

# REVISED CORRECTED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into 2004-05 budget estimates

Melbourne — 20 May 2004

#### Members

Mr W. R. Baxter	Ms D. L. Green
Ms C. M. Campbell	Mr J. Merlino
Mr R. W. Clark	Mr G. K. Rich-Phillips
Mr L. A. Donnellan	Ms G. D. Romanes
Mr B. Forwood	

Chair: Ms C. M. Campbell  
Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Mr P. Batchelor, Minister for Transport;  
Mr P. Harris, director, public transport;  
Mr J. Rogan, executive director, freight, logistics and marine;  
Mr H. Ronaldson, secretary;  
Dr A. Smith, deputy secretary, capital; and  
Mr R. McDonald, executive director, corporate resources, Department of  
Infrastructure.

**The CHAIR** — Before we move to transport, I thank those who were witnesses in the first section of this morning's hearing but who will not be here for the transport section. We place on record our appreciation for their advice.

Minister, I understand before we begin transport that there is a follow-up to a question that you wished to provide an answer to.

**Mr BATCHELOR** — The member for Box Hill asked me the to-date costs of the hazardous waste program. I have been able to use the time since the question was asked to clarify. Our guess at the time was around this figure, but the advice that I have been given is that the to-date costs are \$3.55 million. They include both the to-date costs for the soil recycling project and for the long-term containment project.

**The CHAIR** — Thank you, Minister. I now move to the transport portfolio. I welcome Mr Peter Harris, director of public transport, and Mr John Rogan, executive director, freight, logistics and marine, from the Department of Infrastructure. Minister I ask you now to provide a brief overhead presentation on transport. You have 10 minutes for a transport presentation.

**Mr BATCHELOR** — You have got the slides, haven't you?

**The CHAIR** — Yes.

**Mr BATCHELOR** — So I might just skip through.

#### **Overheads shown.**

**Mr BATCHELOR** — This presentation is about the transport portfolio. As I indicated to the committee, I think, not the session before last but the time before that, we are moving to an integrated approach in transport so we will be covering what has traditionally been called public transport and also what is called roads. We are drawing them together. We have been doing that for some time in the administrative area but also we are doing that in terms of the presentation style again on this occasion. Our transport portfolio in 2004–05 has been designed to provide initiatives that will improve economic growth, strengthen Victoria's competitiveness, create jobs and opportunities, and create a safe living and working environment for Victorians.

The issue that transport has to deal with in the years ahead relates to the safe and efficient movement of people and, increasingly, the efficient movement of freight, particularly recognising that Melbourne's population is expected to grow by 20 per cent over the next 20 years and that vehicle travel will rise by some 30 to 40 per cent. So there is a potential for traffic congestion because we have not got the capacity to increase the road capacity in much of Melbourne to meet that. Freight activity is expected to grow by 70 per cent in that same period, so it is important that people understand the task before the transport authorities in the years ahead.

In the key financials, the operating budget is approximately \$3.1 billion and it represents an increase of \$500 million or 19 per cent over the 2003–04 budget. This is largely as a result of a number of factors. I will just quickly go through those. The new public transport partnership agreements that were entered into in April of this year which provided the financial stability for passenger services here in Melbourne increased capital asset charges and depreciation as major asset investments are completed, and other 2004–05 budget initiatives and cost pressures.

In terms of our assets in investment we are spending a record amount on infrastructure investment and we are delivering vital projects to place Victoria at the centre of a competitive global economy. Since coming into office we have committed over \$2.24 billion in transport and related infrastructure. That does not include the Mitcham–Frankston freeway.

**Mr FORWOOD** — Scoresby tollway!

**Mr BATCHELOR** — He should have settled down over the coffee break. Have you ever been out there, Bill?

**The CHAIR** — We have 10 minutes on the slides, Minister, so you can choose to use that how you wish. I would be keen if you moved to the slides.

**Mr BATCHELOR** — I bet his *Melway* is brand new at that page.

On metropolitan travel, we are putting extra funds into our public transport partnership contracts with Yarra and Connex. This has really been the central focus of activity in transport not just last financial year, which was the culmination of it, but since coming to government we have had to grapple with the flawed contracts that were in place. But the new partnership contracts are delivering and in this year's budget again we are delivering again, in areas like the tram priority program which is a \$30 million program over two years to try to reduce congestion spots for trams and try and improve their travel times on our roads; the new rolling stock program is continuing; 65 six-car train sets will have been introduced on the rail lines by September 2006, and by November 2004 a total of 95 new trams will be travelling around the metropolitan area.

Continuing with metropolitan travel, we have provided some \$5 million for the TravelSmart program. This is a program that tries to bring about behavioural change in getting people to be less car-dependent. The early projects are proving very successful and we are committing extra funds to working with the commonwealth government to assist in bringing about those changes for a variety of reasons. I will go into those later. In this year's budget we are also providing money to prepare for the new ticketing system. The transport ticketing authority is responsible for the development and implementation of a new ticketing system for Melbourne. The current one expires in 2007 and we have to use the time between now and then to make sure that our public transport system is able to move over to a new ticketing system based on smart cards.

Also in public transport we are addressing a red spot program for buses. We will try to identify congestion points on the bus network, so we can reduce the congestion and delays that occur on the network and improve its efficiency.

We have continued to apply a substantial amount of money to roads — \$163 million to upgrade key arterial routes in the outer suburbs. We are building the Craigieburn bypass for the commonwealth government, and that is 45 per cent complete — and we have not seen a frog for years. We have provided the operational funding for the Southern and Eastern Integrated Transport Authority to deliver the Mitcham–Frankston freeway.

We have provided money for improvements in buses, particularly in South Morang and East Cranbourne, and our major project infrastructure investments include the electrification of the rail line out to Craigieburn and a tram extension out to Vermont South.

In regional Victoria there is \$73 million to improve roads. We have committed money for the construction of the Geelong western bypass and are currently awaiting the decision of the commonwealth government to fund its half of this project.

The regional fast rail project is continuing, with the biggest upgrade in country rail lines in 120 years, and we have seen the successful reintroduction of passenger services to Bairnsdale. We hope very shortly to see scheduled passenger services return to Ararat. Later this year V/Line Passenger will be testing the first of its new V'LOCITY trains. There will be 38 of those built out at Bombardier in Dandenong through to the end of 2006, but the first of those we hope will be able to be tested on site very shortly during the remainder of this year.

**The CHAIR** — Minister, before you move on to safety, could you be conscious that we have about 1½ minutes left?

**Mr BATCHELOR** — We have outlined several initiatives for safety on rail, and of course we have a strong campaign to continue to reduce the road toll and to try to keep that down at record low levels.

Turning to freight and logistics and marine, in light of the time, some very significant developments are taking place there. You can see the benefit of those in this morning's business pages of the *Age*, where a leading stevedoring and logistics company is developing plans to spend \$100 million in our ports as a result of the initiatives that we announced in *Victoria — Leading the Way*. We are getting the channel deepening project to the EES stage and resolving the environmental issues surrounding that and also providing money for the preliminary feasibility study to do the work for the Dynon port rail link to provide separation of trains from through-traffic on Footscray Road for the direct benefit of Melbourne's port, being the leading container port in the nation. Those announcements have already triggered very significant announcements by the stevedoring companies, and we expect more to flow.

**The CHAIR** — Thank you very much, Minister. I refer to budget paper 3, page 128. Can you outline progress to us on the Vermont South tram extension?

**Mr BATCHELOR** — This is a capital extension of the tram services from where they currently end at Blackburn Road out to the Vermont South shopping centre. It is tram route number 75, and I think it is about a 3-kilometre extension along the Burwood Highway. The member for Box Hill would appreciate the extension of tram services that this government has provided and is keen to provide in his electorate.

**Mr CLARK** — You completed the Kennett government's project, and it is much appreciated!

**Mr BATCHELOR** — A tired old record you are, a tired old record! You've been sitting next to Bill Forwood for too long, I think.

**The CHAIR** — Minister, the question was from me in relation to the Vermont South tram. I am very interested.

**Mr BATCHELOR** — It is a \$42.6 million project, and when the tram reaches its terminus at Vermont South there will also be an accompanying upgrade of the bus route between Vermont South, where the tram will finish, and Knox City. Preliminary design has been completed, and a design and construct contract for \$23 million was awarded in April of this year. Construction is expected to commence towards the middle of this year. We have got agreements with the key commercial stakeholders — Yarra Trams, of course — and VicRoads has also been signed up to work with the project. Under a separate agreement, the work is well under way in relation to delivering the required power supply, and a number of relatively small land acquisitions are progressively being completed to enable the tram extension to go ahead while providing the same road capacity. We expect that the project will be completed in the latter half of 2005.

**Mr RICH-PHILLIPS** — I would like to ask you about the so-called regional fast rail, and I refer you to page 287 of budget paper 3, where the government has now tipped in a further \$23 million for this project for a total cost that is reported here of \$616 million, which is a substantial increase on your original claim of \$80 million. I would like to ask: is there a contingency fund for further cost blow-outs, or can you give the committee an assurance that there will be no cost escalation above this \$616 million? With respect to the footnote to that table, which refers to the non-realisation of offset savings of \$25 million, can you provide the committee with a list of those savings that were not achieved but were expected?

**Mr BATCHELOR** — It is a multiple-element question. Firstly, you have got to understand that any project normally has a contingency fund, and this is not a cost blow-out, it is provided for in the original budget. In normal circumstances any large capital works project that is commenced has within the budget announced an element of contingency, and it varies from project to project according to the risks that have been identified. So they are not cost blow-outs, they are project costs that are dealt with within the normal parameters of the budget. Secondly, that is the case with this project. To date we have still got, I think, a very small amount of contingency left.

**Mr RICH-PHILLIPS** — Within that \$616 million?

**Mr BATCHELOR** — Yes, that is right. The increase of the \$60 million you referred to was an increase of \$35 million for capital works and an extra \$25 million to recover the cost savings which were referred to in the footnote.

When the fast rail project was originally announced we expected to achieve some cost savings because the track would have been recently upgraded. We factored those in, but following the collapse of the National Express group in December 2002 we had to accept that those savings would not be delivered, and accordingly we had to make budget provision for those as soon as we were aware of that. So those budget savings that were unable to be delivered following the National Express group collapse essentially related to savings in maintenance that might not have had to have been carried out but will now have to be carried out.

**Mr RICH-PHILLIPS** — Is the department going to provide any contingency now in addition to the \$616 million, given that you have said that this contingency has virtually all been used up?

**The CHAIR** — That is what he answered.

**Mr BATCHELOR** — They have not made any decision on that.

**Mr DONNELLAN** — Minister, I refer to budget paper 3, page 128. Is the Craigieburn rail project on schedule?

**Mr BATCHELOR** — The Craigieburn rail project is a \$98 million project. It was allocated in the 2002-03 budget, and it involves a 10-kilometre extension of the metropolitan rail track from Broadmeadows out to Craigieburn by electrifying the existing track. It takes the metropolitan service out into one of the growth areas of outer metropolitan Melbourne, particularly servicing Roxburgh Park and Craigieburn. The tenders for the main infrastructure works are expected to be called in 2004, and we are expecting completion in the last half of 2006 for the construction work; and subject to the safety accreditation process we expect that the metropolitan rail services would commence shortly thereafter.

On-site work which has been carried out to date includes site investigations to determine the location of buried services and other utilities — we need to look at the ground conditions through which the track runs and see if there are any environmental constraints that have to be taken into account along that corridor. Connell Wagner has been appointed to provide detailed design and engineering services to the project, and they are progressing well and are expected to be completed shortly.

**Mr CLARK** — Minister, you referred to the proposals for the Footscray Road grade separation in your presentation. Can you tell the committee whether it is proposed to levy any development contribution under the new Road Management Act on adjoining landholders in order to fund that project, and if so, what is the amount of the development contribution that it is expected will be levied?

**Mr BATCHELOR** — There are no proposals to do that as suggested. The budget provided an allocation of, I think, \$2.1 million to do early design work, but the government is currently in negotiations with the commonwealth government to see if it will make a funding contribution for this project. It has a budget cost of about \$121 million at the moment, so our expectation is that under the new AusLink program being put by the commonwealth government, this is an ideal candidate for the funding criteria that has been established there.

The project will provide rail access to our ports, and two rail lines will be going into the port. At the moment there is only one, so when you come from the Dynon precinct by train into our port you have to stop at Footscray Road and it then takes a long time, once they are given the clearance — from Adelaide, as it happens — to build up sufficient speed, and it is a long and slow process.

It is superficially frustrating for the cars on Footscray Road, but the real economic benefit of the project will be getting trains into the port and out again in a more efficient and timely fashion without having broken up freight trains, which are running for up to 1.5 kilometres in length at the moment. It does not have the capability of taking freight trains of that length into the port, and we hope to be able to deal with that length problem in a more efficient way through this project. The desired way of delivering this, for the government, is to seek funding through AusLink. It is a perfect candidate. We have always had a priority for economic infrastructure, and the commonwealth government says it is interested in providing assistance for economic infrastructure through funds that improve access to intermodal facilities.

In terms of the criteria that it has laid down, this is probably the most pre-eminent project around Australia to satisfy those sorts of requirements, particularly when one takes into account the state government's decision to commit resources and funds to channel deepening, and the comments in the business pages of the *Age* today from the stevedoring companies to provide additional capital works in the port. For these reasons one can see that the words articulated in the Melbourne portal vision by the previous minister responsible for ports, Candy Broad, was a very timely, visionary statement that is coming together. It just requires a contribution from the federal government of about \$120 million, and we will be able to deliver that project.

**Mr MERLINO** — Minister, I refer you to pages 224 and 226 of budget paper 2 of the 2003-04 budget papers. What progress has been made on building a new station at Grovedale?

**Mr BATCHELOR** — You are referring to last year's budget papers. The government would like to see a new station built on the other side of Geelong to effectively extend the Geelong passenger services to the new growth areas around Grovedale and Mount Duneed, and we are proposing to construct a new railway station down at Grovedale. It would include park and ride facilities, car parks, probably around 100 car spaces; it would have a bus interchange so the regional buses could come into it and we would be wanting, in turn, to re-route local bus services that are already in place there so that they could connect with the train station. We have committed

\$2.9 million already in new bus services in and around Geelong, and we have provided a new service on the Bellarine Peninsula going from Torquay to Geelong. That, in addition to the station, will add significantly to the public transport outcome in this area.

**Mr FORWOOD** — Minister, I refer you to page 120 of budget paper 3 — the output group ‘Country-Interstate Rail Services’. If you look at the target for 2003-04 the total output cost is shown as \$133.9 million. If you look at the expected outcome, it is \$162.8 million.

Can you explain to the committee what the blow-out in the figures is? If you look at the output measures above that, the output measures are all pretty much in line, but the costs of that output have gone up by \$30-odd million.

**Mr BATCHELOR** — As you would recall the passenger services in Victoria were privatised in 1999.

**Mr FORWOOD** — That is true.

**Mr BATCHELOR** — Yes, you took part in that. They collapsed last year. The focus has been largely on the metropolitan services. The company that collapsed, National Express, operated two metropolitan services, M>Tram and M>Train, but it also operated V/Line Passenger. V/Line Passenger has been taken back under government control until after the fast rail project has been concluded. This increase here is to provide the same sort of financial stability that was provided to the metropolitan passenger services. It is also being provided to V/Line passenger services which were run by National Express, one of the three passenger services provided by National Express. The other metropolitan services have been absorbed by Yarra and Connex in new partnership agreements that were signed off in April. The bulk of this — there are some other elements to it — is to continue to provide passenger rail services to country services. Essentially National Express, when it was running V/Line, as it was then called and is now — when V-Line was under the control of National Express it was losing money. In fact it was the area of its business that was losing the most amount of money. As we were faced with the reality of trying to get the metropolitan services onto a firm financial footing, the same has applied to the country passenger services. We needed to do the same, we needed to provide additional budget capacity; in this instance it was provided to V/Line under government management, and it is reported here in the budget, unlike the mess with the metropolitan transport services, where they are provided to the two private companies.

**Mr FORWOOD** — In summary, it is costing the government \$30 million more to run country rail than it cost National Express?

**Mr BATCHELOR** — National Express was losing money on it. I think it is a bit semantic to say that —

—  
It was costing National Express \$30 million more than it was getting paid for it under the contracts. There are some differences in the cost, but it was losing money on it — that is why it packed up, handed back keys and went back to the UK.

**Mr FORWOOD** — This year it has gone up another \$9 million.

**Mr BATCHELOR** — It is expected to, yes, that is right.

**Ms ROMANES** — I refer to the funding for the Pakenham bypass, which was outlined on page 224 of budget paper 2 in the 2003-04 budget. Has the federal government matched Victoria’s 50 per cent funding share?

**Mr BATCHELOR** — The Pakenham bypass is a road of national importance where the federal government has agreed in the past to fund 50 per cent of it. Originally it put in \$30 million about three or four budgets ago — an amount which was insufficient to allow the project to proceed. We are unable to start the project until half of the funding is provided by the federal government. Last year it increased that amount to only \$100 million, where the cost of the project has increased to \$242 million. The Pakenham bypass is in an area of Melbourne where the land required for this project has yet to be acquired. You would know of recent times, particularly in the outer fringes of Melbourne, the price of land has skyrocketed. So as the government has not purchased that land there, because of failure to reach agreement with the commonwealth government, that has meant the cost of the land has gone up. As a result the project cost has gone up. We have committed \$121 million, half the cost; it has only committed \$100 million to date. The shortfall in funding is being sought from the federal government through our requests to the federal government this year.

**Ms ROMANES** — When will we hear about it?

**Mr BATCHELOR** — We will hear about that in early June as part of the Auslink and road funding negotiations that the federal government says it is going to announce on 7 June.

**Mr RICH-PHILLIPS** — I would like to ask you about fixed speed cameras, and particularly with respect to installation, calibration, testing, management and accountability. Can you provide to the committee please a breakdown of the division of responsibility between yourself and the Minister for Police and Emergency Services so the committee better understands what your responsibilities are?

**Mr BATCHELOR** — My responsibilities relate to a contract which VicRoads was administering for the installation of cameras on the Western Ring Road and a separate one on the Westgate Bridge. It is a contract to install those cameras. The other locations, or the installation of cameras at those were the responsibility of the Department of Justice. The operations of camera technology is through the traffic camera office, which is housed within the Department of Justice. The contract for the installation of cameras on the Western Ring Road is covered by a VicRoads contract, if that is what you are asking.

**Mr RICH-PHILLIPS** — Does that include calibration and accuracy matters?

**Mr BATCHELOR** — The contract was to commission, install and maintain the cameras on the Western Ring Road. It was a contract between Poltech International and VicRoads, and it was entered into complying with the state government purchasing requirements. Under the contract, the contractor was required to provide a complete fixed digital camera system to meet all the requirements of the specifications that were supplied to us by the Department of Justice. The contractor, Poltech, was required to support and maintain the fixed camera system during the warranty period. Poltech was required to rectify all faults for a period of 12 months following the completion of the contract. The cameras were brought into operation following the provision of certificates that assured that the system was being operated to the required specifications.

VicRoads had a contract with a supplier where the first of those cameras became operational in December 2002, and during the next couple of months the rest of the system on the Western Ring Road became operational. The obligation was on the contractor, Poltech, to fully support and maintain that system during the warranty period. The warranty period was 12 months, and that, as I understand, applied from the date that they were commissioned. They came into operation after getting a certificate through Victoria Police, I think it was.

**Ms GREEN** — I refer you to budget paper 3, pages 123, 129 and 130; in this year's state budget there is allocation of \$552.7 million for outer metropolitan and rural roads. Could you tell us whether the recent federal budget has done anything further to support this investment?

**Mr BATCHELOR** — We have given a priority for metropolitan funding of roads to take place in the outer metropolitan area. We are doing that because the growth of metropolitan Melbourne in the outer suburbs is such that roads that were once part of the country, or rural road networks, are expected — and you would know this out in your electorate — to carry volumes of traffic and perform functions for which they were not originally designed.

We are spending in this year's budget \$163 million to provide road infrastructure upgrades in outer metropolitan Melbourne. The difficulty for Victoria — in trying to meet its road requirements and the expectations of the community — is that we only receive 15 per cent of the taxes Victorian motorists pay to the federal government. That is not our fair share in terms of the return of funds to the state of Victoria. We pay 25 per cent of the fuel tax that is collected, but we only get 15 per cent back. Because of the manufacturing activity and the developed state of our economy, we contribute to some 28 per cent of the road freight task here. But we are not getting our fair share.

We are waiting for new initiatives under the new AusLink proposals. We have made a submission to the commonwealth government asking for additional road funding, as we do each year. Whilst there have been some discussions, the more detailed nitty-gritty argy-bargy discussions are still yet to take place. We have submitted our program and our funding requests in this document *National Roads in Victoria Forward Strategy*. We are required to do that. We have done that to the federal government.

If we got our fair share of federal road funding, we would be able to complete a whole range of projects across country and outer metropolitan areas. That would also then free up money to be spent on more outer metropolitan

roads. We have asked for more money for the Calder, for the Deer Park bypass on the Western Highway, for the Goulburn Valley Highway, for the western bypass at Geelong and for the Pakenham bypass, as well as asking them to contribute to the Mitcham–Frankston freeway. It is interesting to note that in New South Wales there are 28 federally funded road projects. There only 6 at the moment in Victoria and you get that total of 6 when you include not only construction but planning. I think there is only 1 under actual construction. Of the 28 federally funded road projects in Sydney, 2 of those interestingly are toll roads. We are seeing that toll roads in Sydney are being paid for out of the taxes levied on Victorian motorists. It is disgraceful. We cannot get them to make a contribution here.

**The CHAIR** — Minister, could you please table a copy of the document from which you are reading for the committee's benefit at the conclusion of today's hearings?

**Mr BATCHELOR** — The national roads document?

**The CHAIR** — Yes. Thank you very much.

**Mr FORWOOD** — Minister, in V/Line's performance results for April 2004, and I understand that March is the same as well but I have not got March — —

**Mr BATCHELOR** — Which one is that?

**Mr FORWOOD** — This is April, I have not got March with me, but I understand it is the same. It shows that V/Line's punctuality on the majority of its lines is below the targets that it has been set. I wondered what steps you were taking to ensure that V/Line services will in fact run on time, particularly in peak hours. I make the point that in the last question we arrived at the figure, that V/Line is costing the state, \$30 million more to operate and then another 9 this year, so it is costing \$40 million to operate in the forthcoming year and yet the punctuality seems to be going backwards. I wondered what the government was doing to ensure that we did not have a deterioration of service on those lines.

**Mr BATCHELOR** — The performance has been affected in this period which you mentioned. It is because on many of V/Line's major routes we are carrying out line upgrades for the fast rail project. In some of those routes we have even had extended closures. We have also had weekend closures and the Ballarat line is closed at the moment.

**Mr FORWOOD** — But that is not measured.

**Mr BATCHELOR** — No, but it has a consequential impact upon just how the whole timetable fits together and it is difficult for trains that then run late to catch up that time. We expect that once the interruption and the signalling work that has been provided by the fast rail infrastructure has finished, they should be able to restore their punctuality to a more acceptable standard.

There are also two other contributing elements to it. There is the upgrade down at Spencer Street. There is also a driver shortage. It is not as severe in V/Line as it is in the old M>Train, but that also has had an impact. We are putting through or the companies are putting through an increased number of personnel to increase the driver numbers.

**Mr FORWOOD** — No more information?

**Mr BATCHELOR** — Dr Smith also refers you to footnote (d) on the adjoining page from where you quoted which actually confirms what I am saying.

**The CHAIR** — I would like to follow up on that question, Minister. Could you outline to us the effects of the closures of the Latrobe Valley and Geelong lines and their effect on patronage?

**Mr BATCHELOR** — When you close a rail corridor for any length of time it has an impact on patronage. Intuitively, you would understand that to be the case. We know that from our experience with the current closures of corridors for the fast rail projects. Just to put it into perspective, the fast rail project is at a stage, in a five-year program. We said it would take five years to implement when we started and we believe that it will.



It requires the upgrade of 500 kilometres of track, new signalling upgrades — that is the biggest upgrade of level crossings ever undertaken — and it will see the introduction of new rolling stock, new timetables and safety upgrades in accreditation. It is a complex web of initiatives that will all come together. It is important to understand that the project is about timetabling upgrade on the one hand, it is about infrastructure upgrade and it is about the delivery of rolling stock — it is the application of all three of those and how they interact that will deliver the project.

In relation to the issue that you mentioned, it is interesting to note that the Geelong line was closed on 4 January this year for 50 kilometres worth of track upgrade, and it reopened on time in February. I am advised that the Geelong line has been affected. Patronage levels have been affected, and the number of ticket sales during this period declined by some 25 per cent when compared with the previous year. When the lines were closed we provided alternative buses, but some people chose to drive themselves rather than have the bus driver drive them or to catch a lift with somebody else.

There has been a systematic and steady recovery since the reintroduction of train services, and within eight weeks the patronage decline was only down by 6 per cent compared to the same period last year. We understand that that recovery phase outperforms what normally happens as measured internationally, which shows that it takes up to 18 months to return patronage levels to where they were. So within eight weeks after, on the latest figures I have, we are still down; we are not back to where we were.

The early figures on the Latrobe Valley line are showing the same trend. The Latrobe Valley line was closed on 21 February for an upgrade of some 70 kilometres of track, and it was reopened on 26 April. Again using comparative annual ticket sales during that period the shutdown resulted in a decline of 26 per cent. In the three weeks following the reopening I can advise that ticket sales have recovered strongly, and are only 6 per cent down compared with the same time last year.

These are interesting figures, and I suppose the question to ask is what does this information tell us. Firstly it shows that the job that V/Line and its contractors have done in minimising the disruption to travellers and providing alternative services has worked pretty well. Secondly it shows that people of regional Victoria are willing to live with a little bit of short-term discomfort for the longer term gain. The information also tells us that people in regional Victoria want the project, they are excited by the fast train project and are supporting it by continuing to stick to train travel even during periods of disruption.

People understand that it is not just the upgrade of the infrastructure — the track — that is occurring at the moment; it will be followed by the signalling and by the timetabling improvements and by the introduction of new rolling stock. I think V/Line and the rail contractors ought to be congratulated on the results they have achieved to date, and we wish them continuing success on the other rail corridors.

**Mr CLARK** — My questions relate to the proposed channel deepening in Port Phillip Bay and are on the assumption that the environment effects statement is satisfactory and that the project is therefore going to continue. What studies have been undertaken by the government about possible cost allocation models for the deepening between the government, users and other possible contributors? What decisions has the government reached so far about the proportion of the costs which it expects to recover from users? Of the cost allocation models that the government has got under consideration at this stage, when do you expect a decision will be made on cost allocation, and when do you expect channel deepening to be completed and the deeper channels to become operational?

**Mr BATCHELOR** — You made the assumption that the project has gone through the EES. We expect, if that is the case, that it would be completed by about the middle of 2007. We are putting an enormous amount of effort into getting the EES prepared, and that will be made public and provided around the middle of this year. It is probably the biggest, most complex and comprehensive environment effects statement ever undertaken in Victoria. We are taking it very, very seriously, as are all of the key stakeholders.

There is a lot riding on it, because the port of Melbourne is the key engine for economic activity for Victoria. If we want our farmers and our industry to produce more than we need locally, we have got to provide that to the rest of the world through trade, and 98 per cent of export trade is undertaken through shipping.

The end cost, the total cost of the project cannot be determined yet. We expect it will range between \$350 million and \$450 million. That is a big range, and it is only a range at the moment, because we have not gone through the

EES process and we do not know if there are any requirements that will come from it that will add to or subtract from our cost estimates. How we then fund that and apportion the costs between various potential contributors will be a decision of the government once it knows what the costs will be.

**Mr CLARK** — Can you enlighten the committee, though, as to what the government's current thinking is and what modelling it is undertaking at this stage about possible cost allocation models?

**Mr BATCHELOR** — We have not turned our minds to that issue; it is too early at this stage.

**Mr CLARK** — You have not had any studies done yet on cost allocation?

**Mr BATCHELOR** — I am saying we have not concluded our decision on that. We will resolve that matter once we know what the costs are. You cannot divvy up the costs. It is an issue that some thought has been given to by the government. It is an issue that some thought has been given to in the public domain. If you read the specialist media on this, there are a lot of interests who want everybody else to pay for it. I suspect this is going to be a project where all of the key stakeholders will have to contribute, but we have not determined that yet.

**Mr CLARK** — We thought you might be able to shed some light on it given the public interest.

**Mr BATCHELOR** — Well, I have.

**Mr FORWOOD** — A quick supplementary on this issue?

**The CHAIR** — Yes.

**Mr FORWOOD** — At page 338 of budget paper 3 — discontinued performance measures — it says 'Channel deepening — detailed investigations progressed to agreed stage'. It was meant to be August 2003 and it shows June 2004. We wonder what the detailed investigations were, because we know it is not the EES and we know it is not the finance, and why the project has been pushed out by that extra nine months?

**Mr BATCHELOR** — That was an early estimate when the length of time required to prepare for and have the EES concluded was not factored into the whole of the time lines. We expect that to prepare the comprehensive material for the EES and for the EES to adequately have time to gather submissions and consider them will take longer than was anticipated originally, that is all.

**Mr MERLINO** — Minister, can you outline the measures announced in the 2004–05 budget to improve boating safety and boating facilities across Victoria?

**Mr BATCHELOR** — What we are doing this year is using funds that are collected to direct towards local boating initiatives and there are a number of programs that we have under way that deal with this issue.

In 2003-04 we allocated some \$4.3 million to a boating safety and facilities program. This is funded from revenue generated from boat operator licensing and registration of vessel fees, and it is administered by Marine Safety Victoria, so we are returning to the boating community some of that revenue that is collected through those initiatives. In the last year of grants we saw 117 community groups, some waterway authorities from all over Victoria receive funding and the sorts of things that it was used for were new search and rescue vessels and equipment for volunteer groups at St Kilda and Frankston, Phillip Island and I think Apollo Bay.

We saw upgrades to boat ramps and other facilities across the state, in inland waterways like Lake Eildon or down on the coast at Paynesville. Other areas that received grants were Johnsonsville and Clifton Springs and a whole host of other places. We saw boating safety education and training initiatives and safe boating programs for schoolchildren; we even saw safety programs for people with special needs and provided assistance to introduce boating to people with disabilities.

So it is these sorts of projects that were assisted. We also funded the high-profile campaign in support of life jackets saving lives, and a campaign directed at jet ski riders to provide where they should carry out their sporting activities and not interfere with other people. We are continuing that type of activity this year.

**The CHAIR** — Congratulations on what has been done for people with disabilities, too.

**Mr RICH-PHILLIPS** — I would like to ask you, Minister, about the rolling stock contracts for the regional fast rail. In November 2001 you announced a contract for the construction of 29 trains at a cost of \$410 million and 12 months later you announced a further 9 trains at a further cost of \$125 million, for a total cost of \$535 million. Could you tell the committee please what the cost to the state of those contracts is going to be in terms of capital contribution, lease cost to the state and whether that is included in the quoted figure of \$617 million for the fast rail project? Also can you clarify a statement in the press releases about local content requirements, because your first press release indicates that the local content component would be \$125 million in a \$400 million contract, which is roughly 30 per cent; your second press release says the local content requirement is 55 per cent. Can you also clarify what the local content requirement is?

**Mr BATCHELOR** — The purchase of rolling stock — the genesis of this funding stream commenced under the original franchise contract. As you will recall there were five businesses that were privatised and V/Line was one of those, so the cost of the rolling stock upgrade started there and has continued in that area and it is not part of the construction costs — the \$617 million, it has never been and still is not.

As you rightly point out, the number of rolling stock has increased in line with government decisions to provide additional services to country Victoria. We have also had to provide the additional rolling stock. The lease payments for each of them, the funding for them will be based on a lease payment, and an amount will be paid per annum over the life of the contract period as set out under, as I say, an extension of those original franchise agreements.

**Mr RICH-PHILLIPS** — What is that amount, can you tell us?

**Mr BATCHELOR** — I am just getting advice as to whether that is covered by commercial arrangements. I have it here; I will just check if we are able to give it to you and if we are, we will provide it.

**Mr RICH-PHILLIPS** — ... suggests that it is okay.

**Mr BATCHELOR** — Yes, I would just like to check, that was all.

**Mr RICH-PHILLIPS** — With respect to the second part of the local content requirement — —

**Mr BATCHELOR** — Yes, local content. Local content was not a mandated requirement when the original contracts were entered into by your government.

In renegotiating new contracts for faster trains we tried to increase the local content and at various stages were successful at being able to increase local content through the negotiations, buyer negotiations but they are not a contractual arrangement, so we facilitated the manufacturer Bombardier to have contact with local suppliers through the Industry Capability Network (ICN), I think that is what it is called, and made contacts. I understand the tours were undertaken and people were taken overseas to provide demonstration of what would be required. The level of local content is the result of negotiations between Bombardier and their subcontractors rather than a contractual requirement between Bombardier, the rolling stock provider and the state.

**Ms ROMANES** — I refer to the \$163.6 million outer metropolitan roads funding in the 2004–05 budget and that is set out on page 287 of budget paper 3 and I refer in particular to the \$12 million commitment that has been made to the upgrade of Thompsons Road in Templestowe. How was the government able to resolve this issue, given that it has been a major problem for the local community for so many years?

**Mr BATCHELOR** — I thought Bill would ask this question.

**Mr FORWOOD** — It was on my list. We are very pleased with the \$12 million.

**Mr BATCHELOR** — I am certain you are; the people all along that Thompsons Road corridor are very pleased with it. It is an interesting example of how working with the local community and local members of Parliament working with their local community, how you can resolve what hitherto had been an intractable problem, just getting sufficient budget capacity for a request, the scope of in essence being way beyond what was ever going to be provided; it was beyond what the road capacity requirements were, in effect.

Accordingly whilst the community's request was couched in such grand and ambitious terms, a project of that nature was not attracting the sufficient capacity — was unlikely to be for some time in future budgets — and that

was the case under the previous government and under this one. So what Lidia Argondizzo was able to do was to meet with the local community and establish a realistic scope to the project, and they were taken through what the transport benefits would be of that scope and agreed.

Essentially it is a two-lane road at the moment without proper gutters and shoulders. All of that is going to be upgraded; it is going to be widened a little bit to allow sufficient space in the middle, so when cars are wanting to turn off to the right they will be able to do that and still allow through traffic to participate and be unhindered.

Doing that is expected to bring the fatality rate down quite substantially. While the curve and channelling and drainage is going to be upgraded, that is going to be included in part of the project, because part of the issue was the amenity of the side of the road. This will also provide an area for emergency vehicles to go over to if the case should arise.

It was a real win-win for the community. They worked very hard to articulate what their requirements would be in terms of road engineering measures. They worked through with VicRoads what the possible solutions to those might be and identified where they needed access to in terms of a number of houses and roads. It is fairly difficult terrain and special attention needs to be paid to that or you could isolate houses and isolate roads coming into Thompsons Road. All those issues were worked through and bundled together, and at the end of that process that was a package that would meet all their needs but also we could then have a better chance of meeting budget capacity. Everybody from Lidia Argondizzo to Bill Forwood and all the local residents and the local council think it is a terrific outcome, and it is.

**Mr FORWOOD** — It is, yes. Let me start by saying I thank the minister very much for the \$12 million. It was a terrific outcome.

**Ms GREEN** — Those of us who live further up the road think it is terrific, too.

**Mr FORWOOD** — Yes, in Eltham, and we look forward to further funds for King Street next, Minister. I am sure I speak on behalf of Lidia when I say we have some other roads in the same category that got by-passed as Melbourne expanded.

**The CHAIR** — If we wish to go down budget bids, I am happy to open it to everybody but let us stick to questions.

**Mr FORWOOD** — I just wanted to say thank you in relation to that issue. Minister, I wish to turn to budget paper 3, page 285, which under 'Output initiatives' shows that the Southern and Eastern Integrated Transport Authority — which everyone knows has been established to facilitate the delivery of the Scoresby tollway — line item shows \$58 million being spent on the establishment of the authority this year and the next four years. I wonder if you could explain to the committee what you anticipate this group will be doing on behalf of the state given that of course you expect the tenders to be finalised sometime relatively soon.

**Mr BATCHELOR** — That is the operating budget for the authority. You will see that it peaks in the current year, I think at \$16 million, and then the forward expense declines to around \$10 million per year. What it is doing — —

**Mr FORWOOD** — Does it stop at the end of that or going forward?

**Mr BATCHELOR** — No, it will be going forward.

**Mr FORWOOD** — Ten years.

**Mr BATCHELOR** — Beyond that we have not projected it. What I was going to say is that the sort of functions it will be doing and the task it is required to do are analogous to the Melbourne City Link Authority (MCLA). When the authority was set up to deliver the City Link project — — that's right, you are pointing at Dr Smith here.

**Mr FORWOOD** — Dr Smith.

**Mr BATCHELOR** — When the authority was set up a funding stream was provided for it. The same is true with the Southern and Eastern Integrated Transport Authority. The nature of these projects, the commercial

negotiations that are entered into, the legal requirements are quite extensive and a large part of that money is providing or purchasing in the intellectual resources to be able to deal adequately with the bids when they come in and through its early operation.

As with the MCLA there will need to be ongoing funds provided for contract management over the life of the period, but they will decline. It may be in future years that you will be able to have that contract management of both this one and the City Link project drawn together. I do not know; it is the decision of a future government.

**Mr FORWOOD** — In essence, what you are saying is that it is the annual cost of deciding to toll the Scoresby.

**Mr BATCHELOR** — No, it is not. It is the cost to deliver the project by 2008.

**Mr CLARK** — These costs would not have been incurred if you had not tolled the Scoresby.

**Mr FORWOOD** — Commercial and legal.

**Mr CLARK** — It is the tollway function.

**The CHAIR** — Ms Green.

**Ms GREEN** — Minister, I refer you to budget paper 3 on page 286 which makes reference to funding for the development of a new ticketing system which will need to be implemented when the current Onelink contract expires in 2007. I was wondering if you could give the committee the latest information on the improvements by the government to the Onelink system.

**Mr BATCHELOR** — Certainly. The contract for provision of the Onelink ticketing system expires in early 2007 and we have, as you indicated, provided funds in this budget to deliver a replacement ticketing system by that time. We also of recent times have been having negotiations with Onelink to improve the performance of the current ticketing system.

A new arrangement was entered into that now sees vending machines at railway stations available 98.8 per cent of the time and validators at train stations available 99.7 per cent of the time. These are figures from the December 2003 quarter. At the moment for the March 2004 quarter, vending machines at train stations are at 98.6 per cent of the time and validators at train stations 99.8 per cent of the time, so what we have been able to do is address one of the problems that the ticketing system was experiencing that was causing an enormous amount of frustration. That was the poor performance criteria in terms of availability. They were down around 70 per cent and they are now up to 98 per cent and above.

This has been a significant improvement in terms of customer satisfaction which was down around 53 in the middle of 2002 on a customer satisfaction index, and it is now up to 60 in late 2003 and early 2004. So the changes that have been brought about are measured in two ways — by the increased availability of the machines on the system and by the measurement of a customer satisfaction survey and the relative position on a satisfaction index over that period of time.

The other thing that is significant to note is that vandalism is also down. In the first quarter of 2004 vandalism on machines is down by about 20 per cent on the same period in 2003. So this also is helping the availability statistics — they are not unrelated of course, but the vandalism reduction has got to be a direct result of the strengthening program that was carried out on the machines themselves and the successful campaign carried out by the transit police to address vandalism of ticketing machines.

In essence the focus of the government has been twofold: it has been to address an endemic problem that had been around as part and parcel of the ticketing system for some time, whilst preparing to introduce a new ticketing system based on the Smart Card technology. The budget this year provides funding to enable the authority to do that.

**Mr CLARK** — I refer to the difficulties with the Spencer Street station redevelopment project that Leighton Holdings have made public recently and to the letter that you wrote to the *Age* as Minister for Transport, published on 15 May this year, in which you said:

The contract leaves responsibility for financing and delivering the project to the Civic Nexus consortium — not the state government Spencer Street Station Authority or taxpayers.

While that is literally true, I also refer you to an *Age* article on 5 April 2004 which states:

Construction engineers have been in close consultation with rail operators M Train, as well as the Spencer Street Station Authority, to expedite the huge building program while running a major railway hub.

I put it to you that the government is involved with many of the participants in the day-to-day operations of Spencer Street, not the least with some of the train companies that have been operating out of Spencer Street. Do you consider that the attitude you have expressed in your letter, which implies non-cooperation and an unwillingness to insist on resolving these problems, will deter private sector contractors from public-private partnerships projects, and what has the government been doing since it became aware of these difficulties to resolve them to allow the project to be completed on time?

**Mr BATCHELOR** — I reject the assumption that underlies your question. It is very important to understand the contractual relationships that exist in the redevelopment of Spencer Street. The state of Victoria has a contract with Civic Nexus, and Civic Nexus has a contract for the design and delivery of the station with Leighton, so the contractual relationships that exist about building the station exist between Civic Nexus and Leighton. It is interesting to quote from a news item that was on AAP, the news wire, which quotes Wal King, who is the chief executive of Leighton Holdings Ltd, the ultimate owner of Leighton Contractors. He is speaking on 6 May in relation to the redevelopment of Spencer Street, and I quote:

Some of the protections the company should have had in fact [were] watered down under negotiating pressure and you'd have to say that's a failing within our own organisation ...

A mistake. We accepted risk when we shouldn't have accepted it.

That comment I think sums up his acknowledgment of their now unsatisfactory reflection upon the contract that Leighton Contractors have with Civic Nexus, because they do not have the contract with the government. In some ways it is analogous to the problems which occurred on the CityLink project when Transfield Obayashi, the company that was building the project, had a contract with Transurban, and it was up to Transurban and the Transfield Obayashi Joint Venture (TOJV) to sort out the contractual relationships. The interests of the state in relation to Spencer Street are protected in the same way. We have a set of contractual arrangements with Civic Nexus, and they are required to deliver the project by a certain date. There can be claims for extensions, but if they do not deliver by a certain date they can be required to pay damages. But the biggest incentive is that the concession payments that they require to fund the project will not commence until the station is fully operational, and our contract with Civic Nexus deals with that. So will our management of the contractual arrangements in this fashion disadvantage the state? No, they will not.

**Mr CLARK** — It will if it does not get finished on time.

**Mr BATCHELOR** — The project will be finished. It is the responsibility of Leighton Contractors, having acknowledged to the world at large and to the government that they have a problem in meeting their original time lines, as to how they will achieve that. If they have problems such that the government can assist them to work harder and more often, we would be happy to do so; and we are already doing that. But it is important to understand that they must do that through Civic Nexus, because that is the way the contractual arrangements exist and the state's interests are protected. The problem that occurred between TOJV and Transurban did not preclude the previous government or this government entering into subsequent contracts.

**Mr CLARK** — The difference was that that was an engineering problem and this is a logistical problem in which government plays a part.

**The CHAIR** — I refer to the funding for the Mitcham–Frankston freeway that the government set aside in the budget. Could you explain to us why the federal government treats toll roads in Sydney differently to the way it treats the Mitcham–Frankston freeway?

**Mr FORWOOD** — That is a question about New South Wales and the federal government.

**Mr BATCHELOR** — The question is how does the federal government respond to our request to put money into the Mitcham–Frankston freeway.

**Mr FORWOOD** — You walked away from your promise.

**The CHAIR** — Minister, the question is in relation to the federal government and its effect on our state, thank you.

**Mr BATCHELOR** — We have asked the federal government to contribute \$100 million to this tollway project as part of the establishment costs and to match a contribution that the state government intends to make. What we are told is that the federal government will not do that. What we are told is that the federal government prefers to put its capital contributions to tollways in New South Wales but not to make contributions to tollways in Victoria. It continues its deliberate policy of discriminating against Victoria. Everybody knows that it would rather spend Victorian taxpayers money in New South Wales, the home state of John Howard, than spend it in the home state of Peter Costello. My colleagues have suggested that Peter Costello may as well pack his bags and go live in Sydney, and if he wants any help packing, I will help him.

**The CHAIR** — Minister — in relation to the effects on this state, thank you!

**Mr BATCHELOR** — We will give him a free ticket on the train to take his bags up there! The impact of this will be that it will discriminate against Victorian motorists generally, but specifically it will see the commonwealth government discriminate against motorists of the east and the south-east of Melbourne. If the federal government wants to put \$100 million into it we would accept that; if it wants to want to put \$420 or \$445 million— various figures it has used from time to time — we would accept that; and we can put it all into this project. If it were to choose the latter, to put more than we have asked for, the impact would be to keep the level of tolls down for those people out in the east and the south-east. The federal government is doing it in Sydney — this year this federal budget is putting \$70 million into a tollway in Sydney — but it refuses to make the same sort of money available for a tollway in Melbourne.

**Mr FORWOOD** — Because you said it would be toll free, and you signed the contract!

**Mr RICH-PHILLIPS** — I would like to take you back to the issue of local content in the fast rail rolling stock contract. You indicated in your earlier answer that it was something that was arrived at by negotiation with the builders of the rolling stock rather than a contractual requirement, and that therefore the level of content would vary. On 22 November 2001 the Premier issued a press release on this project in which he stated:

Overall, this project will inject more than \$200 million into the local and Victorian economies, including \$125 million of work under local content provisions written into the contract by this government.

Did the Premier get it wrong in saying, ‘written into the contract’?

**Mr BATCHELOR** — No, there were requirements in the contract, as I recall, and this was a number of years ago now — I thought we were talking about the current period; the contract has nearly finished — but nevertheless as I recall there would have been a requirement to try and maximise or improve the local content component of the contract above what was provided for when the contractual terms were originally set out by the previous government. We attempted to do that and we have done that.

**Mr RICH-PHILLIPS** — You said earlier it was not a contractual requirement.

**Mr BATCHELOR** — I do not believe it was a contractual requirement that says it must be of a certain level, and I will check that for you, but we asked for a mechanism that would encourage more local participation, and I thought you would have supported that.

**Mr RICH-PHILLIPS** — Absolutely.

**Mr BATCHELOR** — But I will check that.

**Mr FORWOOD** — Just another botched project!

**Mr RICH-PHILLIPS** — The Premier claimed this was in the contract.

**Mr MERLINO** — Minister, can you please outline any new Arrive Alive-type initiatives to deliver more on-road safety improvements that are to be funded under the 2004–05 budget?

**Mr BATCHELOR** — The government has in place a very successful road safety strategy. It has brought down the road toll to the lowest levels in recorded history. Since the announcement of the Arrive Alive strategy more than 170 people are still alive just in that very short period as a result of this strategy. The road toll is down from 444 in 2001, to the lowest level ever of 330 in 2003, and over that two-year period more than 170 lives to date, have been saved.

One of the things that was helpful in reducing the toll in that period was the original \$240 million black spot blitz that was funded by the Transport Accident Commission during our first term of government. Everybody in this room who is a member of Parliament would have had vastly increased spending on black spots in their electorates as a result of this measure. They were enormous increases. What we have been able to do is to secure a new funding agreement from the Transport Accident Commission, requiring \$130 million for black spot funding over a two-year period. This will go towards making our roads even safer, and it will be particularly targeted to the outer metropolitan and country areas.

It has also enabled us to address a number of very notorious high risk spots in the outer metropolitan area. There was the 1.7 kilometre section of Thompsons Road, and \$3.3 million dollars was provided there for a section of Thompson's Road between the Dandenong-Hastings Road and Evans Road in Lyndhurst.

Another \$9.3 million will be spent on duplicating just under 2 kilometres of Wellington Rd from Taylors Lane to Napoleon Road out in Rowville, and the third area was \$15 million spent duplicating and widening 1.8 kilometres of road off Canterbury Road, from Bayswater Road out to Dorset Road in Bayswater North. The bulk of the \$130 million, however, will be spent addressing the issues related to run-off-the-road crashes at various sites around the state. A couple have already been identified such as the Melba Highway at Murrindindi, the Epping-Kilmore Road at Mitchell and the Myrniong-Trentham Road up at Moorabool; but there are others.

One of the biggest problems we have in country Victoria is single car accidents, and the bulk of these are motorists driving off the road. The advice we get from the road safety agencies is to provide improvements such as the shoulder sealing; the upgrade of shoulders; the introduction of tactile edges; and in some instances the installation of barriers around infrastructure and protection, or the provision of a protective separation between poles and bridge ends and trees at dangerous spots. So the bulk of the \$130 million will be spent addressing these types of issues, which are largely in country Victoria. Last year the road toll response was best in metropolitan Melbourne. There is more room for improvement in country Victoria, and we will spend \$130 million on this project. The bulk of it will be addressing those types of accidents.

**Mr FORWOOD** — I refer you to page 118 of budget paper 3 under the passenger interchange development output group. At the outset I should say that I think this is an odd spot to have an output measure about cruise ships, but it does show that the number of cruise ships expected in Melbourne is going to fall from a target this year of 30 — which is expected to be 24 — down to 15, which is half what it was the year before. There is a note that says this is due to the depressed market for international cruising, but I note that in Victoria we are expecting it to drop from 31 cruise ships in 2002–03 down to 15 in the year ahead. I note that Sydney are expecting 70, and I wonder why Sydney would be getting 70 cruise ships while we are going south at a rate of knots, to use a nautical expression.

**Mr BATCHELOR** — The port of Melbourne has been doing a terrific job in attracting cruise ships to Melbourne, but it did suffer a setback following the September 11 terrorist attacks. They, of course, were not on cruise ships, but it has meant that people who would use cruise ships have lost confidence in the cruise ship market, and the number of cruise ships coming particularly from North America has declined. We have a figure indicating that while cruise ship numbers may be getting smaller, the number of passengers arriving is not falling as rapidly because the cruise ships that are actually coming are bigger and they carry larger numbers of passengers. The total number, comprising both passengers and crew, has remained relatively high at 55 000, mainly due to the larger ships. But there is no doubting it — —

**Mr FORWOOD** — The budget papers show cruise ship visitors days dropping from 46 500 to 30 000, which is a 30 per cent drop.

**Mr BATCHELOR** — It is a function of the passenger days, which is the days they spend in town; but the number of passengers is dropping less rapidly than would otherwise be expected, because of the larger ships. It is



good news out of a difficult situation that has been exacerbated by the impact and fear on world shipping tourism following September 11.

**Ms ROMANES** — Minister, the budget papers for 2003–04 announced output initiative funding for cycling paths of \$3 million in 2003–04, \$3 million in 2004–05 and \$2 million in 2005–06. Can you advise the committee what projects these funds will be allocated to?

**Mr BATCHELOR** — There is a variety of small bicycle programs that will be funded out of these allocations. They are small projects that are delivered on the recommendations of an advisory committee that is established through VicRoads to make recommendations. By and large those recommendations are accepted. It provides for the delivery of an election promise, where we said additional money would be provided to bicycle activities. We do that because bicycling is used increasingly as an alternative form of commuting and it has the advantage of being both healthy and environmentally friendly. We support the continued funding of this program under our Labor Financial Statement commitments. It is a program that is implemented after each election, and I think there are three or four years of funding in this term of government.

**The CHAIR** — Would you be happy to forward to the committee an outline of that?

**Mr BATCHELOR** — Yes, not all the decisions are made at the beginning of the financial year. The recommendations come in during the course of the year. I am happy to do that.

**Mr CLARK** — My question relates to regional fast rail, and it is whether there is any additional standard for fencing that is going to apply to those sections of the track where trains will operate at 160 kilometres an hour.

**Mr BATCHELOR** — I am sorry. I missed that.

**Mr CLARK** — Where the trains are operating at higher speeds under the new regional fast rail project, will there be an additional standard of fencing required for those sections of the track? If so, what will the standard be? Overall what will it cost, and who will pay for it, and perhaps on notice you could provide us with a breakdown of where along the track those additional costs will apply?

**Mr BATCHELOR** — It is an issue that is currently being discussed between the project team and the contractors, and we are also taking advice from the operator, V/Line. It is an issue — it is more an issue in areas that are adjacent to some of the towns, not so much because they will necessarily be going at 160 kilometres an hour but because there are people nearby. That is the issue more than the speed. Often the maximum speed will be out on the broad open acres of the countryside. It is an issue that is being addressed at the moment. We are yet to resolve it. We are aware of it and are concerned to make sure that the system is as safe as possible for those who are using it and those who are around in the immediate environment.

**Mr CLARK** — Will you give us those details when they are available?

**Mr BATCHELOR** — Sure.

**Ms GREEN** — Minister, as you well know, bus services are a keen interest of mine, particularly in the last few years seeing the restoration of services that were removed under the Kennett government and a number of new services including the train link and Eltham–Diamond Creek–South Morang services. I refer you to budget paper 3, page 285, and the further bus service planning that is detailed there. I am wondering if you could provide the committee with a bit more information about that output initiative.

**Mr FORWOOD** — While we're on it, it shows that there is no money next year or the year after.

**Ms GREEN** — This year, Bill. Planning — we have done an awful lot of it.

**Mr FORWOOD** — We've got to stop the planning.

**Mr BATCHELOR** — This is a program of development work that we have funding for over those two-year periods, and development work is ongoing. It is largely driven by — —

The amount of development work that is needed is a function of what has been obtained in terms of the budget to deliver the services that are already in the development queue. We do not do development work in this detailed

way beyond what is required for the bidding and budget processes, and that brings us up to date with that work. It is in the metropolitan area, and it will be providing a contribution to the metropolitan travel plan. I remind you that in recent budgets we have been very successful in getting additional bus services provided — some \$68.8 million for new and enhanced bus services across metropolitan Melbourne and rural Victoria has been provided. An extra \$13 million was spent since coming to government on the Smart Bus. We are replacing 869 buses so that they are not just modern and airconditioned, but importantly they are DDA-compliant and more environmentally friendly. This planning money goes to the next round of bus budget bids that we seek to put in.

**Ms GREEN** — Just a supplementary question, Chair. Minister, I note some of the local contractors have said to me that previously their contracts had been paid just for actually running the service and were not really related to patronage. Is that changing?

**Mr FORWOOD** — That was under Cain and Kirner; it was not under us.

**Ms GREEN** — It certainly was.

**Mr FORWOOD** — No, we changed it.

**The CHAIR** — Do you wish make any comment on that?

**Mr BATCHELOR** — The contractual arrangements that exist between the government and the various bus companies governed by contracts that are in place with still a number of years to go — they were commenced in 1997 and I think they are for 10 years. Is that when you were in government, Bill, 1997?

**The CHAIR** — I am sure you know the answer to that question.

**Mr BATCHELOR** — Those contracts did not provide a payment based on patronage; what they provide in the future will be the subject of contract design and negotiations that will take place over the next number of years.

**Mr CLARK** — This question also relates to regional fast rail. Can you tell the committee what settlements have been reached with Thiess Alstom and John Holland regarding delay claims in relation to regional fast rail? How much has been paid and how much further is yet to be paid for each line in respect of which they have contracts?

**Mr BATCHELOR** — I just want you to give me the details of the question again.

**Mr CLARK** — My question relates to claims that have been made by Thiess Alstom and John Holland in respect of delay. I would like to know to date what settlements have been reached with them in respect of those claims. How much has been paid out? How much is yet to be resolved in terms of paying it out, and can you provide that information in relation to each line for which they have a contract?

**Mr BATCHELOR** — I will take that on notice and get that information to you. I think that is the easiest way of dealing with such a precise and complex issue at this stage.

**Mr DONNELLAN** — The government recently announced the establishment of the public transport industry ombudsman — —

**Mr BATCHELOR** — Just before that, I have some more information about those 2001 construction contracts for the building of the rolling stock. Your memory was closer to the mark than mine. I am advised that when we first got these contracts, I do not think there was a contractual requirement for local content. But there was a period of very intense negotiations, as you may recall, and there was a minimum requirement of 55 per cent in the contracts that were renegotiated when we went to the faster trains. Since then, the Department of Innovation, Industry and Regional Development has worked with the contractor and this has increased this to 70 per cent.

**Mr DONNELLAN** — The government recently announced the establishment of the Public Transport Industry Ombudsman in Victoria to receive complaints and to deal with other transport-related matters. I am wondering when the ombudsman's office will be fully operational and what issues it will be covering apart from those mentioned previously.

**Mr FORWOOD** — Which output group is it in?

**Mr BATCHELOR** — The industry ombudsman is that. It is not a statutory provision.

**The CHAIR** — Is it funded out of DPC or DTF or DOI?

**Mr BATCHELOR** — It is funded by the private companies. The answer is none of the above.

**The CHAIR** — I just wanted to make sure.

**Mr FORWOOD** — How much is it costing the private companies?

**Mr BATCHELOR** — The establishment costs have been provided by the Department of Infrastructure. The long-term operating costs will be determined by the board. The board has been appointed, They are advertising for an ombudsman, and they will appoint an industry ombudsman. It has been set up in this way because when public transport was privatised, the ability to go to an ombudsman ceased for services provided by a private company or a series of private companies.

We gave a commitment to establish an industry ombudsman scheme to which the companies that signed up to the new partnership agreements in April of this year agreed to participate and fund. Three directors from the transport passenger companies have been appointed and three representing consumers, with an independent chair, have been established. I do not know to date how their interviews are going for the ombudsman. It is their responsibility and they will carry that out and report in due course.

**Mr FORWOOD** — A quick final question, Minister — which outlook group did the establishment costs come out of and how much were they?

**Mr BATCHELOR** — They are not substantial because it is just getting established. They come out of the general funds of the public transport area. I do not know — —

**The CHAIR** — It is important just to establish that in terms of your responsibility.

**Mr BATCHELOR** — We will advise you. I am advised that would have been spread across the train services output group.

**Mr RICH-PHILLIPS** — I would like to ask you about VicRoads. Is it the case that VicRoads has been selling personalised number plates at a profit through auction houses and the like in contravention of their act and if so, what profit has VicRoads made from this activity?

**Mr BATCHELOR** — Through auction houses?

**Mr RICH-PHILLIPS** — Auction houses and other means.

**Mr BATCHELOR** — I am not aware of that allegation. If you could provide the information to me, we will use that to get back to you.

**Mr RICH-PHILLIPS** — I understand that you are planning to introduce a legislative amendment to address this issue.

**The CHAIR** — Thank you very much.

**Mr BATCHELOR** — There is legislation before the Parliament that regularises the process by which VicRoads makes personalised and other number plates available to people. But I am not aware of your allegation and if you could substantiate the allegation, I would be happy to follow it through for you. I invite you to do that.

**The CHAIR** — That concludes the consideration of budget estimates for the portfolios of major projects and transport. Is there a follow-up matter.

**Mr BATCHELOR** — No, I did it.

**The CHAIR** — That concludes this session of budget estimates. I thank the ministers of departmental officers for their attendance today. The Hansard transcript will be circulated to you in about a week.

**Witnesses withdrew.**