

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006–07

Melbourne — 16 June 2006

Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Mr A. Somyurek

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

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Executive Officer: Ms M. Cornwell

Witnesses

Mr J. Lenders, Minister for Major Projects;

Mr H. Ronaldson, secretary;

Dr A. Smith, deputy secretary, capital;

Mr B. McDonald, executive director, corporate resources;

Ms P. Sanderson, chief executive officer, VicUrban;

Mr M. Hynes, chief operating officer, Docklands and major inner urban, VicUrban;

Mr S. Sweeney, acting executive director, Major Projects Victoria; and

Mr P. Noble, project director, Royal Melbourne showgrounds, Major Projects Victoria, Department of Infrastructure.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2006–07 budget estimates for the major projects, WorkCover, TAC and finance portfolios. I welcome Mr John Lenders, Minister for Major Projects, Minister for WorkCover and the TAC and Minister for Finance; Mr Howard Ronaldson, Secretary of the Department of Infrastructure; Dr Alf Smith, deputy secretary, capital; Mr Bob McDonald, executive director, corporate resources; Ms Pru Sanderson, chief executive officer, VicUrban; Mr Sean Sweeney, acting executive director, Major Projects Victoria; and Mr Michael Hynes, chief operating officer, Docklands and major inner urban. Departmental officers, members of the public and media are all welcome.

In accordance with guidelines for public hearings I remind members of the public they cannot participate in the committee's proceedings. Officers of PAEC can approach PAEC members; departmental officers as requested by the minister or his adviser can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room. All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided, via email, with proof versions of your transcripts. We ask that within two working days of receipt of those you confirm those transcripts. Before I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolio of major projects, could all mobile phones be turned off and pagers turned to silent.

Minister, you have a 5-minute presentation — I understand you are doing it with overheads — and then we will have 55 minutes of questions.

Mr LENDERS — Thank you for the opportunity to appear.

Slides shown.

Mr LENDERS — Five minutes seems a very short time to talk to the enormous span of major projects in Victoria, but I will be delighted to do that and expand on that during questions.

The overview I would like to give is essentially one that takes a picture of major projects generally and where Major Projects Victoria fits into it — and obviously VicUrban, as a statutory authority within the portfolio. The context to paint is infrastructure investment. In the six years of the late 1990s we saw a figure of approximately \$1 billion a year invested in infrastructure by the public in Victoria, by the public sector. In the first six years of the Bracks government we saw that figure increase to \$2.1 billion a year, and in the forward estimates period — the four years of estimates that we are looking at — we see an average figure of \$3.2 billion per year. The overarching framework for this is Building One Victoria, where we try to link our infrastructure into the goals for where we want to take the state of Victoria. As we go through the graphs we see another way that is painted: on a year-by-year basis rather than in particular blocks, as I describe it on the first slide. The next slide we have got goes to the value of the current projects in millions. There are a lot of projects there in the major projects portfolio. Generally the projects in major projects cover the six departments outside Human Services, outside Education, outside Infrastructure and outside Justice — generally they cover areas, and those areas that are delegated by the Premier, but occasionally — —

Mr FORWOOD — There are no figures on it.

Mr LENDERS — You can ask questions, Mr Forwood, and I am sure you can read the budget papers very well, but generally they are in those areas, but there are exceptions. Obviously the Austin–Mercy complex was a huge one where Major Projects built it or project-managed it in the Department of Human Services, and again these go to earlier things of where did the infrastructure go.

Mr RICH-PHILLIPS — Are there any cattle underpasses on it? They are apparently major projects?

The CHAIR — Excuse me. The minister has only got 5 minutes. He had 5 minutes; now he has 6 minutes.

Mr LENDERS — Thank you, Chair, for your protection. Turning now to issues like the synchrotron, which are an important part of positioning ourselves, where major projects are built for the Department of Innovation, Industry and Regional Development; obviously the absolute flagship of major projects is Docklands,

which is the largest public–private partnership, certainly in Victoria and possibly in Australia, and I would go so far as to say I would challenge a larger one — —

Mr FORWOOD — In the world?

Mr LENDERS — In the world, Mr Forwood, if you wish to go there. But Docklands is an absolute flagship for what public–private partnerships can do, and also for the work of VicUrban and Major Projects. There is a range of other projects in there. They range from ones that certain members of the upper house would have heard me talk about in Parliament here, but even ones like in this very building, we are talking of the parliamentary catering where again Parliament is not used to doing major projects or project management. It is outsourced to Major Projects, and yet again it is a well-managed project, under time and under budget.

But moving through the slides, we have the convention centre, which obviously is on a far greater scale than the previous one I mentioned. Again, we are talking here of a 5000-seat convention centre, a public–private partnership, a huge boost to tourism in Victoria, a huge boost to retail in inner Melbourne, a great use of space, a coordinated whole-of-government response, and it is again one of the examples announced this year of a major project. It will deliver many benefits for business and for tourism, and again the project itself will boost Victoria's economy by almost \$200 million per annum and generate 3500 jobs. These are the projects the Bracks government is interested in and is delivering in Victoria.

I mentioned the synchrotron before. Again, that is on time and on budget — a good public–private feature. While we are building the synchrotron itself, obviously the beam lines are things we are doing in conjunction with the private sector, again creating up to 2500 jobs and keeping our brightest and best in the country. The rectangular stadium announced two weeks after the Commonwealth Games by the Premier, the sports minister and me, and again at the risk of boring the upper house members here, we could certainly talk about soccer and how that has captured the imagination. It gives us a stadium where 20 000 people can enjoy soccer in Melbourne.

VicUrban is again a huge part of the portfolio. People are aware of VicUrban and its history, its objectives: sustainable buildings, sustainable housing, leveraging out there in the private sector, going into a whole range of areas. Docklands is obviously the flagship, and revitalising central Dandenong is one of the new areas of work being done. That is again a \$290 million investment from the Bracks government into central Dandenong — a critical big transit city, part of Melbourne 2030, something that we are proud of and unashamed of. Unlike others who have tried to weave and dodge and try and bring us towards a Los Angeles, we are committed to Melbourne 2030 and we are committed to where we can go with that. The Dandenong transit city is again a shining example, on a smaller scale than Docklands but the same vision where we can move forward. Docklands again is moving along at a rapid pace. We at the moment have 5000 people in Docklands; roughly the same number of people working there; 8000 or 9000 people a day visiting there. It is a great project.

Chair, I realise you are seeking to wind me up at this stage, so I will certainly comply with that, but suffice to say, Major Projects is a key facilitator of development in the state and VicUrban within it again has a key role in the state of Victoria.

The CHAIR — Thank you, Minister. Do you want your overheads put on the internet with your transcript? If so, even though you were not able to outline them to us, they will be up there. Do you wish that?

Mr LENDERS — Yes.

The CHAIR — The first question is to Mr Somyurek who I know is very keen to ask about Dandenong.

Mr SOMYUREK — Minister, you mentioned in your presentation about Dandenong transit city and also BP3, page 36, action nine; creating accessible, connected communities also talks about the \$197 million given to Dandenong. Six months ago another \$93 million was also allocated to Dandenong, so that is \$290 million in the space of about eight months. Being a local member in Dandenong and having my office in Dandenong, this is a project that I really am proud of, too. Can you at this stage tell me how the project is progressing?

Mr LENDERS — The key thing, I guess, of the success of revitalising central Dandenong is that it is a partnership from the state government through its agency VicUrban and the local community, through primarily the City of Greater Dandenong, but also far more broadly. It would be absolutely presumptuous for the state government and VicUrban to march down to Dandenong and say, 'We have a vision for Dandenong. This is how

we are going to revitalise central Dandenong'. That is not how the Bracks government operates. We want to work in collaboration with communities, so the first part of your question on how is the project moving along is that there is now a shared vision between the government and its agency VicUrban and the City of Greater Dandenong. There has been a lot of work over a period of time. Phil Reed, who is a former councillor from the old City of Springvale and the City of Greater Dandenong, chaired that process. What we saw out of a series of workshops and meetings, and a competition, even to the point where residents were putting postcards and plans and views they had, was a shared vision now of where central Dandenong needs to go.

Of course what we have in Dandenong is a fantastic location. We are where CityLink and East Link merge. We are the heart of Melbourne. Forty per cent of Melbourne's population is in manufacturing, and yet for various reasons it has not taken off in a development sense where the after-five life, the amenities and some of those issues have not been as strong as they could. There has been less willingness for people to invest in central Dandenong than they might in adjoining areas like Fountain Gate or The Glen, or any of the other areas. So part of this shared vision is to get one that all of Dandenong and government sign off to, and then that investment you referred to of \$290 million to come into there to pay for the projects in that shared vision. So how is it progressing? There is a shared vision. There is a commitment from this government to \$290 million over the life of the project, which gives absolute certainty to VicUrban and the council that there is actually money behind the government's rhetoric; there is money behind the vision. So where we are now is that we have the resources, we have the commitment, we have the vision, and now is the challenge to leverage the private sector into a partnership so that that can move forward, so it is a large challenge on Pru's and VicUrban's shoulders, but it is certainly one that I am very confident we will be able to deliver.

Mr RICH-PHILLIPS — Minister, the \$290 million you have mentioned of course is not a grant or a gift to Dandenong; there is a recovery mechanism for some of that through the development levy. Has the department or major projects done any modelling on the impact of that development levy on the demand for redevelopment in Dandenong, and whether it will have a negative impact on Dandenong as opposed to other regions? Is there any modelling on that?

Mr LENDERS — I think there are certainly two things to say about that. One, yes, there is a modest recovering of the infrastructure; in the order of about one-fifth will be recovered through the levy.

The CHAIR — One-fifth?

Mr LENDERS — Approximately one-fifth. Again, with these areas obviously we need to see it unrolled to be more precise, but what we are seeing first and foremost, and I am answering the question of modelling, is a concept that developers — and we are talking of developers here; we are not talking of mums and dads who are renovating a small business or a house — who actually will be benefiting from the infrastructure investment in central Dandenong which adds to the value of their property, adds to the value of their development, so in a sense are we confident that we will attract development to central Dandenong? We are, or we would not go down this path. Are we confident that we will be able to do this over a 16-year period and in the stages necessary? We are. And in the sense of modelling, obviously any form of business planning, any form of development of government policy, even to the point of development legislation, obviously modelling goes on behind that in a formal sense of a capital-M modelling in a document. I would have to take advice on whether we have such a thing beyond our business case, but certainly we have looked at the price of commercial real estate in central Dandenong and retail land in central Dandenong. We have obviously looked at them compared to alternative centres, whether it be Ringwood, Frankston, Chadstone or Fountain Gate, wherever you want to pick, and certainly we do not see the imposition of the charge as being an impediment. In fact the infrastructure put into central Dandenong should be a great incentive to move us forward.

Mr FORWOOD — I would like to turn to the slide, please, the one without the figures. Minister, could you tell us whether that is a mistake and the heading which says 'Value of current projects — \$m' actually means that, and therefore the millions of dollars should be on the pie chart? Should it actually have figures and it is a mistake that they got left off, or is this a deliberate obfuscation?

Mr LENDERS — On the contrary, as you would well know, Mr Forwood —

Mr FORWOOD — It is a pretty useless slide, isn't it?

The CHAIR — He thought you might like a kaleidoscope.

Mr LENDERS — We pride ourselves on being open, transparent and accountable, and I, Mr Forwood, unlike ministers in the Kennett government, am delighted to be here at PAEC.

Mr FORWOOD — What I would like is the figures that go with each of these. You can take this question on notice if you like: I see that you have Docklands, VicUrban as the fourth one down. I thought this chart showed major projects, as in major projects. Are you saying that some of the work that VicUrban does is a major project, or that all of the work VicUrban does is a major project?

Mr LENDERS — I think first and foremost we are talking of activity in the major projects portfolio.

Mr FORWOOD — So that is in two streams.

Mr LENDERS — Yes.

Mr FORWOOD — There is the major projects stream which we could have in one chart and the VicUrban stream in the other chart. Are all of the VicUrban projects in here?

Mr LENDERS — Yes, they would be.

Mr FORWOOD — In this list — because if you compare the list with the annual report — —

Mr LENDERS — No, they will not all be on the list; this is an indicative thing. The list of projects done by VicUrban — it will be Docklands only that is in here, not all of VicUrban.

Mr FORWOOD — Okay. Is it appropriate for me now to ask whether it is true that the CEO of VicUrban, Ms Sanderson, who took over from Mr Tabart when he left, is in fact the highest paid public servant in Victoria, receiving over \$400 000 a year? And if so, why should that be the case?

Mr LENDERS — First and foremost, I cannot comment on what the rates for public servants are across Victoria.

Mr FORWOOD — Just tell us, is she the highest paid?

Mr LENDERS — It is not a simple answer one way or the other, Mr Forwood. Firstly, I do not employ a single person. People are employed either, in the case of the CEO of VicUrban by the board, or they are employed by departmental secretaries. First and foremost I do not employ a single person, but yes, in my portfolio — —

Mr FORWOOD — Are you answering for your portfolio?

The CHAIR — Excuse me, let the minister continue.

Mr LENDERS — On the issue of where salaries range and rate I could give you an uninformed comment, but in the end public service salaries are not my responsibility, certainly in major projects or any of the other portfolios across the board, so I certainly cannot give a comparator; I am not in a position to.

On the second issue as to whether the VicUrban board in offering a salary package to its CEO is applying an appropriate package, I would certainly think it is. VicUrban is a very complex, extraordinary organisation from which the government expects an extraordinary amount. It is not just the old Docklands authority, but far broader. As you know, Mr Forwood, its range is now not just Docklands and a few other housing projects; it has been given a new charter in regional Victoria as part of the provincial statement to be out there facilitating with councils on development. I know that you know, Mr Forwood, that it is involved with issues affecting Hamilton, Swan Hill, Wodonga, Hepburn Springs, Geelong and Ballarat, just to name some in regional Victoria, let alone Dandenong. So I think that the VicUrban board has negotiated an appropriate salary, but I cannot comment on how it compares with any other public sector salary.

Mr FORWOOD — Will you confirm that it is over \$400 000?

Mr LENDERS — I will not confirm one way or the other what the salary is. I need to check. I will first take advice on how much of these things are on the public record and what is appropriate or not appropriate. I will not answer across the table; I will take that on notice from you.

The CHAIR — Thank you, Minister. I would like to take you to BP3, appendix A, where it states that funding is going to be provided towards the construction of a new purpose-built rectangular stadium in Olympic Park precinct to accommodate a variety of sports, including football, rugby league and rugby union. Could you provide to the committee information on the cost, time lines, key performance measures and so forth?

Mr LENDERS — First and foremost, I guess just in opening we should reflect on where we were at the Commonwealth Games and on some of the interstate, international, let alone domestic, observers of the games who commented so positively on Melbourne and on how in this part of Victoria you had amazing access from public transport that brought you into the hub of the city and within walking distance of venues. the venues. Whether it be across the William Barak Bridge, which is obviously a major project, created and built by Major Projects Victoria, or whether it be via any of the other routes from Spencer Street station, Flinders Street station — or should I say Southern Cross station — to the venues, it clearly shows what a great precinct it was. The rectangular stadium fills a void in sport that we had in central Melbourne. Very quickly it clearly opens up for us the options of rugby, soccer and a number of other sports coming in there. What we are seeing is a project that has moved on — Mr Forwood laughs.

The CHAIR — Keep going, Minister.

Mr LENDERS — I am seeking advice here. On your specific question, Chair, I was trying to get the exact budget paper reference.

The CHAIR — Page 340, where it gives asset initiatives and the forward estimates for the rectangular sports stadium.

Mr LENDERS — We see on page 340, drawn to my attention by the Chair, the line of money that comes in. We certainly see the total asset initiatives from government of almost \$148 million over a period of time. We also see investment from the trust in the project which will see a 20 000-seat stadium in place. This will obviously bring enormous economic benefits to the state, as well as the cultural benefits that come from playing this sport. Again, this is an investment for the longer term. The Edwin Flack Field will have a far greater use than it does at the moment. We will have this stadium, particularly for soccer such as we seeing now; or I should call it world football. Mr Somyurek likes to call it world football rather than soccer. But essentially this is a growing code; certainly in my electorate I would say that without question soccer is the largest code. I certainly get more people coming to me talking about soccer pitches than any other form of sport. This is an investment, but as is the key with all Bracks government investments this is a multi-use one. It is not just a code; there are several codes that will use it. It will be accessible to public transport, accessible to all the other areas and we will have a world-class facility in central Melbourne that will let us have rugby, soccer and all the other ancillary sports and facilities that go with it that we do not have at the moment.

The CHAIR — Just for my information, could you tell me if women play any of those sports at an international level?

Mr LENDERS — They certainly do.

Mr SOMYUREK — Australia is the second best in the world.

The CHAIR — Are they? So the female facilities there will be outstanding too, will they?

Mr LENDERS — The Matildas can use them, as well as the Socceroos.

Mr CLARK — The Hazardous Waste Siting Advisory Committee which is or was chaired by the member for Footscray, Bruce Mildenhall, said in July 2001 that expressions of interest for the long-term containment facilities would probably occur in mid to late 2002. Obviously we are running a long way behind that schedule at the moment. Could you tell the committee what the current completion date and budget are for this project.

Mr LENDERS — First and foremost, with respect to budget papers this is a classic macro question at the Public Accounts and Estimates Committee. The critical thing here is that we attempt in the budget to be open and transparent and put all the figures the government operates on in front when we start the budget. However, we can put whatever figures we like in the budget papers and what we estimate will happen, but obviously the history of

the long-term containment facility, Mr Clark, is that the government has committed itself first and foremost to an open EES process, and that process has been a long and difficult one. I do not think there is anything secret or unusual in saying that. EES processes are normally fairly quick. With this one under pressure from the Sunraysia community we have done 24 detailed studies on flora, fauna, economic conditions, you name it, and we have done them in that area. We have done them on hydrology. I have read a lot of material on this particular EES I never thought I would have read when I got sworn into this portfolio. Not only that, we had six supplementary ones, and we have had five peer reviews as well. So what started off as a process that we predicted would not take a particularly long amount of time in respect of the Sunraysia community and in respect of the questions it raised, the further information requested has become a lot more detailed and has taken longer than we ever anticipated would be the case.

To get to your question as to when we will get there, it is now in the hands of an independent panel of four appointed by the Minister for Planning which is now very publicly doing hearings in Mildura. I get briefed periodically by Major Projects Victoria as to how the timing of that goes, but the last I recall is that those hearings have been constantly stretching out. If you were in the upper house, Mr Clark, you would hear a member for North Western Province, Mr Bishop, ask me a question on this almost every parliamentary sitting day. We have been getting a running update on how the site is going. What we are seeing is that Major Projects Victoria has made its presentation. We still have the City of Mildura to make its presentation. There are a lot of community groups, and I believe my colleague, Mr David Davis, despite being the 1751st person to put a submission in — he is a bit slow off the mark — even he is still to make a presentation to it. It is out of my hands as the Minister for Major Projects but in the hands of an independent panel. When the panel concludes and hands its report to the Minister for Planning, and if that report is obviously one that has a go-ahead for a containment facility, then I will be able to give you a much better estimate as to the timing of it. At the moment my hands are tied by the deliberations of the independent panel.

Mr CLARK — So once you have the panel report, assuming it has the go-ahead in the report, what time frame do you then expect it to take from when you get that panel report through to when you would get it completed, and secondly, as I asked previously, what is the expected cost of getting the project up and running?

Mr LENDERS — I think we have in the budget a figure of the order of \$12 million under a number of components. That figure has moved over the last few budgets simply for the reasons, as I have said, of the EES and the delay that has gone through there. The timing I expect to mean, despite your ex-coalition colleague, Mr Bishop's, assumption that the chair is in my pocket, I have no idea when he will be finished. This is an independent chair and an independent panel. I am assuming this will be a fairly complex report, given the nature of how long it is taking. Where we are at the moment is that we are forecasting \$12 million for this, but again — —

Mr CLARK — The EES.

Mr LENDERS — Yes, the EES. If that is what is in the EES what we are forecasting. I would say that we are all watching this with considerable interest. It has some macro issues beyond Nowingi alone — how governments and society in the end deal with issues like long-term containment. There is no question there is not a single community in the state of Victoria that would willingly say we would want it, yet we traditionally have landfill across the state where these things have gone untreated. We are seeking to build a world-class facility, and it is a genuine issue of public policy how these difficult issues are resolved. As we have seen with the commonwealth government with the issue of nuclear waste, if we have this excitement in Victoria, this angst in Victoria, over category B waste which is dry, which is non-toxic, non-explosive, not infectious et cetera, how the commonwealth will deal with nuclear waste absolutely baffles me.

Mr CLARK — You did not address the point of how long. Assuming your panel report gives you the green light to go ahead what happens from then?

Mr LENDERS — I would take advice from Sean Sweeney, but I would imagine a project like this would not take all that long to build. It is not a complex process, the planning is there.

Mr SWEENEY — Once there is approval for construction. I would like to get back on the construction period.

Mr LENDERS — I would be surprised if it was more than a year, not being an engineer.

Mr MERLINO — Minister, can I take you to page 16 of budget paper 3 and the reference there to \$8.1 million divided over two years to maximise the use of the new \$367 million Melbourne Convention Centre through the attraction of significant business events: can you provide the committee with an update on the status of the convention centre, and in particular can you refer to any performance indicators in terms of business events, business numbers and that kind of thing?

Mr LENDERS — The convention centre, of course, has been one of those important projects that has been on the drawing board for a long, long, long time in Victoria. The Bracks government has actually seized the opportunity and moved ahead and acted on it. Of course it is a \$1 billion project. The state is putting in \$300 million-plus of that in partnership with the City of Melbourne. Again, for us to actually do that your question is very impertinent as to what performance indicators we can put in on it because it is a lot of public money that is being invested as well as a lot of private sector money into this project going ahead. I guess for us the key performances are: what are we going to bring into the state of Victoria by doing this? My job essentially is, in uncomplicated terms, the builder and project manager, as I say grandly, looking at Sean Sweeney and others and expecting them to deliver there, but essentially what we are looking at is bringing in tourism that would otherwise would not come the state and adding value to it.

We know that this project is due for opening at the start of 2009. We know already we have a series of bookings for international conventions to come here. We know that in particular one of the attractions of Melbourne other than our livability — other than the science and technology focus on Melbourne, the medical focus, which is one of the attractions of conventions — is that we also have the added advantage that we are a warm climate during the northern winter and people do not mind coming here. We had to turn away a lot of conventions. This 5000-seat convention centre will be the largest centre. The only comparable one is in Cairns so we as a major city we will be up there with it.

We are expecting a boost to the Victorian economy — and I think I mentioned it in the slides — of \$197 million a year just from this and the other spin-offs. We are expecting 2500 jobs ongoing, plus the construction jobs. The test for us will really be the performance measures: is it bringing this new business into Victoria? We will obviously be watching very closely what those people do. Do they just camp down on the Southbank of the river or do they go out and explore a lot of Victoria? A lot of the modelling work that the tourism minister has done will show that people actually do go out and visit other sites. Many international visitors, I think about half of them, actually bring a partner with them, and most come back again because in their short time in Victoria they have not spent enough time so they come back again, and that is to our Sovereign Hills, our Murray Valley wineries, our Great Ocean Road, our penguin sites and all of those for their tourism visits.

The performance measures for us is what is it going to do to add to the Victorian economy and what is it going to bring in new to the Victorian economy, so it will be tourism fundamentally, but the spin-offs that come on to that beyond that \$197 million will be some of the add-ons. There is obviously the retail that goes with the commercial and the ongoing tourism value add.

Mr RICH-PHILLIPS — I would like to ask you about page 306 of budget paper 4, I think it is, which lists the major projects stakeholder program with an output initiative of \$2 million for the current financial year, and the World Class Victoria infrastructure campaign which is an output initiative of \$3 million for the current financial year. Given that year is now basically concluded, can you tell the committee exactly how that \$5 million for those two campaigns was acquitted and what benefits to the state are from those two campaigns, and can you confirm that the World Class Victoria infrastructure campaign output initiative of \$3 million is separate and unrelated from the \$3 million for World Class Victoria which was provided as an output initiative in DIIRD?

Mr LENDERS — Yes, the two are separate. Essentially my obligation here is to acquit for what is in the DOI estimates, not the DIIRD ones, and we would not report twice, or if we did DTF would not be doing its job and you would hold us accountable for it. Rest assured, Mr Rich-Phillips, they are separate.

Mr RICH-PHILLIPS — It is \$3.3 million plus \$3.3 million — \$6.6 million?

Mr LENDERS — What I would say about it is that if we paint the picture — I assume you are referring to budget paper 3 here, given the reference, I thought you said BP4 but it should be BP3 — —

Mr RICH-PHILLIPS — I did.

Mr LENDERS — The first thing is that we need to take the context of where this is at. Victoria has extraordinary investment in its infrastructure from the state spend, an extraordinary one. We are also seeking to leverage a private sector spend in a partnership. I refer to Docklands as being the ultimate public private partnership. How this works is that with Docklands as it stands at the moment, for every \$1 of public money there is \$20 of private sector money in it. This is exactly what we need to leverage from. To leverage from that though you need to have a confidence in your business community, a showcasing of what you are doing, a pride in Victoria, a willingness in Victoria to actually to be part of the partnership. These things do not operate in isolation. Part of this is obviously to showcase our own business community and the international business community as why it is good to do business in Victoria and using models like the Docklands; 20 to 1 is the ratio now and that ratio will go much higher by the time that Docklands is full.

The start of this year, and this financial year in particular, has been a unique one for us, because not only have our normal things for international business come in, whether it be the grand prix, whether it be the Australian Open, whether it be the Melbourne Cup or the Spring Racing Carnival, all those ones. We obviously had the Volvo ocean yacht race this year, down at Docklands obviously, and we also had of course the Commonwealth Games where we had an extraordinary amount of people in the country. This is not just the Victorian government. In partnership with Austrade we had our business club during the Commonwealth Games. We actually learnt from the rugby and from the Olympics as to how to leverage. The important part of that is actually to promote, so obviously we focused during the Commonwealth Games and these events which actually go through most of the year, so part of it is our own business community, our own population, and part of it is international. The focus of this is to leverage public private partnerships and private sector investment into the state. So that is the why. There was a second part to your question.

Mr RICH-PHILLIPS — Effectively the how. How did you spend that \$5 million? Was it television advertising; was it business club?

Mr LENDERS — Certainly a large portion of it was television advertising. There is a specific breakdown on the questionnaire for DOI. At page 23 of the PAEC questionnaire under Building One Victoria it is broken down into two classes, and \$2.83 million is on the campaign. A large part of that is media, but there is more to it, and then there is a separate part, the stakeholder program, of \$480 000. Some of that is stakeholder management issues, as you would imagine, whether it be forums, whether it be information — a range of those things.

Ms ROMANES — Minister, a site with some potential that borders my electorate is the old Maribyrnong defence site, but looking through your presentation and the budget papers, I cannot see an inclusion of any information about that particular site. Can you tell as more about the status of the Maribyrnong defence site?

Mr LENDERS — The Maribyrnong defence site is one of those things — it is almost, in a sense, a picture of exactly where you need a body like VicUrban to come and assist the state, as an agency for the state, in dealing with it. It is 130 hectares in a bend of the Maribyrnong River, and for those who do not know it, it is absolutely prime land. I believe one member of the committee walks through it occasionally — without dobbing in the Chair — as a recreational thing.

The CHAIR — I am not allowed on it. I walk beside it. Don't tell the world about it. It is too beautiful.

Mr LENDERS — It is an absolutely prime piece of land, but like so much of our urban landscape, in previous eras and generations when people obviously were not as thoughtful as we are, or whatever the reason, we did some terrible things to it. We had the munitions factory and all the other things, and now it is absolutely contaminated land in the middle of a major city. What we have been seeking to find out, I guess, as a responsible community, is how can we better use that land. We have seen a range of sites — whether it be the rifle range down at Williamstown, whether it be the Niddrie quarry site — that have been contaminated land or used for other purposes that we have managed to change. This one, I am sad to say, is absolutely in limbo at the moment. We have been seeking to negotiate with the commonwealth government so that we can acquire the land and project manage it to put it to far better community use, whether it be housing, commercial, open space, whatever the normal mix would be. The Chair's ears pricked up at 'open space'. Obviously the mix would be as part of any balanced urban development within the great constraints of Melbourne 2030, which is obviously the overarching thing we look through. Sadly, the commonwealth has not been very enthusiastic. There has been a plethora of ministers and parliamentary secretaries dealing with it, and some of them have not paid as much attention to detail

as we would like — especially the one who addressed me as the Lord Mayor of Brisbane. But leaving that aside —

The CHAIR — Back to Maribymong, thanks.

Mr LENDERS — At the moment the sad thing is the commonwealth is saying it will only essentially let Victoria be the preferred developer if we assume the risk for contamination and clean-up. The Bracks government is absolutely committed to sound financial management, and the idea of assuming the risk on that site is unfortunate, so we are seeking ongoing — if it was not today, in the last few days I have certainly written again to the federal defence minister asking him to focus a bit more on this, because this is a critical piece of Melbourne land. The commonwealth is simply trying to flog it off and just wants the money out of it. To assume that we take the risk for cleaning up its mess, its contamination, is quite outrageous, really. But we will continue to talk with them and hopefully get an outcome. But we have to overcome that. We would be crazy as a state to assume all the risks, sight unseen, and let the commonwealth run off with some money and then be obliged to clean it up and then use it for community use.

Mr FORWOOD — I would like to ask some questions about major projects itself. The only output group that you appear to have any control over in infrastructure is the public construction and land development, \$15.3 million. How much of that goes to the operation of Major Projects Victoria? What other revenue do they get in — for example, are they charging the Parliament a management fee on the job out the back here, and if so what percentage of the job and how is that calculated? I would like to know the financial structure. How many people are currently working there? Finally, what do you think the weaknesses are in major projects Victoria's capabilities?

Mr LENDERS — A very good question, Mr Forwood. Firstly, in a budgetary sense you are correct; that is the sole output line that is dedicated to major projects for, I guess, its macro functions. But for a major project on a cost basis, using the Parliament as an example, it will charge a fee for the service. It is a project manager. It does a number of functions. One is it provides advice across government on major projects in building and all that sort of thing — —

Mr FORWOOD — And charges for that?

Mr LENDERS — No. The policy advice — and I will stand corrected on this — would come out of this line. That is — —

Mr FORWOOD — Is the whole 15.3 for Major Projects Victoria?

Mr LENDERS — I might pass that on to Bob McDonald.

Mr McDONALD — There is a range of projects. In the output costing model we attribute the projects that relate to that output, so the great majority of the projects covered by that output are covered by major projects, but there would be some small overheads that would be non-Major Projects Victoria that would be reflected in that output cost. So the cost to DOI of the Dandenong projects, for example, output component would be reflected in there.

Mr FORWOOD — Leaving that to one side, \$12 million of this is funding which goes to Sean to run Major Projects Victoria. On top of that he gets in revenue X amount, and we would like to know what X is. You do not know what your revenue is?

Mr LENDERS — I think the issue — —

Mr FORWOOD — You get some appropriated, but you earn revenue.

Mr LENDERS — Mr Forwood, generally we go through ministers rather than grilling their officials, okay?

Mr RICH-PHILLIPS — Only nervous ministers.

Mr FORWOOD — Happily.

Mr LENDERS — Just reminding you. We need to go right to the core of why we have Major Projects. You will remember it was set up by Evan Walker in the agriculture department during the life of the Cain government, and it is specifically a body designed to project manage projects that do not necessarily — by definition they are ones the Premier has actually passed on to an area, but it manages areas. The nature of the work of Major Projects will change over time depending on what the government of the day asks it to do.

Going to your earlier question, what is the capability and — the weakness of the system is if there is not a pipeline of work going through onwards, your capability in government will be diminished. That is the one weakness of the system. The strength of the system is its flexibility. Where departments have capability, have those resources themselves, they do them themselves and they do not go to Major Projects. But it goes to a core philosophical question in a sense. For instance, when the Kennett government wound down the Public Works Department — and I am no defender of the Public Works Department; there was scope for it to be wound down — the level of it being wound down was that you lost an enormous amount of project management expertise in government. Major Projects essentially fills a lot of that void, particularly for those smaller departments. Using the synchrotron, DIIRD does not have a building capacity, DPI does not, and a number of departments do not. We fill that void, whereas the major departments run themselves quite well, and they are not going to need us.

Mr FORWOOD — Perhaps you could take on notice for me a question about the total income anticipated for Major Projects Victoria by source, either charges for projects or by appropriation, so we actually know how big the organisation is and the number of people who work there. That would be good. In relation to the matters of expertise, I draw your attention to yesterday's *Australian Financial Review* which in some detail talks about infrastructure projects being hampered by shortage of skilled resources, inadequate scoping, use of inappropriate delivery methods, poor risk allocation and unrealistic time and cost objectives. This information — —

Mr MERLINO — Is this is a follow-up or a separate question?

The CHAIR — That is what I am waiting for. Yes?

Mr FORWOOD — Well, I am asking — —

Mr MERLINO — You do not have the floor, Bill. If you want to put another question, just wait your turn.

The CHAIR — The conclusion of what you were about to say is?

Mr FORWOOD — What I want to know from the minister is: does he believe that Major Projects Victoria is exempt from the problems that are structured into every other infrastructure project in Australia or not, and if so, what is he doing?

The CHAIR — In terms of your question, it was in relation to income, source, appropriation and scoping.

Mr FORWOOD — I have asked can he take that on notice.

The CHAIR — That can be followed up later. In relation, Minister, to the next question, I have got that, and I want to take you to BP2, page 99. Excuse me, Mr Forwood; you were given latitude when you needed to have your first point clarified. That does not mean you can go off on a tangent. Minister, that is relating to the Royal Melbourne showgrounds — I want to take you to that. Could you tell us how that project is going in relation to key performance indicators?

Mr LENDERS — The showgrounds, the key performance indicators there are obviously to rebuild a very old set of infrastructure. The show goes back 150 years; the showgrounds, the infrastructure itself — not all of it obviously goes back that far. But it is certainly infrastructure that was not being refreshed. There was really no capital made available for it. So the indicators first and foremost are to rebuild and refresh — and that is moving along — and secondly to meet the timelines of the show this year in September. Obviously they have been out to the grounds on a number of occasions, and we are well and truly on track to do that. Like a lot of these projects — it seems to be the bane of every project, major and minor, in this state — halfway through the project you find contamination, you find all those sorts of things in there. We have gotten through all those hurdles — we have gotten over them. It is proceeding along on its budget and it will be open in time for the show — I am very confident of that. The good thing is it makes it far more state of the art.

The real challenge and the key performance indicator, I guess, that the royal agricultural society and the state of Victoria have done in their partnership is: how do you use this great facility, so close to the centre of Melbourne, used by city and country alike, for more than 14 days a year? That is the greatest challenge. One of the great weaknesses of the showgrounds to date is that they are really only used for 14 days a year and very ad hoc. Part of the arrangements we are seeking to put in place now is that they are used for all of the year — they will not be used with the same intensity they are for those 14 days. That is part of the KPIs — to have that up and running.

The CHAIR — So do I take it that those KPIs will be instituted after the completion of the project, or have they been part of the negotiations up until now?

Mr LENDERS — It has been part of the whole business plan and the whole concept of it. How we actually measure it — —

The CHAIR — And has that been finalised? Because that would be useful to have for our report.

Mr LENDERS — It is still subject to further negotiation and tender with the vendor management for the next stages, but the concept we have — of all of this — the measuring will obviously be subject to those. We have a very different view of what the showgrounds are for — that they are to be used much more than they are, and — —

The CHAIR — But nothing is locked in as yet.

Mr LENDERS — No. Might I pass it over to Peter Noble, who is the project director, or the MPV person responsible?

Mr NOBLE — The joint venture is still progressing the venue management arrangements through a tender process which is currently under negotiation. The business case is being set at the moment as part of that process.

Mr CLARK — I want to raise the subject of the Parliament House dining rooms project, which is clearly not the biggest project that major projects is managing, but perhaps it is illustrative of some few issues that arise. You said in the Parliament back on 7 June that the project is progressing on time and under budget. As far as I am aware there has never been any documentation issued that indicates the timelines or the budget for the project. Are you able to provide any documentation to the committee relating back prior to when the project was commenced that sets out the then completion times and budget for the project, against which the performance of the project can be benchmarked?

Mr LENDERS — I think first and foremost on that, again major projects is managing this on behalf of the Parliament so — the term might sound strange — the responsible minister is actually the Speaker in the sense of who is the owner of the project. We are simply facilitating it. We have a budget in the order of in excess of \$6 million. The timelines are for that to be completed. Again, major projects is project managing it, but my point here is again, firstly, this is a very old building; it is a very old catering facility. While it is small — \$6 million — it is very indicative of the sort of projects, whether it be the state library on a larger scheme or any other projects, we deal with. It is an old building with heritage value. There is a functional need for a kitchen and dining room area. It was a very dilapidated old facility — it would not meet our modern occupational health and safety facilities. How do you get within a heritage building being used; how do you actually fix it and deal with it? That is the challenge major projects constantly finds itself. It is a very good example again that the Parliament is not a builder; the Parliament is not a project manager in this sense. It has given it to major projects, and it is acquitting itself well.

The CHAIR — So who is the person responsible for it being on time: the Parliament or major projects?

Mr LENDERS — The Parliament sets the timelines that it wishes it to be built in; it has a budget to approve it. Major projects is building it within the timelines and under budget.

The CHAIR — The question related to the time, then, as well as the budget — —

Mr CLARK — And some documentation.

The CHAIR — We have got the \$6 million on the budget; what is the question of time?

Mr LENDERS — I guess the essence is — we can take it on notice, but your essence is: this is the purview of the Speaker, as the minister for the Parliament, for want of a better term. She sets the timelines— which I believe is later this year, but I will take that on notice. We have a budget in the order of \$6 million. We have been asked to do the task: we will do it within time and under budget. Again our role is under the Parliament; it is in the specification and we are delivering on that.

The CHAIR — So do I take it from that that major project does not divulge what is the time of any project that it is managing?

Mr LENDERS — It firstly — —

The CHAIR — I understand what you are saying, but do I take it that, by extension, any project that you are managing on behalf of the government, the timelines are not — —

Mr LENDERS — Our job is — —

The CHAIR — Are not to be announced by you; they are to be announced by another minister?

Mr LENDERS — All of these are unique collaborative arrangements.

The CHAIR — I know that — just so we are clear for the public accounts — —

Mr LENDERS — The owner of the project sets the parameters — the budget, the time. We perform within them, and it is an issue for the owner, in a sense, as to when they announce it and what they do. Ours is to deliver it.

Mr FORWOOD — What is the project management fee for this particular project?

Mr LENDERS — I take that on notice.

Mr FORWOOD — Wouldn't Mr Sweeney know the answer to that? He is the CEO?

Mr LENDERS — Oh no, we have actually — Mr Forwood, yet again the nature of the public accounts and estimates is through the minister, but I have actually been provided — —

Mr FORWOOD — If you don't want to answer, don't answer.

The CHAIR — Don't be rude.

Mr LENDERS — I have been provided the advice that it is \$120 000 for the construction management of the works in 2005-06; and in the order of \$70 000 for the work arranging the master planning and scope definition of the project and also for arranging and managing the full design of the current works in 2004-05.

Mr FORWOOD — Thank you.

Mr SOMYUREK — Last year I visited the Aurora project. I was also on the outer suburban/interface services committee. I was very impressed. It is a big project, and I think 20 000 to 25 000 residents are due to live there when the project is complete. VicUrban is involved in that project, and it does some very good work with the local community too. I was very surprised to see that no reference was made to this project in the budget. Is there any reason for that? And can you please give me a progress report on how that particular project is going?

Mr LENDERS — Thank you. Aurora is clearly one of those flagships again. It is not the same focus that Docklands has had, but it is a huge one. As you mentioned, there will be 25 000 residents when Aurora is complete. A lot of the preliminary work is now being done on Aurora. Obviously with all these projects we are out there in the market; we obviously work with developers and move forward. When our civil construction on stages 1 to 3 is complete — and we are doing a lot of basic infrastructure work underneath so the houses can start being built upon it, because Aurora has some quite extraordinary facilities in recycling water, on energy use; it is absolutely state of the art in these areas. We are moving along, getting it ready so that people can come in. We have some works there. We have got the display villages open. Also VicUrban set up a design competition a while ago to actually get energy-efficient or affordable houses. One of the challenges for VicUrban, on its brief being for affordable housing, is that we can do things. We have a fantastic record in providing land. For the bottom, the lowest, quartile, I guess,

of value in land or affordability in housing, VicUrban has a much bigger share — almost double the percentage of this land — than in the community generally. So we can do a lot in land for affordability, but we are also for design. We are actually doing various competitions so that our best and brightest architects and builders come up with houses that are more affordable and meet the needs of the community. The first one of those is up as a display home at the moment at Aurora. So those sorts of things are happening.

What else? The discovery pavilion is up; our administrative pavilions are up; and to date we have more than 100 land sale contracts started on the project. So a lot of the work here is the under-the-surface, behind-the-scenes stuff that you need to do to have the houses moving on. That I guess is the state of where it is at the moment. Again, a bit like central Dandenong or Docklands this has a life of 20 to 25 years, so we have the preliminaries in place but there are houses, land has been sold and the first houses are up and that will grow over the next 20 to 25 years, so we will watch it with some interest.

Mr RICH-PHILLIPS — I would like to ask about PPPs and particularly your example of the Docklands 20:1 ratio of public-private capital. As you may be aware, the committee has been inquiring into PPPs basically for the seven years I have been on this committee and we hope to report soon.

Mr FORWOOD — You did not come to England with us, that is your problem.

Mr RICH-PHILLIPS — The way we have understood PPPs is basically the provision of public infrastructure by private capital through some mechanism and everyone is different. How do you regard Docklands as a PPP? How is it different, for example, to the government providing trunk infrastructure for a suburban development: roads, utilities, et cetera and the private sector coming in and building houses around that. How is Docklands different that you define that as a PPP? What is the public infrastructure that is being provided by the private sector at Docklands?

Mr LENDERS — The private or public?

Mr RICH-PHILLIPS — The public infrastructure provided by the private sector that would lead it to be classified as a PPP?

Mr LENDERS — What I will do is to open generally and then invite Ms Sanderson, the chief executive officer, to follow me on this. First and foremost, public-private partnerships will always differ. There is obviously a lot of methodology and this is the Treasurer's area, so I will not go into it, but I am sure you will ask him at PAEC as to where the methodology moves and the various improvements, and there is a lot of national work going on and a range of things. Docklands was the very start of public-private partnerships and in a sense it is one of the most successful of all time, because conceptually, whether it be the genesis under Tom Roper as minister, carried on by the Kennett government and followed through by the Bracks government, it does not matter where you go, the vision in a sense is similar, that this is a venture between the two. Where does one start and the other stop? We obviously invested in infrastructure at the very start, the bridges and those obvious things in getting it started. It was basically a swamp, I think the politically correct term now is wetlands, but it certainly was an under-utilised, dirty bit of land of about 200 hectares next to the city.

Mr RICH-PHILLIPS — It was an eyesore.

Mr LENDERS — So how do you get the two together? First and foremost, this was more simple than most because at least the land was owned by the government, but essentially you had the plan, the vision and conceptually it was like central Dandenong: you get your stakeholders on board, and no-one lived there, which made it a bit easier. You had to have the vision, the plan and the infrastructure, so it is step by step. You build what you need to to bring the development in and it is done in partnership. Some of the segments of Docklands have been handled in a sense as a private-sector development doing a block so it is all done in collaboration.

Mr RICH-PHILLIPS — But that is not then public infrastructure.

Mr LENDERS — There is a mixture of who does the infrastructure and who does not, but I will hand over to Pru or to Michael Hynes who have hands-on at Docklands to add to that. The most dynamic thing about Docklands is that it has been evolving, the plan has been there, the vision has been there, whether it be for the number of visitors, of business people or of residents, all of those things, the plan has been there from the start, but

the plan has evolved and there have been different methods over time as to how you do the infill for that plan. I will hand over to Ms Sanderson.

Ms SANDERSON — It is certainly in the private injection into that infrastructure. I might ask Mr Hynes to cite some examples.

Mr HYNES — It is simply public outcomes delivered by the private sector, so the vision for Docklands is all about delivering outcomes to the public that they will be able to enjoy for time to come. That goes for the parks and the promenades that exist and other facilities such as Telstra Dome, while a private facility can be enjoyed by the public. The total vision for Docklands being driven by the government as public outcomes but delivered by the private sector is the way we term it as a public-private partnership.

Mr RICH-PHILLIPS — I guess the reason I am asking this question is how do you draw the distinction between the state government providing, as it did, Dandenong Road out through our electorate and then Westfield came and built Fountain Gate. so you basically have the arc and then there was private housing development around that. How would that not be similarly a PPP, because it is private investment around the public infrastructure that is provided but there is not actually any public infrastructure provided by the private sector just as there is not — — ?

Mr LENDERS — There is public infrastructure — roads, for example, are being built by the private sector in Docklands. The two streets coming out of Melbourne over the bridges will ultimately link, and that will not be government building that but the private sector.

Mr HYNES — The ongoing key is the vision that is driven by the government or by VicUrban in partnership with the government that has a development agreement with each of the individual private-sector developers and therefore control over the eventual outcome, which again focuses on public outcomes. Promenades and local roads will be built by each of the individual developers, and the trunk infrastructure is repaid by the private-sector developers. While the original cost was incurred by VicUrban and therefore VicUrban has a debt which carries that cost, that will be repaid over time by those private-sector developers and therefore that is effectively paid for by the private sector.

Mr RICH-PHILLIPS — I guess in essence that is really no different to what is happening at Waverley Park with Mirvac developing that site, and certainly in the City of Casey there are examples of trunk infrastructure being provided by government which will then be recouped by urban developments. I am trying to make the distinction for the purposes of our inquiry, in classifying Docklands as a PPP as distinct from the Mirvac development at Waverley Park as a PPP.

Mr LENDERS — First and foremost, the thing with Docklands is that there was 200 hectares of land adjoining the central activities district that was open, unused, and the state did not have the resources or the capacity to develop on its own or if it did it would take squillions of years. So first and foremost. from the very start the vision was a venture between the two to build on this and do it in a flexible and negotiated manner, whether it be the staging of it, whether it what is actually in it or whether it be the type of development you need. Conceptually it is very different from the Mirvac site in the City of Monash and City of Casey sites that you are referring to. First and foremost there is no municipality to work with. Docklands is an authority on its own. I see what you are saying that there are always areas of grey regarding when does one start and when does the other stop, and I do not think it is ever absolutely clear. But this conceptually for a start is much different. This is a greenfield or a brownfield site: it was a fairly brown and not very green site before it started and it has been developed in a partnership but being led first by the Docklands authority and now by VicUrban as its successor.

Ms ROMANES — As a clarification, is the Docklands project classified under the list of PPP projects under Partnerships Victoria?

Mr LENDERS — No.

Ms ROMANES — It is not, so I am not sure what Mr Rich-Phillips is getting at.

Mr RICH-PHILLIPS — The minister is saying that it is a PPP.

Mr LENDERS — No. It is a small P, small P, small P. Pru's predecessor, John Tabart, as CEO, the first thing he informed me when I became minister was that it is the largest public-private partnership. I am quoting John Tabart here and I do not think he had it as a capital P.

Mr FORWOOD — You cannot hold him responsible.

Mr LENDERS — No, I am proudly in accord.

The CHAIR — Thank you to all the witnesses at the table, we appreciate your attendance; to the departmental officers who prepared the briefing folders, I also thank you.

Witnesses withdrew.