

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2017–18

Melbourne — 18 May 2017

Members

Mr Danny Pearson — Chair

Mr David Morris — Deputy Chair

Mr Steve Dimopoulos

Mr Danny O'Brien

Ms Fiona Patten

Ms Sue Pennicuik

Ms Harriet Shing

Mr Tim Smith

Ms Vicki Ward

Witnesses

Ms Jacinta Allan, Minister for Major Projects,

Mr Richard Bolt, Secretary,

Mr Justin Hanney, Head, employment, investment and trade, and

Ms Sue Eddy, Lead Deputy Secretary, Corporate Services, Department of Economic Development, Jobs, Transport and Resources; and

Mr Gregory Anderson, Chief Executive Officer, and

Mr Tim Bamford, General Manager, Civic Projects, Development Victoria.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2017–18 budget estimates.

All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Major Projects, the Honourable Jacinta Allan, MP; Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources; Mr Justin Hanney, Head, Employment, Investment and Trade; and Ms Sue Eddy, Lead Deputy Secretary, Corporate Services — and in the gallery Mr Gregory Anderson, Chief Executive Officer, Development Victoria and Tim Bamford, General Manager, Civic Projects, Development Victoria.

All evidence is taken by the committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege.

Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

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

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audio record or videorecord any part of these proceedings.

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

I invite the Minister to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Ms ALLAN — Thank you, Chair, it is a delight to join you once again today to talk about the major projects portfolio. To continue the theme from the previous discussion in public transport, there is a lot going on in the major projects portfolio as well, which I am sure the committee is delighted to hear about. There is certainly a big agenda of projects going on across the city and across the state, and we have not wanted to waste a single day getting cracking on those projects. Rejecting past practices of colouring-in competitions, we are actually getting on with the delivery of a range of projects. We are also delivering on a range of commitments that we have made.

Visual presentation.

Ms ALLAN — Just a couple of days ago my colleague the member for Albert Park, Minister Martin Foley, celebrated the completion of works at the Palais Theatre. There have been a few people reminiscing about their days gone by at the Palais Theatre as that moment has been marked, and that is another great commitment and project delivered. There is the ongoing work at Flinders Street station, and you cannot miss the work that is going on there; there is scaffolding wrapped around part of the building right now as we are working very hard to undertake really critical works both in terms of improving the public transport experience of Flinders Street station but also protecting what is a wonderful icon of the city. Then there is the expansion of the Melbourne convention centre. It was funded in the 2015 budget, work started in 2016 and it is projected to be open and ready for business in 2018.

A recent event — when I say recent, an event that has occurred since I was last in this committee last year — going onto the next slide, is the establishment of Development Victoria. Development Victoria has been established, consolidating Places Victoria and Major Projects Victoria, to oversee the ongoing delivery of the major projects agenda, the civic projects delivery, but also to oversee the major urban renewal development of under-utilised government land. We are also looking through Development Victoria at how we can deliver a really diverse range of projects that are about meeting the government's broader policy objectives to get more out of our projects. Whether it is building more social and affordable housing or activating under-utilised

government land holdings, we have a policy that we want to get the most we can out of our projects. That takes me to what you can see before you.

I refer to a couple of examples of the policies that sit behind that approach. The first is the value-creation and capture framework, which was released in February. This is a strategy that is designed to create maximum value for Victoria from our multibillion-dollar pipeline of major projects. Again, we talked about a number of those in the last hearing, but they are beyond the transport portfolio; they are right across education and health and other portfolio areas that this policy would apply to.

There is also looking at how we can harness our investment in infrastructure to generate benefit for taxpayers and get those broader social benefits. That is also true for the major projects skills guarantee — I previously used to look after in the employment portfolio, so I have a great fondness for this policy — and I am really pleased to report to the committee, without stealing the minister for employment's thunder too much, that in its first 16 months of operation it has already achieved over 1400 employment opportunities. These are apprentices, trainees, cadets getting their career a start on these major projects because we have had this policy setting through the major projects skills guarantee.

Part of the work that Development Victoria is being tasked with is to look at how we can make the most of some strategic landholdings in the vicinity of the CBD. Certainly through *Plan Melbourne* a number of these have been identified as well: Fishermans Bend; Arden, of course, which is the site of one of our Metro Tunnel stations; and the Flinders Street station to Richmond station precinct. We have got opportunities here, again, to look at how we can make the most of these very strategic sites. They are clearly in really close proximity to the city. They have major urban renewal opportunities.

If we can apply those policy settings in the right way, we can look at how we can create jobs. Certainly that is a key focus of some of the precincts we are looking at around Fishermans Bend. We can house more people — but not just house more people; we can also add in the element of affordable and social housing in these precincts as well. Then of course, particularly when it comes to the Flinders Street station to Richmond station precinct, not only is that a transport corridor, it is also a major events corridor, with those big sporting and cultural institutions that sit in that corridor. So we are looking at how we can appropriately plan for the future of those precincts.

This year's budget brings new funding to a number of public sector projects. There is the recently announced GovHub to be built in Ballarat, a \$47.8 million program which will bring 600 jobs to Ballarat. There is planning money for one in Bendigo, and of course there is also an announced government hub in the Latrobe Valley.

The Melbourne Park redevelopment, stage 3 — \$271 million has been allocated to the third stage. There have already been two stages. Stage 2 is underway now. The third stage is funded in this year's budget, and of course it locks in the Australian Open in Melbourne until at least 2036.

There is also the State Library of Victoria redevelopment. It is a beautiful building in the heart of the city that also needs some further work. There is an additional \$5 million in this year's budget that adds to the \$88 million for this project. It is a great project in Australia's busiest public library.

There is \$5 million to do some planning and business case work at Kardinia Park and the State Netball and Hockey Centre.

Chair, I am mindful of time. I would really hope there are lots of opportunities to talk about these projects through the course of the day.

The CHAIR — I will lead off with the first question. Minister, you highlighted in your presentation Arden-Macaulay as a precinct. Clearly you are wearing two hats where this project is concerned because it is both a public transport project as part of the Metro Tunnel, but there are also going to be significant development opportunities around that. I am very familiar with this precinct because it is just near my electorate. I am curious to understand from your perspective some of the benefits that are being brought to bear in terms of delivering this project, both from a public transport perspective and a broader development focus.

Ms ALLAN — I mentioned Arden-Macaulay in my earlier presentation. Arden-Macaulay is not one precinct; there are obviously two separate precincts. The Macaulay part of it, obviously there is some further

work to be done on that, so if I can focus largely on Arden. Arden is the site, as I indicated, of one of the five underground stations as part of the Metro Tunnel. Indeed I was standing above that site, I think it was last week, with the Premier as we were seeing the building being demolished to make way for this work.

The site of this underground station is going to really catalyse a whole lot of new investment and opportunity in what is at the moment quite an industrial part of Melbourne, in North Melbourne. Really close to the city you have got quite a large piece of industrial land, and what we have over what will be a long period of time — probably a 30-year time frame — is an opportunity to create a new neighbourhood that will be serviced by an underground train station that will take you in 2 minutes to the Parkville precinct and in another 2 minutes to the heart of the city around the state library via the Metro Tunnel. That will open up opportunities for people to live there and work at Melbourne University or live there and work at one of our hospitals. That is why we have to very carefully plan for the development of this.

As part of this, and the committee would, I am sure, be aware, the Premier back in March released our Homes for Victorians initiative. A big part of that is looking at how we can help first home buyers. There is a lot of commentary about this. We recognise that whilst the majority of the levers about housing affordability issues do sit with the commonwealth government, we are determined to do what we can at a state level. We are seeing that we can help first home buyers in these state government-led urban renewal sites. We are going to take the approach for the first time in the Arden precinct of setting out a target that 10 per cent of all government led properties in this precinct need to be targeted to first home buyers.

Again this is an example of how with really careful thought into your policy settings you do not just build a whole bunch of new houses for people to live in, you can also look at getting some really strong policy outcomes. One of the challenges we know for people who work in the city in lower paid jobs is that they are often the ones who have to travel the furthest to get into the city. So we are making sure that there are enough properties in closer proximity to the city that are affordable for people who are doing important work that is perhaps not paid as highly as other areas so they can have much better access to their place of employment.

The CHAIR — You talked about planning. What are the risks associated with not planning these precincts?

Ms ALLAN — The risks are great. I think we saw that with the former government's approach to Fishermans Bend, where it was a free-for-all. It was an unprecedented approach where under the now Leader of the Opposition there was just this free-for-all approach taken. There were no planning limits, and what we have seen in the long run is that the taxpayer bears the cost of that through the priority being placed on developers and their profits rather than what is good, proper planning.

We need to make sure that in doing the careful planning for Arden — we have got a framework in place, we are working with the planning minister on this and we are doing a lot of consultation with councils and local communities, which you may be aware of in your local role — we are not just planning for new homes and associated community infrastructure but that we also have an eye to what are the transport links and what are the other amenities that make what will be a new suburb work and work in the best way.

Ms WARD — Minister, you spoke in your presentation regarding 'Getting more out of our projects' — the title of your slide — and the value creation and capture framework. It is terrific to hear you, in the context of that, talking about the emphasis on apprenticeships and cadetships and traineeships around the major projects that the government is investing in. Obviously as the parliamentary secretary for infrastructure and employment, that is something that I am particularly interested in. Can you talk us through why this framework is being implemented?

Ms ALLAN — Yes, certainly. If it helps the committee, I have a copy of the value creation and capture framework.

Ms WARD — That would be great. Thank you.

Ms ALLAN — This was released back in February and is going to inform the direction of the work that Development Victoria is doing — and other parts of government, particularly planning — over this forward period of time, and it speaks to some of the issues that the Chair was raising in his questions about why you need to have careful thought to the planning and policy in this area.

The framework is about getting better value for Victorian taxpayers certainly from a monetary sense but also from a community sense, and that is why we have deliberately called it value creation and capture policy, because I think we all know about value capture. There is the opportunity to — we were talking before — have retail areas in new train stations, but there is also the value that is created through these new open spaces that are transformed as part of these precincts, and so this is a policy piece that will help guide the work of our agencies in talking to local communities. As I said, it is about making sure we get the most out of our projects.

The commonwealth government is interested in this area. They talk a lot about value capture, and that is fine and we are doing that, but I would also encourage them to recognise that there is good that comes from the creation of these spaces and ensuring that you have the balance right.

Ms WARD — In the document that you have just had circulated, *Victoria's Value Creation and Capture Framework*, there are a couple of case studies that you have got, which are the Caulfield–Dandenong — which again goes to what we were talking about earlier — the state library redevelopment, the growth areas infrastructure contribution and the Metro Tunnel. What are the other projects that are being included in this?

Ms ALLAN — This is a new policy piece, and so it will inform those other works that are happening across government. A lot of them will come into the transport area because obviously creating new transport infrastructure in turn creates an opportunity — those precincts that I have just spoken of, Arden-Macaulay, the precinct from Flinders Street station to Richmond station and Fishermans Bend as well. We will also look to this framework as we develop Fishermans Bend. Fishermans Bend is a terrifically exciting opportunity from both a residential outcome but also particularly an economic and jobs outcome. I think we all know about Fishermans Bend and the history there and the former GMH site, and so it is about making sure that as we talk to the private sector, as much as we talk to ourselves in government, there are very clear policy principles that are laid out, that are well understood, that are transparent, for whether you are a developer or a community member or indeed another part of government to respond to.

Ms WARD — Taking up on that point where you are talking about private investment and you are talking about developers, how are you going to make sure that public land still has public use?

Ms ALLAN — And that is part of why, again, you have this sort of framework. It speaks to the need to also have really strong consultation through these processes, and again I can hark back to the public transport portfolio about the work the Level Crossing Removal Authority has done in consulting with local communities. I think we talked a bit particularly about Carrum, because not only is there existing public space that obviously communities are interested in and want to talk about but there is also new public space that will be created. For example, at Arden there is going to be new public space that is created there out of the construction of the new station and the transformation of what was an industrial area into a new suburb, and so it is about talking to communities, councils and the private sector about what is the best use of that space and using a creation and capture framework that sits over the top of that to maximise that value.

Ms WARD — That is good, Minister; thank you. I am also heartened to hear about the comments you made about first home owners being able to access 10 per cent of the properties that will be available in the Arden project. Are there other projects similar to that where housing affordability is being addressed?

Ms ALLAN — Look, certainly — —

The CHAIR — Order! The Deputy Chair until 12.39 p.m.

Ms WARD — It is okay. We can come back.

Ms ALLAN — We will come back to that. Thank you.

Mr MORRIS — Minister, the departmental output summary, BP3, page 121, and the footnote (i) there, I think it is.

Ms ALLAN — Sorry, what was that, David?

Mr MORRIS — It refers to the 'transfer of Major Projects Victoria to Development Victoria' and of course the transfer out of the department. Given the 56 per cent funding cut as a consequence of those changes, can I ask how many staff are now in the major projects unit, and what is it that they do?

Ms ALLAN — We are just wanting to make sure that we have got the right budget paper reference for you.

The CHAIR — Budget paper 3.

Mr MORRIS — The output summary, which is page 121.

Ms ALLAN — Yes, got it.

The CHAIR — Major projects.

Mr MORRIS — And major projects, which has a footnote (i) on the next page.

Ms ALLAN — Yes.

Mr MORRIS — It refers to the ‘transfer of Major Projects Victoria to Development Victoria’, which of course is in DELWP, not in DEDJTR.

Ms ALLAN — Well, as I just described, Places Victoria and Major Projects Victoria have of course come together. I might ask: you asked about staff as well on your way through. What was the question again about staff?

Mr MORRIS — How many are there? How many EFTs are there?

Ms ALLAN — One hundred and fifty. If it is okay, David, I might ask Justin.

Mr HANNEY — There are 158 staff, so there are 39 staff with Major Projects Victoria and 119 staff with Places Victoria. So the combination of those is 158 staff. There are about five positions that have been redeployed by bringing them together. You do not need two heads of corporate services et cetera. So there are about five positions that have been redeployed out of that back into direct project management.

Mr MORRIS — If I could go to the Ballarat GovHub — budget paper 3, pages 27, 33 and 41 — the message from the government was that the new GovHub will be the home of up to 1000 government employees, including 600 positions new to Ballarat. Can I ask: how many of those 1000 positions — as I understand, it is 1000 jobs — are relocations and how many are actually new positions?

Ms ALLAN — I do not think the final figure has been landed on on that as yet, so again I will qualify my answer to that. The 1000 positions will be created out of consolidating existing state government offices in that regional centre. There is a significant number in the regional centres, which is great for regional centre employment — having education, human services, justice staff. They will be coming together in this new building. There will be some relocation from the city, and there will also be some new positions that will be created that will come into that site over time.

Mr MORRIS — So how many existing Ballarat-based staff do you expect will move to this facility?

Ms ALLAN — Simply 1000 in total. The building will accommodate 1000 people; 600 of those will be net new, and there are about 400 that will come into the one building.

Mr MORRIS — Recognising that it is still a work in progress, would you anticipate in general terms that the 600 additional personnel will come via relocation or will be new hires?

Ms ALLAN — As I am just being advised, and I think it has already been announced by the Premier when he was in Ballarat a couple weeks ago, it will be a combination of redeployment and new positions that will be created that will make up that mix of 600. The net outcome for Ballarat is 600 new jobs.

Mr MORRIS — I appreciate that. I am just trying to get an idea of the mix between the two.

Ms ALLAN — Sure. Sorry, what was the — —

Mr MORRIS — I am just trying to get an idea of the mix between the two.

Ms ALLAN — Yes. I think that is still being settled.

Mr MORRIS — Do you have a rough — without tying you down to specific numbers?

Ms ALLAN — That is still being settled. And you can appreciate that I am the Minister for Major Projects who will be delivering — with Development Victoria, we are responsible for building the building. Decisions about who is in it are obviously public service matters that are matters for the Premier. We build the building, and they can fill it.

Mr MORRIS — We need to ask each and every secretary, no doubt.

Ms ALLAN — Possibly.

Mr MORRIS — So can I start with this one?

Ms ALLAN — Well, I think no final decision has been made.

Mr BOLT — Just to add to that, Mr Morris, it will partly depend upon the preferences of the people who may either relocate or choose to take another job rather than relocate. So it is impossible really to know until the entire thing has been implemented, and there is a lead time before the building is built, so we will not know for quite some time.

Ms ALLAN — Yes, that is a good point, because a building for 1000 people has to be constructed first on the civic hall site, which is, can we say, a notorious site in Ballarat. It is certainly a well-known site in Ballarat.

Mr MORRIS — It is certainly well known.

The CHAIR — It haunts the 1999 state campaign in fact.

Ms ALLAN — Yes. That has got very fond memories for many of us as well.

Mr MORRIS — And perhaps not so fond for some others.

Ms ALLAN — Point taken.

Mr MORRIS — So the 47.8 million funding commitment, is any of that attributable to relocation or redundancy costs? And perhaps, given your earlier comment about you building the building, could I perhaps put it this way: how much of the 47.8 million is devoted to procurement and construction of the building?

Ms ALLAN — Within that, 19 million has been allocated towards the capital bit of that project.

Mr MORRIS — Right; so is it fair to say that the other 28.8 is attributable to relocation or redundancy, or is there a fit-out element of that as well?

Ms ALLAN — Some of it will be, and as you say, the fit-out element will also come off the recurrent side of the ledger. It is 19.3 and 28.4; that is the split, and obviously you cannot attribute all of that 28.4 to the redeployment costs, because there will be some fit-out of the building and the operation of the building. We have got to run the thing once we have built it, so that has to be taken into account as well.

Mr MORRIS — Just trying to flesh out a bit the thinking behind this, and this is not strictly your responsibility with your major projects hat on, but as a senior member of the government you may choose to comment, and I will not hold you to it if you do not choose to comment, but —

Ms ALLAN — You can do that for every question if you like.

Mr MORRIS — given that there are a number of public sector bodies that have been identified as sending people to the site, two that are perhaps conspicuous as not being part of it are RDV and V/Line. I am just wondering why there was no consideration given to those being there.

Ms ALLAN — I could make some personal observations, but ultimately these are a matter for the Premier following an appropriate internal cabinet process. The observation I will make about V/Line is that — well, I can make it about both of them; I used to be the minister for Regional Development Victoria as well — both of those agencies already have significant numbers of their staff deployed in the regions. We can get the split for

you, but I think my memory for V/Line is that about half of its staff is already in the regions. As you would expect with the conductors in our train stations and the maintenance teams, there is already a significant deployment in the regions of those staff.

Given Southern Cross station is the heart of the regional network, because that is where all our regional trains come in and out of, there is a need to have staff there as well. Similarly with RDV, it has a much smaller staffing profile but also has a significant number of its staff based in the regions. Indeed an active decision of this government was to actually deploy more Regional Development Victoria staff into the regions. We have been building up the number of the staff in our five regional offices and other locations over the last couple of years because a lot of their day-to-day work is that direct interface with councils and communities, and obviously it makes a lot of sense to put as many of those people into the regions.

Mr MORRIS — Could we get that split?

Ms ALLAN — I am happy to provide it for V/Line. I possibly cannot commit the minister for Regional Development Victoria to — —

Mr MORRIS — Mr Bolt may take that on.

Ms ALLAN — It is already in our annual reports. I am happy to provide it in an easier form, but I think you could probably find some of that in our annual reports.

Mr HANNEY — It is approximately 50 per cent of the RDV staff that are based in the regions — —

Mr MORRIS — Sorry?

Mr HANNEY — Approximately 50 per cent of the Regional Development Victoria staff are based in the regions — just over 50 per cent of those staff are based in Ballarat, Bendigo, Wangaratta et cetera.

Mr MORRIS — If we could get that, that would be good. I think I am almost out of time.

Ms ALLAN — It is an interesting conversation. I am personally a big believer, as you would probably not be surprised, in more government opportunities in regional centres. I have seen it work a treat in Bendigo, with the relocation of the Rural Finance Corporation and 100 State Trustees jobs coming to Bendigo. It has certainly added to the economic diversity of our community. Similarly, TAC and WorkCover to Geelong, the NDIS headquarters to Geelong and the SRO to Ballarat have been great successes.

Ms PENNICUIK — Thank you, Minister, Secretary and the new deputy secretaries, who have arrived in this portfolio. Minister, I want to ask you about the E-gate site, which has a history going back to the former government but which was overseen, as I understand, it by major projects. It is a bit mysterious actually what has been the fate of that particular proposal and what is to be happening on that site. For example, has it been sold or is it still held by the government?

Ms ALLAN — I am very happy, Sue, to unravel the mystery for you on the E-gate site. It most certainly is still in government hands, and I will come to the reasons why in a moment. You talked about the history of this site. I will resist the temptation to debate the politics of it, but we know the former government in, I think, September 2014 put an expression of interest out to the market to look at what was the development opportunity on that site. That was an EOI that had very little parameters wrapped around it, and it did not come with any indication of what level of financial support might come from the state government to develop that site. So there was that expression of interest process started.

When we came to government that closed. There was some activity around that. We came to government and developed what is now known as the West Gate tunnel proposal and also the work we are doing in the public transport portfolio, with both the Metro Tunnel and other transport needs, particularly around stabling and other public transport activities that are on that site. That is still a strategic parcel of land for us to determine how we may need parts of it for transport needs more broadly. That is why it remains part of the government holdings.

Ms PENNICUIK — Minister, is that listed in the budget papers as a non-financial asset? Where is it actually covered?

Ms ALLAN — We will take that on notice, if that is okay, Sue?

Ms PENNICUIK — Page 9 of budget paper 5 has got non-financial assets and land, buildings, infrastructure, plant and equipment. There are figures there. I wondered if it was part of that? So where it is actually accounted for in the budget — —

Ms ALLAN — If it is helpful, it is a VicTrack asset. Because it is part of the transport network, it is a VicTrack-owned asset. I think it is BP5 that goes to VicTrack's holdings as well. It comes under their responsibilities.

Ms PENNICUIK — Okay. If I could turn again to the structural change of Major Projects and Places Victoria turning into Development Victoria. Is it transferring from this department to another department?

Ms ALLAN — No.

Ms PENNICUIK — No. So that is not the case, because it would not seem correct to do that. Thanks for clarifying that.

Ms ALLAN — Development Victoria is an agency that sits under this department and brings in Places Victoria and Major Projects Victoria.

Ms PENNICUIK — What is the portfolio?

Ms ALLAN — My portfolio of major projects.

Ms PENNICUIK — So it is still called major projects; it is just that the agency is called — —

Ms ALLAN — Exactly.

Ms PENNICUIK — So the portfolio is major projects, the agency is Development Victoria.

Ms ALLAN — Correct.

Ms PENNICUIK — Right, that is good. I had a couple of questions, and I think I have raised these with you perhaps through the Parliament at earlier times with regard to the Auditor-General's recommendations regarding Major Projects Victoria in the 2012 and 2015 reports from the Auditor-General. It is just about some weaknesses in overseeing major projects et cetera. I am sure you are familiar with them, Minister. My question really is about whether in terms of the new agency they will be re-looking at the recommendations that were put forward for MPV for Development Victoria to incorporate.

Ms ALLAN — There was a 2012 Auditor-General report that was followed up by a 2015, I think —

Ms PENNICUIK — Follow-up report.

Ms ALLAN — follow-up report. The 2015 report found that 15 of the original 21 recommendations were implemented and that there needed to be — —

Ms PENNICUIK — I could have read all of that out myself.

Ms ALLAN — Sorry?

Ms PENNICUIK — I know. My question really is about the remaining recommendations and even the ones that have been implemented.

Ms ALLAN — Yes. So of the remaining six, four have been completed and obviously the other two require further work going to the issues of a long-term strategic plan, which was one of the tasks I have sought from Development Victoria, and also the use of long-term contractors, which is also something that Development Victoria is picking up on.

Ms PENNICUIK — And is there a time frame for that process?

Ms ALLAN — We have given that as priority work for Development Victoria. I think I have asked you to come back on those things in the next couple of months.

Mr HANNEY — Yes

Ms PENNICUIK — And that will be a publicly launched strategic plan?

Ms ALLAN — Well, there will be an annual report that will come with Development Victoria.

Ms PENNICUIK — Yes, okay. All right, thank you.

Ms SHING — Thank you, Minister. I would like to take you to a number of the comments that you have talked about in the course of your presentation and also in relation to the value creation and capture framework with the document that you distributed. This is about more than simply cost and economic return, as we have seen and as we have heard. To that end, the procurement conditions for infrastructure are a really core part of striking a balance that goes beyond those price and return drivers as far as economic development is concerned. To that end, and I note that the framework refers to collaboration with the private sector, how do we strike a balance between private sector interests to drive maximum profitability for shareholders on the one hand, whilst also making sure that we are using social procurement policies to achieve those policy objectives — and these have been referred to in a number of other portfolio presentations to date — around jobs creation for specific groups, whether they are geographic, whether they are sector specific or whether they are about building long-term improvement in employment participation throughout the state?

Ms ALLAN — Thank you. This is a common theme of what we have been discussing across the morning. Your question was: how do you ensure there is a balance around those competing — not always competing; sometimes they are complementary — interests in strategic land sites. The first way that we have to address it is, I guess, from a leadership point of view and having the policies in place, like the value capture and creation framework, the major project skills guarantee and other work that, for example, the planning minister is undertaking — and he and I work closely together in this policy area.

The recently — maybe not so recently now — released *Plan Melbourne: Refresh* is all part of those guiding policy pieces of work. Then through the establishment of Development Victoria — and this goes to some of the commentary I was giving in my answer to Sue just now — I have asked Development Victoria to do that strategic work, put together their own framework that will guide into the future the work that Development Victoria does, how it takes into account the policy positions the government has already released. Community consultation is a really important part of what we do as well, and then other policy documents like *Homes for Victorians*, which very clearly sets out what we are seeking in terms of helping address some of the social and affordable housing challenges that are before people in our community. So there is a mix of those things, but most importantly it is having the policy oversight and governance in place.

Ms SHING — And one of the things that strikes me as a challenge in that work would appear to be that social licence needs to be achieved and then maintained, particularly where there is a collaborative effort being rolled out with the private sector. To that end, what has the response been like in the context of taking this new framework to the market and actually having a partnership-based approach in the way that these things are delivered?

Ms ALLAN — I can certainly talk about this in the context again of the public transport portfolio, where we have been doing this for a little bit longer than Development Victoria has been created, but it is similar sort of principles. Again using the Caulfield to Dandenong area as the example, where government signals there is an opportunity and signals there is a policy parameter or policy framework that would sit over the top of it, you can get some really great outcomes. I cannot remember the numbers of kilometres of bike paths and walking paths that are going to be created. I know that people in the community are thinking about, ‘Well, what are some of the other community services that might be factored into this open space’, because some of it lends itself to being open, green, recreational space, but some of it does not. So what community facilities, in that broader sense — not recreation facilities, facilities that deliver community services — can be supported. Again I think we are seeing the market, if you put it in those terms, respond quite well.

Ms SHING — So there is market on the one hand and then there is community co-design and those processes that to my reading of this framework appear to be given much greater prominence in the way in

which decisions are taken and the way in which policy outcomes are delivered. How will that be rolled out operationally across all of the projects that fall within this particular bucket, because from a resourcing and operational perspective it is a significant change and a reset around the priority of these considerations as things are delivered, not just for Victorians but with Victorians?

Ms ALLAN — Yes, and look, speaking of Auditor-General's report, I think the Auditor-General released a report last week that goes to some of these issues around how the community is involved in these conversations. We are doing it. On all of our level crossing removal sites we have got stakeholder liaison groups. Similarly we are doing that similar work around precincts around the Metro Tunnel. We have got the Arden Macaulay — what is the exact name of that group? There will be a group that will work with us to oversee it.

Ms SHING — An engagement group.

Ms ALLAN — We have got a framework that we have released, and engagement, so there are also those sort of requirements that we are putting in place.

Ms SHING — And operationally, how does that work in relation to the way in which staff are trained to deliver and to work community and stakeholder considerations into decision-making?

Ms ALLAN — When the Development Victoria Act went through the Parliament — earlier this year, I think it was finalised — there was written into the act the requirement for Development Victoria to consult with councils in the local government area. So I guess in terms of your question about 'How is it institutionalised?', it is institutionalised through the legislation that was put through the Parliament. So therefore there is a very clear requirement — again, going to other comments — that it needs to be reported against in our annual report. So there is an accountability that sits with that approach, having a transparent approach that is reported against as an accountability. Then it is up to DV to make sure the staff are delivering it.

Ms SHING — Well, presumably there is a continuous improvement focus on the way in which that occurs as projects are delivered within the infrastructure remit?

Ms ALLAN — Yes, and just to give you a sense, in the annual report Development Victoria will be required to report against community services, benefits and infrastructure, increase in social capital, enhancements to public amenity, commercial outcomes and productivity enhancements.

Ms SHING — Excellent; so they may then go to a specific geographic area or region in which projects are being delivered and maximise the social and community benefit as the project is delivered.

Ms ALLAN — That is exactly right. I think we now also know that communities are becoming more and more engaged and want to be engaged, and that is great, because involving people in what is going on in their local area is really, really important.

Ms SHING — Absolutely. As a person from and of the Latrobe Valley I can attest to the push back that occurs where government decisions are imposed rather than people having an opportunity to participate in decision-making and co-design, and my colleague Mr Dimopoulos I know would also have seen that from the development of the level crossing removal project in his area.

Mr DIMOPOULOS — I note you mentioned it earlier, Minister, with the SLGs, but what I was really particularly proud of was getting the councils involved fairly early, and my understanding of how they see the project is not just the Victorian government-owned land — so the railway station and associated lands — but, for example, at Carnegie, looking at it as a town square.

Ms SHING — It is livability, is it not?

Mr DIMOPOULOS — Absolutely, because obviously people do not distinguish, as we all know, between who owns what land they are stepping on at any particular moment. They walk their path every day, every morning, and whoever owns the land it does not matter — get it together as governments and sort it out. So I want to commend you for that in terms of that kind of co-design, as Ms Shing said. Just finally, with a quick question in all that — —

Ms PENNICUIK — I am glad there is a question.

Mr DIMOPOULOS — I have got to say, Ms Pennicuik, that is rich coming from you, but nonetheless.

Ms PENNICUIK — I knew you would say that.

Mr DIMOPOULOS — Nonetheless, my point is you have got local government ownership of land around those centres we are developing, state government-owned and the NGO sector, what is the segue for the private sector to get involved in those projects — for example, the level crossing stuff?

Ms ALLAN — It is primarily through the tender process and the specifications that are written into the tender and the requirements on the contractors, the companies, that are delivering those projects.

Mr DIMOPOULOS — So in terms of Carnegie and Murrumbeena, those conditions or those frameworks will apply to the private sector as well?

Ms ALLAN — Yes. If I can pinch 5 seconds of the government time to answer a question from the opposition, RDV has 184 staff: 74 in Melbourne and 110 in the regions. I have not got the V/Line number, but I have got the RDV number for you.

Mr MORRIS — In that spirit, Chair, I am just going to ask one more question on GovHub, and as I have advised the Chair, then we are done.

Ms ALLAN — Okay, sure.

Ms SHING — Unless you wish to stay for longer, Minister. In which case we could spin the time out.

Mr MORRIS — I am not yielding my time to others. We are just not going to consume it, so everyone gets out a little earlier is what I am saying.

Ms ALLAN — Very generous of you.

Mr MORRIS — I am interested in terms of the \$19 million project, the building procurement aspect of it. What provision is it intended to make or is being made for local builders, so Ballarat district builders, to enable them to tender competitively against obviously the bigger urban-based ones?

Ms ALLAN — That is a really good observation and because it was only announced in the budget two weeks ago we have not settled the tender documents and that other supporting material, but I can speculate very strongly to you that if the practice of this government in the past is anything to go by, we will have some strong local requirements built into the project. You would expect to see the skills requirements, the major project skills guarantee requirements, factored in.

We have seen on the Caulfield to Dandenong project where there has been a partnership with Chisholm TAFE, so it is not just the local businesses and the builders and the like; there is also the opportunity for local training institutions to become involved. Our social procurement policy would also apply, again a responsibility of the minister for employment, but again on our level crossing removal program we have seen Nadrasca, for example — I think it is a disability service provider — get some work through the Bayswater level crossing removal. So those principles we will be seeking to be part of this project.

I can just talk from personal experience about the delivery of the Bendigo Hospital how, again through tender requirements, Exemplar Health, which is the consortium that has been delivering that project, had extensive use of local businesses and local traders and the like, because that also then goes to how the work on these projects is subcontracted down the line. So you do not just make sure there is a requirement in the head contract; you have got to put it into those subcontract requirements. So from a regional point of view, from a delivery point of view, I would be very keen to see those principles applied on this project.

Ms PATTEN — Thank you, Minister and team. I have got two questions — hopefully relatively short ones. I would like to go back to the VAGO 2015 report into major projects and just get you to comment on how you have responded to that. But firstly, I am interested in the Parkville Commonwealth Games site. I am interested because it is 1000 units that we are building there. The investment seems to be \$43 million. Now on my maths that makes for really cheap units, and 200 of those units are going to be social housing. I am just wondering what I am missing here, because in my experience you would not build a unit for less than \$1500 per square

metre. I am assuming there is a big bundle of money that I am missing in this for 1000 units for a \$43 million investment.

Ms ALLAN — I might start off. I am not sure how much we can add right now on this issue, because you would also know that the planning scheme amendment is currently on public exhibition and so obviously we would want to be careful about the public commentary we would add into it. But I think I can understand the point that you are making, which is I have just spent a lot of time this morning talking about best value and best outcomes and how can we make sure that those principles are applied on this site. If I could extrapolate your question a little bit further — —

Ms PATTEN — I suppose I am asking: how do you build 1000 units for \$43 million?

Ms ALLAN — Also part of what may not be figured into those calculations is the partnership with the private sector, because this is a joint venture with the private sector.

Ms PATTEN — Yes.

Ms ALLAN — You obviously know the history of the site. They would be bringing some capital to the table as well that may not be factored into those numbers. Did you want to — —

Ms PATTEN — I am assuming that is what it is, is it not?

Mr HANNEY — That is exactly right. As the minister has described it, it is a profit-share arrangement.

Ms PATTEN — Are we able to disclose how much the private partner is bringing to the table?

Mr HANNEY — Tim Bamford, if that is okay, Minister, can add the specific detail of Parkville.

Ms ALLAN — If that is okay — Tim, are you right to add to this?

Mr BAMFORD — So the question is about what is the arrangement at Parkville.

Ms PATTEN — Yes.

The CHAIR — Could you identify yourself for the benefit of Hansard?

Mr BAMFORD — Tim Bamford, general manager, civic projects, Development Victoria. The Parkville project is a joint venture. The public and social housing that is being provided has been either purchased by the state as part of the arrangement or it has been purchased by housing associations. There is a minimum requirement of 20 per cent of dwellings to be — —

Ms PATTEN — Yes. So that is 200 units —

Mr BAMFORD — So far, yes.

Ms PATTEN — out of 1000 units,

Ms ALLAN — We are just saying if there are further details, because I think we might run out of time, I am happy to have a follow-up briefing with you with major projects if that would be helpful.

Ms PATTEN — Thank you; I would appreciate that. Then just following up on the VAGO 2015 reports —

Ms ALLAN — I might ask Justin to answer that.

Ms PATTEN — where they still identified a number of issues around contracts.

Mr HANNEY — If I can respond by saying there were 22 recommendations; 21 of those were related to Major Projects Victoria. The former department and former department secretary accepted all of those recommendations. In their follow-up review, 15 of the 21 had been fully implemented. There were six that required further work. Four of those are now fully completed. Of the last two outstanding, one is the long-term strategic plan, and the minister has directed Development Victoria to come back to it through its corporate planning exercise with its long-term strategic plan. The other one is the use of long-term contractors. All the

staff who have been transferred over to Development Victoria will be employees of Development Victoria, so use of consultants, for want of a better word, as contractors will not exist under Development Victoria. The last two that are outstanding will be resolved, and I think the minister said ‘within months’ — that is correct.

The CHAIR — Order! I would like to thank the witnesses for their attendance: the Minister for Major Projects, the Honourable Jacinta Allan, MP; Mr Bolt, Mr Hanney, Ms Eddy, Mr Anderson and Mr Bamford. The committee will follow up on any questions taken on notice in writing. I think there were three questions on notice. The response, answering the questions in full, should be provided in writing within 10 working days of the committee’s request.

Witnesses withdrew.