

# REVISED CORRECTED TRANSCRIPT\*

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2005–06

Melbourne — 31 May 2005

#### 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. Lenders, Minister for Major Projects;  
Mr H. Ronaldson, secretary;  
Dr A. Smith, deputy secretary, capital;  
Mr B. McDonald, executive director, corporate resources;  
Mr J. Cain, executive director, Major Projects Victoria; and  
Mr J. Tabart, chief executive officer, VicUrban, Department of Infrastructure.

\*Corrections to the transcript by one or more of the witnesses have been received and accepted after the initial publication date.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearings on the 2005–06 budget estimates for the major projects, WorkCover and the Transport Accident Commission and finance portfolios.

I welcome Mr John Lenders, Minister for Major Projects, Minister for WorkCover and the TAC, and Minister for Finance; Mr Howard Ronaldson, secretary, Department of Infrastructure; Dr Alf Smith, deputy secretary, capital; Mr Bob McDonald, executive director, corporate resources; Mr James Cain, executive director, Major Projects Victoria; and Mr John Tabart, chief executive officer, VicUrban, from the Department of Infrastructure; departmental officers, members of the public and the media.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during a hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week.

Before I call on the minister to give a brief presentation on the more complex financial and performance information I ask that all mobile phones be turned off and pagers put to silent.

**Mr LENDERS** — Could I open up by saying that I am delighted to be here. I have had four months in this portfolio so it has been a very exciting journey for me. I am delighted to appear at the PAEC when for the first time a majority of its members are members of the Legislative Council; it is good to see.

#### **Overheads shown.**

**Mr LENDERS** — Commencing with the major projects portfolio, I have a slide presentation here. I guess we start with going through what major projects are and the key things in the portfolio. The Bracks government's Building One Victoria — the overarching phrase for what we are doing — is one of the most ambitious infrastructure programs ever seen in Victoria. We are doubling investment in infrastructure — we have doubled it since 1999. In the budget we are talking about, over \$10 billion is being invested in forward years. This will play a critical role in driving economic growth and delivering higher living standards for all Victorians.

It is also a fantastic vehicle for delivering on our social service delivery. Again, an additional \$10 billion will be invested over the next four years. The combination of state-of-the-art research and technology facilities, new arts, sport and tourism spaces and world-class transport infrastructure will put Victoria on the map as a superior destination to live, to work, to visit, to invest.

The delivery of major projects is being undertaken by Major Projects Victoria, which, as members are aware, is a division of the Department of Infrastructure, and VicUrban, which is the government's urban land development agency. Major Projects Victoria is the government's leading provider of project management services for complex property development and construction projects; I will go through some individual ones later on.

It is allocated large-scale projects by the Premier which are often unique in nature and sit outside the routine capital works such as roads, rail, public housing or schools. These are unique major projects allocated by the Premier to the minister and department. Not all projects fall within the major projects portfolio. For example, the Commonwealth Games athletes village is being delivered on behalf of the Minister for Commonwealth Games. Not all projects in major projects are my ministerial responsibility — that all goes back to which minister the Premier has allocated the project to under the act.

VicUrban is the statutory body formed in August 2003 with the merger of the Docklands Authority and the Urban and Regional Land Corporation. It is committed to sustainable development, affordable housing and prosperous and successful communities. VicUrban also contributes to the Victorian government's Melbourne 2030 strategy for sustainable urban growth which minimises urban sprawl and the need for expensive infrastructure.

I have a slide here which is an overview of the major projects portfolio. There are some highlights on it but there are a lot of other projects as well. Clearly the ones we have listed there — Docklands, the showgrounds, the wholesale markets, the convention centre, the library, the synchrotron and the Austin — are probably the ones we will focus on in the time we have today.

Going through key achievements, the Austin is one we are justifiably proud of. The redevelopment of Austin Health and the Mercy Hospital for Women is our largest single investment in health in Melbourne's northern suburbs and the largest joint hospital project ever in Victoria. It is a huge infrastructure project. It will transform the Austin Health facilities and relocate the Mercy Hospital for Women to provide public specialist and general obstetric and gynaecological services to Melbourne's north-east.

I recall a number of members of this committee — Mr Forwood, Ms Green and Ms Romanes — were all there at the opening a few weeks ago, which was a very exciting day for us all. With the Mercy up and running and the Austin due to be fully operational in the next couple of weeks, this complicated project was delivered on time and on budget and provided 700 jobs during the peak construction period.

**The CHAIR** — I notice you have slides on each one of the projects but the overheads for this are allocated 5 minutes.

**Mr LENDERS** — I thought we had 10 minutes.

**The CHAIR** — Not on each portfolio.

**Mr LENDERS** — I will fly through them. The other projects pretty well speak for themselves. We have a series of projects there. I listed the main ones before which are ongoing. There are a couple of other ones there which I did not list in the major ones but include the recycling centre and the industrial waste containment facility, and other projects, like the state library, which go forward. Then there is a series of VicUrban projects out there. Thousands of blocks of land are being opened up by VicUrban around Melbourne whether they be large developments in the north like the Aurora site near Epping or Officer in the east or some of the ones out in the west. There are a number of those as well as the ones in regional Victoria.

In conclusion, our major projects are a core contributor to our economy. They generate investment in core manufacturing and contracting opportunities. Through Building One Victoria this government is providing better services, higher living standards and a strong and growing economy. This infrastructure build is critical for us to grow the jobs so that Victorians have jobs, which is the most dignified thing a person can have in our world. It also provides the facility for delivering the social services this government believes are critical for Victoria.

**The CHAIR** — Thank you very much. I want to go to the Austin redevelopment and the Mercy Hospital for Women relocation. You announced in your overheads that this was delivered and opened recently. Could you tell me what were the key performance indicators for that project and whether they were met?

**Mr LENDERS** — The performance indicators for the project were fundamentally to deliver services out to where the people were. We have a fantastic medical staff — I think there are over 6000 staff — out at the Austin-Mercy complex, which is probably about 4000 equivalent full-time staff. It is much the same as when the Queen Victoria Medical Centre went out to Clayton during the Cain government. This was the Bracks government bringing medical services into a state-of-the-art facility in the north-eastern suburbs. We had a number of fairly old hospitals there.

We had the old Austin Hospital. Those who saw the pictures of it would know that when it was first established it was the Austin Hospital for incurables. It would not give me a great deal of confidence going into a hospital in 2005 to see a big sign saying 'The Austin Hospital for incurables'. This shows that this was bringing an old system into the state of the art and modern day. The Talbot hospital, the Heidelberg Repatriation Hospital and a number of other facilities were brought together.

The KPIs for us were to firstly, in an affordable manner — we had a given budget envelope for this — to bring state-of-the-art facilities into place; to do it in an orderly and timely fashion; to do it in a way that was the least disruptive possible for the people working there and the people recovering — the clients of the hospital; and to do it in a way that we got synergies with the Austin being out there with the Mercy. While they are two separate hospitals and Mercy is leasing its building from the government for a period of time, to have the synergies between

the two where possible will ultimately mean better patient care, good working conditions and access to services for a growing region. They probably were the KPIs that we had for the project. I think by any measure they are being delivered.

We are certainly there within the time lines we originally set. You can measure these things by the public and its enthusiasm for it, and the staff's enthusiasm for it — on the day we had 20 000 people who actually walked through the state-of-the-art facilities to look at what services were being provided by their government in their community.

The main key performance indicator which we announced as an election commitment is that we would not privatise this hospital; we would keep it in public ownership and rebuild, and that has been delivered. That is probably the ultimate KPI.

**Mr FORWOOD** — Minister, I refer to page 2 of your slides and the other projects figure of \$1.442 billion. I wonder if you would take it on notice to provide the committee with the break-up of the projects that make up that fund? I do not need it now.

**Mr LENDERS** — If it is taken on notice we can certainly get it. We can probably even get it distributed today. I tried to list a number of the projects there. Some of them are fairly routine projects, so I tried to list the ones that have got the greatest attention. We will circulate it to the committee, but an illustration of one of the things that major projects does is the Beacon Cove site in Port Melbourne. It was a very old, contaminated site which is now high-quality housing. The last few houses are now being opened to the public. There are still some issues there with how we manage the Princes Pier, which goes out into the bay. There are a whole lot of things which can be quite complex.

The other is the fish market site and the industrial waste management facility. So there are a range of those types of projects, including ones like the Bonegilla site, which is the centre for commemorating where all the post-war refugees came. So there is a range of things in there, and we will certainly circulate that to the committee.

**Ms ROMANES** — Minister, I note the reference to the Melbourne Convention Centre in the 2005–06 budget — budget paper 4, page 209. Can you tell us what the specific economic benefits will be to Victoria in relation to the completion of this project?

**Mr LENDERS** — Thank you. I am delighted to talk about the convention centre and the benefits it brings. In hard dollar terms it will bring enormous benefits. The business case estimates that it will generate additional delegate spending of \$3.3 billion or \$129 million a year. It will increase the gross state product by about \$5 billion or \$197 million a year with the add-ons. It will create an average of 2500 full-time and part-time jobs. So they are some of the figures that are in the business case.

Even though we still have not signed the contract for who will build it yet — there are still processes to go through and a lot of those things are still to be done — we have the first bookings on this. We already have a convention of 4000 people who have enough confidence in this process to have made a booking. The sorts of people who will come to Melbourne to this convention centre — which is in your electorate, Ms Romanes — but all of Melbourne generally, and the spin-offs that will have for Victoria are quite exciting. By definition, conventions tend to be places where there is a lot of intellectual thought and new ideas coming through, and for Melbourne to be a place to attract, that is very important.

But also, if I can use the example of the 4000 delegates, most of them will bring a partner, so we might be talking about 6000 or 7000 people for that function alone who will be spending in Melbourne and adding to the Victorian economy. They will make tourism visits to regional Victoria and also to the arts and sports facilities in the centre of Melbourne. They will have patronage added to them by the people who come in. So as we measure the benefits of bringing this in, it is not just in jobs in the service industries or in the construction industry on the convention site itself, it is what it does for thinking in Melbourne, what it does for tourism spin-offs across the state, and particularly what it can do to our cultural, sporting and arts icons in Melbourne. It will bring clients into Melbourne. This is fresh, this is new and they have not seen it before. It will add a lot of value to the state.

**The CHAIR** — By way of a supplementary question, has the business case documentation on delegate and delegate spending been made public at this point?

**Mr CAIN** — A feasibility study was carried out. The business case for the convention centre and the expenditure review committee of the cabinet's deliberations around the business case have not been released publicly.

**Mr CLARK** — My question relates to the hazardous waste facility at Nowingi. Am I right in understanding that you have commissioned an economic study of the potential impact of this facility on the economic activity in the region with, I understand, a professor undertaking it — and I do not have his name to hand? If that is correct, when is the study due to be completed, and is it intended that it will be released in its entirety when it is completed?

**Mr LENDERS** — I will find the name of the author of the study; it does not just come to mind. This is a difficult decision for the community; there is no doubt about it. Victoria needs to have a long-term containment facility; I do not think that anybody would dispute that we need one. Where the dispute comes is in where you locate it. Part of the process with our environment effects statement in Sunraysia has been to address in a scientific manner legitimate concerns raised by the local community so that we then have answers to those questions.

One of the things that was raised fairly early on in the piece — and it is the traditional thing that you would expect in an environment effects statement, or in any business case for that matter — was the issue of what it would do for the reputation of Sunraysia agricultural clean and green products if a long-term containment facility was in north-western Victoria. So as part of the response to the community on that, we set up the McKinna study. That has been done in full collaboration with the community; it has been told what has been happening. There have been suggestions about who we should talk to and where we should go, and obviously there is some very relevant experience in other parts of the world. As I understand it, for example, some of the best agricultural producing regions of France are in areas where there are similar facilities or things that in the public perception could be much worse.

A lot of it is about lessons to be learnt about how people respond in trade to areas like that. So Dr McKinna's information will be made available in the Sunraysia community. Obviously a lot will depend on what he provides to us. He may well suggest that parts of it be provided and parts not. I do not know. Our starting point in all of this has been that we commission information and we make it available to the local community as it becomes available. That has been our process right through this environment effects statement process. That community can look at the information that government has and make an assessment.

Some of that information has been on the nature of the land, whether there is sand or clay underneath the land; the salinity of the water, whether it flows from east to west or west to east, which is significant given the Hattah Lakes and other parks in the vicinity. Some of it will be about the long-eared bat, the emu wren or scarified wood from native fires. There are all sorts of things, and as the community brings them up we submit them through the environment effects statement process and we report. On several occasions we have provided information to the community as it becomes available and, in addition, officers from Major Projects Victoria have been up there — on average on about a fortnightly basis. Whenever there is a need for community reporting or consultation we have people out there doing it. That is the process we are following.

It is a difficult decision and it is our view that we need to be open and transparent about this, so that if it gets through the environment effects statement and all the other processes, the people of Sunraysia know where the government has come from and why we are doing it, and they can see the information we make our decisions from.

**Mr CLARK** — What are your timing expectations on the McKinna report?

**Mr LENDERS** — Mid-year.

**Mr CAIN** — The preparation of the documentation package, which will form part of the environment effects statement and which will go on exhibition under the environment effects statement process, is only a few months away.

**Mr FORWOOD** — I have a question.

**The CHAIR** — On the study and the environment effects statement?

**Mr FORWOOD** — Yes.

**The CHAIR** — So long as it is on that.

**Mr FORWOOD** — Minister, you said that you want to be open and transparent. My understanding is that in April you released some hydrology reports, but in fact the reports that are on the web site do not contain any figures, tables or any of the appendices that are referred to in the body of the report, so that someone can read the words but they cannot look at the information. Will you give an undertaking that you will make that information available?

**The CHAIR** — On the forthcoming environment effects statement?

**Mr FORWOOD** — No. He has already announced the release of this information and he has put some of it on the web site, but they have kept out of the stuff they have put on the web site all the tables, all the figures and all the appendices. I am asking: will you make that information available?

**The CHAIR** — I would want to make sure that the questions that are supplementary relate to the first question that was asked. I just caution people to keep their supplementary questions to the question that was originally asked. Where that pertains to the original question, that can be — —

**Mr LENDERS** — We will certainly provide all the information we are required to provide under the EES. With respect to Mr Forwood's comment about some of the tables not being attached to that first lot of information, I will take that on board and get back to him as to where we are on that.

**Mr SOMYUREK** — Minister, I note on page 41 of the VicUrban annual report that the Docklands project will cost approximately \$9 billion. Could you discuss the current status of the Docklands project in relation to it being delivered in partnership with private industry.

**Mr LENDERS** — I am delighted to answer Mr Somyurek's question and talk about Docklands at any time. Docklands is a project that until I was appointed minister in this portfolio I only had a peripheral knowledge of. I knew it was there and I was conscious of it, but since my appointment I have obviously paid a great deal more attention to it than I did before. I have also been subjected to, I guess, the enthusiasm of the CEO of VicUrban, Mr John Tabart, for Docklands, what it is doing and how it is a project that is incredibly exciting and state-of-the-art in a worldwide sense. If we look at the Docklands project compared to some of the international projects in the UK, Europe and other places this is an extraordinary partnership of government and private sectors where a large amount of government money is involved, but it is small in percentage as to what it does. There has been extraordinary private sector leverage in building up Docklands as a place.

Docklands is an area that again was basically 200 hectares of wasteland — that is probably the most charitable way to describe it. It is the same size as the central activities district of Melbourne and it is now being turned into a state-of-the-art urban sister, almost, to the central activities district. The Docklands is not full yet, but when it is full there will be 20 000 people living there, 30 000 people working there and another 50 000 people a day coming to visit. That is without the peaks you will get with something like the Commonwealth Games or any of the other large cultural activities that focus on Docklands. As far as just the space around Docklands is concerned, around every bit of water there is reserved space the public can use; it cannot be built on or be used for a certain range of things. It is just extraordinary as an urban design.

If you looked at what I referred to earlier, the ratios of public to private expenditure to get this, the government in the early days started with a 3-to-1 private to government ratio. At this stage in the process we are getting towards 15-to-1 to 20-to-1 in private to government ratio. By the time we get to the final stages of the project we will be getting up to about 90-to-1. That is the sort of thing that would make some of those places in London blush, dreaming they could get figures like that. It is a great partnership in a sense. We have a great new urban part of Melbourne that is both residential and commercial. People want to come and see it and it is being done in a way that we are getting super leverage out of it from the state's perspective.

Like any of these projects there will be always be teething problems that come with them, but this is a really good project. Step by step the Docklands is filling up and despite some of the challenges we have within our urban property values and markets and a range of things, this project is soundly moving forward.

**The CHAIR** — In terms of the 15-to-1, 20-to-1, 90-to-1 ratios, do you have any documentation that would be useful to PAEC in that regard. If you have some you might like to forward it later on.

**Mr SOMYUREK** — Just a follow-up question to that. You mentioned, as the Chair said, ratios of from 3-to-1 to 15-to-1 to 20-to-1 to 90-to-1 eventually; do we have any median figures as far as the UK average is concerned, and perhaps also the Australian average? That might be a little bit esoteric, but if you do have those it would be great.

**Mr LENDERS** — We will certainly take that on notice and get back to you on those UK figures.

**Mr FORWOOD** — I would like to return to the issue of Nowingi. In a press release of 1 November 2000 the then Minister for Planning, John Thwaites, said:

A more comprehensive and accountable system for environment assessment is needed and better coordination between statutory decision-making bodies —

was required. He established a review of environmental assessment procedures. Given that warning over four years ago, what confidence do you have that the environment effects statement for Nowingi will be sufficiently comprehensive and accountable?

**Mr LENDERS** — Firstly, I have enormous confidence in the process we have and I have enormous confidence for a number of reasons. This has to be one of the most transparent processes in government decision making — I cannot think of an example in Victoria where there has been more scrutiny. If you go back to the decision making during the dying years of the Kennett government over a new landfill in Werribee and there was an enormous community — discussion is probably a polite way of saying it, but there was certainly a lot — focus on how we make these decisions. In the 1999 election one of the parts of the Labor Party platform was having a long-term containment facility as a way of addressing issues like Werribee coming to the fore again. Obviously, whether it be the Coleman committee set up by the previous government that tried to review the criteria as to how you would locate such a facility, or whether it be the ongoing work under the current government — for example, some of the work done under various manifestations including those chaired by my colleague Bruce Mildenhall — we have gone through an extraordinary process. We have tried to ascertain, firstly, how you would find a location — and that is not just an academic exercise of putting a pin in a map somewhere in Victoria; that is all about enormous criteria in respect to where is an appropriate place to put a containment facility. So there has probably been more, in a sense, scrutiny of a process and the very fact that three sites in that first process were looked at and then moved to a fourth site is probably justification of how to get that process in place.

The next step, as I outlined in answer to earlier questions, is the EES. I have read through a lot of material that I would normally never expect to read through in a sense. In the first place, as Minister for Major Projects it is obviously an obligation for me to understand this, but in the second place I know there is a lot of community interest on some of those issues regarding Nowingi. Whether it be, again, how you transport goods there, what you do when they are there, how you contain them when they are there, and even the very nature of the substances you move up there, there has probably been more review of this than at any other time. It is a long answer to a short question, but I have great confidence in the EES process generally. I think we are at the enlightened end of government in this world in how we do this. We take the process through, show the community where they are and there are checks and balances right through. But with this one in particular, with the scrutiny it is under and the example I gave before of the McKinna report — that is a classic case where in respect of the EES there were questions that the government did not frame at the very start so we added them to it because the community wanted them addressed — I am very confident in this process.

**Mr CAIN** — Minister, I may be able to assist further with Mr Forwood's supplementary question from a few moments ago. Some of the questions did not quite ring true with me, especially that reference to the web site where it has fully been our intention to make sure all the documents are available. In fact the tables that support the hydrogeological studies — which I think are the ones you are referring to — are so large we cannot support them on the web site, but they are available on CD-ROM to anyone that applies for them. We can certainly make that available to the committee if that is helpful. For your interest I thought it was worth providing that information.

**Mr FORWOOD** — Thank you. Perhaps you could put a little note saying, 'If you need this'.

**Mr CAIN** — That may help; that is a good suggestion. Thank you.

**Mr LENDERS** — We support your suggestion. More open, more transparency, Mr Forwood.

**Mr MERLINO** — Minister, I refer you to your overhead presentation handout and the demolition of the Flinders Street overpass which is also referred to at page 45 of budget paper 1 in the 2003–04 budget, and also page 47 of budget paper 1 of the 2004–05 budget which sets out the allocation for this project. Can you provide the committee with an update of this project, particularly in reference to the Melbourne Aquarium and whether or not the aquarium will be affected by this development?

**Mr LENDERS** — Certainly the aquarium will be affected by this because the aquarium really has no capacity to expand or do anything while that big ugly overpass is right next to it. Clearly, any better use of land on that part of Melbourne — it is all about the amenity of people enjoying the river, Batman Park, that whole north bank of the river.

For it to be opened up and used — and the aquarium is the first part of that, in a sense — we need to deal with the overpass and all the things that go with it. First the overpass needs to be addressed, and once it is addressed then there is capacity for the aquarium extension to commence. That will happen early next year, and the work on the overpass will commence very shortly — imminently, that will commence — and we expect VicRoads to have that completed in time for the Commonwealth Games, which is a major event. The aquarium is one which I am sure most people in this room have been to. It is one of those great tourism features of Melbourne, not just for outside but also for people inside Melbourne and Victoria who go there. It is a great place to visit. In fact, I believe that, according to Mr Forwood, Mr Clark might have been there. The Liberal Party federal council, I believe, met there a few years ago.

**Mr FORWOOD** — We did.

**Mr LENDERS** — And I am glad Mr Forwood did not suffer the same illness Mr Fahey did at that particular gathering.

**The CHAIR** — We might leave that aside, thank you. We are back on to the matter of budget papers.

**Mr CLARK** — My question relates to staffing levels within Major Projects Victoria. In answer to a question from the member for Brighton, Louise Asher, you said that in 2001–02 there were 18 staff employed on project implementation and delivery tasks. That was in response to her question about how many staff were employed in MPV. You then said 85 staff are currently employed in MPV but that MPV now undertakes additional tasks of project development and feasibility functions. Looking back through the budget paper description of the role of the major public construction and land development output group, there has always been since 2001–02 a reference to one of those purposes being the coordination of development projects and associated feasibility studies. My question is in two parts. Firstly, how is it that you say the role has changed in the way you describe now when the budget papers do not indicate a change in that role; and secondly, what is the reason for the increase in staff level from 18 staff in 2001–02 to 85 staff today?

**Mr LENDERS** — There are two parts to it. The specific is there is now a specific transport project development group inside Major Projects. I have certainly seen the questions on notice from Ms Asher and I have had questions without notice from Mr Philip Davis on this particular issue. There is a fair amount of nay saying in the nature of the questions, in a sense saying, ‘How come this has grown and what are you delivering?’. We are delivering a lot more and a lot more effectively.

If Major Projects is to do its job properly you would hope it would actually advise government step by step from the very start of a project as to the business case of risk, the procurement strategy, a whole range of issues, and do it properly at the start. I use probably the best illustration, Federation Square — and it is a bad project to use in a way because it is a fantastic project — but if at the start of that project Federation Square had had a more rigorous analysis within government as to where it would go it probably would not have had a \$300 million cost overrun, so part of what I expect from Major Projects and what the government expects is rigorous advice at every stage. We have established a gateways process. While that is not in Major Projects, it is part of DTF commercial division, the principles are absolutely robust and are applied through Major Projects, and that is at the start of a project to do the grunt work to make sure you do not make mistakes later on. Part of the growth of Major Projects is not just the transport project development group, but it is also a general rigour in getting these things right at the start so we can have a greater degree of confidence as we go through a project that we will actually deliver within the budget parameters we set and deliver on time. The only way to do that right is by getting it right at the very start, and Major Projects is very focused on that.



**Ms GREEN** — Minister, I refer you to one of my favourite sections of this year's budget, which is budget paper 3, pages 307 and 308, which set out a major allocation to the relocation of the Melbourne Wholesale Fruit and Vegetable Markets. I wonder if you could outline for the committee the economic benefits for Victoria in this relocation?

**Mr LENDERS** — Thank you for the question. I know your continuous lobbying over a period of time was to the benefit of a northern location as opposed to a location somewhere else in metropolitan Melbourne. For us the benefits are that the market site had outlived its time. It was getting too small; everything you can continue to use for a while longer, but there is no question for any of us who have actually been to the market and looked at it, leaving aside business cases or anything more sophisticated. Just being there and seeing the congestion of vehicles and the like on the existing market site and talking to people there, coupled with the business case, was an indication that it was outgrowing its usefulness.

I know members of the Legislative Council have heard me say this before, but for the benefit of members of the Legislative Assembly and others, this is Melbourne history. Our first market was set up on the AXA site; we outgrew it. Our second market was at the Southern Cross site; we outgrew it. Our third market was at the Queen Victoria site; we outgrew it in the dying days of Henry Bolte's reign in 1968–69. Then we moved to the current site in Footscray, and now again we are outgrowing it. That is just part and parcel of a growing city and a growing economy.

Let us not forget that Victoria has now exceeded New South Wales in agricultural production. It is quite a new statistic. We are now the food bowl of the country, bigger than New South Wales. The wholesale market is a big part of the distribution of that, and in that distribution there are 2700 licence-holders at the current site. There are 7000 employees. There are so many big trucks that come in from all over the place to unload their produce every morning and then a lot of smaller trucks that scoot out from there to take the fruit, vegetables, flowers and everything to the various retail consumers that we needed to move somewhere.

Once the decision to move was made it came to what the choices were. Both the north and the west, and the south-east for that matter, were all very attractive in what they presented to government, but why the north stood out was the transport infrastructure. Whether it be the Darling Downs in Queensland, out of the Riverina, out of the Goulburn Valley, out of Sunraysia or a range of places, the north is a logical channelling point for a lot of the produce that comes into Melbourne. Then, as a distribution point from where it actually leaves, there was again a very strong case. It is close to the airport and major land transport infrastructure, and also the users and the stallholders, when confronted with the need for change, overwhelmingly had the view that the market should move north. So that is how the government carried out its deliberations. There was also a very strong case made by businesses, municipalities and members of Parliament from the north of Melbourne to say why it was a good area.

**Mr CLARK** — To clarify the value of the project, the budget papers list it as \$300 million TEI; my understanding is that that is expected to be the government's contribution to the project; is that correct? If you are expecting additional private sector funding on top of that, have you got an expectation as to what the level of that additional private sector funding will be?

**Mr LENDERS** — I am happy to take your question, but it does go a fair bit to almost how you do a major project. I mentioned gateways earlier and a range of things. The \$300 million is the envelope for the government contribution and obviously we have announced the site, we are going through the gates one by one so we get this right. We need to go through a series of processes before we finalise it.

Undoubtedly there will be a huge, private sector add-on to this. A lot of that will depend on the nature of what we finally come up with, the project we construct — for example, on the periphery of the wholesale market, if there is land available and made available, there will undoubtedly be a lot of add-ons in cold storage and distribution warehousing, some of it for the market holders. There may well be stuff for people who are not part of the market because it is a convenient node for all these areas to use. So a lot of the add-on from non-government or the leverage that our \$300 million actually adds to the site will depend on the nature of what we finally sign off the project as. If this goes to a public-private partnership, in the end more parties than just government are involved, so there is a range of those things. But I would imagine that the non-government component estimated could now easily equal or exceed the government component on this, but a lot will depend on the nature of what we come forward with, what the other land uses in the area are and how the private sector responds to this huge boost to

economic infrastructure in the north, and particularly how it responds to the opportunities that are made available as they see this project roll out over the next few years.

**The CHAIR** — Are people within your department allocated to obtaining maximum leverage or is that from another part within — —

**Mr LENDERS** — This is a project wherein Major Projects is the developer or the constructor, and obviously the policy on this comes out of the Department of Primary Industries, and I read with interest some of the Hansard transcript extracts from Minister Cameron's presentations here. It is a joint venture between the two, and the overall policy direction comes out of the Department of Primary Industries, but the actual delivery comes out of the — —

**The CHAIR** — Who is responsible for obtaining maximum private sector leverage?

**Mr CAIN** — I am sorry, it is not a simple answer, but the private sector leverage will to some extent be determined by the policy. There is a relationship between the two. Policy may prevent the private sector from doing some things that an alternative policy view would enable them to do, and some of those things might add additional value to the project. With the policy settings that will be established by DPI, the transaction and the management of that transaction to try to get the best deal will be managed by the Department of Infrastructure and the Minister for Major Projects.

**Mr FORWOOD** — I want to return to the issue of Nowingi. Do you have an idea of the total amount of prescribed waste you anticipate moving each year and how many trucks that will take? There have been all sorts of figures thrown around — I think from 16 down to 3 — but I wonder if you actually have those figures available?

**Mr LENDERS** — On the figures that I certainly have had supplied to me, truck wise we are anticipating five trucks a day on the planning at the moment. Again, it is like every bit of work that you do, the more you study, the more the EES process goes through and the more information you get, but certainly the figure I am expecting at the moment is five trucks a day. The actual volume for the five trucks I might have to take on notice, but five trucks is the figure that I am using and a figure that I have been advised on.

**Mr FORWOOD** — If you can just give us the total amount you think you are going to use — how big the truck is and how you get to five — that would be fine. I think this is an important issue to put to bed.

**Mr LENDERS** — It is a difficult one, and while I have not had a question from you on this, Mr Forwood, certainly it has been one that has been canvassed at some length in the Legislative Council. It is a difficult one and it goes back to the earlier point about transparency. We think it is important because it lets communities make informed decisions themselves upon it, but the more information that goes out there, and as we provide information as it becomes available, in a sense it is also a weakness for government because you can also be attacked on the information before you have necessarily all the answers to it. We are firmly of the view that we need to put the information out there because that is the only way you can have an open and transparent process that you can have confidence in, and as we go through this process, more information becomes available. But five is a figure, and we will respond in detail to the rest of it.

**Mr FORWOOD** — Thanks for that.

**The CHAIR** — My question goes to the Melbourne recital centre and Melbourne Theatre Company — that is in BP3, page 306. There is an explanation there of the project, together with budget figures; in table A.15 for 2005–006 it is \$17.4 million, and for 2006–07, \$9.8 million. I would like you to explain what that \$17.4 million and the \$9.8 million will purchase and what are your key KPIs for the project?

**Mr LENDERS** — Part of the reason this has been allocated to major projects is because it is a very complex project involving private sector money that came through a whole series of arrangements, going back to the casino being established and obligations there for those proprietors to build halls and the like — obviously we have a partner here in the University of Melbourne, which, as people would be aware, is the owner, which is probably the best term to use, or the facilitator, whatever the title is — for the Melbourne Theatre Company and to also get a recital hall. I love singing. My family hates me singing, but for those who know reciting, with a recital hall getting the acoustics right is one of the most sensitive areas; if you have not got the acoustics right, it destroys the project, full stop. So the KPIs really are, firstly, getting two organisations together, getting a series of funding

sources together and then getting a product. I mean, 500 seats for the MTC in a sense is fairly straightforward. It is an ongoing organisation that needs somewhere to go out in capacity. But the 1000 seats for the recital hall — one of the key KPIs there is getting the acoustics right and then also finding somewhere between the concert hall, which I think has about 2500 or 2600 seats, and then you get down to Melba Hall in Royal Parade with 330, so somewhere in between where there is a demand for a recital hall. So what we are seeking to do in plain English terms is really get all those stakeholders involved, get the arts community involved and get the users involved and come up with a project that meets all those needs in a way that is financially sound and meets our budget envelope. So they are the KPIs in essence.

As far as the specific amounts go, what each one of those does, which is the second part of your question, certainly there is greater vibration isolation, there is contamination and minor changes to scope and fit-out — some of the things from the original estimates we have had to bring on board to bring this up to speed. So that is where those two specific amounts come from, but it goes back to the core KPI, which is to have something that works. There have been a lot of disparaging comments about the acoustics at the Opera House in Sydney. We want the acoustics in the recital hall to be just right, so that an artist who performs here tells the world that Melbourne has a state-of-the-art recital hall, and the MTC ones I think are fairly obvious.

**Mr CLARK** — My question relates to what Major Projects Victoria does, and in a sense it flows on from my previous question about your staffing levels. I refer you to budget paper 3, page 125, which has the public construction and land development output group. Apart from reference to project feasibility studies conducted and delivery of nominated projects and compliance with agreed plans, every other performance measure there seems to relate either to the Yarra precinct or to the hazardous waste siting project — in other words, you have no performance measures for all the other good work which you have told the committee Major Projects Victoria does. I am wondering whether, either now or on notice, you can tell us what measures you have got as to the other things that MPV does, and, if so, can you supply that information to the committee? Will you consider broadening the range of performance indicators in the budget papers? Can you tell us overall how many major projects MPV is currently handling?

**Mr LENDERS** — The first one is that most of those performance measures are in the home department — for example, we were talking before of the wholesale markets; most of those performance measures will be under DPI, so rather than us duplicate them, that I think is the simplest answer to your question. Any that are not covered by that we will take on notice, but I am pretty sure that all of those KPI performance measures will be picked up through the home departments.

**Mr CLARK** — How many major projects have you got currently?

**Mr CAIN** — Sixteen. I will just get you a list.

**Mr CLARK** — That would be helpful, thank you.

**Mr LENDERS** — Again, I will certainly circulate a list. I circulated a list earlier on to the Leader of the Opposition in the upper house, this same list, exactly what the projects were, so I will circulate that to the committee members as well. I can go through them now or I can circulate them. I am in your hands, Chair.

**Mr CLARK** — The list will be fine.

**Ms GREEN** — In your presentation you made reference to the major project of the redevelopment of the State Library of Victoria, and also in one of your previous answers you referred to the gateways process. What, if any, role did the gateways process play in this project?

**Mr LENDERS** — Sadly, the gateways process has not played any role in this, and that is probably an illustration as to why you should have a gateway. The classic on this project is that we are now up to stage 6 of the library project. It is a seven stage process and it was my privilege in my first week as minister to announce stage 6, so Peter Batchelor should have been claiming all credit for it, but I was there announcing it on that particular day. It is an illustration in a sense of why we need a gateways project. This project goes right back to the Cain government and it has been a process that has had the Cain government, the Kirner government, the Kennett government and the Bracks government all being involved in one way or the other. It was a process that in the days I guess pre-gateways where if you started a project you had a plan for it and you proceeded, but the plan was not

necessarily as detailed as it could be, particularly when you had, for those who recall, I guess, the history of the library, and this had everything that could go wrong with a major project.

We found the dome full of asbestos, and from recollection the figure was \$14 million or \$11 million to clean the asbestos out. So for a start, you go through a project and you find asbestos. Secondly, you had issues with the whole library and museum process where a former premier who will remain nameless — but he was not John Cain or Joan Kirner or Steve Bracks — intervened time and again in the process. You had the location being moved, whether it was up at the Exhibition Building for part of it or down on Southbank, things are moving in and out, exhibitions are moving in and out and parts of it are moving in and out, You can never possibly have a plan and manage your costs when you have got that level of interference going on in a project. We made the correct decision from the start, that users would continue to use the library during this, which added cost to it, but obviously there was a great social benefit from that cost because people kept on using it.

We are now going through stages that mostly preceded gateways and the rigour you have on a planning process if you have that gateways process. For stage 7, I would expect the Minister for the Arts to go through a gateways process as she puts in an application for funding for that within government. We will probably for the first time have that caught. But the most significant thing is that you cannot start moving libraries, museums and a range of things like that around at whim and change them and not expect it to add to the project costs.

We have got a fantastic facility. The final stages are going on to what is one of the great artistic buildings of the world. It is not just an icon in central Melbourne. If you go into the library you find the people who are there include people from all over Victoria. You have got a lot of people from regional Victoria who come in by train and study genealogy and a whole lot of things. You have got all sorts of people who use it. But a gateways process adding more rigour would have certainly assisted in keeping the costs of that project down over its long gestation.

**The CHAIR** — On the library, we are looking at this current budget providing funding of \$22.3 million, which provides output funding of \$10.8 million and asset investment of \$11.5 million. Will that cover stage 6 of the State Library redevelopment; and if it does not, where would that be sourced from.

**Mr LENDERS** — Yes.

**Mr RONALDSON** — Can you give me a budget reference so I can be clear?

**The CHAIR** — We are looking at BP 3, pages 305 and 302, where we have got \$11.5 million and \$22.3 million. The budget provides a total of \$22.3 million and we have got output funding of \$10.8 million and asset investment of \$11.5 million on pages 302 and 305.

**Mr RONALDSON** — I cannot find it.

**Mr LENDERS** — We will take it on notice, but I think a lot of these areas fall into the portfolio of the Minister for the Arts. What major projects is she is doing? There is that redevelopment — that is the coffee shop. There are a lot of administration backup areas and a number of major infrastructure areas inside the library. We will take it on notice. I think some of these relate to the portfolio of the Minister for the Arts. Some of them probably flow on to the redevelopment of stage 6. Stage 7 has no approval yet and will not be in this budget.

**The CHAIR** — We can have that clarified by you or by the Minister for the Arts.

**Mr FORWOOD** — I return to the showgrounds redevelopment. I wonder if you could advise the committee whether the contract has yet been signed. Can you tell us why the contract is so late and if it has or has not been signed? In Parliament you suggested that much of the work would be finished by the show this year. Could you detail to the committee what work you anticipate will be finished this year as opposed to next year?

**Mr LENDERS** — Okay. There are a few things. Firstly, a definition of what the contract is. There are quite a series of documents between different players. We will need to go through that. Secondly, there are about — —

**Mr FORWOOD** — Have they been signed, these series of documents?

**Mr LENDERS** — We will go through them. There are a series of documents. Secondly, there will be a show in 2005, obviously, and 2006 is when we expect all the work to be completed, although I will stand corrected by James Cain if it is not all to be completed by then.

**Mr CAIN** — By 2006?

**Mr LENDERS** — By 2006 it will be all completed. There are a series of these pockets, which is about five items that will be completed by this show, new ones. I am not sure if I have a list in front of me. I certainly have one in my folder in Parliament for these questions, but I have not got it with me here, but I think it is five items that will be completed or are expected to be completed or relocated by 2005.

On contracts, there are a series of interlocking relationships here. The joint venture is set up, so the relationships are between the joint venture and government; the joint venture and the Royal Agricultural Society; the joint venture and those who are constructing the work; and then there are the ongoing other relationships that are in place. In areas here I know there has been a lot of speculation, and again there was a lot of questioning during the PAEC hearing when Bob Cameron was here about what documents had or had not been signed. I think it is fair to say that all documents have been sighted by the various parties.

**Mr CAIN** — I am happy to take that up. The documentation that is being referred to, as the minister says, between the two parties in the joint venture — that is the RAS and the state of Victoria — has all been signed, sealed and delivered as such. The Partnerships Victoria contracts, that is the concessional arrangements between the preferred bidder, PPPS — Public Private Partnership Solutions — and the joint venture, have been going through a process of commercial negotiation and documentation since they were awarded the preferred tenderer status in November of last year. To date all of the documents that are relevant and pertinent to the detailed commercial transaction have been initialled and exchanged between the parties — that is, there is, if you like, an absolute completion of the commercial negotiations and the negotiation of those commercial details. There are a number of arrangements that need to be clarified and settled still within the bidding consortium. That relates to PPPS itself doing work on its side of the house, as it were, to finalise its arrangements before it will complete the contract with us — that is, to sign the execution page with all of the other documents having been clearly sighted, initialled and exchanged.

It is something that has been further contributed to by the announcement to the stock exchange on Friday that Multiplex would suspend trading in its shares. Since then the directors of Multiplex have made a further announcement to the exchange and its shares are trading again. That will obviously ensure that the process they are going through in that consortium, with Multiplex as a key player in that consortium, can now be completed without any further delay.

**Mr FORWOOD** — Work has already started, has it not?

**Mr CAIN** — Yes, that is quite right.

**Mr FORWOOD** — On what basis does work start before you execute the contract?

**Mr CAIN** — At the time that PPPS was awarded preferred contractor status, there was a formal document known as a deed of undertaking which was executed between the parties — that is between the joint venture — —

**Mr FORWOOD** — They have undertaken to sign it, they have undertaken to execute it when they are ready?

**Mr CAIN** — They have undertaken to negotiate and document the transaction in exactly the form that I have described and then to execute it.

**Mr LENDERS** — And there is nothing unusual about that in any major construction project.

**Ms ROMANES** — Minister, one of the key projects you listed on your overhead slide was the Australian Synchrotron project which has a value of \$206 million. I had the good fortune to take a car load of family members down to the project on the open day. Like you, I witnessed the interest and curiosity of thousands of Victorians who were there that day. It is a significant project, and to pick up a point Mr Clark was asking earlier about various major projects, can you tell us more about the key performance indicators for this project and whether they are being met?

**Mr LENDERS** — The synchrotron is a project that makes it just a delight to be Minister for Major Projects and to be part of the areas that I have responsibility for. That is so for a number of reasons. It is one of those absolute specialist projects that just add value to what we do in Victoria and Australia. It adds value. Obviously you need to be a physicist to fully understand what a synchrotron does, and certainly Mr Forwood and Mr Clark should coach their spokesperson on major projects before she goes on Jon Faine next time as to what a actually synchrotron does.

**The CHAIR** — We have had a number of people explain this.

**Mr LENDERS** — I will not explain here what a synchrotron does, but certainly this is state of the art in physics, with beams of light and all of those things. But the most significant thing is the opportunity it brings here. It is a significant investment for the state to put a synchrotron out at Monash Clayton, there is no doubt about it, but what it will do is it will add enormous value to the Victorian economy.

I have seen some figures saying that it will boost our economy by \$65 million a year once it is up and running. It is more than that: there are actually 3000 scientists queuing up to use the synchrotron. Leaving aside all the value-adding that the synchrotron can do, one of the things we lament as a community all the time is that our brightest and best young people go overseas — we lose them all the time. That is part of a global economy and that happens. We often lament it but do not do a lot about addressing it. One of the things the synchrotron will do, as well as all the economic benefits it brings to the state, is that it will keep our best and brightest here. It means that all those young physicists and young scientists who are going overseas can stay here.

One of the benefits of being minister is going out to the synchrotron project and meeting the team working on the project, because it is the most diversified team. They go around the world. Some of them are Australians who have been working for 20 years or 30 years overseas and now have come back to Australia. There are people from the Ukraine, from Bosnia, from the United States of America, you name it. There are all these specialists who are working on the synchrotron project.

Some of the value that it will add for us is not only the economic benefits that I said before but it will also bring innovative industries here. One of the underpinnings the Bracks government has been trying to do from day one is to bring innovative industries that will assist with exports and the underpinning of so much of our infrastructure work and so much of our business development work that we do. We will assist in this area.

There are more than 40 Melbourne companies that are getting work out of the synchrotron. It is not only people coming in from overseas — there are a number of Melbourne companies that do it, so the KPI is to basically keep scientists in the country, build our scientific base, add to innovative industries and add to growth for Victoria. All those have been met. We now have a building that is the size of the MCG that is now in place. Ms Romanes, I and 12 000 others on that open day went through the synchrotron to have a look through what it was. There was enormous excitement there.

People were proud in this Victorian infrastructure project that will have so many spin-offs for the state. The KPIs will deliver in science, deliver in research, deliver in innovation, deliver in jobs, and deliver in economic growth. Again this is one which is on time. We have broadened the scope of it — it is on time and within its budget.

**The CHAIR** — You have just outlined about delivering on science, research, innovative industries and keeping our brightest here. Will you please provide the committee those KPIs for what you have set for each of those?

**Mr LENDERS** — We will take that on notice.

**Mr FORWOOD** — You may also like to take this on notice. Budget paper 3 at page 125 shows that there are five project feasibility studies expected outcomes for this year and five for next year. Could you provide the committee with a list of the five for this year and the five that you will do next year?

**Mr LENDERS** — I will take that one on notice.

**The CHAIR** — I thank the officials and public servants for their attendance, although few of you got the chance to speak. I thank the people within your department who have prepared extensively for today.

**Witnesses withdrew.**