

CORRECTED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2005–06

Melbourne — 8 June 2006

Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Mr A. Somyurek

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

Staff

Executive Officer: Ms M. Cornwell

Witnesses

Mr J. Madden, Minister for Commonwealth Games;

Ms M. Sussex, executive director;

Ms B. Glyn, chief finance officer; and

Ms J. Samms, director, Office of Commonwealth Games Coordination, Department for Victorian Communities.

The CHAIR — Good afternoon to those who have just joined us and I welcome Ms Jennifer Samms, director, Office of Commonwealth Game Coordination, Department for Victorian Communities; Ms Meredith Sussex, executive director, Office of Commonwealth Games Coordination and Ms Brenda Glyn, chief finance officer, Office of Commonwealth Games Coordination, Department for Victorian Communities.

Minister, before we ask you to give a brief presentation on the more complex financial and performance information, could those who have just joined us turn their mobile phones off, please.

Overheads shown.

Mr MADDEN — Thank you very much, Chair. We have 280 days to go to the Commonwealth Games and it is worth appreciating that in many ways this is a work in progress and of course the proof will be in the pudding. I just want to reiterate that, because whilst we can talk a lot about facts and figures, at the end of the day it is the success of the games which really matters and anything else until then is conjecture and speculation in many ways. I also thank members of the committee and members of the opposition for their continued support of the games, because it is worth appreciating that I think it was the former government that originally acquired the games and as has always been the case, we have an open door policy in relation to any matters in relation to the games from the opposition. We are committed to transparent games in every manner, and hence hopefully I can provide you with some useful insights into many of the matters today.

In terms of the Commonwealth Games, whilst I mentioned these objectives last year, I think it is worth going over these again: a high-quality sporting program of the commonwealth of nations; enhance the reputation of the Commonwealth Games as a major international sporting event; promote Melbourne, Victoria and Australia and taking Melbourne to the world as if it were; and deliver social, economic and environmental benefits for Australians and Victorians. Of course that is all established under the Commonwealth Games Act. But as well as that it will be the largest event hosted in Victoria, and we are ensuring that all Victorians have the opportunity to be part of those celebrations. The objectives drive the government's planning for the games and particularly the games benefits program.

Just to go over the governance arrangements, it is worth mentioning the M2006 board. I attend, along with the executive director, Meredith Sussex, of OCGC, the bimonthly M2006 board meetings. We attend as observers. That board regularly reports to us and has also recently established an operational readiness committee that meets monthly to ensure the preparations for the games remain on track. There are a number of those subcommittees listed there under the board. It is again worth appreciating that the Commonwealth Games Federation constitution, the host city contract and the Australian Commonwealth Games Association's endorsement contract spell out the governance and the organising committee's commitment for the delivery of the games, and the Commonwealth Games general assembly, comprising representatives from each of the commonwealth nations, endorses key elements of the games, such as the sports programs and the games venues. We are also bound by the technical rules of international sporting associations for the conduct of sporting competitions, so there are a number of influences in relation to the rollout and delivery of the games over and above the government's responsibilities in relation to those.

We recently hosted the annual general assembly in April 2005 of the 71 commonwealth nations and territories. We will again host them prior to the games in March 2006. The Commonwealth Games Federation Coordination Commission have visited Melbourne on a number of occasions to discuss the games preparation, and they will be visiting again between now and the games. Basically they are the heavy hitters who inform us if we are on track or if there is anything we need to focus on, and in each of their visits they have been certainly buoyed by the preparations we are making in terms of the delivery of the Commonwealth Games.

In terms of stages of the games planning set out there, in the past year we have focused on detailed operational planning for the games. This phase is completed and endorses that the games organisers are moving into the testing and operational readiness phase, so it is worth appreciating those. In terms of the pre-games priorities, they are listed there. We recently had Sandy Hollway, former chief executive officer of SOCOG participate in a review, and he was confident of the operational plans presented and was impressed with the teamwork, integration and management between Melbourne 2006 and the Office of Commonwealth Games Coordination. I would like to take this opportunity to compliment both organisations headed by Meredith Sussex and John Harnden for the ability to work harmoniously together in relation to that. It is no easy task; we have seen tensions in other places where these

events have been delivered, and to also have Sandy Hollway's imprimatur on that really reflects the outstanding job that our officers are doing.

In terms of the priorities, there is significant planning and pre-games preparation required to ensure the completion of the athletes village, the media centre and training venues. All those matters are reflected there. As well as that we have pre-games priorities which are listed there: volunteer training, volunteering, the legacy programs and, of course, the ticketing. Many of those you would be conscious of, so they are listed there just to reflect those. Games time priorities are listed again. It is worth appreciating that in many of those areas already under way, they obviously have high priority and high significance and plenty of attention.

As to post-games priorities, it is worth appreciating that whilst the games will finish at the closing ceremony, there is still plenty of work to do post-games, and that is also part of my responsibility and the responsibility of the respective organisations. Post-games evaluation will include final travel subsidy payment made to the CGA and accounts finalised. The financial year has been extended at the Auditor-General's suggestion, in 2006, with permission from the Minister for Finance, to September 2006 to enable all the costs and issues in regard to the wrap-up of the games to be included, so I think that is worth the committee appreciating in relation to next year's PAEC hearing. Then there are the infrastructure projects. Hopefully you can read those, but you should have the paperwork in front of you to be able to.

The CHAIR — That is clear. These will be tabled when we table our report.

Mr MADDEN — So there is plenty there for you to reflect on. As to budget appropriations, we can go through those two slides which are the infrastructure projects. I am happy to talk about those in detail. They are highlighted there. It is worth appreciating, too, that in terms of security, on security advice from Victoria Police I am not able to disclose the security budget for the games at this stage, but, as has been mentioned, I believe by the Premier, this will be fully disclosed in the whole-of-games final report. We do have the special report which consolidates all elements of the games, but in terms of security the advice we have had from the respective security organisations is that releasing that would be far too indicative of the sort of security implementation that we will be putting in place for the games, and hence that will be made public post-games. There is the forecast capital project expenditure in the respective years. That is highlighted there. The major appropriations, as you would expect for the major infrastructure projects that are under way, are the athletes village and the social housing, Melbourne Sports and Aquatic Centre, the Yarra precinct pedestrian bridge and the temporary athletics track there.

The CHAIR — Thank you for being so timely. Minister, I want to take you to the Commonwealth Games village. That is a subject that has been of interest to this committee over the last couple of years. Could you update us on the construction program and advise the committee of any changes to the budget?

Mr MADDEN — Thank you very much, Chair. Probably each of the infrastructure projects is worth an extra bit of attention in relation to the answers here today. If I take a little bit longer than I might on some of the other questions, I would appreciate a little bit of indulgence in that area because they are probably the most significant aspects of what we are delivering in terms of cost.

As many of the members here have heard me say on many occasions, in particular my parliamentary colleagues from the upper house, the games village is expected to accommodate in the order of 6000 athletes, and that includes 400 athletes with a disability and also team officials. Just as importantly, however, it will be converted into a residential project after the games. Already it is being hailed as a housing development model for the future. It received significant attention in the *Sunday Age* a couple of weeks ago, which I thought was a very appropriate piece and a comprehensive independent description of what the games village will deliver. It is just 4 kilometres from the city. It will be showcasing an integrated approach to environmental design, social housing and development. The village will be known as Parkville Gardens, and it is without doubt an example of our government's commitment to making Victoria a great place to live. During the games athletes and officials will be accommodated in — I am not entirely sure if you have this level of detail, that is why I want to highlight it —

The CHAIR — We are particularly interested in the budget aspects.

Mr MADDEN — Yes, that is right. There will be 155 detached houses, 5 social housing apartment buildings, 14 social housing town houses, 14 town houses, apartments in 11 refurbished heritage buildings and 115 temporary demountable buildings. I am pleased to inform the house that construction is proceeding particularly well, and anybody who has been near the site or has seen photographs of it will also appreciate the enormity of the

task and the enormity of the work that has taken place and is nearing completion. The original budget for the village was established in 2002 at the time of the decision to partner with the village park consortium to develop the village at Parkville. The costs were based on an estimate of delivering the outcomes envisaged in the heads of agreement signed in November 2002. In March 2003 the government determined the whole-of-games budget and set a cap on our state government contribution to the games. Included in that was the games village.

The village planning has developed significantly since the original heads of agreement, and of course members here would appreciate there have been adjustments to the village over the course of that time. The initial plans were subject to a formal planning process involving public hearings, submissions and significant input from the cities of Melbourne and Moreland. The process led to a redesign of the road network of the village and significant firming of the plans for the heritage precinct. The design modification continued during late 2003–04 with input from the Australian Commonwealth Games Association and the Australian Commonwealth Games Federation. We have always been prepared to look at ways to develop our plans to provide for the best possible experience for the athletes. In fact in April this year, during the Commonwealth Games Federation general assembly, Mike Fennell gave his absolute support for the village publicly.

However, in all these changes we have been very conscious of the cost of the games and the potential revenue offsets. The costs have changed, but so have the revenues, and the estimated net cost of the village is substantially the same as our estimate in 2002. So it is important to recognise when considering the cost of the village that it includes enduring assets such as \$35 million in social housing and an aged person facility with an estimated value of \$12 million and almost \$16 million in environmental initiatives. Basically we have got this fantastic village. The costs are what our expectations have always been, but I just want to draw the committee's attention to the fact that this is an old site; it is a disused site, and there has been a need for us to remove a great deal of contamination from the site — contamination which the state has to pay to remove, having been the landowner over many decades. The level of contamination on the site was not anticipated in the quantum that we have discovered there, resulting in an increased cost of removing that contamination. Really, that is not a games cost; whilst it is a cost within the budget, it is really not a games cost in the sense that whatever had been done with the site post its years as a psychiatric centre would have required this remediation. We have undertaken this remediation, and that is at a cost, so the cost of that remediation is over and above the net cost which I stated, and regardless of the changes to the housing models the net cost is basically the same, but what we have found is that because of the contamination cost we do have an increased cost to the overall project. The allowance we have made for that increased cost is in the order of about \$4 million in relation to the site contamination and the clean-up of that contamination.

Mr RICH-PHILLIPS — Could I ask for some clarification? The minister said the net cost is substantially the same as the 2002 estimates. Can the minister tell the committee how much it varies from the net cost estimated in 2002 and what the gross cost will be and what the new revenue estimate is?

Mr MADDEN — I have probably outlined that very much in my previous answer.

Mr RICH-PHILLIPS — Is the only difference the \$4 million you have referred to?

Mr MADDEN — In my previous answer, yes. The only difference in the net cost is the \$4 million which relates to site contamination. I have mentioned on many occasions that, whilst there are increased costs in the cost of the demountable buildings, the handy element of that is that they are reusable and attractive and resaleable. Anybody that has seen any of those on site or the pictures published in the paper will appreciate that they are attractive as a demountable option. We have had a significant number of queries directly to the Office of Commonwealth Games Coordination for the on-sale of those after the games, and that means that the additional expenditure — any additional expenditure in relation to those — is offset by the increased revenues from them. I might just hand out to you to pass around the committee a photograph of a recent —

Mr RICH-PHILLIPS — This week?

The CHAIR — This week.

Mr MADDEN — It is a photo of the site this week.

The CHAIR — Would you like to come back next week and give us an updated picture?

Mr MADDEN — Very likely it will be significantly different next week as well.

The CHAIR — I noticed this morning significant differences since last week. Thanks for that, Minister. Mr Rich-Phillips, are you the next questioner or are you just admiring the picture?

Mr RICH-PHILLIPS — I am admiring the picture, Chair. Minister, I was surprised to hear in your presentation that you have extended the financial year on which the games will report to the end of September 2006. Given a financial year on 30 September, there will then be a period in which the accounts are prepared. They will then go to the Auditor-General. There is absolutely no possibility of these accounts being disclosed to the public prior to the election next year, is there? Given that the Parliament will be prorogued at the beginning of November, there will be one month between the close of your financial year and the closing down of this Parliament, so there is no way that these accounts can get into the Parliament and be scrutinised by the people prior to the next election. Is that correct?

Mr MADDEN — I think it is worth appreciating that, as I have indicated on many other occasions, we are committed to the transparency of these games. We have a special-purpose report, as we have had throughout the course of the games. We have also indicated, as I have indicated today and the Premier has indicated, that as well as the special-purpose report we will inform the public and yourselves of the security costs post games because we want the cost of these games to be transparent, as we always have. I have already informed you of information today which has identified additional costs in relation to the games delivery, but appreciating that those costs are within our capped figure, we have capped our contribution to the games organising committee, and we stand by that contribution. I am not the one who prepares the accounts; I will deliver the games. I bear the responsibility for all aspects of the organisation as minister under the legislation. I take full responsibility for every aspect of the games, so I do not steer away from that for 1 minute, but I also commit to absolute transparency when it comes to reporting on the financials. But I will not be the one preparing the financials, and when they are prepared they will be submitted to the Auditor-General, I suspect, in what would be the normal way and they will be reported on accordingly.

Mr RICH-PHILLIPS — Your change that you have announced today means that the financials will not be reported until after the next election. Why have you delayed them until after the next election?

Mr MADDEN — I think if you had heard me correctly, Mr Rich-Phillips, that it is the suggestion of the Auditor-General. So the Auditor-General has requested this because he has anticipated that he will not be able to accumulate the information he needs until that period. So that has been a request —

Mr RICH-PHILLIPS — Of the Auditor-General?

Mr MADDEN — Of the Auditor-General to Melbourne 2006 to make to the Minister for Finance. So this is not our idea, Mr Rich-Phillips; this is at the request of the Auditor-General, so he can give a full and frank picture of the cost of the games to the Victorian community. And as I said, this is a work in progress; the proof of the pudding is in the eating, and I am sure that when it is reported on post-games everybody will feel that it has been of significant benefit. I have loads of information in relation to the economic benefit of the games, but I know that the outcomes and the significant contribution it will make to the Victorian community, as well as those economic benefits, will well and truly endorse this investment — as of course will your endorsement of the games throughout the course of the games delivery and no doubt at the time of the games.

Ms ROMANES — Minister, I would like to go to those economic benefits and the legacy of the games. On page 235 of budget paper 3 there is identified a key objective for the Bracks of ensuring that the Commonwealth Games provide lasting economic, social and environmental benefits for all Victorians. Can you tell the committee what actions the government is taking to ensure that Victorian businesses benefit from the games?

Mr MADDEN — As I mentioned in my answer to the previous question from Mr Rich-Phillips, there is enormous benefit from the games. As well as just enjoying the games per se, as I expect most Victorians will do — and we want that to be the case — there is significant benefit to the state economy. It is worth appreciating that this will be the largest event ever staged in Victoria, with over 1 million spectators and around 90 000 international and domestic tourists. So there will be a significant impact on Melbourne and regional locations holding games-related events, and it has been part of our position to have a number of the events in regional locations. The procurement process for the 2006 games represents a large spend on goods and services. A number of initiatives have been established to ensure that Victorian companies continue to reap the rewards of the games, both at home and abroad. As with other government expenditure of greater than \$3 million, the 2006 Commonwealth Games is subject to the

Victorian industry participation policy — known as VIP — which aims to ensure that local suppliers can participate in procurement and industry assistance activities across government wherever they offer the best value for money. In partnership with the Industry Capability Network the government is maximising opportunities for local businesses to supply goods and services, and I will give a couple of quick examples. Just one of the procurement packages for the design and manufacture of the Queen's baton generated business for 11 Victorian companies, and the baton reached a 93 per cent local content level, so there is a lot of good stuff —

The CHAIR — I know. It was manufactured in my electorate.

Mr MADDEN — Very good, there you go! The baton, which was created right here in Melbourne, uses the latest in locally developed digital technology including two baton cams, based on medical imaging technology and the latest global positioning system technology, so it can be tracked online in real time. I understand that right now it is in the Seychelles — and we would probably all like to be there! Yesterday, it was in Victoria, which is the capital city of the Seychelles. The baton will travel right around the 71 commonwealth nations. That alone will promote industry.

In terms of other major procurement opportunities, Victorian companies are also involved in contracts for upgrading major facilities such as the MCG and the games village. Geelong's Thornton Engineering Australia Pty Ltd has already been subcontracted to supply fabricated steel for the Yarra precinct pedestrian bridge, which you can see going up at the moment. Bruck Textiles in Wangaratta will be providing materials for the game's work force uniform producer, Yakka, which is also doing some of that work out of Wodonga. So there is quite a significant array. There is also Business Club Australia, which creates international business opportunities. Business Club Australia brings together businesses here with international businesses to try to develop networking opportunities. So really those business opportunities are quite substantial, and we anticipate that it will be the same as was the case with World Cup rugby and the substantial amount of work that came out of that for local industry. I think there was an article in the business section of the *Age* in recent days about the significance of business opportunities across the commonwealth. I think the article represented Austrade and reflected that New Zealand and India are two very large markets for us, and in particular New Zealand. Given that India will have the 2010 Commonwealth Games, that country will bring a huge contingent here and there will be an opportunity to develop and broaden business relationships, which means there are fantastic opportunities and synergies there to build substantial business in India if people put in the work.

Ms ROMANES — A supplementary question, Minister. Do we have the capacity to evaluate and measure the economic benefits that will come as a result of the games across a very broad area?

Mr MADDEN — Yes, we do. I think Mr Rich-Phillips asked a question last year about the economic impact of the games. We currently have a substantial report that has been compiled by KPMG. I understand it is being digested by the department at the moment. I have not yet been comprehensively briefed on it, but we would expect to be able to announce the significance of the economic impact based on that independent report in forthcoming weeks. We will measure those sorts of outcomes post-games, and while we discussed the reporting of the games proper in relation to the accounts, it is also worth appreciating that a lot of the economic outcome will still be coming through some time after the games. So there is also an opportunity to get a snapshot either half way through the year or six months off the back of the games to get an idea of where that is headed. I think the economic benefit is a great story, but as well as that we will see other examples after the games — and I have just given examples in relation to business procurement. There will be some fantastic examples that I will be able to give to the Public Accounts and Estimates Committee in or around this time next year, after a substantial grilling on the sport and recreation portfolio!

Mr RICH-PHILLIPS — Just a supplementary to that, Minister. Will you be releasing the KPMG report, and can you make a copy of it available to the committee please?

Mr MADDEN — Yes, we are happy to make it available. While I have not had the chance to digest it — I believe it is fairly substantial, and you would need an economic pedigree to read it —

Mr RICH-PHILLIPS — We will handle it.

Mr MADDEN — I trust you will be able to consume it appropriately. I am happy to make that available. What is probably most important is the executive summary that is attached to it, which will be in relatively plain

English. From my understanding the rest of the report is quite substantial. I know you have always had an interest in those areas, so no doubt you will be interested to see that report.

Mr RICH-PHILLIPS — Minister, they say that the IOC is the best gravy train to get on, and of course we only have the Commonwealth Games Federation. You mentioned in your presentation the general assembly meeting in April. You would be aware of the obligations on M2006 under the host city contract with respect to that general assembly meeting, and in particular clause 13(b)(ix) of the contract, which requires M2006 to provide the costs of accommodation, including meals and business class travel, for members of the executive board as well as the cost of accommodation, including meals and economy class travel, for supporting staff to a maximum of three, for one meeting of the executive board to be held in the host city et cetera. Can you tell the committee how much the April 2005 general assembly meeting cost? Is that the one for which M2006 picked up the tab or will it be the March one? Will that be funded through OCGC or M2006?

Mr MADDEN — There is a budget allocation within the overall games for those initiatives. The specifics of that per se, I do not have here with me, but I am happy to provide you with further detail in relation to that, more specifically in relation to the expenditure on those items contained within the document you have got. I am happy to provide it, but I do not have it with me.

Mr RICH-PHILLIPS — In terms of the timing, did we pay for the April one this year or will we be paying for next year's or both?

Mr MADDEN — I would have to check that with Melbourne 2006 basically because there is an allowance for those things within its budget — it predominantly manages and has managed those. I am happy to give you the detail in relation to which of those events is being funded predominantly by Melbourne 2006 and to what extent any hospitality is being provided to the delegates from that allocation. I can say there is an allocation within the overall budget for the respective general assemblies. They are part and parcel of the games delivery.

As you would appreciate at the recent general assembly the vast majority of delegates — there may have been one or two countries that were not able to attend — attended. It is the obligation under the host contract to deliver that event to provide the opportunity to inspect the facilities, to give them an understanding of the country they will have to bring their athletes to, and an opportunity for them to informally meet with representatives from M2006 for any queries they might have in relation to their own teams, to give an indication to the M2006 organising committee of the potential number of athletes they will bring and also to work out any immigration concerns they might have in relation to their athletes. There is quite an elaborate schedule for those members. As well as looking particularly attractive on the surface for those delegates because no doubt they stay in a nice hotel and are entertained accordingly, there is a lot of work that is undertaken. We visited Manchester in the same circumstances and inspected the facilities. It is worth appreciating that some of those countries are quite small. They need to understand the culture of a city where they can attract services, what services they need to provide, whether they need to bring a doctor themselves and whether they can get some support locally.

It was also a very good opportunity for those general assembly delegates to meet with representatives from local government across Victoria where we have the adopt-a-second nation program. It was warmly received by the delegates themselves because they established a different, less formal relationship with them than they have with Melbourne 2006, which has to be more of a business-type relationship. The informal relationship gave the mayors, the councillors or the chief executive officers from those communities the opportunity to develop a better understanding of the types of countries delegates came from and their cultural idiosyncrasies. It is a learning process. It was really beneficial, and we believe that in using the event in that manner to introduce local governments there is now a sense of ownership more broadly across the community. Local governments are involved. Their communities will be involved. They will be endorsed by the countries; there will be a less formal relationship and thereby there will be some really good outcomes. There are a lot of festivities that will be related to it. It is good culturally and socially, good for communities and will also bring business. I know Ballarat and the City of Melbourne have established an adopt-a-second-country program with India. There are some great outcomes there. Whilst a sceptic might say from a distance they are here in a hotel and they are fed for a number of days, they work pretty hard. We have to leave them with the right impression. As well as that we use that forum to enhance our community development aspects of the games as well.

Mr MERLINO — Minister, I refer you to the 2004–05 expected output as shown on page 245 of budget paper no. 3. Can you explain the difference between the expected outcome of \$121.3 million and the 2004–05 target of \$173.8 million?

Mr MADDEN — It is worth appreciating that there is a variance and this is a good opportunity to explain that. In 2004–05 the expected outcome is \$121.3 million which compares to the 2004–05 target of \$173.8 million. The difference between the outcome and the target is primarily due to changes in the funding to the organising committee Melbourne 2006 and the rescheduling of cash flows for the games village. The earlier receipt of federal government funding of \$40 million in June the previous year reduced the funding requirement for Melbourne 2006. I would like to take this opportunity to put on the PAEC record that the state government welcomes the support of the federal government in the staging of the 2006 Commonwealth Games. The federal government's contribution was announced as part of the 2004–05 federal budget. The Minister for the Arts and Sport announced \$102.9 million as direct financial assistance to the state towards certain elements of the delivery of the games and its associated events, and support in areas of security and non-security services. These are costs in tax exemptions and sports assistance for the Australian Sports Commission.

We note that of this, \$139.8 million is new money and the remainder in services and support is to be provided through the redirection of existing federal government programs. The federal government contribution of \$102.9 million is in addition to the \$697 million that the state government is contributing towards the event. The first funding agreement was signed in June 2004 for an initial tranche of the federal government cash contribution in the sum of \$40 million as I mentioned earlier. At this time it was agreed that a second funding agreement would be drawn up for the balance of \$62.9 million. Departmental representatives from both state and federal governments have been working towards finalising the second funding agreement.

I understand there are some difficulties surrounding that and there is an attempt by the federal representatives to move away from the initial agreement and associated undertakings but I understand that is more at a bureaucratic level. I know that the federal minister, the federal Treasurer and the Prime Minister are strong supporters of the games, like me, and I am sure they are keen to see the funding finalised. We would like to see that agreement and funding finalised as quickly as possible. With the games occurring in the 2005–06 financial year, it is time critical that the transfer of the remaining funding occurs before too long. Whilst I believe there is a bit of recalcitrance, it is more at a bureaucratic level and we would expect those matters to be resolved in the fullness of time but we would also hope it does not take too long for that to occur.

Mr RICH-PHILLIPS — Minister, last year you told the committee that within the output group there was a \$21.8 million whole-of-government contingency. You may have seen that this committee commented on that in its budget outcomes report earlier this year and made the comment that such contingency funding is undesirable given the availability of the Treasurer's advance for unexpected expenditure. Can you now please tell the committee how much of that \$21.8 million whole-of-government contingency has been expended or you expect to have expended by the end of this current financial year, and how much of that will be carried forward given that you indicated it was available for carry-over?

Mr MADDEN — Appreciating that we have a whole-of-games budget allocation that we have mentioned on a number of occasions before, we have a significant contingency within that budget. We also have an array of minor contingencies in a number of program areas. In the year you refer to the figure was in the order of \$21 million. We are carrying that over predominantly into this financial year as a contingency other than in the order of about \$4 million, which roughly accounts for the \$4 million I related to which generally is in the order of the amount which refers to the site contamination of the village in that order. It relates in that order to that sort of figure. The contingency rollover is to be expected, because if it is a contingency, if it is to be spent in any manner or likely to be spent, it is going to take place around the games. As I mentioned before, of course the games is a work in progress. Whilst we are talking about anticipated expenditure in many areas, much of that expenditure will occur at games time or in and around games time. A significant component of that is taking place currently with the assets. But predominantly the vast amount of expenditure occurs in and around the games time. If there is to be any expenditure of that contingency, it is likely to occur at games time and be reported accordingly post-games in any way. But can I just say that we are committed to transparency on this as mentioned in relation to some of those figures today. We are also committed to working within our budget commitment. But the contingency that Mr Rich-Phillips mentioned, which is contingency from last year rolled over, does not take into account additional contingencies in this year which will form part of the overall games contingency for the delivery of the games that may or may not be needed to be called upon.

Mr RICH-PHILLIPS — So just to clarify: therefore there is a carryover in the order of \$17 million.

Mr MADDEN — That is correct, yes.

Mr RICH-PHILLIPS — How much is the additional contingency that has been funded in this budget?

Mr MADDEN — The overall contingency is in the order of about \$50 million. That is a fairly sizeable proportion of contingency. We anticipate that some of that will be used as some of that already has been used. That allows us to move towards games time delivery with a fair degree of confidence, not only in terms of each of the smaller contingencies for each of the small program areas, but it also will enable games contingencies for a number of areas. I have absolute confidence in Melbourne 2006 and the Office of Commonwealth Games Coordination to manage the overall games budget. To date that reflects well and truly on the expertise that we have in those areas, because it has been managed very carefully. But that is not to say that I do not expect some changes or variation across allocations. There may be some things that cost a bit more, because this budget was set three years ago. Some things may come in under budget. You might expect that to be the case, but I have the utmost confidence in the chairman and CEO of Melbourne 2006 and the officers at OCGC to assist in managing the overall games budget in a way that maintains the budget under the allocation by government.

Mr RICH-PHILLIPS — Quoting the comments of this committee in its report about contingency funding, why have you elected to budget a contingency amount rather than seek a Treasury advance as and when required?

Mr MADDEN — I think it is a way of managing not only the process in a more appropriate manner, but it is also a way of ensuring that we are conscious that this budget was made some years ago. We made this budget almost three years ago. There is going to be a significant amount of change in certain elements.

Mr RICH-PHILLIPS — You could still seek a TA for that.

Mr MADDEN — We could, but we believe and always have believed this is a better way to manage the process.

The CHAIR — I would like to take you to the MCG, which is the major venue for the Commonwealth Games. It has been a subject of discussion at the last couple of PAEC meetings. Could you give us an update on the construction, how the time lines are going and the costs?

Mr MADDEN — Thank you very much, Chair. I had the pleasure of inspecting the current works at the MCG yesterday. As you would all appreciate, it is going ahead in leaps and bounds. I am delighted to be able to provide the committee with an update. The project has continued to progress through its major milestones. There have been a number of major milestones on respective dates, particularly milestones around grand finals and Boxing Day tests. They are really in many ways the threshold tests in relation to the ground's capacity, and also the indicators of whether the project is performing in the way in which we expect, and that is certainly the case. You would appreciate that the former Ponsford Stand is now fully operational. The new stand was officially opened on 23 September last year. The major core infrastructure within stage 3 has now been completed, and the facilities are progressing well, coming into line with the new Members Pavilion. So the vast majority of that is open. The Long Room is not open yet, but the members dining room is, and in attending an event the vista is quite spectacular. In terms of those thresholds, they have been around the major milestones. The milestones are basically around ground capacity, and we have achieved those — they were a ground capacity of 80 000 for the 2004 grand final and a ground capacity of 70 000 for the 2004 Boxing Day test. The next really significant major milestone is around this year's grand final where we have a threshold test of around 96 000, I understand.

The CHAIR — That will fit most of the Demons supporters in!

Mr MADDEN — That is right, all going well. I hope the Demons are playing on that day on that basis. That is the next major milestone.

As you would appreciate, the works are progressing pretty rapidly. That will mean that the vast majority of the front-of-house work, meaning all the seating, will be virtually completed around the grand final this year. Then that will leave the back-of-house work — potentially the roofing and a few other elements — to be completed post this year's grand final. I understand the builder is very eager to get off site sooner rather than later. One of the helpful

aspects of the dry weather has meant there have been very few interruptions in terms of the program. So that has been a significant benefit to the building industry — maybe not necessarily to the agricultural industry, but certainly to the building industry — and it has allowed it to maintain its targets. We would expect that the vast majority of it would be completed before the end of this year. Stage 5 is being undertaken on two fronts. They are actually working from both ends of stage 5, and it is progressing pretty well. The project needs to be completed by January, but it is our understanding that it is likely that the vast majority, if not all, will be completed prior to Christmas. The contractual obligations on the builder relate to January. We understand the grand final will have 95 000 to 96 000. Basically whilst the ground will hold 100 000 after the games in normal mode, appreciating that the end of the athletics track takes out a significant number of seats and that they will not go in until after the games, it will have a capacity of about 95 000 to 96 000 at this year's grand final. That is basically the entire stadium.

Mr MERLINO — One of my milestones is when the new screen is going to be finished, because I am stuck in a section of the Great Southern Stand where you cannot see the existing one.

Mr MADDEN — In one spot, yes.

Mr MERLINO — Do you have any idea when that — —

Mr MADDEN — I do not have the details on that. It would be nice to have that finished in time for the grand final of course. But it may be one of those other elements that are finished immediately after the grand final. The scoreboard is not within the milestone but the seating is. Basically the seating relates to revenues, particularly for the Melbourne Cricket Club, so it is important that with each of these target milestones the capacity is at the targeted limit. That may be one of the elements that is finished post the grand final. But I am sure that if Grocon is interested in a good news story, it will be eager to get that finished as well, which might even have a financial impact on the MCG's ability to gain high levels of revenue in and around grand final day. Hopefully we will have that available for you in your blind spot there.

Mr RICH-PHILLIPS — Also on the Melbourne Cricket Ground, Minister, as you are aware, obviously the state has obligations if the cost of that project exceeds \$450 million. Can you tell the committee what the current total project cost on the site has been and what you anticipate it will be at the completion of the project?

Mr MADDEN — The contribution to the project is \$77 million from the state government, and there are a number of other partners in the development. If it is over and above \$450 million, then the state government will contribute to the project. I understand the project is well and truly a long way under that. We would not expect to call on government in relation to anything over that \$450 million. The information I have is that the project is progressing particularly well in terms not only of time frames but budget. It is certainly nowhere near that threshold of \$450 million, so we are very confident that the project will be completed successfully in relation to all targets.

Mr RICH-PHILLIPS — Are you able to provide the committee, perhaps on notice, with the current figure as to project cost and the estimated final project cost?

Mr MADDEN — I am happy to try and source those. They are with the Melbourne Cricket Club currently because basically it is managing the project as part of the control group. I am happy to see if we can provide those to you.

Mr RICH-PHILLIPS — I am sure you have a fairly close relationship with them.

Mrs MADDIGAN — I can source those for you.

Mr RICH-PHILLIPS — Thank you.

Mr MERLINO — Minister, sponsorship for the games as a key revenue source is, of course, of high interest for this committee. Can you update the committee on progress in achieving revenue targets for sponsorship?

Mr MADDEN — I know there has been a degree of interest from the opposition in relation to sponsorship, and I know that opposition members are briefed from time to time, not only by OCGC but also by Melbourne 2006, so I am confident that you are confident in the figures that we have from — —

Mr RICH-PHILLIPS — I think Ron undertook to get back to me.

Mr MADDEN — With the sponsorship?

Mr RICH-PHILLIPS — Perhaps you can fill in the blanks.

The CHAIR — Can we have a bit of banter afterwards and get back to the question, Minister?

Mr MADDEN — Of course Melbourne 2006 as the organising committee for the games is responsible for entering into sponsorship arrangements. I know that the chairman has been working assiduously in relation to sponsorship procurement. Melbourne 2006 is confident, as am I, that the revenue target for the sponsorship that is seen as part of the whole games budget will be achieved. Over 50 sponsorship categories have been identified by Melbourne 2006. Negotiations with potential sponsors have been proceeding satisfactorily. I understand that several of them are at an advanced stage, and we anticipate a number of announcements to be made on top of those that have already been made to date. The sponsorship categories are aligned to the organisational needs of Melbourne 2006, including the revenue targets, and, of course, appreciating operational needs and timing. We have welcomed the following four companies as games partners: Qantas, National Australia Bank, Visa and Telstra. As well as that there is an array of sponsors. The following companies are sponsors of the games: Hudson, MLC, Holmesglen Institute of TAFE, Konica Minolta, Coates, Nestlé Peters, PricewaterhouseCoopers, Omega and Australia Post. Then there are the providers. To date the Commonwealth Games providers include: Allens Arthur Robinson, TOWER Software, Finsbury Green Printing, Yakka, the Royal Australian Mint and Accor, the hotel chain.

I understand Melbourne 2006 is currently progressing negotiations to secure new sponsorships in a range of business categories, and a series of announcements on new sponsors can be expected over the next few weeks. The public announcement of sponsorship deals no doubt is a key component of the marketing strategy for the games. The details of individual sponsors are not disclosed on the grounds that that would potentially prejudice the ability of 2006 to negotiate further sponsorships leading up to the games. Disclosing aggregate levels of sponsorship revenue achieved to date would also have the potential effect of compromising M2006's bargaining position in relation to the negotiations that are still progressing. I know that M2006's 2003-04 annual report reports \$215 000 in sponsorship revenue, and not the \$265 000 that was mentioned in Parliament.

The CHAIR — What did you say?

Mr MADDEN — I think another figure was quoted in Parliament, so I was just clarifying the figure that should have been quoted as opposed to the one that was quoted. The figure reflects the revenue received from sponsorship contracts, not those negotiated by M2006 during the year. It is not reflective of the sponsorship commitments or the contracts signed by the games' sponsors. It is clearly indicated in the notes attached to the financial statements in accordance with accounting standards.

Mr RICH-PHILLIPS — Yes, it is. Why did you not say that?

Mr MADDEN — And it is endorsed by the Auditor-General's sponsorship. Revenue is recognised once the corporation has fulfilled its obligations in accordance with these contractual arrangements, which in the majority of cases will not be until the games are actually staged. Pending recognition of revenue, amounts progressively received under contractual arrangements will be deferred to the statement of the financial position. Basically most of those sponsorships and the drawdown on those will be reported potentially post-games, based on those things I have already mentioned.

Ms ROMANES — What progress has been made on television rights?

Mr MADDEN — We are making significant progress in relation to television rights. I think there has been some discussion about the contracts that have not yet been signed or had not yet been signed. There was some discussion about that some time ago, but basically agreements have been established with the Asian market, but not India at this present time, I understand. I am not sure if Canada has been secured, but I think it is pending. There are a number of media outlets involved with television rights, but there are also radio and online services, and M2006 has been involved in those for some time. Channel 9 was secured as the domestic and Papua New Guinea television rights holder for the games soon after we won the rights. The media rights activity is managed by the sales and commercial division of Melbourne 2006 and supported by Fast Track Sales, the M2006 television

agency. To date M2006 has contracted with rights holders. I understand that we have reached in-principle agreements with other rights holders, in particular the BBC in the United Kingdom; CMC in the Caribbean; and SABC in South Africa. These contracts have been finalised and I understand that in-principle agreements have been reached, but that final negotiations will take place with the Asian Broadcasting Union. The ABU is expected to become the broadcast partner for Asia, including the important commonwealth markets of Singapore and Malaysia. I think India is likely to be stand-alone. I can appreciate the need to negotiate separately with India, given that it will deliver the games, so they have a greater interest and it might tarnish the negotiations with the rest of the Asian market. I understand that there are discussions taking place for the markets in India and more extensively across Africa, Canada and the US. The US market is interested, unusually so. You would expect maybe not, but given that sport is a significant component of sports broadcasting, particularly on cable and pay television, they are interested in pursuing the product because it is great sport. I believe there are some very positive negotiations taking place with Canada. Basically there is a high degree of confidence that the budgeted revenue targets from the media rights will be achieved — or potentially over and above the targets that have been set — so we are particularly pleased with the way they are progressing. But of course we expect to make an announcement once those are finalised in the not-too-distant future.

Mr RICH-PHILLIPS — Minister, I cannot resist going back to the sponsorship issues that you raised earlier and the figures you pointed out from the annual report. The \$215 000 you referred to was of course the figure for financial 2004 and the \$265 000 aggregate over the life of the games being sponsorship revenue actually realised. You referred to the balance sheet, the statement of financial position being the deferred sponsorship revenue, and the annual report for 2004 shows a total deferred sponsorship revenue of \$19.5 million. Can you tell the committee how the \$19.5 million that was committed as of last year compares to the total sponsorship budget? Does this \$19.5 million line item on the statement of financial position refer to other deferred liabilities or only sponsorship?

Mr MADDEN — Whilst I understand the question, which line are you referring to?

Mr RICH-PHILLIPS — This is actually what you referred to in your answer. It is on page 17 of the M2006 annual report, the one Ms Sussex has in her hand — deferred income \$19.5 million dollars. That \$19.5 million according to the notes refers to sponsorship that has been signed but not discharged, but there is reference to other items. Can you tell the committee if that is sponsorship alone in that component and how much of the total sponsorship budget is represented by that \$19.5 million? Is it 10 per cent, 20 per cent, half?

Mr MADDEN — Thank you for that. I understand that is substantially sponsorship, but not comprehensively sponsorship. It is worth appreciating, as I mentioned before, that there is a range of treatments in terms of sponsorship. In some instances sponsorship is provision of services or goods. In others it is cash and a combination of goods or services. With some it is just cash. So there is a combination of different ways in which sponsorship provision or partnership is treated. Whilst I do not have a breakdown of that figure, I am sure that in your briefings with the chairman, which occur on a regular basis, he would be happy to provide you with more detail in relation to those figures, on the basis of recent discussions around sponsorship with the chairman.

Mr RICH-PHILLIPS — Obviously the discussions that we have with the chairman are private briefings. Is there anything else you would put on the public record about the level of sponsorship?

Mr MADDEN — Nothing other than that what we have seen is a very substantial contribution from particularly the partners. In most instances they have been very generous in the partner provisions in those arrangements. In relation to the sponsorship provisions and providers, the level of interest and the level of competition in many of those areas has been very heartening as well. Where there is provision, Melbourne 2006 of course advertises an expression of interest for those sorts of services, whether as a discount or as a whole service provision or the materials provision, and many of those partners are very eager to provide not only the cash contribution but the in-kind contribution, because what they are getting from that is not only branding or signage in relation to the event — they are actually getting to a significant number of people. When you get home today you may have received the example where National Australia Bank with Visa is offering a discount as part of the package that goes along with the second ticket offer or the special ticket offer. It is in the mail yesterday or today. I think it is 6 per cent rebate if you purchase a ticket with a Visa credit card. The bonuses there are not just related to 2006. They also apply to the people involved in the games delivery. There are some very positive aspects to that, not only for the provision of the games but back to the community as well.

Mr RICH-PHILLIPS — You mentioned value in kind. One of the big findings from Manchester when they looked at their sponsorship budget was that value in-kind sponsorships had to be of value to the games organisers. It was no good if someone offered something that you did not need, basically. How is M2006 handling that? Is that an issue with the value in-kind sponsorship that the games have been attracting? Are you getting offers of things you do not need and therefore you cannot appropriately account for them as sponsorship?

Mr MADDEN — I am happy to provide further detail in relation to this, but my understanding in a general sense is that, where the item is of benefit, then it is accounted for accordingly. But if the item is at something of a premium, so it adds a bit more than actually is needed, it is accounted for at the cost of the need and not actually at the premium. This is an example. Let us say you have got a coffee sponsor and coffee is provided but it is some sort of premium quality coffee. At the end of the day coffee is coffee. Some tastes better than others. But my understanding is that it is accounted for at what the costs of the coffee should be worth as opposed to the premium brand which might over the counter cost you more. But I am happy to provide more detail on that if that is not entirely accurate.

Ms ROMANES — Minister, another important source of revenue is ticketing. During the break we were saying how your family and my family did not do very well in the recent ballot for ticketing. We got two out of six. Could you give the committee an overview of the ticketing model and give us more information about how the ballot has proceeded and whether in your view it has been successful?

Mr MADDEN — The ballot has been an enormous success based on the way the public has responded to it. Of course there has been an enormous number of disappointments. I think a few of us around the table did not get what we wanted. I know that for a number of our colleagues they or their families did not get the sorts of tickets they might have been eager to get. But it has achieved its key policy principles, which have been affordability and accessibility. Maybe it has been overly successful because of those principles. The affordability was aiming to ensure that the ticket prices were set at a level that was affordable to a maximum number of Victorians and Australians. Hence we probably got a huge demand. And accessibility was seeking to deliver a ticketing system that is accessible and user-friendly — I will add to that transparent.

Anybody who received the second offer today or yesterday, if they have been in the ballot, then they can either go to the web site or as part of that package they will get information which details where tickets are still available. That is part of the quality of ticketing provision that has come out of the fair ticketing legislation. Where we have transparency in the levels of information for people, they can make a reasonable decision with all that information. If it is obscure, then people no doubt will be sceptical or cynical, but I think everybody can rest assured that the process was in many ways not only a ballot but a lottery, so that in each category area where you applied you may have been chosen based on the computer software — or like many of us you may not have. But it has been very successful. Of course there was always going to be an overdemand in specific areas. There were over 1.2 million tickets available to the public, which is more tickets than any other Commonwealth Games. Over 50 per cent of all tickets were priced at \$60 or less and more than 70 per cent of all tickets are under \$100. The ticket prices start at just \$15 and only exceed \$100 for the opening and closing ceremonies, the swimming and the boxing finals. They are good value too in terms of affordability and accessibility because the ticket-holders are entitled to the free public transport operating with the Metcard system on the day of the event, thereby making it even better value for spectators.

I understand that in terms of the overall breakdown — and the allocation is about transparency; about the level of tickets available to the public, which is part of the approved ticketing scheme under the act; the numbers of tickets to the public, those as packages, national and international, contractual obligations, athletes — all that information is transparent — 63 per cent were through the ticket ballot, 10 per cent national and international packages, 10 per cent contractual obligations, 10 per cent athletes, games family and officials, and I understand 7 per cent commercial including past athletes and athlete families, promotions and commercial products, including hospitality packages. That, as well as the family tickets, were highly successful. Of the 1.2 million tickets available through the ballot, 675 000 have been sold. This outcome of selling 54 per cent of the tickets through the ballot exceeds the results achieved for Manchester in 2002 where they achieved 41 per cent, and Sydney Olympics in 2000 where they achieved 49 per cent. The other results were in terms of the subscription numbers. All the tickets for the diving, synchronised swimming, track cycling and mountain bikes — the mountain bike tickets were free — have all been sold. Other sports results were over 90 per cent for gymnastics, 89 per cent for regional basketball, 80 per cent in the city, 89 per cent for netball, 86 per cent for swimming, 77 per cent for the opening ceremony, 52 per

cent for hockey, 52 per cent for table tennis and 45 per cent of the athletics, but there is a significant number of the athletics.

Without prolonging it, the track cycling had over 101 000 applications for 11 000 seats. It means they were oversubscribed 10-fold. The opening ceremony had 98 000 applications for the 39 000 tickets sold — so only particular category areas were oversubscribed, not all areas. In the swimming there were 287 000 applications for the 47 000 seats available. For the diving there were 56 000 applications for the 5328 tickets available, and for the netball 109 000 applications for the 34 000 tickets available. You can see that there are some quite remarkable figures, but we still have a lot of tickets to sell and I am sure that we will be able to do that well and truly as time goes on.

Mr RICH-PHILLIPS — I have a supplementary question to the question from Ms Romanes. What is the value of the tickets that have been sold, and how do you respond to the criticism that of the people in the ballot, those who have already received tickets are eligible to receive tickets in the second ballot, whereas those who have missed out do not get any preferential consideration?

Mr MADDEN — It is a special offer to everybody who has been in the ballot so you get really a second opportunity. Put it this way: whilst if you put in for a lot of events but you did not get them, you probably saved a lot of money. So it means you have probably got some money in reserve. I know I did. I only got one event so it saved me a lot of money out of four events.

Mr RICH-PHILLIPS — I do not think you need to worry, Minister.

Mr MADDEN — But if I want to take my family, it is a matter of significance. For many of those people they obviously budgeted to have that money available. They may wish to apply for other tickets with basically the unspent monies, so there is a good opportunity to sell tickets, but it also shows that you are selling to people who are particularly interested. We always said from the very outset, go in the ballot, this is the best way to get tickets — you may miss out. That was well and truly known before.

Mr RICH-PHILLIPS — Just say the Chair and I were in the ballot and the Chair got 50 tickets and I got none, why should she get a second grab from the ballot when I was a ballot candidate who did not get any?

Mr MADDEN — It also runs in line with the argument too, does it not, that if you got a ticket for the first event you went in, are you then discounted for the next event? What is worth appreciating is that some people said, ‘Why does somebody get all five events they nominated for and somebody might get none? Should there not be some sort of preferential treatment for somebody who got none?’ and there is an argument there. But the way the system works — and we believe it is the fairest one — is that each time you enter in the ballot for each sport, you are in a sense in a lottery, you are in a ballot. There is no preference or lack thereof about getting into it. You nominate into that category, it might be swimming or it might be diving, and then you are randomly chosen or not chosen by the computer based on a number allocated to those who have gone in.

I understand what you are saying, that potentially there should be a preference allocated to those who got no tickets as opposed to those who only got a few or those who got the whole lot. Really this is an offer to those who missed out somewhere along the line to take up an opportunity. It does not guarantee necessarily that they will get the ticket, but it is as good an opportunity as they will get. It also reflects the fact that they have entered into the process in good faith and hence are given another opportunity. I am sure that at the end of this outcome, as there was in the first ballot process, there will be some disappointments, but there will also be some people who will be heartened by the fact that they got tickets when they might have been disappointed at the end of the first ballot round. As we have said, the best way to get tickets was through the ballot. The vast majority of the premium events have basically gone, which was always likely to happen. This is just another chance, and there may be other chances for other people somewhere else. But the later they get a ticket the less likely they are to get exactly the one they wanted in the first place. It is in a sense a second, third or fourth offer in some form at a later date, no matter what the process is and how we finalise that.

The CHAIR — Have we got any figure at this point on the value of tickets sold?

Mr MADDEN — Let us put it this way, without giving away too much detail at this stage, because I would have to double check with 2006 as to the commerciality-in-confidence elements of that, but I am sure I can provide some information.

Mr RICH-PHILLIPS — Why would it be commercial in confidence?

Mr MADDEN — They may have good reasons for that, and I am not entirely sure at the moment. Put it this way, the figures exceeded their expectations by quite a significant amount so the revenue-generating capacity in the budget on the first ballot was basically increased by about 50 per cent. In terms of the ticketing, we expected not to sell that many in the first round of the ballot, probably significantly less. It was quite a substantial result, and of course because of that substantial result we have seen an earlier generation of revenues than might have been anticipated for the process — and that is in the order of about a 50 per cent increase over and above what was budgeted, or a bit less than that.

The CHAIR — Are you saying the predicted sales for the first round tickets are in the budget papers?

Mr MADDEN — No. I think you are asking for a figure.

The CHAIR — A figure, but that is not in the budget papers, it is just 50 per cent above whatever, whoever knows, knows. It would be nice if we knew too, so we will put that on notice. That was quite an elongated discussion on ticketing. Mr Rich-Phillips, would you like a question?

Mr RICH-PHILLIPS — Thank you Chair. Minister, I would like to go back to the issue of the contingency funding that we discussed earlier. You said of the \$21.8 million roughly \$4 million had been spent, and that related to remedial works on the games village site. You also then outlined why you were using a budgeted contingency rather than a Treasurer's advance to fund that unexpected expenditure plus any other unexpected expenditure, and mentioned a figure of \$50 million total contingency, given the budget was drawn up three years ago. Can you explain therefore why the appropriation bill for this year records four separate occasions where Treasurer's advances were used rather than budget contingencies to fund some of these issues, including \$500 000 for remedial works on the athletes village?

Mr MADDEN — You might want to provide me with the document so I can see it.

Mr RICH-PHILLIPS — There is a list of Treasurer's advances in 2003–04 — the highlighted ones relating to the Commonwealth Games.

Mr MADDEN — Thank you very much. I can see what you are referring to there in terms of those figures. None of those figures are new in relation to the overall stated amount I have mentioned, which is the \$4 million. I would have to come back to you as to why Treasury has nominated those figures in that manner, and clarify with Treasury why it has printed those, but basically my understanding is it has been the use of contingencies in relation to those figures. But why they are published like that, I am not sure, and I would have to come back to you with information as to why Treasury has chosen to publish those figures in that manner.

Mr RICH-PHILLIPS — Perhaps in relation to that, you can also clarify this: if that \$500 000 is included in the \$4 million you referred to earlier, then it obviously will not be drawn out of the \$21 million contingency. There seems to be a degree of confusion as to exactly where that funding has come from. Are you saying to your understanding there were no Treasurer's advances as listed there?

Mr MADDEN — Obviously there are Treasurer's advances there, but I am not entirely sure why they have been published in that manner, so I would have to clarify that with Treasury. My understanding is that they are within the contingencies, but for some particular reason, obviously, Treasury has chosen to publish that outside contingency amounts, and I am not entirely sure why that figure is there in that manner. I am happy to provide you with information in relation to that.

Mr RICH-PHILLIPS — I would like to get to the bottom of this, because it was an issue last year. If you are getting funding through Treasurer's advances, you cannot also be funding it out of an appropriated budget contingency. They are two separate things, and I am not quite understanding your answer as to whether you are saying it was funded through a Treasurer's advance or it was funded out of your budget contingency because they are two separate —

Mr MADDEN — I understand what your question is. As I say, my understanding is that they have been funded through the contingency, but if that is not the case I am happy to clarify that with Treasury.

The CHAIR — Minister, in ensuring that the games provide lasting social, economic and environmental benefits for Victoria, I understand specific projects have been allocated to regional Victoria. Could you outline how you determine that for regional Victoria and how you quantify those social, economic and environmental benefits?

Mr MADDEN — As you would appreciate, Chair, we have been very committed to making sure that the games is bigger than just Melbourne. That has been very much part and parcel of not only the policy of this government, but also critical to the delivery of the Commonwealth Games. We have wanted all Victorians to share in the benefits of the games at all levels, and one of the best ways to do that has been to have the games brought to regional Victoria. As you would be aware, Bendigo, Ballarat, Traralgon and Geelong will host the preliminary rounds of the basketball program, and the Wellsford rifle range in Bendigo will host the full-bore shooting. To ensure that the regional venues are ready, we as a government have provided \$4 million in funding over the last four years for the redevelopment of venues long term, so this is long term, but they will also complement the Commonwealth Games in leaving a lasting legacy of world-class events in regional Victoria. We have previously committed \$500 000 to Ballarat to assist them with their stadium; \$1 million to the City of Greater Geelong for the purchase of the Geelong Arena, and a further \$174000 to upgrade the basketball floor there; \$2 million to the Bendigo basketball stadium for regional development works; and \$500 000 to Traralgon for the development of basketball facilities. As well as that, we have also provided \$230 000 to Traralgon for funding seating upgrades to their facility as a long-term benefit to the community. We are very pleased with that, because this means that not only will the games go to regional Victoria, but we will see each of those regional centres have the infrastructure and capacity post the games to not only have regional sports events, but also the ability to have a venue which could be used for all sorts of other events, not necessarily sport.

We have also been particularly delighted that the Queen's baton relay is a community event and that the baton will visit each of the 79 municipalities. That is exactly what all Victorians can look forward to — that each of the municipalities will have the baton. I wanted to reinforce that of the 21 days that the Queen's baton will spend in Victoria, 18 of those are in regional locations, and this will enable communities right across regional Victoria to celebrate and participate in the Commonwealth Games event.

We are ensuring participation. We have the Getting Involved program. We have community festivals as part of that, depending on what each local community is delivering. The opening and closing ceremony of the Queen's baton relay in each local area will have celebrations around those. We have the Adopting a Second Team, creating and enhancing civic and community infrastructure as part of that, and basically those activities I mentioned before about encouraging more and healthy active communities. We are also maximising domestic and international visitation to regional Victoria. I mentioned the 90 000 visitors. We want to try and get those out to the regions. With respect to regional businesses I mention Thornton Engineering in Geelong; Bruck Woollen Mills in Wangaratta; Hi Cam in Apollo Bay, the lowlight-powered long distance transmitter and camera equipment housed in the Queen's baton; the Geelong company, Cambria, supplied the block work for the MCG redevelopment. What is relatively obvious is the importance of regional Victoria in the overall games delivery and the lead-up to the event and the event itself. So it really heartens me to know that the games is bigger than just Melbourne. It is about all of Victoria. We want it to touch the lives of all Victorian and we are very encouraged by the enthusiasm, and I think that enthusiasm has been reflected in the substantial numbers who applied for the ballot. If there is any problem in terms of the games, it might be that people are so enthusiastic about it that we have to manage expectations. But the fact that regional Victoria is endorsing the delivery of the games well and truly part and parcel of that means that it is a games for all Victorians. We are very pleased with that. Not only are we taking Melbourne and Victoria to the world; the world will come here and we can all celebrate it and enjoy it wholeheartedly.

The CHAIR — Is there any way that you are going to measure the social, economic and environmental success or otherwise?

Mr MADDEN — In terms of the overall reporting on the games, of course we will report on the economic benefits as we mentioned before, but we are also wanting to report on triple bottom line — the social and environmental impacts of the games — and we believe in terms of this state we have delivered a lot of events over a long period of time, and how do we make the games different from any other event that we have delivered? That is part and parcel of the social and environmental initiatives and the community benefit. We want to be able to measure those and we understand we will be reporting on those post the games.

The CHAIR — Can I take you to this specifically: for people with disabilities — I understand there has been a component of your work on that — I for one, and I do not know about other members of the committee,

would be very interested in being able to quantify how successful that has been in allowing people to access the games, and then following the Commonwealth Games themselves because I understand there will be follow-up games as well and that participation level. You may not have all that information now, but it is something that this committee has taken some interest in and I have taken specific interest in. You can get back to us.

Mr MADDEN — Absolutely. We are happy to provide you with that level of information. I know you have been very enthusiastic about the Equal First initiative and the ability to deliver a whole array of outcomes for those in the community who sometimes are not represented accordingly in the delivery of events, and that includes those who have a disability or are in underrepresented groups in different ways.

The CHAIR — For example, you are including people with disabilities as part of the volunteer team, which I think is a monumental shift. Anyway, I will leave that to you.

Mr MADDEN — Absolutely. We are very keen to measure that and to celebrate that after the games. In the same way that we celebrate the volunteers we want to celebrate the fact that these are games of inclusion, the friendly games, and celebrating that not just by congratulating people but also by doing the research and doing the follow-up and also being able to sell to the world a better way to deliver events over and above just the sport and culture. It is about inclusion and community benefit.

Mr RICH-PHILLIPS — My question is somewhat similar to the Chair's. It relates to the environmental commitments. You have committed to a carbon-neutral games. You are planting 1, 2 or 3 million trees depending on who you are listening to at any point in time. How do you plan to assess achievement against those targets? Will you have an independent auditing process? In other words, the Sydney Olympics appointed an independent environmental auditor. Do you plan to do that, and if so who will you be appointing?

Mr MADDEN — You will appreciate that we have got an array of environmentally sensitive and friendly initiatives — carbon-neutral, the trees, as you mentioned. There are other carbon-neutral and energy initiatives, but there is also being low waste and water wise as a theme. We are very pleased that the games are the first major multisport event to be carbon neutral. Just to clarify some of the issues you mentioned, carbon-neutral means that any greenhouse gas emissions caused by hosting the games will be soaked up so that the games produce no excess emissions. As part of that there is a range of measures such as revegetation and tree planting initiatives. There are 13 sites around the state where trees will be planted as part of the Commonwealth Games tree-planting program, and in mid-June we will announce a call to action for volunteers to get involved in the tree planting commencing in July this year. We already have volunteers such as school groups, scout groups and community groups involved in growing over 25 000 seedlings for the tree-planting program.

As I said before, we want to mention the social benefits and the environmental benefits as well as the economic benefits. We will do that, so there is a triple bottom line. I understand that the Environment Protection Authority is working with Melbourne 2006 and OCGC to establish a comprehensive reporting framework so that we can understand how this will be achieved. What we are very pleased with is that the tree-planting program will see not only an environmental impact but also a social impact, so we have got a lot of volunteers planting the trees, we have got volunteers growing the trees. Communities will go out and plant the trees in communities where there is significant land degradation or a need for reforestation in some way, so it is not just the fact that we are offsetting the carbon emissions; we are also building other elements of benefit through that program. That is why we are particularly excited about those triple bottom line initiatives that are part and parcel of the games delivery. But we will measure the social benefits and environmental benefits as well as economic benefits.

Mr RICH-PHILLIPS — Will you appoint an environmental auditor outside government?

Mr MADDEN — Well, it is really the Environment Protection Authority. It is an authority.

Mr RICH-PHILLIPS — It is part of government.

Mr MADDEN — It is part of government, but I do not have any influence over it. It is a separate authority. It is an authority, so it will use its independent expertise to assess and measure whether it has been successful or not. One of the things that has been a slightly contentious issue is the number of trees. This is an area of science, I suppose, which is evolving, and people will tell you you need this much or that much to offset the emissions, but it is not just about the trees and planting the trees. You have to make sure that you have got certain types of trees. They are protected and live for a certain period of time, so it is not just an impact that is immediate, it

is an impact that is relative to a legacy over a period of time. Hence, the critical element is not so much the number of trees — although I know a number of people have focused on the numbers — but more the longevity of the trees, their protection, their location and the sorts of trees that are planted as well, and the impact that has. There are a lot of complementary areas here. The mascot for the games, the south-eastern red-tailed black cockatoo — a bit of a mouthful — is an endangered species. They live in the hollows of red gums, I understand — —

Ms SUSSEX — Stringy-bark.

Mr MADDEN — Stringy-bark — and we are planning a number of those, although they are not going to live in those hollows because they will not be mature for a long time yet, but by advancing that cause and by reflecting that — —

Ms SUSSEX — They eat bulokes, so we are planting them too.

Mr MADDEN — Okay. So they eat other trees, or from them.

The CHAIR — What do they eat?

Ms SUSSEX — Seeds from bulokes.

Mr MADDEN — So there is an array of issues here. They do not sit in one particular category; they are not just doing that alone. The tree planting is not just about tree planting; it is about the community and the social legacy. It is about endorsing tree planting as a cause, and it is also about protecting wild life and the environment. There is an array of outcomes from one program, and they will all be measured as part of the social impact. I think what we will find in the audit of the environmental, social and economic impacts that, whilst there will be benefits in each particular category area, there will be a cross-over from a multitude of areas that top, support and advance each of those areas as part of the monitoring and evaluation of the games.

Mr MERLINO — Minister, I refer you to your presentation and the slide titled ‘Forecast capital project expenditure’, and specifically the Melbourne Sports and Aquatic Centre. Could you provide an update to the committee and specifically advise whether the expenditure is on target for the current financial year?

Mr MADDEN — Thanks for your question. You will appreciate that we have announced a whole-of-games budget and we have pledged that that appropriation towards the cost of the games is capped. As you would expect in an event of this nature, as I have mentioned before, there is a range of items that will be included in the contingency arrangements, both from each separate project and from the whole-of-games contingency — so there is an array. There are contingencies created for both Melbourne 2006 and the Office of Commonwealth Games Coordination, so there are a lot of category areas in relation to that and the process of managing the budget for a venture of this magnitude is always constantly evolving. You have to constantly balance and rebalance the scope and priority of the projects.

Our budget estimate process has been very sound. I am very pleased with that. I think that also reflects on event expertise developed over many years in the state of Victoria. But of course there will be elements of the budget that are underestimated, and some have been overestimated as I have mentioned, so it is impossible to estimate the cost of every aspect of the games as such to the last dollar — it is quite a complex endeavour — three years out from the games, but as I mentioned before, we are committed to transparency in the reporting of that. I do not expect, as I mentioned before, Melbourne 2006 and ICGC to come in under or on budget in every one of those thousands of purchases, but I do expect them to be flexible in managing the budget and very original about the overall costs. This is precisely what they are doing. My clear expectation is that our commitment in relation to the cap on the budget will be met, with the exception of the budget for security, and as I have mentioned before, the allocation for security will sit outside the budget and this is something we have done in conjunction with security expertise and advice from our federal colleagues in relation to security issues, and we have taken advice from Victoria Police and an array of experts in this area to ensure that we have a safe, harmonious games at the time and in the lead-up to the delivery.

In relation to the Melbourne Sports and Aquatic Centre, you would be aware that there have been a number of design changes made to that project following our formal consultation process, and the project now includes the hydrotherapy pool and a wellness centre for the local community. Whilst these additions are not strictly Commonwealth Games costs, they have been included in the Commonwealth Games budget. The current 2004–05

year-to-date budget figures for MSAC, stage 2, suggest that the expenditure for the project is below forecast. The original cash flow for the project was based on estimates provided by the builder, John Holland, at the time of the execution of the contract. John Holland has re-sequenced the works program to assist with the building program which has changed the cash-flow projections. So it has not made its claims as fast as we thought it would, and the estimated underspend is a result of the invoices being received slower than originally estimated by the builder.

However, I can assure you that a number of measures have been implemented to ensure that the progress is maintained and the project is well and truly delivered for the games. In fact I can assure you that the project is progressing very well; it is well on track. If anyone has been down to the centre they will appreciate how rapidly the work is coming together, particularly in the last few weeks. Completion is due in the last quarter of 2005. Melbourne 2006 will be able to install the temporary infrastructure late in 2005 and early in 2006. The facility is a hallmark project to the Commonwealth Games. The project budget was announced in 2002–03 at a cost of \$50 million. In 2004 I reported to PAEC that the cost of the project was an estimated \$51.5 million, which included the construction of the hydrotherapy pool. So by including the hydrotherapy pool we added additional cost.

Major Projects Victoria has advised me that the builder has a number of claims in relation to the project which have been received and are being evaluated. We have made an allowance in case these are legitimate claims, but we also recognise that many will be disputed because builders often make claims that have to go through a process where they are evaluated and considered appropriate, or not. So we have made an allowance in relation to their claims, but this will not be resolved until some time later this year, potentially when the project is finished. So they will be evaluated and that will determine whether the costs are legitimate. I understand that many of them relate to changed latent conditions, not unlike the village, in that there were significant latent conditions in and around the site. Also, some relate to the performance of the builder and whether it has reached appropriate milestones in the manner in which it should. There will be claims and counterclaims in relation to this project, but based on the advice of Major Projects Victoria, we have set aside an allowance in the order of about \$8 million for this project in case these claims are legitimate. That is not to say that that allowance will be spent, or is spent, over and above the projected cost. I have great confidence in Melbourne 2006 and OCGC managing the budget and that has been rewarded to date. We are very confident that we will deliver the overall games within the budget allocation that we have committed to,. But I just wanted to flag with the committee that we have made an allowance in case any of those claims are legitimate. We will substantially dispute those in many areas, but I just wanted to put that on the record. We must also appreciate that security is an issue, and I have already alluded to that here today.

Mr RICH-PHILLIPS — Just on that issue, Minister, you said some of the claims relate to changes to the project. Can you expand on that further?

Mr MADDEN — I referred to a couple of issues. The original addition to the project costs that I mentioned last year related to changes in the project — —

Mr RICH-PHILLIPS — But this \$8 million you referred to — —

Mr MADDEN — That does not relate specifically to any changes. It relates to claims that the builders allege, and needs to be included in the project. We will make counterclaims in relation to that. So what we have done is make an allowance in case those claims turn out to be legitimate. They will be assessed in the appropriate manner, and hence we will make that allocation from within our existing budget.

Mr RICH-PHILLIPS — What is the mechanism for assessing those? Will it be litigation or is there a resolution process — —

Mr MADDEN — I believe it may require either one of those, or both, but I think we will just have to see. We are working through that at the moment. A range of issues might be settled and there may be some outstanding, and the parties will need to agree as to what is the best mechanism to resolve those amounts, whether it is one process or the other. That is really part of the process that we are engaging in, and hence we have allowed an allocation for that in case they turn out to be legitimate claims.

Ms ROMANES — Section 5 of the Commonwealth Games Arrangements Act 2001 permits the establishment of Commonwealth Games advisory committees. Could you tell the committee how many advisory committees have been established and how they are performing?

Mr MADDEN — We have established a range of advisory committees, more specifically in relation to planning matters, so they are the equivalent of planning panels. Although under the legislation they are described as committees, they are really planning panels and provide advice to myself as minister. It is very similar to what would be the normal case for the planning minister where a planning panel provides advice to him. We have established those planning panels, or committees as they are under the act, in an array of areas, mainly projects. Specifically they have been for the Melbourne Cricket Ground, the Melbourne Sports and Aquatic Centre, the Commonwealth Games village and the Yarra Park pedestrian bridge — the four key building projects. We also had a panel for the state mountain bike course, which was a similar panel, but slightly different in the sense that it was more interested in the environmental issues as opposed to urban form planning issues, which the others were interested in — although it also extended to that area. The process itself was to bring together one panel with an array of expertise, whether it be environmental, urban planning issues or other areas of expertise where required.

We also established a committee which was not so much a planning panel but an advisory panel in the sense that it contributed advice on the environmental program. It recommended to us an array of initiatives that we could establish under an environmental program to offset any environmental impact caused through the games, and indicated where we should focus our attention. We were very eager for it to provide us with advice which was usable, applicable and which would set benchmarks for the community, but not so extreme that the community or industry could not necessarily take them up in the future. So the initiatives, whether they were about being carbon neutral, water wise or low waste, were really the themes that came out of the environmental panel that contributed advice, particularly on being carbon neutral. It shows that in many ways the committee was able to provide an innovative solution, and while many people were quick to claim that the games should be green, not everybody was sure what green games would legitimately mean. So these initiatives from the environmental panel, particularly the water wise, carbon neutral and low-waste initiatives, are able to be implemented practicably at the time of the games but also post games.

I have talked about the current carbon neutrality issues; I have referred to the water wise initiatives and the large array of the initiatives that relate to the infrastructure, the village and the wetlands proposal. Low waste has been part of the process of the infrastructure delivery, particularly if there is demolition work like at the MCG. The materials, as much as practically possible, are not used as landfill but are be crushed, reused or recycled. We will see low-waste initiatives across the venues during games and we will also see a concentration on a litter campaign in the lead-up to the games as well. There is a barge on the Yarra collecting litter already to try to make sure the river is consistently clean. When people visit here, such as from the media or from the Commonwealth Games Federation, they need to get an impression that the river is in good condition so it reflects well on the city.

An array of initiatives have come out. In particular the planning panel or advisory committee that was established for all these infrastructure works has been beneficial. It made recommendations in relation to the pedestrian bridge. We made alterations to it to accommodate the needs of the community. In particular the landscape architects who had designed Birrarung Marr were very conscious of the integrity of the park. The advisory panel reflected a lot of those sentiments. Hence alterations are being made to the bridge to ensure it complements the work of the landscape architects and the design team that developed Birrarung Marr initially. This became a focus for delivery.

Many of the initiatives were considered part and parcel of the village. The planning panel was able to assist us in finetuning many of those initiatives, taking into consideration elements like traffic planning management, public transport initiatives — we have a bus going through the village — and the way in which public housing and the apartments were distributed across the site. Many of those issues came to light through those advisory panels and their expertise has been quite significant. As I have often said, I give public thanks to those planning panels and congratulate them on their work and the impact they have had not only on the games but the environmental legacy from each one of those pieces of infrastructure. Each one of those planning panel members has been genuinely excited by the prospect of being involved in the games. It is slightly different to what they might do if it was just a building or an environmental assessment. The brief was a little broader. They were able to make significant recommendations over and above acceptance or not — creative contributions which are not only beneficial to us but to them as professionals, and will add to their work in years to come in terms of the way they make recommendations. They have been very successful.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the timing of the games village. Last year in your presentation to the committee you gave us a slide that said by the end of June 2005, 50 per cent of houses would be to lock-up stage, and by the end of September 100 per cent of the houses would be to lock-up stage. Major projects reported the village should be handed over to M2006 on 30 November this year. Your slide

this year shows as of now — let's call it the end of June — only 35 per cent of houses are to lock-up stage. You are 30 per cent behind your target that you presented to the committee last year. Can you explain why things are so far behind? Will you meet the target of 100 per cent of houses to lock-up stage by the end of September, and will the village be handed over on schedule on 30 November?

Mr MADDEN — We are making fantastic progress on the village. The developer started off slowly in the sense that it took it a while longer than anticipated to establish the site and get the rhythm going. The MCG is not dissimilar. It started off slowly but it is going gangbusters at the moment. In recent weeks we have seen the project comprehensively come together at the village. Whilst the builder is slightly behind in some targets, it is ahead in a number of others. That means as we get closer to the games it will complete the village in what we expect to be in accordance with the targets identified in the papers you have. We are very confident it will have that delivered in the second quarter of this financial year in and around 30 November. The weather has been particularly good and it has made sound progress. I visited the site recently and it has all the hallmarks of being absolutely completed.

What is interesting in terms of the work practices there is the way they set up their scaffolding so that rather than finish one house at a time they do brickwork up to a certain height. So they might have an array of houses that are almost at lock-up but they are not fully there. Then they shift their scaffolding and finish that pretty quickly. So whilst the lock-up stage might not be in line with the targets, they are in advance in a number of other areas whether it be slabs, framing, roofing or some of the other critical areas. What you will see on this project is in a sense the top metres of the brick come together quickly — and the fit-out will come together quickly inside as well. I have every confidence that the village will be delivered with plenty of time for the bump in and bump out of the overload. You would appreciate some of the relocatable buildings are not far from the site. Even as recently as this morning they are close to the site. In travelling along Pascoe Vale Road the other morning I noticed half a dozen trucks taking the relocatable houses in the direction of the site. There is plenty of activity. I have absolute confidence that they will complete the project in line with targets. They are setting an incredible pace at this point in time.

Mr RICH-PHILLIPS — If the time line is so tight, will M2006 have the village by 30 November?

Mr MADDEN — There is no reason for us to not expect the village to be delivered by 30 November. It is not as if I am physically going to lay the last brick, but I would expect it will be in line with those targets.

The CHAIR — By way of a quick supplementary question, you said in response to the PAEC's questionnaire that you estimate revenue of \$6 million from the sale of the apartments. Is that still on track? It is on page 14 of the department's response to our 2005–06 estimates questionnaire.

Mr MADDEN — There is no reason for us to not expect to achieve those targets, appreciating that many of those sales will not be completed until post games, but there will be revenues and money associated with that.

The CHAIR — Thank you very much, Minister. On behalf of the committee I place on record the appreciation to everybody involved, the minister, witnesses here and departmental staff who have provided us with information on the portfolios of sport and recreation and Commonwealth Games. It has been very useful. A copy of the Hansard transcript will be forwarded to you shortly, together with follow-up questions. I thank you for taking a considerable amount of interest in this and taking so many questions on notice. It will be very helpful to us when we are writing our report.

Mr MADDEN — Thank you very much, Chair. I would like to thank all the members of the committee because I have enjoyed coming here. Can I also thank those officers in the department and my advisors for the amount of work that goes into preparing this. I realise a lot of people within the department and respective offices have put in a lot of time and late hours. I want to place that on record and thank them and the staff here at Parliament.

Committee adjourned.