and the system know-how to expand high-capacity signalling onto other groups, like the Clifton Hill group, should that be something that future governments decide, but that is not currently in our investment program.

**Ms PENNICUIK** — So really upgrading the signalling across the metropolitan network is a long way off, apart from the tunnel?

**Mr WEIMAR** — Yes, and I think it is a matter for future governments around the rate of that rollout and when the demand gets to a level where you need to do that.

**Ms SHING** — I would like to move to road safety and the Towards Zero initiative, which was targeted in the first instance to reduce the road toll to below 200 by 2020, then to reduce serious injuries by 15 per cent and then to keep the number trending down. We have an allocation of \$1.1 billion being invested across the action plan, with a large proportion of road safety infrastructure being directed to rural and regional roads — in the order of \$340 million.

I refer to page 223 of the department's annual report and a reference to the Towards Zero road safety program. I would like to get some further information on this program as it relates to the introduction of wire safety barriers along particularly high-risk rural and regional roads. I would like to get an understanding of the extent to which discussion has occurred on the previously bipartisan nature of road safety as it relates in particular to motorcycle safety and in particular to reducing the severity of off-road collisions as it relates to that infrastructure investment, please.

**Mr BOLT** — I will throw straight to Peter Todd as acting CEO of VicRoads.

**Mr TODD** — Thank you, Richard. Thank you for your question, Ms Shing. The government is investing \$1.1 billion to implement the Towards Zero action plan. As you indicated, there is \$340 million dedicated to infrastructure improvements, particularly on high-risk rural roads. We know that Victorians are more likely to be seriously injured or die on our rural roads, and that is why the government is investing a significant amount on some of these high-risk rural roads.

Part of that strategy is to implement flexible wire-rope barriers, audio-tactile line marking, wide centre lines and other treatments to improve road safety. This is based on the Safe System principles. Road safety barriers are there to redirect vehicles back onto the road. We know that the human body can only tolerate a certain g-force or impact, and we know that people make mistakes. So this strategy is about providing an infrastructure that is more sympathetic to people who make errors. We know that this infrastructure has been invested in in Victoria for nearly 30 years.

**Ms SHING** — For 30 years this has already been occurring?

**Mr TODD** — Yes, it has been, but what we are seeing now is a transformational program on our highest risk rural roads, where we are providing continuous barriers. We know that they will prevent 85 per cent of run-off-road crash serious injuries or fatalities or head-on serious crash injuries or fatalities where there is a

centre barrier. These are being delivered right across the state based on the evidence and the data that we have that demonstrates that these will save lives.

**Ms SHING** — So when we are talking about the introduction of these flexible wire rope barriers across high-risk rural and regional roads, firstly, how is high-risk determined; secondly, how is the model of installation determined including by reference to access points and thoroughfares; and thirdly, what is the evidence during the relevant period that the introduction of these flexible wire rope barriers has had a positive impact in reducing the number of off-road crashes, serious injuries and fatalities, not just for cars and trucks but in particular for motorcyclists as well?

**Mr MORRIS** — Of course, Chair, that would be in the 2016–17 financial year.

**Ms SHING** — I said for the relevant period.

**The CHAIR** — For the relevant period.

**Ms SHING** — I did say for the relevant period. I was clear about that, Mr Morris.

**Mr TODD** — We know that the barriers are already performing. So barriers that have been installed, we have evidence and information from. For example, one of the SES units on the Hume Freeway, who have now advised that since the installation of barriers on the Hume their call-outs onto the Hume have reduced by 50 per cent. So we are seeing evidence of that. We have worked very closely with the CFA, for example, and other emergency services. They have a position paper which we have been working with them on since —

**Ms SHING** — When was that provided?

**Mr TODD** — 2014.

**Ms SHING** — Sorry, 2014 that position paper was —

**Mr D. O'BRIEN** — Why is the CFA then still concerned about it?

**The CHAIR** — Order!

**Ms SHING** — Sorry to interrupt you.

**Mr TODD** — And so in terms of motorcyclists we know that there has been concern raised by motorcyclists, but the evidence indicates that the —

#### **Members interjecting.**

**The CHAIR** — Order! If the witness can briefly conclude their evidence, just briefly summing up the answer to Ms Shing and we can move on.

**Mr TODD** — The evidence shows that with wire rope safety barriers the incidence of fatality or serious injury as a result of motorcycle crashes has reduced by 40 to 50 per cent. We do, where there are high motorcycle volumes, provide extra crash cushions and other infrastructure around the barriers to reduce the injury likelihood should there be a crash.

**Ms SHING** — Just finally, in relation to the common parlance of referring to these wire safety barriers as cheese graters, to what extent does the installation of wire rope barriers actually change a motorcyclist's outcome when they come into contact with them?

**Mr TODD** — I can assure you that all of our barriers are installed in accordance with the appropriate Austroads standards. We do not have any evidence of that type of crash. A crash for motorcyclists is more about the posts than the wires, which is why we install crash cushions and put in other treatments such as rub rails and things to mitigate that risk for motorcyclists.

**Mr D. O'BRIEN** — Secretary, the VicForests annual report on page 15 talks about legal proceedings. We have discussed before, I think here but also in the Parliament, the \$1.235 million that MyEnvironment owes

VicForests that it was directed to pay. Has VicForests taken any action to recoup these costs, and when does the period to recoup these costs from MyEnvironment expire?

**Mr BOLT** — Thank you, Mr O'Brien. I do not have that information in my head, so I will see if there is anyone here that can answer it. I think we might have to take that question on notice as well.

**Mr D. O'BRIEN** — But for the benefit of people following it up, the minister said on 8 August that the time to recoup the costs had not yet expired, so I would appreciate if you could. Just following up, I understand that MyEnvironment remains represented on the government's Forest Industry Taskforce. Is this still correct, despite the fact that it owes 1.235 to VicForests?

**Mr BOLT** — The Forest Industry Taskforce is not the responsibility of my portfolio to run, so I really am not in a good position to answer exactly or to give you a definitive answer but I think, as I understood it, the task force process is effectively over and government is considering the recommendations and findings and will make its decisions or any further decisions in due course.

**Mr D. O'BRIEN** — We will ask that of DELWP, perhaps. Thank you, Secretary.

**Mr MORRIS** — If I could change direction a little bit. Secretary, in 2016–17 the department provided grants of 47.6 million to various companies for wind generation and solar generation projects. I am just wondering whether the department consulted with AEMO prior to awarding any of those grants?

**Mr BOLT** — I just need to get the period straight in my head, but I think that is, again, a question for DELWP for the 16–17 year.

**Mr MORRIS** — Sorry?

**Mr BOLT** — I thought that is a question for DELWP in the 16–17 financial year, as to what was done in relation to —

**Mr MORRIS** — For 16–17 I believe those payments came from your department.

**Mr BOLT** — Sorry, let me consult the briefing. Can you give us a more specific or repeat your reference, please, Mr Morris?

**Mr MORRIS** — Do I have the page?

**Mr BOLT** — Is it the annual report you are looking at, did you say?

**Mr MORRIS** — I have got an extract from the page here, but I do not have a page number on it.

**Mr HANNEY** — Mr Morris, DELWP provide predominantly grants to small businesses in terms of solar et cetera. We do larger investment facilitation, so the bioenergy project that I mentioned before. There is a set of grants which would involve headquartered offices large investments, but very specific energy projects by way of solar projects, the ones that you have outlined, sit with DELWP.

**Mr MORRIS** — They sit with DELWP do they? Okay. Thanks for that. Sticking with energy but in the context of the department, the annual report includes a section on electricity consumed, but it does not tell us about costs. I am wondering what the impact of rising electricity costs has been for the 2016–17 financial year?

**Mr BOLT** — On the department for its own consumption?

**Mr MORRIS** — Of the department, yes.

**Mr BOLT** — That is information we can provide. I do not think we have come equipped to give it to you right this minute, but if we could take that on notice, we will come back to you.

**Mr MORRIS** — On notice would be good.

**Mr HANNEY** — I said DELWP, so Sustainability Victoria has grants around energy assessments, environment upgrades, investments to cut energy costs through discounts on a wide range of energy-saving

products, and they support owners of commercial buildings and tenancies — so offices, hotels, retail — through programs that identify and implement energy efficiency upgrades that lead to an improvement in building performance. So it will be Sustainability Victoria and DELWP.

**Mr BOLT** — So again, best directed towards John Bradley as secretary of DELWP in that portfolio.

**Mr MORRIS** — Just a quick final one in this segment. Moving to major events, the Visit Victoria website has for some years now talked about Victoria's award winning major events strategy resulting in an enviable calendar of sporting and cultural events, and the editorial goes on. Does Victoria have a major events strategy?

**Mr BOLT** — Mr Morris, the government and through them Visit Victoria has a very strong focus on attracting major events, with some notable successes in recent times. Probably the best person to outline that to you is Andrew Abbott, as CEO of Creative Victoria but also as deputy secretary, creative and visitor economies. A propos of my earlier presentation, the nexus between the work on events, conventions and tourism and on the other hand the creative sector in creative industries of Victoria being so strong we have brought them together under a single person. So, Andrew, you can elaborate.

**Mr ABBOTT** — The government has a visitor economy strategy, which it released last year. Within that there is a focus on major —

**Mr MORRIS** — With respect, we have been down this particular rabbit hole on a number of occasions in the past, I asked about the major events strategy. I have heard about the tourism strategy, I am going to hear about this strategy, but as advertised on the Visit Victoria website, the major events strategy, allegedly award winning.

**Mr BOLT** — I understand your question, Mr Morris, and you will be getting a clear explanation of work that is being done in pursuance of major events, But it is an integral component of the visitor economy function that Andrew is overseeing, so please forgive him for starting there and then delving into the major events portfolio.

**Mr ABBOTT** — Major events is an important component of the visitor economy strategy. There is not a dedicated published major events strategy as such, but there is an approach that Visit Victoria takes as the newly formed entity responsible for event acquisition, as well as destination marketing, that has seen that in the 2016–17 budget year approximately 28 events were supported that year against a target of about 12. So that was a big year, in part reflecting the addition of major events, and an increase of \$20 million to the major events fund in that year.

**Mr BOLT** — Justin Hanney may have something to say.

**Mr HANNEY** — Mr Morris, the major events strategy is contained within the Visit Victoria strategy. I think the question you are asking is: do we have a list of events we chase, and that is not made public. That is not made public because of other jurisdictions, Singapore and China — there is a series of these that are international events that if we list and flag, we are essentially telling others. I guess it is a competition for a number of these events. I will use the example of Harry Potter, if that was flagged in terms of what was there and what we were doing in the strategy. A lot of those negotiations are undertaken by Visit Victoria. They do have a strategy which has a list of events. Overarching that in terms of the major events in the piece you were referring to is contained within their business plan.

**Mr MORRIS** — But there is no published strategy?

**Mr HANNEY** — You have seen what they have published on their website, and they have got a business plan and they have got an annual report. Their specific list of events they do not publish, but they have a list of events.

**Ms WARD** — While we are talking about the visitor economy, let us talk about international students studying in Victoria. I see from the budget papers at page 137, part way down there is 'Proportion of all international students studying in Victoria', and there is a slight increase in the per cent there of 30. Can you talk us through how that strategy worked over the 16–17 period, whether there was an increase in international enrolments in Victoria over that period and what that meant for the economy?

**Mr ADA** — Good morning, and thanks for the question. International education is Victoria's largest services export sector. In 2016 it generated 9.1 billion in export revenue for the state and supported almost 58 000 jobs, and this represents Victoria's best performance to date. Victoria has enjoyed the strongest growth in international student enrolments of all state jurisdictions over the last five years. In terms of your question, in terms of total enrolments, Victoria had 220 750 enrolments in 2016, and this accounted for about 31 per cent of national market share.

**Ms WARD** — So you exceeded what you had planned to do or receive?

**Mr ADA** — I recall that the BP 3 target was 30 per cent, and the actual outcome for 16–17 was 31 per cent. There is a lag in the data that we get from the commonwealth, but using enrolments to calculate market share is a nationally accepted methodology. The strategy referred to was launched by the government in March 2016 and has four areas of focus. They relate to quality, innovation and outstanding student experience; market development and showcasing Victoria to the world; sustained growth across international education sectors; and collaboration and broader benefits. The government has allocated 31.9 million over four years to implement this strategy.

**Ms WARD** — Thank you. A few years ago we had some challenges with international students. Numbers were dropping because of some experiences that international students had had in Victoria. So over the 16–17 period, what strategies were put in place to help international students feel comfortable in Victoria, feel safe in Victoria, and feel welcomed in Victoria? What was put in to help their wellbeing?

**Mr ADA** — In the 16–17 year there was a range of services provided by the Victorian government. These included the operation of the Study Melbourne Student Centre, which provides a safety net for international students to ensure their wellbeing needs are met through free multilingual face-to-face support. In 2017 there were over 15 000 student visits to the Study Melbourne Student Centre, and staff assisted with over 1500 student inquiries.

The Victorian government's International Student Welfare Program is supporting projects that improve the welfare of international students studying in Victoria, and the program to date has supported 45 projects that have collectively engaged tens of thousands of students.

In 2016 the government established the International Student Work Rights Legal Service, which commenced at the Study Melbourne Student Centre and provides free and confidential legal advice to students on their work rights.

There are a range of other student experience activities which are delivered, such as support for key welcome events in Melbourne and information and activities through the Study Melbourne digital channels, which help students connect with other students and connect with Victoria more broadly.

**Ms WARD** — Mr Ada, are you able to let us know how many international students have access to your workplace rights centre, because we know that that has been a challenge in recent times regarding their workplace rights and their exploitation?

**Mr ADA** — I will take that on notice, Ms Ward.

**Ms WARD** — Thank you.

**Mr D. O'BRIEN** — Secretary, I want to talk about the automotive supply chain transition program, which was extended in 2016–17 with additional funding of \$2 million. Given the expenditure is a little over 50 per cent of the funding available in 2016–17, could you advise why this was so low? Did you receive a small number of applications?

**Mr BOLT** — Thank you, Mr O'Brien. We will start, I think, with Mr Hanney, and Mr Ada may supplement it.

**Mr HANNEY** — Certainly. The answer is no. What we have got is a series of applications that have been received, and then they get processed over a period of time. So I can give you, if you want, chapter and verse on the number of applications received and the number that have been processed if that is helpful.

**Mr D. O'BRIEN** — If we could get that on notice, or if you have got it there, Mr Hanney, that would be welcome.

**Mr HANNEY** — Yes, I can get them for you right now. Just bear with me for one second. Tim, have you got those numbers in front of you?

**Mr ADA** — I can give you the grants that were announced in those two programs, Mr O'Brien, until the end of June 2017. There were 45 grants announced for the automotive supply chain transition program to the end of June 2017, and there were 33 grants announced in the Local Industry Fund for Transition to the end of June 2017.

**Mr D. O'BRIEN** — And the total value of those grants?

**Mr ADA** — I will take that on notice, Mr O'Brien.

**Mr D. O'BRIEN** — Okay, if you could, thank you. If I could just move on to industrial relations, could you provide a list of all EBAs negotiated that involved IRV in 2016–17, including the wage increases that resulted and any other costs that came with those agreements?

**Mr BOLT** — Thank you, Mr O'Brien. I would like to introduce Matt O'Connor, who is the CEO of IRV and provides advice in support of agencies negotiating EBAs in the public sector. It is important to understand that the role does not mean to be the lead negotiator but to be a resource to those, and I think we can certainly give some overview statistics, if that is valuable to you, and come back with more information on those specific EBAs after this meeting.

**Mr MORRIS** — If I might interpose, Mr O'Connor provided a similar list last year that was exactly the information we were seeking, so something of that order would be very helpful.

**Mr BOLT** — I see.

**The CHAIR** — Was that provided on notice or was it provided —

**Mr MORRIS** — An updated list for this year would be very helpful.

**Mr BOLT** — Thank you for the heads-up, Deputy Chair.

**Mr O'CONNOR** — Matt O'Connor, deputy secretary, IRV. Yes, we can provide a similar list. Just by way of very brief overview, there were 48 agreements concluded in the 2016–17 year, which is about a third of the agreements, so it was a busy year.

**Mr D. O'BRIEN** — Thank you. Are you able to also provide copies of the service delivery partnership plans that were entered into under government wages policies as part of the negotiation of the EBAs?

**Mr O'CONNOR** — Of all 48 agreements? I will have to take that on notice, Mr O'Brien, but we will do the best we can.

**Mr D. O'BRIEN** — Okay, and are you able to confirm that for the period the government wages policy remained the same as it was on the government coming to office?

**Mr O'CONNOR** — Yes. When this government came to office it struck a new wages policy, but that wages policy would have applied for the whole of 2016 and 17, yes.

**Mr D. O'BRIEN** — So were there any of the EBAs negotiated in 16–17 that exceeded that policy?

**Mr O'CONNOR** — It depends what you mean by exceeded the policy.

**Mr D. O'BRIEN** — Sorry, in the context of the wage increase.

**Mr O'CONNOR** — The way the policy works is that there is a fair pay guide of 2.5 per cent. Increases above that need to be squared away against service delivery improvements or other productivity trade-offs. Where those increases are beyond 3 per cent there is more rigour in assessing the increases above that amount. I

am talking here about the non-major agreements. If non-major agreements are likely to or do exceed the policy, they need to be brought to cabinet for approval.

**Mr D. O'BRIEN** — Sorry, that was just for the major agreements, did you say?

**Mr O'CONNOR** — No, the major agreements go through a separate process, but there are a range of obviously smaller agreements that, if they were to exceed or at least challenge the policy, would need to be brought upstairs, if you like. I cannot tell you right now how many of the 48 would have fallen into that category. It would have been very minor, if any.

**Mr D. O'BRIEN** — Just to clarify, the policy is a 2.5 per cent increase. My recollection from the first estimates process was that the Premier said with a 0.5 per cent for productivity or service delivery improvements — is it still the 0.5, or is it open-ended now?

**Mr O'CONNOR** — No, it is the same policy.

**Mr D. O'BRIEN** — The same one. Okay, thank you.

**Ms SHING** — Just continuing with the subject matter of industrial negotiations and enterprise agreements, Mr O'Connor, you have described a number of service delivery improvements and productivity offsets that might be used to inform the negotiation process as part of wages policy, and in the context of the 48 agreements that you have described as having been concluded there are a number of changes in relation to service delivery improvements through agreements in the health sector — for example, health and allied services managers and administrative workers, and Ambulance Victoria operational and administrative employees. By reference to the agreements that you have touched on for this period, what are the sorts of service delivery improvements and the way in which they might constitute productivity for the purposes of an assessment around compliance with the wages policy? And just by reference to a budget paper measure, at BP3, page 132, we have got 'Public sector agreements renewed and approved within current enterprise bargaining framework' and a target of 100 per cent.

**Mr O'CONNOR** — Thanks, Ms Shing, that is an open-ended question in one sense.

**Ms SHING** — I do not like to lead witnesses, Mr O'Connor.

**Mr O'CONNOR** — There are a range of service delivery improvements that will vary across agreements depending on the industry and the history of those agreements themselves. We struck a number of important health agreements during that period which did deliver some important service delivery improvements. Some of the things that we look at are items like managing excess leave, absenteeism, looking at inoculation of employees to prevent influenza and things of those sorts. In other areas it is the way that work is done and the way that the customers and the public are serviced by the various agencies that deal with direct customer-facing arrangements. So it is difficult to pin down any particular change in each industry. They vary, and they do depend upon, to an extent, how restrictive the previous agreement was.

**Ms SHING** — So just by reference then to specific examples, and I will take you to the nurses and midwives agreement which was finalised during this period and also the Ambulance Victoria operational and administrative employees agreement, where are the points within these agreements, as approved, that deliver on service improvement — and this is illustrative only, unless you wish to provide me with an exhaustive list in the time we have available — and were reached as part of this negotiation process, as part of nurses, midwives and ambulance operations staff?

**Mr O'CONNOR** — So I can give you a general answer. To give you specific service delivery obviously I would have to take that on notice. Some of the examples were changes to sick leave and casual long service leave entitlements; there was a commitment from the union on aged-care reform to deliver a modern staffing structure; and a commitment to improve patient treatment times and safety and reduce waste, for example, under the nurses agreement.

**Ms SHING** — Great, thank you very much, Mr O'Connor.

**Mr D. O'BRIEN** — Just while we have got Mr O'Connor there, just a quick one: the department's annual report on page 14 lists one of the achievements of IRV as supporting the Minister for Industrial Relations in

terminating industrial action in the gas and electricity industries to ensure critical supply for Victoria. Can you describe what industrial action that refers to? Who was involved?

**Mr O'CONNOR** — So in relation to the Esso case, that was the AWU. There was action being taken by the AWU that was, in the minister's view, based on advice, threatening public welfare or the supply of gas, in that case.

**Mr D. O'BRIEN** — Was that at Longford or at Long Island Point? Whereabouts?

**Mr O'CONNOR** — It was offshore and onshore, and what actually happened was the action was terminated which then, under the Fair Work Act, under section 424, led to arbitration of the underlying bargaining disputes. In the onshore operations the parties were then able to conclude an agreement. In the offshore operations that matter went to a lengthy arbitration. The commission was about to hand down its decision and the High Court handed down a decision which had some impact on the commission's ability to do that, and that is now being worked through. Our interest in that case is not so much in the arbitration outcome, it is more in terminating any industrial action that might impact upon Victorians. We did not participate in the arbitral stage. Once the action was terminated we effectively stood back and allowed the parties to engage in that.

**Mr D. O'BRIEN** — And the electricity one?

**Mr O'CONNOR** — So that was AGL, and in that case again industrial action was being taken, in the main by the CFMEU.

**Mr D. O'BRIEN** — That was at Loy Yang.

**Mr O'CONNOR** — At Loy Yang A, that is right. And again in that case we brought an application under section 424 on similar grounds. That was successful. In that case, however, the parties were able to conclude an agreement so it did not proceed on to arbitration.

**Mr MORRIS** — Could I switch pace entirely and ask a couple of questions about Film Victoria. In terms of the Film Victoria expenditure, in dollar terms what sort of money is spent on attracting the sure-fire hits, the so-called tentpole productions?

**Mr ABBOTT** — So Film Victoria has a budget of around about \$13 to \$16 million which it spends on supporting local productions, with a big focus on comedy and drama productions being produced in Victoria. Are you referring to footloose productions from overseas that are being attracted to this state?

**Mr MORRIS** — Essentially, yes.

**Mr ABBOTT** — In relation to those Film Victoria has a budget of \$2.5 million per year which it spends on attracting footloose productions from interstate and overseas.

**Mr MORRIS** — I want to unpack that a bit further. Is the 2.5 million, if that was expended totally on overseas productions, is that the extent of the budgets effectively going to overseas productions?

**Mr ABBOTT** — Depending on the production that is being attracted, funds might be sought external to the Film Victoria budget to attract productions.

**Mr MORRIS** — Okay. Can I put it this way: what proportion of film Vic dollars are spent — there are number of subdivisions here so I will just take you through it and then perhaps if you go back to it that is fine — on Australian versus overseas productions, and what is the proportion spent on film versus screen productions, games and digital content?

**Mr ABBOTT** — I won't be able to give you that breakdown right here. Of course Film Victoria invests across all platforms and those platforms are changing, so it cares about investment in film, in television, in games, in video on demand, and that is increasing. The large majority of its funds go to local production, the vast majority goes on local production.

**Mr MORRIS** — Can you give us that breakdown on notice?

**Mr ABBOTT** — On notice? Of course.

**Ms PENNICUIK** — I would like to ask a question about trams, page 35 of the general questionnaire, the tram procurement supporting infrastructure various metro projects. You have only spent about 47 million of 160 million. That is explained as due to the impact of unavailability of suitable land for substations to support the tram tracks and power update and delays in the delivery of tram stop upgrades on route 96, which is a tram route that I use quite often. I just wondered if we could get some more information, just expanding out that explanation as to what is actually happening with that tram procurement upgrade.

**Mr WEIMAR** — Thank you for the question and good to have a chance to talk about our tram program. As you may know, we are working on a long-term upgrade of the whole route 96 corridor, and that of course is the first corridor on which we deployed the E-class trams. There are now over 60 of those in operation on route 96 and other routes. Part of what we are now working on is the northern end of that route, up Nicholson Street, in order to ensure ongoing power upgrades, additional power substations and the installation of around about another 12 or so platform stops. That involves a lot of close consultation with local communities and local authorities. We have been in discussions with them over the last 18 months or so, certainly over this period that we have talked about. That has led to us making some revisions around some of our detailed proposals to ensure they fit more effectively in with local requirements. That work has been rephrased and reprogrammed. I am pleased to confirm that it remains within the budget envelope that we have talked about for the route 96 program and those works are now scheduled and will happen in the coming period.

**Ms PENNICUIK** — How many substations does it require and how many have been located?

**Mr WEIMAR** — I can give you the details on notice. From memory, on route 96 we had a total of 17 power substations that we were adding onto the network. Of course what we are doing is not only putting bigger, larger trams onto the network but we are running our trams more frequently, as we have seen such a strong growth in demand for tram services. That all requires more power. There is a logistical challenge in putting substations in a congested city like Melbourne and we have explored a number of alternative options around putting substations in new developments and putting them in underground car parks and various other locations. All of that takes time. From memory, I think we have implemented around nine of our proposed 17 substations, and the others are due to go in in the coming period.

**Ms PENNICUIK** — Have you located the other eight?

**Mr WEIMAR** — Yes, we have locations for all of them. We are working on the details of them. We are consulting, where necessary, local planning authorities and local communities around the details of their installation.

**Ms PENNICUIK** — So that 160 million, is just for route 96 or is it for other —

**Mr WEIMAR** — Correct. That is the —

**Ms PENNICUIK** — It is just for that?

**Mr WEIMAR** — That is right. The overall route 96 program was around a \$920-million program across tram procurement. That is well on track and we have a new E-class tram on the network every month. The remainder is for the infrastructure to enable it.

**Ms PENNICUIK** — This might be outside the period, but what would be the next tram route that you might do a similar project on?

**The CHAIR** — Perhaps, Ms Pennicuk, you might say, ‘Was there any other planning done in 16–17 for other tram routes?’.

**Ms PENNICUIK** — Thank you, Chair. I am very grateful to you.

**The CHAIR** — I am here to help, Ms Pennicuk; I am here to help.

**Ms SHING** — Let’s use irony font when we report that transcript. That would be awesome.

**Mr WEIMAR** — So in the 16–17 year we did introduce some additional platform stops at a number of locations across the network, particularly high-profile, high-demand platform stops. We have a number of other bits of planning work in train which relate to later periods, but we do not have a program at the moment to do a whole route in the way we have done route 96. What I can say, of course, is that the E-class trams are now deployed on routes 11, 86 and 96.

**Ms PENNICUIK** — Chair, if I could just move to a different page, which is page 13, and that is regarding the Doncaster area rapid transit. Again, \$8.8 million is meant to be spent but only about 700 000 has been spent due to a review of accruals of the contract et cetera. I wonder if you could perhaps explain what is going on there in a bit more detail?

**Mr WEIMAR** — Yes. There were some delays in the expansion of the park-and-ride facility at Doncaster. That work has now been completed. I was there around six months ago and the work has now been done, so that was a rephrasing of the program. Doncaster — the DART scheme continues to see really strong growth in passenger demand, which is really encouraging, and we continue to explore options to expand it further.

**Ms PENNICUIK** — So is that going to be fully acquitted in this —

**Mr WEIMAR** — If I could take the question on notice around the details of expenditure, I can do so.

**Ms PENNICUIK** — That would be great. Thank you very much.

**Mr DIMOPOULOS** — Secretary, my question is about small business. There are over 556 000 small businesses in Victoria. They make up about a third of the state's output in goods and services and they make up almost half of private sector jobs. I know that the 16–17 budget saw significant investment in supporting small business, including the festival, the lowering of payroll tax, cutting red tape and strengthening the role of the Victorian small business commissioner to resolve disputes. Budget paper 3, page 134 talks about the output measures for some of this investment. I was particularly interested in the small business festival and any other initiative in that budget paper reference in that financial year which helps small business access markets and opportunities they otherwise would not have, including government procurement opportunities that seem to traditionally go to the big players.

**Mr BOLT** — Thank you, Mr Dimopoulos. I introduce to the committee Lill Healy, who has fairly recently become deputy secretary of programs, small business and employment — and I have to read that because it is a long title. Small business, naturally, is her lot, and she will take us through the small business programs.

**Ms HEALY** — Thanks, Richard. We have had a great last couple of festivals, 16–17, a terrific focus on regional Victoria, which has been an expansion, a terrific focus on women in business and also, as you referred to, a really strong focus on export and trade given business growth. In 2016 and 17, the two events which covered both years, we had again half of the events in regional Victoria, which is just a significant improvement from previous years and obviously a direct agenda of the government. We also saw not only increases in regional Victoria but a different profile of attendees, so again a lot more women attending the events. We had 232 events in regional Victoria, about 12 500 participants, and we had our first ever regional festival in West Wimmera-Southern Mallee as well, so a terrific expansion further out.

That is all then of course based on our partnerships with local business chambers and local government, which is a terrific partnership. In fact at the last festival we had a terrific event featuring the Olympic gold medallist and businesswoman Lydia Lassila. She was a feature across the regional events and was a big drawcard, and we had 95 per cent of the participants who fed back to us that that was an exceptional event, so we are really pleased with that. Why all that matters I guess is not just the numbers but what people then do — the small businesses that attend — how they translate that into their own business operations.

As I said, more businesswomen were attracted to the festival in 2017. We had the very specific new initiative of the Women in Small Business Week, so it was a very direct focus on women in business and we had about 36 business events across that week. I had some particular feedback from an event in South Melbourne where they had 80 women exporters and that was called the One Roof women co-working hub. They were the supporters there and got a really broad cross-section of women. The focus there was on enabling current businesswomen to look at new strategies for exporting and really about that focus on accessing global markets. Again I had a particular quote from an owner who said the thing that was good for her about that was she was

hearing from other women who had been successful in business already, so it was not a theoretical proposition; it was, 'This is how I did it; this is how you can do it', so very practical.

The other important thing around small business is whilst it is clearly portfolio driven and our activities are planned, we work with anybody and everybody, so we integrate our festivals with the digital festivals and we integrate our festivals and our other activities with the trade portfolio, not just the small business part, and in regional Victoria of course it is central to RDV's work as well. So there are many cross-portfolio benefits there. In future that will certainly be a strength, not that I will go to the future.

**Mr DIMOPOULOS** — Thank you. That is a huge attendance. Did you say 12 500?

**Ms HEALY** — For the 2016 festival, yes.

**Mr DIMOPOULOS** — Yes, and a number of events in regional Victoria.

**Ms HEALY** — That was the regional attendance, yes.

**Mr DIMOPOULOS** — Just a supplementary. In terms of part of my initial question about government procurement, either through these festivals or other outputs in that budget reference in that year, what are the opportunities for small business to access the power of government procurement?

**Ms HEALY** — There is a particular example there in terms of Aboriginal businesses where the investment in the regional business strategy sees a 1 per cent procurement target for Aboriginal small businesses. Again that is a terrific new attempt to make sure that we have a very proactive stance around Aboriginal small businesses, and that is just I guess hitting its straps at the moment.

**Mr DIMOPOULOS** — Does that include getting on the construction supply register?

**Mr HANNEY** — The Victorian Industry Participation Policy has got two purposes. One is about local content and one is very deliberately about small businesses, so big contracts being broken down so that small businesses can access them. There are local content requirements against all of Victorian government's procurement, and that is being broken down further and further. What we know is all the evidence suggests that the more you break down a major contract, be it a level crossing, the purchase of trains — so government's procurement and buying power — the more you can break those contracts down, the more small businesses can participate.

**Mr DIMOPOULOS** — And, Mr Hanney, you are doing it from the government's end rather than the major contractor having to subcontract 16 times over, because you lose a bit of control, I imagine?

**Mr HANNEY** — We are doing it by both. When we procure a major contract — I will use the example, because I know it very well, of Bendigo Hospital. More than 95 per cent of Bendigo Hospital was local content.

**Mr DIMOPOULOS** — Extraordinary.

**Mr HANNEY** — The Industry Capability Network that are engaged by government have a dataset of small businesses. When they take a contract, they will work. If it is a third party, if we are providing investment facilitation to a company, one of the things we offer to them is the services of the Industry Capability Network. They take that contract and they look at how the procurement side of it can be broken down. It works to the advantage of the larger firms — they get more competition from small businesses — but it gives absolute entry for small businesses in terms of procurement. Now, procurement is a lever that state government has and the Victorian Industry Participation Policy has seen really effective use of that.

**Mr DIMOPOULOS** — Thank you both.

**Mr T. SMITH** — Just to change pace entirely, Secretary, was there any alternative funding model identified in relation to the West Gate tunnel in 2016–17 that did not involve extending the CityLink concession deed?

**Mr BOLT** — Clearly, Mr Smith, we have a delivery oversight responsibility for that project, but the matters of its financing are matters that are being led by Treasury and Finance and I would respectfully ask that the

question be directed to them. Clearly we are involved, but it is best to have a single voice answering questions about a project of that scale and interest.

**Mr T. SMITH** — Okay.

**Mr D. O'BRIEN** — Continuing on, Secretary, you would have no doubt had significant involvement in the development of the policy as to how it would be implemented, I assume. Was there any modelling undertaken on the cost burden for motorists either in the northern or south-eastern sections of CityLink from the extension of the toll deed, including on what percentage of those motorists would not ever actually use the West Gate tunnel?

**Mr BOLT** — I might ask Peter Sammut to come to the table. Thank you, Peter. The question of the modelling that was done and the incidence, I think you were just saying, of the impost of tolling and who may then be deterred from travelling, is that the question?

**Mr D. O'BRIEN** — In making the decision, and I appreciate the financing itself is a Treasury decision, surely the government needed to consider the impost on all motorists or any other alternative funding models. When you have got people from Gippsland and from the south-eastern suburbs who may or may not ever use the West Gate tunnel but are actually going to be charged for it by the extension of the tolling deed, I want to know whether there was any modelling undertaken on what the impact on those motorists would be.

**Mr SAMMUT** — I am Peter Sammut, CEO of the Western Distributor Authority. Maybe not answering your question directly, but just starting at a high level —

**Mr D. O'BRIEN** — I would prefer if you did, Mr Sammut.

**Mr SAMMUT** — The transport modelling is done on a network-wide basis. When you are delivering these major projects and looking to see both what the transport impacts might be from a network perspective and also what the revenue forecasts might be, you have got to do it on a network-wide basis, basically with and without the motorway in place, for a predicted future year. That analysis was done. It was a very comprehensive analysis. It was part of the environment effects statement, and it also is a key contributor to the business case and to the projected revenue forecasts that the state does for its comparison of what the private sector might bid back to you to be able to compare what revenue one thinks that the state would receive versus what revenue forecasts the private sector is actually factoring in to their financial models. In terms of individual impacts of origin destination, some of that work is actually done, but it is not quite done in the way that you are suggesting.

**Mr D. O'BRIEN** — Is that publicly available?

**Mr SAMMUT** — The transport modelling work is publicly available, yes.

**Mr D. O'BRIEN** — So there was no specific modelling done on the cost burden that would be applied to motorists using CityLink due to the extension of the toll deed?

**Mr SAMMUT** — Yes, but you are talking, I think, more particularly about exactly where the origin is for a revenue contribution on a portion of CityLink. That comes from origin destination work. In terms of total revenue, absolutely. The work looks at future traffic demand with and without the West Gate tunnel project in place, and then therefore what the changes in traffic volumes are on the whole network. Revenue itself, you will have to calculate that, but in terms of the traffic impacts, that is all public.

**Mr D. O'BRIEN** — Okay. So on the revenue side of it, and we asked DTF this question on Monday, it has been reported that those motorists that I am talking about — the motorists generally on CityLink — will pay an additional \$10 billion because of the toll extension. Is that a figure you can confirm?

**Mr SAMMUT** — My understanding from the discussion on Monday is that is a question on notice that had to be clarified against the \$6.7 billion cost of the project. I cannot add to that.

**Mr BOLT** — We will obviously talk to Treasury, and if we can assist them in answering that question, we will.

**Mr D. O'BRIEN** — I do not think it was taken on notice; I think we were told you cannot have it because it is Transurban's private details. Can I just briefly ask a different question in the same corridor though about rail. It goes directly to the planning of the sky rail on the Cranbourne-Pakenham line —

**Ms WARD** — For the 16–17 reporting period.

**Mr D. O'BRIEN** — For the 16–17 year, thank you, Ms Ward. As you are aware, the Cranbourne-Pakenham sky rail projects severely limit some of the options going forward for regional rail. Was there any contingency planning done in developing the sky rail projects for a dedicated line for Gippsland?

**Mr DEVLIN** — I can answer specifically around the design that we are building out there at the moment. We have done that to ensure it does not preclude future planning for upgrade of that corridor, but no deliberate planning has been conducted by my authority.

**Mr D. O'BRIEN** — So with the construction as it is occurring now, but planned in 2016–17, is there the opportunity to put additional lines in on that corridor, particularly for a regional rail link as we have on the western side of Melbourne?

**Mr DEVLIN** — I said, as indicated, we have ensured that our design does not preclude it, but there are already existing constraints along that corridor. For example, the corridor is not wide enough for third and fourth tracks through into the city, or fifth and sixth. That would have to be added also as you merge with Frankston line. There are lots of corridor issues along that line that require lots and lots of extensive planning to answer all those questions.

**Mr D. O'BRIEN** — When you say it does not preclude it though, putting up the towers with the stations in the middle — I understand it has a line on each side of the stations — how would you put an additional line in?

**Mr DEVLIN** — For example, in the areas further out towards Noble Park where the corridor is wider, we have pushed the two tracks to the northern side of the corridor, which slews the tracks so that leaves sufficient space on the south of the corridor in that particular area where it was wide enough. But throughout the whole line, it is designed so a third and fourth track could be added north-south or to the north or to the south. Again those decisions are more part of a broader network planning piece that would have to be done, given the extreme constraints that already exist.

**Mr D. O'BRIEN** — Just to confirm, I think you said that there was no planning specifically done to do that in future?

**Mr DEVLIN** — No.

**Mr T. SMITH** — If I could very quickly return to the north-east link, in terms of your forecasting for increased traffic on the Eastern Freeway —

**Ms WARD** — That was done over the 16–17 period.

**Mr T. SMITH** — Thank you, obviously — could you indicate to the committee what sort of an impact that would have on the Eastern Freeway and requirements to potentially extend the Eastern Freeway in terms of the number of lanes?

**Mr BOLT** — It is essentially outside of the scope of time, but I will just say that the question of modelling impacts, costs and benefits are all being factored into a business case, which is under development or close to finalisation now, as I understand it.

**Mr ELLIOTT** — That is correct.

**Mr T. SMITH** — So there was no modelling done in 16–17 on expanding the Eastern Freeway per the increase in —

**The CHAIR** — Order! I would like to thank the witnesses for their attendance. The committee will follow up on any questions taken on notice in writing. A written response should be provided within 10 business days of the request.

**Witnesses withdrew.**