

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 4 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

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Business Support Officer: Ms J. Nathan

Witnesses

Mr T. Theophanous, Minister for Major Projects,
Mr S. Sweeney, executive director, Major Projects Victoria,
Mr R. McDonald, executive director, corporate resources,
Ms P. Sanderson, chief executive officer, VicUrban, and
Mr A. Smith, deputy secretary, capital, Department of Infrastructure.

The CHAIR — I now welcome Mr Sean Sweeney, executive director, Major Projects Victoria; Mr Bob McDonald, executive director, corporate resources; Ms Pru Sanderson, chief executive officer, VicUrban; and Mr Alf Smith, deputy secretary — capital, of the Department of Infrastructure. Departmental officers are also welcomed. An hour has been allocated for this portfolio. I call on the minister to give a brief presentation on the more complex financial and performance information relating to the portfolio.

Overheads shown.

Mr THEOPHANOUS — I will try to be as brief as I can. I think everyone around the table would understand how important our major projects are. They inject a lot of economic activity into the state. We do so through both the major projects division that is within DOI and also through the work of VicUrban, so I will try to cover both of those areas. VicUrban helps to shape our city in a variety of ways right throughout Victoria. Of course, the major projects that MPV deals with are also very important.

I just want to briefly talk about some examples of major projects that are under way at the moment. Some are within the VicUrban ambit and others are within MPV. As you can see, Docklands is one of the most important projects that we have. It is a \$10 billion development bringing Melbourne on to the water. It is Melbourne's new waterway. It has already generated more than \$4 billion of investment. I will expand on this a bit later on as well. The private-to-public investment ratio in the Docklands is already 40 to 1, so for every dollar we invest in public funds, \$40 is being invested privately.

The Melbourne Convention Centre is a \$1 billion project. It will further develop Melbourne's waterfront city image. It will stimulate the Victorian economy by \$197 million estimated each year for 25 years in its operation. There are 2500 jobs over that period and 1000 jobs during construction as well.

It will achieve a 6-green-star environmental rating, which is a pretty phenomenal outcome, and it will include an Australian first — large public facilities with rainwater harvesting and a privately operated blackwater treatment plant as well. So from an environmental perspective it is a very important building. The project is on budget and is due to be open for business in 2009, so it is on time as well.

Mr WELLS — We will mark that one down.

Mr THEOPHANOUS — Mark it down.

Mr WELLS — We will mark that one down — it is on time and on budget.

Mr THEOPHANOUS — It will rival the world's best. The Melbourne rectangular stadium is \$256 million, and I will talk about this again later. We have revised the seating capacity over time on this in negotiation with the other players, and we are now in the process of finalising the final specifications in relation to that project.

Next I have some examples of major projects under way. The Melbourne Recital Centre and MTC theatre is a really exciting project. This particular project is currently running ahead of program, so we are very pleased with the performance on this program. Practical completion for both venues is due in December 2008 and we hope to see first performances in mid-2009, so that will be a pretty exciting time as well. It is a great new addition to Melbourne's infrastructure along the lines of the Melbourne Museum, the state library, the national gallery and the ACMI centre as well.

The Dandenong transit city is a very exciting project. It is 290 million, but it is forecast to attract 1.3 billion in other investments; 1 billion in private sector investment as well. Key benefits include 5000 jobs, 4000 new households, improved pedestrian amenity and reduced traffic congestion. This really is going to revitalise the centre of Dandenong. This is the one transit city which I am responsible for both as client and as delivering agent, so it is an important one for me.

In major projects, the milestones are shown on the next slide. The Royal Melbourne Showgrounds has been completed. The Australian Synchrotron has been delivered on time and on budget to world-class quality. MPV is still the operating agent for this for a little while yet until it settles in, but we are very proud of that one. The Melbourne Convention Centre — the last three are really milestones — we have done the bulk excavation there. With the rectangular stadium we have announced Grocon as the preferred tenderer, and we are in negotiation now

in the final stages. The Parkville Gardens conversion from the games village mode is complete, and it is now a housing project.

Moving on to the next slide, you can see how VicUrban is creating sustainable communities right around Victoria and right around Melbourne. There is not only Dandenong city and Docklands, which are two big projects, but there is also the Aurora project. VicUrban has 24 projects delivering a total of more than 30 000 dwellings, and 8000 of those are at Aurora. We are doing things in an environmentally sustainable way as well. There is now a sustainability charter which VicUrban works under. We are doing 6-star energy efficient homes, third-pipe recycled wastewater is going into our new developments — and a range of other such things.

Next is a chart which simply outlines Melbourne Docklands at a glance — the number of annual visitors, the residents and so forth. It just shows how that is going, and I am not going to go into it in great detail. I think we can probably move on to the next chart.

The key financials — the state budget delivered 3.3 billion to be invested in infrastructure projects across Victoria bringing to more than 13 billion the total investment in infrastructure. Over the past seven years the government has a record 16 billion in capital works averaging over 2.3 billion a year. We have more than doubled investment in infrastructure compared to the previous government.

The CHAIR — Thank you, Minister. I now turn to questions.

Mr SCOTT — In his speech the Treasurer outlined infrastructure spending of 13 billion over the next four years. On page 2 of budget paper 2 it stated that one of the Bracks government's financial objectives is to:

Deliver world-class infrastructure to maximise economic, social and environmental benefits.

Minister, you mentioned in your presentation that the Australian Synchrotron will boost the Victorian economy, and you also mentioned that it is still a responsibility of major projects now under this budget. Could you explain to the committee further, some of the benefits to Victoria that funding this facility will provide?

Mr THEOPHANOUS — Thank you, Mr Scott. This synchrotron project is of course a fantastic new project for Victoria. The government committed 157 million to provide the building in the first place and the partners have committed 50 million for an initial suite of nine beam lines. The commonwealth is providing \$14 million beam line funding through the National Collaborative Research Infrastructure Strategy.

I was interested to see an article by Michelle Grattan in the *Age* today suggesting that the federal government would give 50 million to the synchrotron over the next four years for half of the operating expenses of the synchrotron. I do really hope that the federal government does come in and assist in the ongoing operation of the synchrotron.

Some of you who know the history of the synchrotron would know that we did seek federal government support, capital support, in the original construction of the synchrotron, but we were not successful in that so this became a Victorian government project. But now that it has been completed, we have applied to the federal government to assist us in the ongoing operations of that facility, and it is important for us that the federal government comes to the party on that. We have been in protracted negotiations with them on the issue and we are still waiting to see a final decision from them.

In the meantime, as I mentioned earlier, the agency that is responsible for the operation, until handover of the synchrotron, is still MPV, which is doing that job very well. The synchrotron is now in its final stages. First experiments began in April 2007 and it will be open to general users in July. I am able to report that five state governments, 25 Australian universities, Australia's medical research institutes, CSIRO, ANSTO and New Zealand have come together to fund this unique research platform that will underpin Australia's and Victoria's innovation competitiveness and grow the businesses and jobs of the future.

The facility is expected to create 2500 direct and indirect jobs when it is in full operation, so it is a very important facility and it will link us internationally as well. Bear in mind that it is the only synchrotron in the Southern Hemisphere, so it will put our scientists ahead of the game in a whole range of technologies because of the capacity to use this facility for leading-edge research.

Mr BARBER — My first question will be regarding VicUrban and specifically the transition of Docklands to Melbourne City Council. The minister would be familiar because he signed off on the agreement

between VicUrban and Melbourne City Council. But my question is about developer contributions that have been made to VicUrban — they may have transferred in cash or they may just be contingent assets. How do I find out from VicUrban's accounts how much there is? How do Melbourne City Council and local residents get a say in how that money, or in kind, is actually spent?

The reason it is an important question is that normally a local council is responsible for developer contributions and for spending them, and that is highly regulated as to how that happens in the local government and planning acts. I understand it is not regulated, and that these are basically agreements between VicUrban now and the developers.

The CHAIR — We could try and focus that question on the estimates, but if the minister is happy to answer that, I will leave it to him.

Mr THEOPHANOUS — Perhaps I will answer in a general sense. Our relationship with Melbourne City Council is extremely important, both from the point of view of VicUrban and also from the point of view of Major Projects Victoria. The convention centre, for example, envisages a significant payment by Melbourne City Council towards that facility in enhancement of that facility as part of the project, so we are in cooperation with the Melbourne City Council on a range of those sorts of issues. There is a handover which is due to happen at the end of June, as I believe — 1 July I think is the handover date — when I no longer am, if you like, technically the local authority for the Docklands. I cease having that function through VicUrban.

Mr Barber, you might know I have never been a councillor and I have never been involved in local government as such, so being the local government authority is about the closest I think I will ever come to being a local councillor, but it is a huge — —

Mr RICH-PHILLIPS — It does not reflect your views of councils, does it?

The CHAIR — It is an independent perspective.

Mr THEOPHANOUS — Yes. That handover occurs on 1 July. There are technical issues associated with that handover, and I might ask whether Pru Sanderson wants to provide any additional details in relation to that.

Ms SANDERSON — The handover includes the handover of \$200 million-worth of assets at Docklands, so it is a very considerable asset base that is being transferred as part of it. I think the important thing is the partnership now between VicUrban and the city in terms of the running of Docklands and the community outcomes that we achieve for the precinct.

Mr BARBER — You call them assets, but when I am a councillor I know those assets are actually liabilities and are pretty expensive to maintain. What I am asking about is these real assets that your authority has got, which is agreements with developers for developer contributions. If they are not visible in your accounts, how do we find out about them?

Ms SANDERSON — Those agreements are obviously commercial in confidence to a large degree, but there are certainly requirements in all of those agreements to have community outcomes for the precinct, and that will continue to be rolled out as the precinct is developed.

Ms GRALEY — My question is about the Dandenong transit city, a project close to me and very important for the south-east. As you mentioned before, and as noted on page 130 — as note ^(as) — of budget paper 3, the project is referred to as the sole transit city that will be the responsibility of the Department of Infrastructure and therefore the Minister for Major Projects. Can you please advise the committee about the progress of the project, including any future plans and project funding?

Mr THEOPHANOUS — Yes, this is one of my very large projects. It is a very important project. It is different to almost every other major project I have got. It is different in the sense that it involves literally the revitalisation of an entire city. We are spending \$290 million on this. I did go down about a week or so ago when we launched the plan — the consultation plan; the draft master plan for the area — and it is a very exciting draft master plan. It is not the final story — I have to tell you that — but it is there for consultation with the community and with the local council and other important players.

If you have ever been down to Dandenong and had a look at it, there is a sort of section of the city to the left of the main highway which is quite developed and quite good and is working reasonably well. Then to the right there is

this older area which has become very dilapidated — it is not working, and the whole city is kind of split into two now. It has a significant number of issues associated with trying to bring this together into a major and vibrant city.

What we did was we took advantage of the fact that they are building EastLink, which will take a lot of the traffic that currently goes through Dandenong off the Dandenong route, which will allow us then to change the nature of the main road and reduce the traffic flow through there — make it more like an esplanade. Then we had to think about how we could have more pedestrian access from the railway station back up to the centre of the town. We need to build a new road as well, and I think there is a bridge involved as well — I am just trying to remember all the aspects of it. It is a very exciting master plan for the city.

But in order to do something like this, you cannot do it by just saying, ‘Well, let’s plan this out’ and ‘Let’s go and do it’. There are a number of other actions that you have to take. We have to acquire the properties, which is a major issue for us. VicUrban has been given the task of acquiring those properties. We are in the process of trying to acquire them all. Not all of them can be or will be acquired, if you like, voluntarily. There are some issues surrounding that, and we may require some compulsory acquisition as well, if we are going to implement the entire plan. There are also people who may be leasing properties at the moment, where even if we purchase the property we have to be mindful of the fact that there is a leasing agreement or arrangement in place. As you can see, even though we are prepared to put 290 million on the table in order to get this done, there are a significant number of issues that have to be managed through. But the final outcome is going to be really exciting for the city of Dandenong. I am very pleased at the amount of local and public support that has been provided to us in the program.

I can talk about the numbers. Just to mention some of them, we expect the 290 million to generate a further \$1 billion of investment from the private sector in a whole variety of things. I mean, the council itself wants to build new offices down there, and there are a number of other companies that have expressed interest in this as well. I cannot remember. There are at least 5000 jobs involved during the construction of this in a variety of different ways — quite apart from all the people you attract down there when you do something of this size. We are building at least 3000 new homes, so part of it is that, if you want to build vitality into a city, you actually have to bring people into it. It is no good just having commercial centres without having people around them, so part of it is actually building homes.

Again, under the charter that VicUrban has, it must do those homes in an environmentally appropriate way, it must allow for a certain amount of social housing and so forth. So this is a very exciting program for us down in Dandenong, and I think for the people of Dandenong. It will set Dandenong up as really being the second major city in the Melbourne area.

Mr DALLA-RIVA — Minister, your slide before showed examples of major projects under way. I understand that currently under way is the Melbourne Convention Centre development, which you have outlined in your overhead. I have in my possession a set of submitted plans that I understand to be the latest design of the convention centre. I am happy to provide those to you and to give a copy to the committee.

Minister, they show a significant modification from the outline put forward in the tender documents, and given that it is related to your portfolio — in particular the area that I have highlighted shows that the ‘Stage 01 - Level 05-19’ plan, which has some writing on it, if you examine that plan, it should have — —

Mr THEOPHANOUS — Are you talking about this one?

Mr DALLA-RIVA — The other side; that one there. The plan shows five additional storeys that the government appears to have allowed, which will each have 28 rooms or suites, meaning a total of 140 additional rooms. Can you confirm that this is intended to proceed, firstly, and will this generate a significant windfall to the hotel chain? The second component to that is that my understanding is that there has been a proposal put forward by Austexx Plenary in relation to the residential component proposed for the convention centre to be converted to a commercial activity. I want to know if the government has acceded to this request, and if so, what process was undertaken in terms of your role as the minister responsible. Also, if these modifications have been allowed, as I have produced to the committee, did they come after the tender process had been completed and had probity checks been finished?

Mr THEOPHANOUS — Thank you for providing me with some plans of a project we have plans of.

Mr DALLA-RIVA — We don't have them. Welcome to opposition, Minister.

Mr THEOPHANOUS — I have been there before, Mr Dalla-Riva. Thank you for your question. I guess the first thing, in relation to the extra five storeys on the hotel, this is a matter of public record, it is not anything new. It has been certainly discussed publicly, and I have certainly mentioned it publicly as well. The issue that I would indicate here is the following: this extra five storeys is a planning question. There are some planning issues. The developers have put in a planning application, and I guess, subject to the planning minister allowing it, then they will be able to build it, because it is the commercial part of the construction, it is not the actual convention centre.

But I make this point to you — well, I want to make two points. The first one is the very obvious one, that an extra five storeys and the additional rooms that you have talked about actually enhance the facility. Why does it enhance the facility? Well, you know what? When people want to come to a 5000-seat convention centre and go to a convention, they would like to be situated near the convention centre, and adding extra storeys onto the Hilton Hotel will simply mean that we will be able to provide accommodation — close accommodation — to the convention centre for additional people. That might help us to logistically plan for these very large conventions that we are hoping to get into Melbourne. So from a convention centre point of view this is a benefit; it does not take away from that facility.

The second point is that, as I have indicated to you before and certainly in the house, when these commercial arrangements were put together we required a payment from the developer in relation to the commercial use of the area around the convention centre. So the agreement that was reached was that they had to build the convention centre. We provided them with the funds to build the convention centre. The management of the convention centre will be by DIIRD, and we have got already contracts in the order of \$100 million worth of contractual arrangements that have been put in place going forward for conventions that we have already signed up for. So there is already work for the convention centre when it opens, and we are paying for the convention centre in terms of an agreement with the Plenary Group for the construction of that centre.

I might also say to you that the agreement with the Plenary Group is a kind of non-negotiable agreement. They have to provide the convention centre according to specifications for the contractual amount that is specified, and they have to do it within that contractual budget, so they take that risk.

But in addition to that I indicated to the house the very important point that they also gave us a payment for the use of the commercial area around the convention centre. That payment amounted to \$93.2 million. That \$93.2 million is the largest single amount that any government has ever extracted from a private sector for this kind of commercial undertaking. It is a very significant amount of money to the government for the right to be able to build the convention centre and then develop the commercial areas around it. So we do not walk away at all from the benefits that the convention centre has to offer.

In relation to the other matter you mentioned, which was about the change from — —

Mr DALLA-RIVA — Residential.

Mr THEOPHANOUS — Yes, from residential to commercial. I think the best way to put this is that no formal application has been made to me in relation to that matter, and consequently if and when such a formal application were made under the contractual arrangements that we have, any change has to meet certain contractual obligations and we would judge it against those contractual obligations. And as I understand it, no formal application has even been made to the planning department.

Mr DALLA-RIVA — There is letter, which I do not have multiple copies of — —

Mr THEOPHANOUS — Sorry, from whom?

Mr DALLA-RIVA — From Austexx to Mr John Phillips — DSE. And it is date-stamped from the Department of Infrastructure on 2 April, requesting the alter to the design. You may wish to look at that and perhaps take a second crack at the question.

Mr THEOPHANOUS — I will ask Sean Sweeney to answer that.

Mr DALLA-RIVA — Just on clarity, on that particular issue, was the modification to the plans to add the five storeys, was that before or after the \$93.2 million the government got?

Mr THEOPHANOUS — It was after.

The CHAIR — Are you going to comment on this?

Mr SWEENEY — Yes. This letter we have never received. It was wrongly addressed to John Phillips, who is in the Department of Sustainability and Environment, but for some reason the street address was Nauru House, where DOI is. We have an automatic letter-opening facility so it was opened, automatically stamped, and then when they went to sort it realised there was no John Phillips in the building and then forwarded it on to DSE, so we have not received that. I spoke to John Phillips a couple of days ago about this letter, and he was emphatic to say that they have not yet received any formal application from Austexx. He felt that this letter misrepresented where they were at, and we certainly — —

Mr DALLA-RIVA — I am not alleging that.

Mr SWEENEY — No, no.

Mr DALLA-RIVA — It's just the statement was made.

Mr SWEENEY — This letter follows a chain of events that are not explained here, and he was very clear to me that at this point in time they do not even have a proposal in front of them. I am not meaning to take his words here, but he felt this misrepresented where they were at and we certainly have not received any proposals to review.

Mr DALLA-RIVA — Can we get one of those electronic letter-openers in our electorate offices? We could avoid any responsibility. I think it is a great idea.

The CHAIR — I am sure it is to make sure that nothing comes through the mail we do not wish to — it is for security reasons.

Minister, as a passionate football fan and paid-up member of Melbourne Victory — —

Ms GRALEY — Soccer fan!

The CHAIR — It is football, actually. I refer to page 342 of budget paper 3 where it talks about the rectangular sports stadium which will accommodate a variety of sports including football, rugby league and rugby union. Could you please explain to us the 57 million funding that is there. You started to tell us a bit and you promised to tell us a bit more.

Mr THEOPHANOUS — Yes. Thank you, Chair. The Premier seems to give me these easy jobs to do, like bringing Tiger into Melbourne or building a rectangular stadium and getting that across the line. This is a project which is going to be a spectacular new facility for Victoria. We have never had a rectangular stadium facility of any real size in this state. Football, as you know — or soccer, as some other people prefer to call it — is becoming increasingly popular. In fact, amongst schoolchildren I think it is the preferred sport. I think a lot of parents, particularly mothers, prefer their children to play soccer because it does not result in as many injuries as AFL does.

Mr PAKULA — You would not know it from the way they roll around.

Mr THEOPHANOUS — There are all sorts of different opinions and I am trying to tread very carefully on this as a Bulldogs supporter.

The CHAIR — Just tell us about the stadium, Minister.

Mr THEOPHANOUS — Yes, I will tell you about the stadium. The extra \$57 million — perhaps I would explain it this way. The government approved a budget of \$189 million initially in order to build the stadium, which was meant to be a 20 000-seat stadium. That budget has progressively increased and is now \$256 million in order to build a much larger stadium — that is, to build a stadium of 27 750 capacity.

You will remember that the Premier has also indicated to Melbourne Victory that should it finally make the decision to actually play in the new stadium — which would be good, given that it is a soccer stadium; it is a combined soccer and rugby stadium — then we would consider increasing the size or that amount of 27 750 to a higher number. I should explain that if we do that we will incur additional costs associated with that as well. So just in case my opposition colleagues come rushing in at some point in the future and say, ‘Well, you said it would only cost 57 million but it might cost more’, that would depend on whether Melbourne Victory decides to sign up and play in the new stadium, and therefore we might increase the size of that stadium.

Can I indicate, Chair, that we are very keen to try to get a landing on this and we are in close discussion. There are a number of parties involved in this. There is Melbourne Victory; there is the MOPT, which will be responsible for running the stadium — that is, the Melbourne and Olympic Parks Trust; there is also the FFA, Football Federation Australia; and it also impacts on the operation of the Docklands stadium as well. So there are a number of parties who are involved in these discussions. They are very complex, difficult discussions, but I am hopeful that we will be able to make an announcement soon.

The CHAIR — Thank you, Minister. I am sure the supporters I know are very interested in this as well.

Mr WELLS — Minister, just on a procedural point, I would ask that the letter that was sent from Austexx to John Phillips be tabled, and can we have that incorporated into the *Hansard* transcript?

The CHAIR — I do not have a problem with that.

Mr THEOPHANOUS — That is a matter for the committee.

Mr WELLS — That is fine, so we will move that that be incorporated into the *Hansard* transcript.

Leave granted; see page 13.

Mr THEOPHANOUS — Could I also indicate, Chair, just on that that I will be happy to provide to the committee a further written response. I have not seen this letter before, so I will be happy to provide to the committee a response as to how it was trucked through.

The CHAIR — Thank you.

Mr WELLS — My question is also in regard to the Docklands Authority. I would be interested to understand what community infrastructure has been provided for Docklands in the 2007–08 budget. Will the minister point to new growth or new funding for schools, libraries, fire stations, ambulance stations, health services or centres, or other essential community infrastructure provided for Docklands in the 07–08 budget or forward estimates, please?

Mr THEOPHANOUS — Thank you, Mr Wells, for the question. Docklands is a very large and comprehensive project. It is a \$10 billion development. VicUrban is the agency that has overall responsibility for that, and I have certainly indicated that there are a number of aspects to it that VicUrban is working with at the moment in terms of the development. But it also has responsibility for the overall planning, including the sort of facilities that you have identified as well. I might mention one and then pass it on. There is in the budget papers, as you may be aware, funds for the Kangan Batman TAFE. The next stage of the automotive centre of excellence is in the budget papers, to build stage 2 of that facility — stage 1 is already there. That will be a really fantastic facility as an educational institution assisting the automotive industry in a whole range of skills development, research and so forth. We are very pleased to have been able to get that facility there.

But there are a number of parks and there are other facilities as well. I might just ask Prue to outline very briefly some of those other areas that we are involved in at the Docklands.

Ms SANDERSON — Certainly. The other components are not the stuff of separate allocations by government, because the VicUrban operating budget does allow for a very considerable amount of development of proposals on the community front. We have an action plan in train at this stage, and so it is not the stuff of requesting a government spend separately over this year.

Mr WELLS — How is that going to work? I mean, if there is a need for a school down there then whose decision is it to build a school?

Ms SANDERSON — Like all schools, it is chicken and egg, the need of a population base. That need might come at some stage but certainly not in the next 12 months.

Mr WELLS — So is that the same as for other community infrastructure such as fire stations, ambulance stations and health services? Are there no plans for any of those community infrastructure projects?

Ms SANDERSON — Certainly as the precinct is rolled out those will all be on the radar. The precinct is one-third of the way finished at the moment, so the population base is growing fast. There are 15 000 if you include the residents and the workers, but 15 000 people is not, I think you would appreciate, enough to necessarily at this stage support that kind of infrastructure, but when the development is rolled out over the next 10 to 15 years with the next two-thirds, then you start to get a critical mass for the site.

Mr WELLS — I just need to confirm that there are no plans at this point, and no funding attached to any of those community infrastructure projects that I have just mentioned?

Mr THEOPHANOUS — Just let me explain. With every development that takes place around the state that VicUrban is involved in, and indeed that major projects is involved in, there are always two elements to this. Some of the community facilities are negotiated as part of the development proposals, so they are provided by the developers themselves in a variety of circumstances, and that is normally the case for things like parks and other such facilities that you would want built into those sorts of developments. In VicUrban's case, if you take the Aurora complex for instance, it is requiring a whole range of things of those developers, which include third-pipe facilities, all of the roads and footpaths and a whole range of other things.

In addition to those facilities negotiated with the developer during the development stage, there are also government responsibilities for providing facilities to the community as they expand. The provision of schools, for instance, whether it be at Docklands or in any other growth area of the state, is something which is the responsibility of the education department and would be included when the education department in that instance decided to make a decision that a school was needed in that area and should be built. Then the education department would construct that school and be responsible for it.

Mr PAKULA — Minister, BP3 page 274 — I have a particular interest in the Footscray transit city. Page 274 outlines the additional funding to the Footscray transit city over the next four years. Could you explain, for the benefit of the committee, the funding of benefits for Footscray?

Mr THEOPHANOUS — I should explain in the first instance that I do not have the same kind of responsibility for Footscray as I do for Dandenong. I am not the client minister in this instance. In this instance the client minister is the planning minister. However, through VicUrban I am responsible for delivering the projects, or some of the projects at least, for the Footscray transit city to my client — in this instance my client is the planning minister.

What the government has committed to for the Footscray transit city is \$52.1 million over four years, and that was announced in the budget. The funding will provide for the revitalisation of central Footscray. It is not on the same scale as Dandenong, but, as you would appreciate, Dandenong is a much bigger city and also very much more run down as well. It will provide for a modern pedestrian bridge at the station, an upgrade of main streets in the town centre, including an extension of the Nicholson Street mall. I actually went to the commencement of that a couple of weeks ago. It involves the facilitation of development of strategic sites in the station precinct; a new one-stop planning shop for the marketing and development of central Footscray.

The benefits of Footscray transit city will include the first step in the revitalisation of central Footscray, which will attract private investment and development as well; greater employment in and around that area; a greater range of housing choices in central Footscray; improved retail and business facilities to cater for the needs of residents and workers; and better and safer public transport from those changes that we are making through an integrated centre. It will create a new community heart for Footscray. It is another one of the exciting programs under the transit city proposals.

Mr BARBER — Minister, I have something to read to you from VicUrban's website — in fact it is from the Aurora estate section, where they describe the features of the estate. It says:

All homes approximately 400 metres from a bus stop, and the majority of residents within 800 metres of retail centres and train station.

That was on its website all last year, up to, during and after the election. But during last year you announced *Meeting Our Transport Challenges* — or your government did — and it was made absolutely clear in that document that the spur line from Epping to Aurora was off, because it is not on the program out to 2030 under *Meeting Our Transport Challenges*. That statement has now disappeared from VicUrban's website. I saved a copy of the original page.

I suppose I could ask a few questions about this, but I think I will just ask: at the current moment what is VicUrban prepared to guarantee in terms of public transport provision for future residents of that estate?

Mr THEOPHANOUS — Perhaps I should first of all in answering your question say to you that this Aurora estate is part of us providing an appropriate level of affordable and available housing in and around Melbourne to keep the price of housing relatively low for Victorians. If we did not do this kind of thing, let me tell you the price of housing would absolutely skyrocket. Houses in the Aurora estate are very affordable. In fact you can get a house and land package in the Aurora estate for as low as, I think, \$260 000, which brings it within the range of working-class people.

Mr BARBER — Plus the three cars they now have to run.

Mr THEOPHANOUS — I might indicate to you that, first of all, the estate is very well positioned from a private transport point of view. We are not as frightened of private transport as you are, Mr Barber, we are happy to say that there is a really good freeway you can get onto just where the Aurora estate is, and you can be in the city within 20 minutes if you want to use private transport. However, there is also a bus service to the estate, even though the estate was actually only launched seven months ago, so already there is a bus service there into that estate as well.

But bear in mind that what we are trying to construct there is what you might call a major new suburb — it is 25 000 residents. At that size I think it is probably about the same size as probably Warrnambool. I think Warrnambool is 30 000 residents.

Mr BARBER — With a train line.

Mr THEOPHANOUS — They have got a train line, but no thanks to the previous government.

Mr BARBER — I give you credit, you brought it back to Warrnambool.

Mr THEOPHANOUS — Thank you. We did. I am not responsible for public transport, and certainly not for the train services that go right throughout our state or around Melbourne, but obviously what I am responsible for is building homes through VicUrban, making them available, making them affordable, making them 6-star — which I would have thought you would be pretty happy with — —

Mr BARBER — It should be the law.

Mr THEOPHANOUS — Putting a grey-water pipe into each of them, and so on. We are developing these projects. Public transport is one of the issues that we confront. As I said, there is a bus service available already, and I expect that the public transport will expand as the area expands.

Mr SCOTT — Minister, my question relates to the integration of the South Wharf sheds into the new Melbourne Convention Centre. Budget paper 3, page 305, states that the government is contributing 15.5 million for that purpose. Could you please explain to the committee what this means to the overall project and the government's contribution to it and what the green credentials of the project are?

Mr THEOPHANOUS — Let me first of all say I know we have been criticised for changing the convention centre project, but the original design of the project — I am not sure whether Mr Dalla-Riva's plans were the original ones or not, I did not have enough time to look closely at them — but — —

Mr DALLA-RIVA — I am sure you will.

Mr THEOPHANOUS — The original plan of the convention centre did not include the South Wharf sheds, which was a bit of a shame because if you know the area, the South Wharf sheds are the ones right on the river and of course they currently are being you as convention centres and so forth. It became clear in the

development of the project that the South Wharf sheds would not be viable in their operation as they were, but beyond that that the convention centre planning and the commercial area around the convention centre was such that it would mean that the orientation of the convention centre and especially the commercial area around the convention centre would be inwards, away from the river, because that is where the commercial developer was developing the area. So a decision was made to try to change that and refocus the whole development back onto the water. The way we did that was to seek to acquire the sheds from the existing owners and from the existing operators there.

It is never an easy process. Once you enter into compulsory acquisition processes, they are never easy processes, but you do it on the basis of broader objectives. On this occasion we have been doing this through the Land Compensation and Acquisition Act. The state valuer, the Valuer-General, has completed the valuations. This information has been sent to the Government Land Monitor to approve the initial offers that were made. It is trying to ensure a fair and transparent process. Initial offers have been made to most tenants with the Government Land Monitor approvals. The tenants have currently not accepted the offers that have been put but have requested payment of the initial offer as an interim payment.

The government has decided to process the initial payments while accepting that the offers have not been accepted at this stage. However, there is ongoing discussion taking place, and we are confident that we will be able to reach a decision or a landing with the various actors in this regard and we will be able to bring that into the project, incorporate the sheds within the project so that you will be able to walk along that area from the convention centre through the sheds with restaurants that will be sitting on the water itself. It will be pretty exciting project, but we do have to get through this difficult phase.

Mr RICH-PHILLIPS — Minister, I would like to ask about the role of Major Projects Victoria, or lack thereof, in water infrastructure. The Treasurer was here this morning and spoke about a number of water infrastructure projects. It just seems that there would be a lot of synergy between those projects and a role for Major Projects, given the agency's project management experience. I was just wondering if you could tell the committee why Major Projects Victoria is not involved in a lot of the water projects that are under way now and also if there is envisaged a role for Major Projects in the water projects that are currently under consideration by the government?

Mr THEOPHANOUS — Major Projects Victoria is in fact providing a resource to DSE, and I will ask Mr Sweeney to comment further on that. Might I say also, though, that there are processes which I am sure the Treasurer and the water minister have talked to you about or will talk to you about in relation to studies that are taking place about the kinds of things we might do in the future in relation to water development. It will always be open to the Premier and the government at some stage in the future, if the Premier decides, to provide a brief to Major Projects Victoria for any one of those new water projects that might be on the horizon. That is really a matter for the future, but in terms of the actual support being provided at the moment I might just ask Mr Sweeney to make a brief comment.

Mr SWEENEY — Your comments about the expertise that we could provide were virtually identical to what I said to the secretary of DSE. They are still, as I understand it, bringing together and mobilising their water projects office and we are currently providing three very experienced people into that office, and we are looking to, as the business cases they are doing and that work out, hopefully have a larger involvement once some of those business cases crystallise into actual projects, because we believe we have a lot of expertise across that range.

Mr RICH-PHILLIPS — Do you have any role currently with the various projects that are being handled by the water authorities? Are you providing any advice?

Mr SWEENEY — We are providing work to DSE, while they are, I think, managing the business cases. All I can say is I know a number of the water authorities are feeding into that or doing some of those business cases. We are providing project management and planning across the whole program at the moment.

Mr THEOPHANOUS — I think the complication also on this is that a lot of these projects are actually being done by the water authorities themselves, so they are not actually DSE projects as such. It is only when a project became a DSE project that then the Premier and the government would decide whether that project should be handled by DSE or should be done by Major Projects Victoria. We are in there, as we always are, bidding for those new projects.

Mr RICH-PHILLIPS — Just on that questions then, would it be normal for major projects to get involved with a project being done by a water authority, being a non-government sector agency, or would you only handle projects that are through the government sector, so you actually would not touch those in the ordinary course of business?

Mr THEOPHANOUS — As you know, Major Projects Victoria handles many projects which are done with the private sector — the Plenary Group is an example of that. So it would not be out of the question that a major project which — —

Mr RICH-PHILLIPS — But you are doing that on behalf of government rather than on behalf of the statutory body?

Mr THEOPHANOUS — Yes, we would.

The CHAIR — I note that I have put a question on notice before regarding your two portfolio departments in regard to application of resources and servicing this particular committee. That concludes the consideration of the budget estimates for the portfolios of small business, industry and state development and major projects. I thank the minister and the departmental officers for their attendance today. It has been a very good session. The committee will follow up in writing any questions taken on notice and request that written responses be provided to the secretariat within 30 days, and they will be put in one of our reports. I thank everyone from their attendance today.

Committee adjourned.



28 March 2007

Mr John Phillips
Department of Sustainability & Environment
Level 18
Nauru House
80 Collins Street
MELBOURNE VIC 3000

Dear John

Re: Melbourne Convention Centre Development

I refer to our telephone conversation today.

I confirm that after detailed consideration we have decided to proceed with an alternative design to that discussed with you last week.

We now wish to alter our design to include the following:

1. within the current approved tower, conversion of the residential use to office use;
2. reorientation of the tower building (being a better design solution eg to take advantage of views); and
3. the addition of a level of offices to the northern retail podium between the retail and townhouse uses. Related car parking spaces will be relocated behind the townhouses.

We understand that this design will be generally in accordance with the currently approved plans.

We also acknowledge your view that our development of the heritage sheds will be generally in accordance with the current planning controls and plans.

Therefore, we believe there is no need to request a planning scheme amendment.

We hope to be able to provide you with plans as soon as possible.

Yours faithfully

Amanda Johns
Special Counsel

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