

CHAPTER 5: DEPARTMENT OF INFRASTRUCTURE

Transcript of Evidence

5.1 Major Projects portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

5.2 Public Transport portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 14 May 2008

Members

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

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

Staff

Executive Officer: Ms V. Cheong

Witnesses

Ms L. Kosky, Minister for Public Transport,
Mr J. Betts, Secretary,
Mr B. McDonald, Executive Director, Corporate Resources,
Dr A. Smith, Deputy Secretary, Capital, and
Mr H. McKenzie, Director of Public Transport, Department of Transport.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2008–09 budget estimates for the portfolio of public transport. On behalf of the committee I welcome the minister, Lynne Kosky; the secretary, Jim Betts, whom I congratulate; Bob McDonald, executive director of corporate resources; Alf Smith, deputy secretary, capital; and Hector McKenzie, director of public transport. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings I remind members of the public they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers can approach the table if requested by the minister or her chief of staff. Members of the media are also requested to observe the guidelines for filming and recording proceedings in this committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. There is no need for evidence to be sworn; however, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript, and the committee requests that verifications be forwarded to the committee within three working days of receiving the proof version. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly — in other words, there will be no supplementaries, and reasonably short answers of no more than 4 or 5 minutes. I ask that all mobile telephones be turned off. I invite the minister to give a brief presentation of no more than 5 minutes — I may give you 7 minutes, if you like — on the more complex financial and performance information that relates to the budget estimates for the portfolio of public transport. Thank you, Minister.

Ms KOSKY — Thank you, Chair. This budget continues our biggest single ever investment in public transport across Victoria, so it fits in with the Meeting Our Transport Challenges plan which was delivered in 2006. We have got a proud achievement, since we came to office, in investing in public transport, and this budget continues to deliver funding for projects to really revitalise and reinvent our transport system. In order to further concentrate our efforts to increase capacity and alleviate congestion on our road and rail networks, a new stand-alone Department of Transport has very recently been created, and this really increases the government's focus on delivering transport solutions and integrating all of the elements of the transport system into a seamless whole.

Overheads shown.

Ms KOSKY — As I think everyone around the table is aware, we as a government are committed to investing sustained record levels of investment over the medium to long term whilst at the same time introducing some immediate and targeted measures to improve the system. We have had strong population growth right across Victoria together with strong economic growth, and this has significantly impacted on our demand for transport in Victoria over the past three years. It is adding to congestion on our roads and also to very significant increased patronage on our public transport system. So we have seen patronage increasing rapidly on all modes of public transport — on trains, trams and buses — and this slide actually shows the incredible patronage growth on metropolitan trains, and it also shows that Melbourne's trains are carrying more people today than they ever have before in Victoria's history. So that is quite a significant shift that we have seen in a relatively short space of time.

It is due to a whole range of factors, but obviously there is population growth, which has been very considerable in Victoria. We have got booming employment in the CBD so very large amounts of employment in the CBD, and obviously petrol costs have added to this shift to public transport particularly for travel into the CBD. So we are expecting on the metropolitan train system this financial year to have 198 million boardings. That is a growth of 11 per cent on the 06–07 patronage, remembering that for the last two years we have had 23 per cent growth and this is another 11 per cent on that 23 per cent that we are expecting. So you could say, Chair, that we are having significant growing pains on our public transport system, particularly our train system, as a result of the growth in the economy and our population.

We have also had growth in bus patronage, which is around 5 per cent by the end of this financial year, and obviously SmartBus and our investment in bus services has added to that. Tram patronage has grown at about 4 per

cent, which is higher than the annual growth rate of 3 per cent over the last 10 years. So across all modes we have seen that patronage increase, and it is not just in the metropolitan area. Figures show that in March more than 950 000 train passenger trips were made across regional Victoria. This is the highest ever number for V/Line services, and a 60 year high for Victorian regional rail. It is quite incredible — a 30 per cent patronage growth over the last 12 months. Obviously factors impacting on that are the growth in jobs in the CBD and the shorter time frame for people to travel from regional Victoria to the Melbourne CBD, and also strong population growth in the regional centres, which is where the government has really focused a lot of attention.

In the past year we have been delivering on the commitments we made in Meeting Our Transport Challenges. With rail, we have delivered on a whole range of projects including the electrification of the rail line from Broadmeadows to Craigieburn, which has been very, very popular. We have introduced more metropolitan and regional rail services. We have rolled out more park and ride facilities, and we have done work on the Dandenong rail corridor with Cranbourne stabling.

With level crossing safety, we have had a record number of level crossings upgraded over the last two years — 153 — and we are on track to achieve 46 this financial year. Last year after the budget we released the new level crossing safety package; \$33.2 million for further improvements on our level crossing system. I am pleased to say that the ALCAM (Australian level crossing assessment model) assessments have been completed and have been publicly released today.

With bus services, 66 bus routes have had their operations extended, and SmartBus is beginning. With taxis, we have had the new taxi industry standards put in place. We have also put in place some more immediate solutions, so whilst we have been delivering on some of those longer-term solutions in Meeting Our Transport Challenges, we have also been delivering some immediate solutions which will complement our comprehensive medium to long-term package. These include the duplication of track between Clifton Hill and Westgarth, the works at North Melbourne station, the metropolitan train radio system, the Cranbourne stabling for the Dandenong rail corridor triplication, and the new station on the Craigieburn line at Coolaroo. With buses, we are continuing to roll out a lot of services there.

Since last year's budget we have also put in place a number of additional measures. There is the early bird program, and I am happy to talk about that later if anyone wants some of the details. Route 401 is the North Melbourne to Parkville bus service. We have also introduced 400 new services over a two-year period through changes to our train timetables; and of course, there is the recent delivery of the congestion relief package Keeping Melbourne Moving.

In terms of the long-term, we obviously have the Eddington report which has been delivered to government. That is now out to receive public comments and submissions by 15 July. Over the past year we have also begun refranchising. There is the new ticketing system, myki. I am happy to talk about that at a later stage, but that trial is now under way, and a lot of the work has already been put in place.

The next slide shows the key financials in the budget papers. This operating budget is approximately \$3 billion. That is an increase of about 6 per cent over the 07–08 out-turn, and there is \$50 million in new initiatives.

The next slide runs through the initiatives in this budget, so the Dandenong rail corridor, Westall — \$153 million; the Laverton rail project; and the Craigieburn rail project. Those three are about removing bottlenecks. The country and passenger rail improvements are there as well. Very briefly, Westall and Laverton both include the construction of small sections of track, new platforms and additional stabling, which actually removes some of the bottlenecks that are there at the moment which will improve services along those two lines. Craigieburn involves signalling upgrading works and improvements to track design.

Other significant budget actions include the \$10.4 million for design improvements for the Epping line. We have funding to increase bus services along the Eastern Freeway to Doncaster; the \$14.7 million bus package for South Gippsland and the Bass Coast. There is a very major rail freight package which is identified in the budget. Last year it was \$133.8 million to buy back regional rail networks; this budget includes the rail freight support package of \$21.4 million, as well as the commitment to an upgrade of six lines which were identified in the rail freight network review for upgrading and maintenance there.

In conclusion, we have done a lot — an enormous amount — this year both in terms of delivering on Meeting Our Transport Challenges as well as on additional initiatives which go to the metropolitan and regional passenger

services as well as to the rail freight services to really improve public transport and to respond — obviously — to that incredible patronage growth that we have seen right around Victoria.

The CHAIR — Thank you, Minister. Now we will turn to questions. One of the issues the committee is looking at in more detail this year is getting an idea of the revenue forgone, and the subsidies and concessions contained in the budget and in the forward estimates. Could you outline to us the specific subsidies, and even implicit subsidies you might have, concessions, and revenue forgone within your portfolio and whether there are any changes to these this year?

Ms KOSKY — We have a lot of subsidies and concessions — —

The CHAIR — We realise that; that's why we asked the question.

Ms KOSKY — There are a whole range of groups that are entitled to concession fares in Victoria which includes, obviously, children under 15 years of age; primary and secondary students; tertiary students but not postgraduate students; Victorian Seniors Card holders; Australian pensioner concession card holders; Victorian health-care card holders; war veterans and widows; people who are legally blind; TPI war veterans; World War I widows; and companions of people with disabilities. The revenue forgone in this budget is \$123 million. Concession customers are actually not required to nominate their concession category when they purchase a ticket, so some might actually cover a number of categories — for example, children who are also students; and pensioners who are also seniors. Many are eligible across a range but they just identify which concession.

Obviously we also have the multipurpose taxi program and concessions provided there are approximately \$40 million worth. In relation to the Victorian health-care card concessions, changes made to eligibility for health-care card holders in January 2005 cost the Victorian government about \$78 million over a four-year period to ensure that low income people were eligible for that concession. The tertiary student concession card was reduced in 2007 to the same level as primary and secondary students — it is now \$8.80 for that card. That reduction was at a cost of \$87 million — sorry, it was reduced by \$87 per annum. It is at a cost of \$2.2 million. Then there are a number of other transport benefits that we have that I am happy to talk about later, which are really fare adjustments, not formal concessions.

The CHAIR — What about the early bird one?

Ms KOSKY — There are some other benefits: early bird, which is very early but is actually travelling very well — pardon the pun. That was a cost of \$6 million. That is free transport if you arrive at your destination on the train system by 7.00 a.m.; that has been run out across the system from April 2008 and it is estimated at \$6 million because obviously we do not know the numbers that will take it up properly at this stage.

The Victorian Seniors travel package was introduced in 2006, and that provides concession travel at all times on V/Line services, free travel on Sundays for seniors in metropolitan Melbourne and free travel on Sundays in select regional centres. That is at a cost of \$3 million per annum. And we have the Victorian pensioner travel package, which is a new initiative and the benefits provided to seniors in the Seniors travel package are being extended to Victorian pensioners who are under 60 and therefore who are not eligible for the Seniors card. This will benefit disability pensioners and this is forecast to cost about \$100 000 per annum. That is a new initiative in this budget.

The CHAIR — Thank you, Minister. Perhaps if the department could give us a list of those in a more detailed form and also point out which are the new ones and the changes, that would be great.

Mr WELLS — Minister, I would like to talk to you about replacement trains, and I refer obviously to the handout where you state that there are 18 six-car train sets on order. Are those 18 a net addition to the already 163 six-carriage suburban trains or are they replacements?

Ms KOSKY — Those 18 are new trains remembering that we are also refurbishing the six Hitachi — —.

Mr BETTS — Seven in total.

Ms KOSKY — The seven Hitachi trains which were already on the network. So there is refurbishment of the Hitachis but the 18 that are on order are in addition to the current fleet.

Mr WELLS — Do you have 163? Is that right?

Ms KOSKY — We have 165.5 six-car trains. Some operate as three-car sets.

Mr WELLS — That's fine.

Ms KOSKY — So we have 93.5 Comeng, 29 X-Trapolis, 36 Nexus which are Siemens. The X-Trapolis are Alstom, and 7 Hitachi.

Mr WELLS — Did the latest contract have an option for a further 20 six-car train sets?

Ms KOSKY — I will defer to Jim Betts in a minute, but when we originally did the further commitment of 10 in May 2007, we did that with the option for expanding that contract, which we do. I understand it is not unusual to do that so you can actually purchase then at the price that comes in at the contract and we expanded that contract in October 2007 to include the additional eight. My understanding is that it did go slightly higher than that in the original option, but I might ask Jim Betts to comment.

Mr BETTS — The supply contract provides us with an option to purchase up to an additional 20 trains at a pre-fixed price. Whether we exercise that option is entirely at the discretion of the government.

Mr WELLS — When will that option expire?

Mr McKENZIE — We will have to double-check. It is about June 2009.

The CHAIR — About the time the first ones are delivered, is that right?

Ms KOSKY — The end of 2009. Yes, when we are expecting the first one to be delivered and then they will be rolled out over the following year.

The CHAIR — Successively? Thank you very much.

Ms MUNT — I would like to ask a question regarding the country passenger rail network. In budget paper 3, page 322, there are just a couple of line items that I would like to draw your attention to. The country passenger rail network renewal and maintenance program over the next four years is around \$100 million and the maintenance and operation of V/Locity cars over the next four years is around \$23 million. I was wondering if you could just break down for me what that is for?

Ms KOSKY — As I mentioned before, I think V/Line is a real success story of this government. The commitment that we have made and the take-up by people right around Victoria has been quite extraordinary where we have both regional fast rail but also where we have opened some of the lines that were previously closed. We have obviously rebuilt the Ballarat, Bendigo, Geelong and Traralgon lines through the regional fast rail project, and we have re-opened Bairnsdale and Ararat lines. We have extended the network with new stations at Marshall past Geelong and Sherwood Park near Warrnambool, and we have also worked with the operators of the Overland from Melbourne to Adelaide and have been able to return rail services to Nhill — that is N-h-i-l-l rather what occurred before. Not the number!

Ms MUNT — Zero.

Ms KOSKY — But we have obviously opened up a lot of those lines. I think it is worth putting it into perspective: so there is capital investment that we have made but we have also delivered approximately 450 extra services per week, which when you think about it is quite extraordinary. Echuca, for example, went from just 4 services a week to 18, so that is a 350 per cent increase in those services. It actually means that you have a lot of people from Echuca who work in Bendigo or students who are travelling, and the timetable matches both the TAFE and university starting times, so that they can actually travel down on a daily basis. Previously they could not make that connection if they needed to make a daily trip.

Some of the other innovations that we have put in place are the counter-peak services to Ballarat and Bendigo trains so they arrive at the regional centres before 9.00 a.m., going in a counter-peak direction. We have also put late night services on a Friday, and I will be able to talk about it tomorrow. That has been an absolute boon for people in

regional Victoria who travel to arts events and other events down in Melbourne; they can actually get back on the same night rather than having to pay for accommodation.

We have improved our rolling stock. We have increased our rolling stock. Of course, we have 40 new V/Locity trains that have already been delivered. We are also refurbishing the Sprinter trains and some of the locomotive-hauled rolling stock. This budget contains \$40 million to bring forward the eight intermediate carriages for the V/Locity fleet. That brings our total commitment to 22 new carriages, because we already had 14 on order. They are being made by Bombardier. We are expecting, I think, the first of those 22 carriages in June; I think that is correct. And then they will be rolled out one per month — the intermediate carriages. When you consider that V/Line carried almost a million passengers in March, you start to get a sense of the growth in the system. Obviously the expenditure was necessary, but having made that investment the passenger numbers are increasing, so we are increasing the investment to follow.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the tram network. You indicated an increase in patronage is expected this year, and the budget papers show, target on target, about a 9 per cent increase in the new financial year. What increase in capacity has been made to cater for that increase in patronage?

Ms KOSKY — Through Meeting Our Transport Challenges we had identified more additional trams to be purchased at a later stage, but obviously across the network we have had patronage increases that are unlike any other jurisdiction around Australia. That has actually meant we have had to bring forward quite a number of projects. With the trams we had an unusual opportunity through the leasing of five trams from a town in France, Mulhouse. They had the five trams ready to go but the network was not ready to go. We actually secured that opportunity through Transdev, operating as Yarra Trams here. When I was overseas recently I had discussions with them and also with Alstom, which makes the trams, about the possibility of leasing those trams. We are doing that over a four-year period. They are much longer — they are the same as the longest ones we have already got in the system — so they take about 240 passengers. That would be more than 200 cars off the road, at \$24.8 million over a three-year period. It was a chance for us to bring forward the provision of those extra trams. Even if we were to bring forward the purchase, we actually would not have them in the system immediately.

Those trams will be allocated to route 96, which is the busiest — it has the highest patronage — and some of the trams that are currently on route 96 will be moved around the network. Two of the trams will be released from route 96 and utilised on route 86, which is Bundoora to RMIT and to Telstra Dome, servicing the Docklands. It means that on route 96, I think, all of the trams will now be low-floor trams. That is also the route where we have the highest number of level access platform stops, so it actually works to use them there. The first one should be rolled out into service in June of this year. The driver training is currently being done and some of the modifications such as air conditioning, which they did not need as much of in Mulhouse but is appreciated here.

Mr RICH-PHILLIPS — The rest of those will be phased in over the three years?

Ms KOSKY — No. They should be out — —

Mr McKENZIE — The rest of them should be due about the end of September, I would say; they should be all here.

Mr RICH-PHILLIPS — Have there been other increases in the network to date to address patronage, prior to that five you were talking about?

Ms KOSKY — Sorry?

Mr RICH-PHILLIPS — Have there been other increases to the tram rolling stock to address patronage to date?

Ms KOSKY — The most recent patronage increase has obviously been over the last two years; we are continuing to see that. Meeting Our Transport Challenges predicted growth of around 3 to 4 per cent in patronage, which is what was expected at that time, and we have just seen those incredible shifts because of a range of factors. This is the first opportunity we have had to actually respond to that. I should say it is \$24.9 million over five years, which is in the budget papers.

Mr SCOTT — Minister, I would like to refer you to budget paper 3, page 328, and the South Morang rail extension. Could you please outline how this fits in with the government's strategy for the Epping and Hurstbridge lines?

Ms KOSKY — What we have been able to do in this budget, which I am really pleased about, is to put in \$10.4 million to do the very detailed design works for the duplication of Keon Park to the Epping line. There is a whole range of different initiatives that we are putting in place for that line. The first two include the works that are obviously happening at Clifton Hill in terms of the duplication of track works there. That untangles one of the bottlenecks that exist there. That will help both the Epping and Hurstbridge lines. The second, which I announced in April, is to reverse the Clifton Hill a.m. train in the morning so that it travels in the same direction throughout the day, so it does not cross tracks as it enters the loop. That will be the second initiative, and that will actually provide for more services for the Clifton Hill lines. Stage 3 is obviously the duplication from Keon Park to Epping, and stage 4 is Epping to South Morang. This \$10.4 million will do the detailed design work for both stages 3 and 4 but particularly stage 3 in terms of the detailed costings, which will then allow us, in budgets coming up, to look at the investment.

We have brought that project forward from what it was in Meeting our Transport Challenges, which was 2016, and we will be able to proceed with that. But we have to do the detailed design work because you cannot go to tender if you have not done the detailed design work, and you need to have a very detailed assessment of the costings — and it is not until they actually get in there and do that very detailed work.

It is looking at how much of the track will have to be replaced, how much of it is still in okay condition, how much of it has to be replaced. There are a number of level crossing issues that need to be addressed as well, so there will be that detailed work. Also there are considerations around the station at Epping as well, I understand. There is a lot of detailed design work that has to go into it. That will be done over the next two years, but we hope to have the detailed design work for stage 3 completed by the end of this year.

Mr SCOTT — I wonder if I could have some clarification, Chair?

The CHAIR — Okay.

Mr SCOTT — What you are saying is that in the morning the trains on the Epping and Hurstbridge lines going through Clifton Hill would now go through Flinders Street rather than Parliament Station — is that correct?

Ms KOSKY — Have I got that correct? If you look at the presentation, it will be quicker than me actually explaining it. You see the Clifton Hill train coming along from Epping or Hurstbridge. It has to stop with an outbound train. You can see the number of crossovers that it does — that will be changed. This is only in the a.m. peak. In the p.m. peak it travels the same direction. It will be changed by shifting its direction in the loop. It might seem like an easy thing to do, but you are actually changing things for a whole lot of passengers, some who are happy with the change and some who are not. They have known it has been coming for some time. Removing some of those crossovers is how we have been able to have the 200 extra services — well, the 95 extra services that will be brought in later in the year.

Mr BARBER — Mr Scott catches the train every day at Parliament, I am sure. He will now have to go round the loop first or walk from Jolimont, which would be a good thing for him.

Ms KOSKY — It would be very good for him — or he could get a tram.

Dr SYKES — I refer you to chart B15 on page 378 of budget paper 3, which relates to the proportion of freight transported by rail. I understand the government has a policy of increasing the proportion of freight transported to and from ports by rail from 10 to 30 per cent by 2010, but as that graph shows there has actually been a drop-off between 2001 and 2007 from 20 per cent to 15 per cent.

What initiatives does the government have in train to turn that around, assuming that the objective is still to get back up to 30 per cent? Some examples that would be of particular interest to me are the expected completion date for the upgrade of the Mildura line, the improvement of interconnectivity between the rail lines and Melbourne ports, and, thirdly, how many train sets are you committing to for the forthcoming season? I think Tim Fischer's report recommended to have seven on stand by.

Ms KOSKY — That is about five questions there, I reckon, Bill.

Dr SYKES — I'm getting my money's worth.

Ms KOSKY — We set that target previously. As you would know, the drought has had a very significant impact on that target, because a lot of freight movements on the train system are to do with grain, and that has been a much more reduced harvest than any of us would have hoped for or anticipated. The freight is largely grain, so it is bulk grain, logs and other primary commodities such as meat and dairy products. The drought has had a really major impact, but obviously the condition of the rail freight network has had some impact in terms of encouraging different operators and producers to move to freight.

We have obviously made a major commitment, and you mentioned the Mildura line where we have provided \$53 million and the federal government provided \$20 million for the upgrade of that line. That is due for completion in late 2009. The works are progressing well at the moment. The works started at Mildura.

Dr SYKES — Has the dry weather been favourable to the works, Minister?

Ms KOSKY — The people who have been doing it have been very clever. They started work at Mildura, and then obviously when things heated up in Mildura they moved down to work on the Gheringhap section. Then a little bit later for the next stage, when it gets a bit wetter they will move back to the Ouyen–Mildura section when there are cooler weather conditions in the north. To date they are replacing two in every five sleepers. That gives you a sense of the condition. Approximately 1000 new sleepers are being installed each day as part of that project. That is coming along well.

You asked about the connection with the port. We have secured \$110 million in AusLink funding towards the construction of the Dynon Port Rail Link. That project is now under construction. I do not know whether any of you have driven past on Footscray Road, but it is an area that I am familiar with, and those of us who have travelled along it certainly know there is grade separation occurring there and are aware of the wait we have when there are a very long freight trains going through. That work is going along incredibly well at the moment.

Dr SYKES — Will that result in actually unloading off the train straight onto the boat, or will there still be the road connection?

Ms KOSKY — Alf would know.

Dr SMITH — It will provide two tracks into the port so that it should be able to greatly facilitate direct loading from train to ship, and vice versa.

Ms KOSKY — There are also other works occurring, so there are \$45 million works in conjunction with the Australian Rail Track Corporation to increase rail capacity from Tottenham into the Dynon rail terminals and the port of Melbourne, and the missing link — or the W track — which is \$7.1 million as well. There is a lot of work being done in terms of the link of freight and port, and a lot of that work down there is really necessary to stop the delays that have obviously been occurring.

Dr SYKES — So a completion date in terms of being able to unload off the train onto the ship? You can come back to us on that.

Ms KOSKY — We will come back to you on that. Obviously there is the commitment through the budget in relation to the gold lines that were identified in the rail freight review. We have made the commitment in this budget, and I am very pleased to say that Tim Fischer popped in and dropped off some gold flowers actually to thank me for the gold line.

Mr DALLA-RIVA — I hope they are recorded in the pecuniary interests. Clearly if they are gold they must be solid.

Ms KOSKY — They are still looking fantastic in my house, so I appreciated that, but he and the committee were obviously very pleased that we had moved so quickly — that we had put in the rail freight support package and then obviously the commitment around gold lines.

The CHAIR — Good to see us scoring gold in an Olympic year.

Dr SYKES — Is there a commitment to a number of train sets for the future grain harvest?

Ms KOSKY — I could talk about this for the next 3 hours. Yes, we have. As you would know, as part of the commitment we made in terms of domestic grain there was a commitment by Graincorp for two trains, and GrainCorp has recently signed up as a result of the \$20 million package that we put in place in terms of their freight access package, which related to both export grain and also to containers. GrainCorp has signed up with Pacific National or Asciano, and they have committed to eight trains across New South Wales and Victoria, and they have made a definite commitment to the number of trains we need here in Victoria according to the harvest. We had \$1.4 million for the domestic grain rebate that was announced earlier this year, I think, and \$20 million —

The \$1.4 million is from January to December 2008, and \$20 million for container and export grain is April 2008 to June 2010. That was really to give certainty to the industry so that they could actually then move towards making longer-term commitments, which GrainCorp had done, and, as I understand it, AWB are fairly close to their commitment, and that will then allow us to have discussions about what were identified as the silver lines in the rail freight network review.

The CHAIR — Are those subsidies worn by your department or worn by the Department of Primary Industries?

Ms KOSKY — It was government funding, so I put a submission. The money is in our budget.

The CHAIR — When you put your return in, can you include those subsidies in the return?

Ms KOSKY — Yes. Sorry we did not do that; we did it in relation to passenger.

The CHAIR — Yes, I know, but there are other subsidies in the rural area.

Mr NOONAN — Minister, I want to draw your attention to budget paper 3, page 325, which gives a description of the Laverton rail upgrade. You have also covered it in your PowerPoint presentation, including a diagram as well. What is in front of us? The PowerPoint explains what that upgrade actually involves in terms of design, but from my point of view I am perhaps interested in how it will benefit rail travellers. In particular I should declare an interest that, once it leaves Laverton and heads for town, it does come through my electorate.

Ms KOSKY — Yes. I travelled on that very line last Friday. I should declare an interest, because it actually travels through my electorate, but I suppose there are two lots of benefits that will develop from the works that are being done, and that is for people who travel right along the Werribee line. This line in 2007 recorded an increase in patronage of 11.5 per cent, so it is just an extraordinary increase. About 6800 people use that line to get to the CBD during the morning, and you are probably aware, as I am, that during the peak period it can be quite crowded. The work we are doing at Laverton is \$92.6 million. I have got a quick clip that I will show you on this, because it is much easier for me to show you than to explain it.

At the moment it is quite bizarre. The train comes through the Altona loop, which is A, and it has to stop if there is a direct line, and B is the V/Line train, and then C is a train coming from Werribee. Some of the trains from Werribee are express and some actually have to go through the Altona loop. You can actually see that, because the Altona loop, for some historical reason, actually crosses over the other lines — both the V/Line and the Werribee line for the platform — it just leads to delays. If you get one delay in the service, it just builds up along the service. With the change that is being made, a piece of track is being developed and there is also a new platform which will be put in place. You can see the track. They will have stabling at that track, so if you come around the Altona loop there is a new rail bridge as well. The train will be coming very shortly — it should be on time!

Mr WELLS — No, it will not be on time!

Ms KOSKY — It was just waiting for all those people down at Newport. It comes straight through, and you can actually see that it then does not create any blockages. It just irons out the system. It gets rid of some of the blockages. This had a very high cost-benefit ratio. At the moment — Hector, correct me if I am wrong — if there are four trains, three go through the Altona loop and one goes direct to Werribee. With this change, we should be able to have four through the Altona loop and four direct to Werribee.

Mr McKENZIE — Yes. I think you might have to say three via Altona.

Ms KOSKY — We might say three. So we can put extra services on as a result of getting rid of that blockage. I certainly know, as the local member, sometimes when the system is running a bit slow some of the trains do not do the Altona loop and that leads to other difficulties. This will mark a critical difference, and it will also save time. By adding those extra services for Werribee, it takes about 10 to 15 minutes off their trip, rather than going through the loop.

Mr McKENZIE — It should be about 8 minutes for the expresses.

Ms KOSKY — We are also putting in 698 new parking spots at Laverton and surrounding stations, so that means that we are increasing the park-and-ride as well. Construction is expected to start next year at the Laverton station and be complete in 2011. This will make a really significant difference for people right along that line and for V/Line trains as well.

Mr NOONAN — Which was the point of clarification; in the description it does talk about travel times and reliability of V/Line. Can you give some more detail on that?

Ms KOSKY — That is because V/Line uses that line as well, so at the moment the Altona loop train has to cross over the V/Line line and the other, so it actually blocks the V/Line train. It is okay if they are absolutely on time, but if you have had a problem, if someone has been sick on a train and there has been a delay, or if dwell times are slowing trains down — so people moving on and off trains during peak periods, slowing down the system — then it just has a knock-on effect through the whole system. So everything gets clogged up, and then you actually get those junctions where trains have to wait, and it just delays it even further.

The CHAIR — Thank you, Minister. I am very impressed by this. My mates down at the railway association in Glen Iris would well and truly welcome that.

Ms KOSKY — I could probably sell this.

The CHAIR — Have you been down there? You should go down there — —

Mr DALLA-RIVA — Is that in the budget paper, Chair?

The CHAIR — We are dealing with attacking train congestion.

Ms KOSKY — These are just better to show the story.

Mr BARBER — With regard to the processes of the refranchising, leaving aside timeliness, can you give us a bit of an idea of what the steps are? Obviously you have had to do a fair bit of work to work out what it is that you are refranchising and how you want to structure that contract versus how it is being structured. Then there is the actual tender process itself, where I presume you will not wait until 5 o'clock and then open the tender box and see what you got. Can you give us an idea of what those various steps and stages have been and will.

Ms KOSKY — We have got a team that is set up within DOI — DOT, sorry. I knew I would make that mistake at some point — DOT, Department of Transport, working closely with Treasury and Finance, but there is a whole process that has been put in place and there are obviously probity auditors very closely involved in that process as well. Where we are up to at the moment — you are right, there was a lot of detailed work done initially, but the work that is being done in more recent times — Jim Betts, when he was director of public transport, and one of the members of the team travelled overseas to look at a whole range of models overseas and how they go about the franchising process. The advice we are getting is there is a lot of support for the way that we are going about it, that it is very transparent, open and taking into account a whole range of the different issues.

As well, obviously, they have been speaking with potential bidders, but the stage we are up to at the moment is that the procurement phase of the project has now commenced. Expressions of interest were called in late April, and an invitation to tender will be delivered — sorry, I should say we have had a registration of interest phase, and that was complete in March 2008. Then we moved to the procurement phase, which includes the expressions of interest initially and then an invitation to tender, the tender evaluation and the negotiation and awarding of contracts. That occurs between April 2008 and July 2009. An invitation to tender will only be issued to short-listed parties, which will be given approximately four to five months to prepare detailed tenders. The objective is obviously to have the process concluded by the end of 2009. Then between August 2009 and November 2009 there is a transition to the new franchise agreements that will be put in place. It has obviously been important for that team that is doing the

work. I am clearly very much at arms-length from all of that process. I obviously meet with Connex and Yarra Trams in relation to day-to-day issues, which I would be expected to, but I am now very much at arms-length from that process.

Mr BARBER — Just for clarification, that invitation to tender document, which describes the thing they will be tendering for, will that be a public document?

Ms KOSKY — I do not think so, but I am actually going to seek advice here.

Mr BETTS — It is not our intention at this stage, subject to subsequent decisions by the minister, that that should be made public. However, we would be pretty clear that on the other side of the franchising process, when contracts have been let, subject only to excisions for strict commercial confidentiality that that document would be in the public domain in the way that normally government contracts are. We would also be looking to engage with various stakeholder groups, as we frame up the invitation to tender so that they are able to make inputs to that and help us frame the proposition.

Mr BARBER — So every industry bidder who wants to tender and pays their \$25 000 application fee, and all their employees and all their contractors, they are all going to know what they are tendering out for, but we as parliamentarians, let alone people who use public transport, are not going to know the service that will be defined after that time until you tell us what has happened?

Ms KOSKY — With the invitation to tender it is not absolutely specific in certain areas, but there are clear outlines for what we would want. Some of it is — —

Mr BARBER — Like a service standard?

Ms KOSKY — Yes, a service standard and issues such as that. So we also want to see what comes back in relation to the tenders, and there may be some changes that are then made on the basis of the tenders. I am comfortable to provide what I can, because a lot of it is information that is already in the public domain, I have to say. I just want to take advice in terms of probity and some of the commercial issues, but I am certainly comfortable. I accept what you are saying — that there should be a clear framework of the sorts of directions we are wanting to head in. I am pretty confident that we can do that, whether it be the full document or whether it provides, I think, the issues that the public would want to know about how we are framing up and what we expect of the service delivery.

The CHAIR — Thank you, Minister, for that assurance.

Mr PAKULA — Minister, in your answer to Mr Noonan's question you touched on the park-and-ride program. Budget paper 3 on page 328 talks about the stage 2 of the metropolitan park-and-ride program. Could you just expand on that for the committee and give us some information on where, other than Laverton, those additional spaces will be, particularly if there are any more in the western metro region?

Ms KOSKY — There is.

The CHAIR — There are other parts of Victoria, you know.

Ms MUNT — There is one in Cheltenham, for instance.

Mr PAKULA — We are about to hear all that.

Ms MUNT — Right; okay.

Ms KOSKY — You are being parochial. There is \$32 million in this budget to both improve Noble Park station and add a further 1700 new car parking spaces at 10 stations over the next four years. There is Laverton, which I have mentioned already, and there is Hoppers Crossing. There are 317 to be added at Laverton, 271 at Hoppers Crossing, 80 at Chelsea, 90 at Lilydale, 110 at Aircraft station, 55 at Cheltenham, 78 at Seaford and 209 at Berwick. This is part of a commitment we made through Meeting Our Transport Challenges, where we committed \$90 million over 10 years to construct 5000 additional car parking spaces. It is probably worth mentioning that there are 480 additional spots that have already been provided at Holmesglen, Tottenham, Cranbourne, Beaconsfield, Wattle Glen and Pakenham railway stations. Work has commenced at Eltham railway station. That

will deliver 140 new spots, and we are also well under way to deliver 200 additional spots at Hallam railway station.

The park and ride has been unbelievably successful and I think has also contributed to people shifting to the train network for travelling into the CBD. Also what we are finding is there are people who are non-commuters who are using those park-and-ride spots. Obviously our investment is in relation to the public transport network, so the department is investigating at the moment ways that we might be able to prevent people who are not commuters from using those spots so that we can actually attract more users. It is expensive obviously to provide the spots, and I think it has been really critical that the legislation that we did bring down does at least allow officers to control how people park in the spots. But they are very much for commuters, so that is being investigated at the moment, and we will look at what some of the possibilities are.

Also you would be aware that with the bikes announcement I made earlier in the year about the bike cages, we are looking at where they are located so that they can also assist, because these are critical places where people actually make the shift to public transport. So we are looking at a range of ways that we can encourage that. Bus timetables are also important, but the further out from the city you get, then people actually factor in the time that it takes for their trips.

Mr DALLA-RIVA — I will move on to the forward estimates. Minister, I refer you to the service delivery budget paper at page 125. Essentially my questions will focus around the taxi industry in particular. I note under ‘Quality’ and ‘Taxi service complaints investigated and closed’ that in 2006–07 there were 1758 complaints investigated and closed. The target for this financial year was 1700. The expected outcome is something around a 35 per cent increase, at 2300. The target is now set at the higher level of 2300, and if you look at the timeliness in terms of those complaints investigated and closed within 30 days of receipt, you will see that you set a target greater than 60 and that you achieved only 50. I will just put the question in relation to the recent issues we have had with the taxi industry, in particular some of the safety mechanisms. Firstly, were those complaints related to the issues of safety primarily? And, if they were, I understand there is a program that is about to be rolled out in respect of providing some more additional security for the taxi industry. In terms of the forward estimates, what allocation of funds is there for that? If there is none, how are you proposing to get those moneys, given that, I would suggest, the budget had already been drafted before you made that decision with the taxi industry and the relevant taxi drivers?

Ms KOSKY — Just in relation to the complaints, the Victorian Taxi Directorate investigates complaints made by taxi customers; so it tends to be customers. They have increased for a range of reasons. We have got more staff on deck now, but also taxi customers can lodge their complaints via a 24-hour phone service. They can do it in writing or they can do it over the internet. So we have actually expanded it and made it easier for people to lodge their complaints. Between July 2007 and March 2008 the VTD received 2377 complaints about taxis. Of those 2377, 1967 were investigated and finalised during that period. Some of them are actually relatively complicated matters, but the three most common complaints are about refusal by a driver to take a customer; poor service standards by the driver, including driver behaviour; and breaches of road rules by the driver. They are the three most common complaints.

I think this needs to be put in the context that over 35 million taxi cab trips are made each year. It is a very large industry with lots and lots of trips. The number of complaints is actually quite small compared with that. We have introduced a range of initiatives to actually address the complaints and improve the service delivery in the taxicab industry. The accreditation that was put through recently requires the industry to meet and demonstrate that it actually meets minimum standards that will improve the overall professionalism. We can now take action on operators — or the VTD can — if they are actually not meeting those requirements. Sometimes drivers pick up the cab and it is not in a condition when they pick it up to drive it — it is actually not their responsibility. Through this accreditation system we have got the opportunity to deal with that.

As well, as part of that accreditation there are issues around professionalism with the driver’s test that is in place. We have increased the number of transport safety officers from 9 to 36. That is making a huge difference. That has happened more recently. I think it is important to say — I know some people wondered why it had taken so long — they are put through, I think, certificate IV level courses, so they have actually got the sorts of skills that are required to investigate these complaints and actually take the appropriate actions. If they do not do it properly, it obviously then ends up further down the system, and the issues are not being dealt with.

In 2004 there was a taxi services customer charter that was introduced. The numbers displayed in the cabs as well as information at booking depots were so that people were actually aware of their rights.

In relation to the changes that we made recently, that I announced earlier, we had been trialling the safety screens for some time, working with the Victorian cab drivers association, which is actually quite a disparate group. It was quite clear to me that a lot of the taxidrivers that I met with were not aware at all of the drivers association. That is something that we need to address, about how we get information out to all the cabbies who probably rarely, if ever, meet with one another as a total group.

We had been trialling safety screens because there was a very clear view amongst cab drivers. Some like them, and it tends to be the evening drivers. Daytime drivers do not like them. New South Wales put in a screen that they have now had to take out. They put it in, I think, all their cabs. They have had to take it out because the cabbies refused to drive, because it actually separates them from the customer. That is one of the reasons why cabbies then like driving. We wanted to trial a screen that would actually work for all drivers, which is why it has taken some time to develop the screen and to get all the specifications ticked off. It is specifically designed for Fords, which is the large percentage of the fleet. It is removable, so it will meet all needs.

I have agreed to fund 50 per cent, which we can do from within the transport budget, so it is not an additional call on budget, for existing cabs on the basis that operators or owners actually fund the other 50 per cent. I have to say that previously operators have been very reluctant about providing these screens as well. There has been a lot of resistance because they have had to pay for them. So they have been absolutely reluctant. They have now, I believe, come to the party on it. So we will be paying 50 per cent. I think they are around \$1000 to \$1200 per screen. I am in the process of writing to the essential services commissioner as part of his review of taxi fares to actually look at how that cost can be incorporated, going forward.

Mr DALLA-RIVA — So there may be an increase in fees to cover that?

Ms KOSKY — There may be. I will take the advice of the essential services commissioner in that. It was my view that safety was a really critical issue. We were fortunately at that critical point in time where in fact we had taken delivery of a number on that day, to trial them so drivers actually get to test them properly to see whether they like them or not. It was fortuitous — that is probably a bad word to use, given the circumstances — but it lined up with when we were able to start to roll them out. They have just gone into production as well. It worked in terms of that time frame. I have to say I understand why cab drivers have been frustrated, because they do not understand why it has taken so long to deliver the screens.

You will have noticed in the paper that there are a number of cab drivers who are indicating they do not want the screens as well. I think the screens that have been developed now will actually meet the whole variety of needs, and we will not be in the position where New South Wales was where they had to pull them all out.

Mr DALLA-RIVA — So just in terms of the cost, roughly what do you expect it will be out of the budget? Is the taxi industry now under the Department of Transport?

Ms KOSKY — Yes. It is about \$1000 to \$1200 per cab.

Mr BETTS — There are about 4000 cabs, I think. We are paying for half of it, so it works out at about \$2 million.

Ms KOSKY — And that is maximum exposure. It depends on how many take it up.

Mr DALLA-RIVA — Yes, that is right.

Ms KOSKY — We worked it out on that basis. It is only the Fords at the moment because it does not fit the other cars.

Mr DALLA-RIVA — As you said, if they want to take it out during the day, they can?

Ms KOSKY — Yes, they can. It can fit in the boot. I think it was mentioned that one of the drivers indicated that if operators have got a number at the depot, we will not necessarily have to provide them for every cab. But we are currently doing the numbers on that and how it will work.

Mr DALLA-RIVA — I am sure the operators will work around it.

Ms KOSKY — I am sure they will.

Mr DALLA-RIVA — A financial solution.

Ms KOSKY — But it is actually good that they have come on board.

The CHAIR — Minister, in your presentation you mentioned level crossing safety. I know in the output initiatives — the government-wide one, interestingly enough, in budget paper 3 on page 290, that there is money not only in this financial year but also in the following financial year in terms of the level safety package. What is this going to deliver? How does it relate to the current program?

Ms KOSKY — We have done a lot around level crossing safety. It is obviously a critical issue. Since the last PAEC hearings and this one we had the tragedy in Kerang. As a government we have been investing a record amount in level crossing upgrades. Over the last two years we have had a record of 153 level crossings that have been upgraded, which is an extraordinary number. We are expecting and are on target to have 46 level crossings upgraded this year, and I think the target for next year is 45; it is around that figure. The upgrades include obviously boom gates, but they also might include moving from what is called passive protection such as signs to active protection, which includes lights, bells and boom gates.

The CHAIR — It does not include the rumble strips, does it?

Ms KOSKY — No. That is additional to that. In June last year I announced, or the government announced, the Level Crossing Safety Package. We have committed \$30 million over two years through the level crossing safety upgrade. This was another \$33.8 million, I think it was — over \$30 million — to put in place a range of other initiatives. There were the 200 rumble strips that we committed to rolling out around regional and rural Victoria, and they are all in place now. That has been a fantastic shift, and that has been completely delivered.

We are also putting in place the automated advanced warning signs. The original test site was at Warncoort. There are now four places where those automated advance warning signs are in place, and that will be progressively rolled out as well. We are focusing also on vegetation clearance; red light cameras, which are being trialled at the moment at a number of locations; and obviously increased penalties. The increased penalties have been announced, the legislation has gone through the Parliament, and they will be put in place. I think all the provisions have been proclaimed. We are putting all that in place.

But today, Chair, I released the ALCAM assessment — the Australian level crossing assessment model — which is being looked at by the deputy chair at the moment. At the beginning of the year I committed to releasing that list when it was complete. It has taken two years to do the work. It is based on a nationally agreed assessment, which is based on the likelihood of an accident and the consequences if there is an accident. It takes into account traffic volumes both on the rail and on the road. It takes into account weather conditions and the types of vehicles — whether they are vehicles carrying large numbers of people or whether they are single cars. So it looks at a whole range of issues, and it comes up with a number. The number becomes meaningless, except that what it does is give you a list in terms of the order of the risk.

The CHAIR — So it ranks them all.

Ms KOSKY — It ranks them in order of risk, understanding that the top-ranked ones all have boom barriers already in place. It means that the sorts of works we do at those level crossings are really about enforcement and ensuring that drivers are doing the right thing at those level crossings. That is actually where a lot of the enforcement activities come into play. When the red light cameras have been tested and tried they can be put in place.

The CHAIR — So you are just testing the cameras at the moment, like the ones at Springvale Road, for example?

Ms KOSKY — We are testing them at the moment to see whether they — —

The CHAIR — Because there is too much movement and rumble.

Ms KOSKY — You have to make sure they are absolutely accurate. A lot of vibration occurs, so it is different from having them at a road location. But also I should say that the ALCAM is a very dynamic assessment. For instance, I think eight level crossing upgrades will be completed in the next two weeks, so that will change the number for those level crossings. It is based at a point in time, and it will be changed as works are completed, but it does give all the authorities the clear information about the priority for the works that should be done, including local government, because quite a few issues are line-of-sight issues involving trees where you can have vegetation clearance, and that will change the number. But it gives that information. I was very keen to ensure that once all that work was complete that it went to local government for their input to say whether in fact things had changed since the assessment. That has now been provided. In releasing it today I made it very clear, though, that every level crossing is dangerous if people do not obey the rules. It is not an assessment of danger, but it gives a priority listing for the sorts of works that might be done to actually affect driver behaviour in a sense.

Mr WELLS — Minister, can I ask you a couple of questions about the myki ticketing fiasco?

Ms KOSKY — I do not know of a fiasco.

Mr WELLS — What is the anticipated capital and recurrent expenditure for myki in the 07–08 year and each year moving forward until its completion; what payments have been made to Kamco; and how much has the government charged the consortium in regard to late penalty payments?

Ms KOSKY — I may, with your approval, Chair, have Ray Van Kuyk, who is the interim CEO of the Transport Ticketing Authority, speak in detail about those issues.

The CHAIR — Certainly, if you wish.

Ms KOSKY — But just in responding, can I just say that you can have your fun calling it a fiasco, Mr Wells, but — —

Mr WELLS — Do you want me to call it a shambles rather than a fiasco?

The CHAIR — The minister, thank you.

Mr WELLS — I am happy to call it a shambles if you are not happy with ‘fiasco’.

Ms KOSKY — Let us just look at it in comparison with other jurisdictions, because sometimes we are a little bit too insular in the way we look these projects. Let us look at the London Oyster and the Octopus card in Hong Kong, which everyone raves about now. I have had many MPs come up to me and say it is fantastic. Let us look at the Octopus card in Hong Kong. Hong Kong announced in 1993 that it would move to smartcard technology. Between 1994 to 1997 it went live with the system, but it subjected it to three years of trials. The people there indicated to me that they had all the glitches happening out there very, very publicly, and their advice to me was ‘Do not do it that way’. On 1 September 1997 they went live. In the year 2000, non-transport businesses began accepting Octopus for payment, and then in 2001, Octopus was extended to trams. So it was not until 2001 that Octopus was extended to trams. London Oyster card: in 1993, they scoped the concept for the smartcard ticketing system. 2003 was the first phase of customer use; that is 10 years later.

Mr WELLS — Minister, based on that — why did you say it would be ready by 2007?

Ms KOSKY — Can I just explain? The phasing was basically by ticket type, the way they did it. In 2005, that was the last part of the introduction of their system, they did the Student Oyster and Child and Youth Oyster was made available. Likewise, there are all the other systems that have been introduced that have had difficulties because it is technically a very complicated system to deliver, and it is multimodal, so that creates issues. You do say, given its complexity, why did we set the dates, and I accept absolutely that point, and I think that if government has made an error — —

Mr WELLS — Based on that prior experience, the government still went ahead and made a commitment to 2007.

The CHAIR — Let the minister answer, please. Can you try to get on to the question and answer the question?

Ms KOSKY — If government has made an error, I think the error was accepting that we could do it quicker than any of the other jurisdictions, and I accept that. However, I think it is important to acknowledge that there have been difficulties because it is technically very difficult. Having said that, a lot has been put in place. The bus trial is now under way in Geelong, and it is obviously early days — that is a four-week period — and I will be getting the report back at the appropriate time. But I just want to make it clear that these are very complicated systems, as was RFR, and as I recall with the regional fast rail, it was the opposition who attacked us constantly over that, saying that was a fiasco. I think they would have been the words as well — —

Mr WELLS — Massive cost blow-out.

Ms KOSKY — I think the Victorian public — —

Mr WELLS — Massive, massive cost blow-out of \$80 million to \$900 million and you could not get any private sector involvement.

Ms KOSKY — The Victorian public are voting with their feet and think it is sensational. So sometimes you have to, as a government, take hard decisions, and they are hard projects but they are actually worth persevering with because you get the benefit at the end of it. I will ask Ray Van Kuyk to just comment. Sorry, Bob is going to do it.

Mr WELLS — Okay, so Bob is going to cover the issues of the costings?

Ms KOSKY — Yes, which are in the budget papers.

Mr McDONALD — As I understand the question, if I could refer members to page 138 of budget paper 3, under the output ‘Public Transport Infrastructure Development’. On page 138, the total output cost for 2008–09 includes the amount of \$114.6 million. That figure includes the amount for the ticketing cost of about \$48 million associated with ticketing. In addition to that, the 08–09 budget includes under ‘Assets’ around \$73 million, which you will not find in the output statements because these relate to the recurrent payments made and capital is included — —

Mr WELLS — That is what we are trying to get to. What is the capital component and the recurrent components today?

Mr McDONALD — The capital component that is included in the forward estimates that is inside the budget is \$73.8 million, and the reference to capital can only be found in budget paper 4. Capital payments are not itemised in accordance with the standard budget conventions.

The CHAIR — You can provide us with some, as necessary.

Ms KOSKY — And just in terms of the contract, TTA has reserved all rights under the contract, but it is actively working with the contractor to refine the schedule for the remaining project works.

I know there has been some confusion in the public domain about the costings around the project but there is a costing for actually developing the new ticketing system, and there is the costing for the operations of any ticketing system, whether it is OneLink or whether it is the new ticketing system, which is around 50 million per year. I think it was 18 months ago that the operation of OneLink was actually moved from Metlink across to TTA, which is why it looks like there has been an increase in budget when in fact it is transferred from Metlink in terms of the cost of operation to the TTA.

Mr WELLS — And the third part of my question was just how much you have charged Kamco in penalty payments for late delivery of this product.

Ms KOSKY — I did indicate that TTA has reserved all its rights under the contract, and it is actively working with the contractor to refine the schedule for the remaining project work. My understanding is — —

Mr WELLS — So how much has been charged in late payments?

Ms KOSKY — There have been no penalty payments.

Mr WELLS — There have been no penalty payments even though it is three years late?

Ms KOSKY — We can argue over how long it is late, but no, there are no penalty payments at this stage, and TTA has reserved all its rights under the contract.

The CHAIR — Ms Munt?

Ms MUNT — Thank you, Chair. The Frankston line, which goes through my electorate, was one of the lines where the early bird fare, or lack of fare, was rolled out as a trial, and I think it was a successful trial. You have mentioned that there has been an increased patronage of 36 per cent over the past three years. I am just wondering if you could let me know if the rollout of the early bird has had success in spreading that patronage from the peak times when it was getting a little difficult and consequently whether there have been any cost benefits from that?

Ms KOSKY — Obviously we ran the trial of early bird and following that trial on the two lines, I did indicate at the time that we saw both an increase in the number of customers in that pre-7.00 a.m. period as well as a transfer of customers. So there were 1500 users during that trial, and there were about 450 people of the 1500 users, about 30 per cent, who had shifted their travel. So on the basis of that it was our view, the government's view, that it was certainly worth running it out across all of the system. We announced a \$12 million package over two years for early bird right across all the 15 lines.

It is the very early stages at this point of time, but at the beginning of May, there were 7700 passengers a day in that timeslot — that is, the pre-7.00 a.m. timeslot — travelling to Melbourne using the ticket, and that represented an additional 2000 passengers a day travelling in that timeslot. What we have done is the analysis of the pre-7.00 a.m., and then there are 2000 more travelling at that time. We still do not know how many of those are transfers and how many of those are new passengers, but that is the equivalent of more than two six-car sets, so it is making a significant difference. Certainly it is much cheaper; \$12 million is cheaper than two six-car sets, although obviously we are purchasing trains at the moment. We have done with early bird as we are doing with a number of other initiatives such as the 401 bus, which has been a stunning success. It goes from North Melbourne to the university. They are small measures but they are actually making a huge difference. There are quite a lot of people who are taking up these options, and it just reduces the stress on the system.

I saw the guys the other day — and women — doing the load breach work; they are actually checking the loads at different stages of the day. We are expecting these initiatives to run through in some of those changes there. Certainly in November last year when we had the load surveys done — I committed to PAEC to do another load survey — we believe as a result of the timetable changes, the 200 extra services that were provided in October last year, that the load breaches had reduced. Each of these initiatives is making a difference while we are actually dealing with increasing patronage each year and an increasing number of people using the system. I think it has been very successful, certainly for the people who use it. They can save over \$1000 a year, so they are very happy.

Mr BARBER — Just on those numbers, it is possible that a lot of those early birders were people who previously drove their cars early and who now take the train early.

Ms KOSKY — It could be; so we are achieving two things. We are achieving a shift, and I have indicated that to find that out we have to do interviews with people, which is what we did with the trials, and we will be doing that. It is still very early days. We will be doing those trials. It is likely that some of those numbers are people who have shifted mode rather than shifted time, but we would see that as a positive as well because it reduces the congestion on the roads at a time when the public transport system is able to deal with it as well because we do not have the same numbers pre-7.00 a.m., so you are right.

Mr BARBER — They have to come back in the afternoon as well.

Ms KOSKY — You are right; they do, but if they start at 7.00 a.m. they tend to go home earlier.

Mr BARBER — At 3.00 p.m.

The CHAIR — Except for parliamentarians.

Ms KOSKY — It actually works well in terms of being outside the peak period on both occasions, unless they are parliamentarians who would be going back at 10 o'clock at night.

Mr RICH-PHILLIPS — Minister, I would like to ask you about performance indicators for bus services, particularly new bus services and when you are renegotiating existing contracts. Can you tell the committee what are the KPIs you lay down for bus operators? Do they include punctuality measures? With the new ones, will these KPIs be published in the same way as they are for train performance, and equally are there penalty clauses against bus operators as there are for train operators?

Ms KOSKY — Our bus network operates a little differently than the tram and train network. The bus system is largely run by private operators and has historically been run by private operators, so the arrangements are somewhat different. There have been a large number of discussions over a long period of time about who owns the bus routes.

The CHAIR — It went to the Supreme Court, if I remember rightly.

Ms KOSKY — It did go to the Supreme Court at one stage. It is a different set of circumstances. We obviously provide subsidies to bus companies to run particular routes, and we provide concessions as well. What we have done with the most recent contract review, which is being done in conjunction with the bus association, is develop a new set of contracts with Melbourne's bus operators, which make quite a number of very significant changes which go to some of the issues that you have raised.

The new contracts have been agreed by the operators and they are subject to finalising minor pricing issues with a small number of operators. But they are expected to be executed before 30 June this year. The legislation that went through the Parliament late last year, I think it was, actually set the framework for these contracts. The new contracts will have improvements in a range of different areas. They will include increased service planning flexibility and coordination between modes, so these are agreements we have with all the operators — new performance and incentive regimes. We are still to work through what they will look like because we have to get detailed information that we were not previously able to get. Governments over a long period of time have provided the subsidies, but we did not have the level of commitment we now have through these new contracts to get that level of information and therefore be able to put in place those new performance and incentive regimes.

There are termination rights in circumstances of continued poor performance. There is service continuity mechanisms if operators default or become insolvent — that has never been the case before. There is agreement to tender out the orbital SmartBus network, which is not considered to be owned by any of the particular companies in terms of the areas they operate in.

For the first time the contract prices will be determined through transparent processes that reveal the real costs of service provision and profit margins paid to operators. That will obviously be private information. That has taken a lot of discussion and agreement, but for the very first time, through these contracts, we will actually get the sort of information that is required. It helps us continue to grow the bus services, to direct the money to the services that are most needed and where they are most needed and best utilised. We will get a lot of that detailed information, obviously linking in with the other public transport operators. This is a real shift from what we have had before.

Mr DALLA-RIVA — You are telling me it is!

Ms KOSKY — It is a huge shift. It does mean that we will get the best value for money through these contractual relationships. What I would like to say is the bus association have been fantastic in actually working with all of their industry, and they have a whole range of different players, to be able to negotiate this contract through. I think it would be fair to say that, because we are as a government putting a lot of extra money into improvements in bus services, it was clear that we are very committed to the bus industry, so they were prepared to enter into the contracts in different ways.

I could not say at this stage if the KPIs will change from what they are, but over time we will actually be able to get much more information and be able to do - not the same things we do with franchises but similar things - in terms of rewarding good performance and obviously being able to take action where we are not getting the sort of good performance for the dollars we are putting in.

Mr RICH-PHILLIPS — You will be publishing that data going forward?

Ms KOSKY — Some of it will not be, particularly in relation to the profit margins paid to the operators — part of the agreement we have got in them providing it is that it will be provided through a third party.

Mr RICH-PHILLIPS — More along the lines of punctuality and those types of things?

Ms KOSKY — But in terms of punctuality — —

Mr BETTS — The punctuality figures are actually published on a regular basis at the moment through the department's *Track Record* bulletin. The circumstances the minister is describing mean those figures will become much more accurate and much more auditable. We would certainly be looking to publish those in the same way that we have done for trams and trains for the last nine years.

The CHAIR — The pricing stuff you are doing with them is almost like what the Essential Services Commission does with water and electricity.

Ms KOSKY — And the Essential Services Commission was involved.

Mr BETTS — It was, but remember that these are subsidised operators.

The CHAIR — I understand that.

Mr BETTS — It is a rather different set of circumstances.

The CHAIR — But you are talking about profit margins and things like that, and obviously the Essential Services Commission when it does its review of water and electricity does take into account all the costs, et cetera.

Ms KOSKY — I should also say that some of those performance measures are already in the budget papers, and they are in conjunction with the other train services and tram services. There is also customer satisfaction that is provided through that system.

Mr RICH-PHILLIPS — You mentioned you were finalising the performance incentives mechanism.

Ms KOSKY — Yes.

Mr RICH-PHILLIPS — Will that include performance penalties? Is it an incentive or a penalty regime?

Mr BETTS — The first task is to gather the information so that we can assess what the real performance is of the bus operators out there on the streets today, because we are not satisfied that we have enough information to tell us accurately about the delays out there. We need to improve that information. We then need to work with the industry to establish a baseline, a starting point, which is fair for it. From there we can potentially calibrate incentive and penalty regimes, but it something we want to work cooperatively with the industry on, not least because a bus driver often cannot control the traffic conditions in which he or she is driving. It has to be a collaborative process, but we certainly would like to get a regime like that in place.

Mr RICH-PHILLIPS — What is the time line to have these new contracts operational?

Ms KOSKY — By 30 June 2008 it is expected to execute those.

Mr RICH-PHILLIPS — And you will have all these issues resolved by then.

The CHAIR — That is good.

Mr RICH-PHILLIPS — Thank you.

The CHAIR — And they are in these indicators here that we have.

Mr BETTS — Yes.

The CHAIR — Particularly when the amount of money being spent on buses in terms of payments is going to exceed the payments which we have made for trains, and this coming year is the first time it is going to occur.

Mr SCOTT — Minister, I refer you to pages 322 to 325 of budget paper 3, and I would like to ask you about the bus services in the Doncaster area specifically. I would like you to explain the improvements in the bus

services for the Doncaster area and how they fit into the government's plans for better bus services for Melbourne overall.

Ms KOSKY — In the budget there was \$11.3 million for bus services for Doncaster over four years. That provides for eight additional buses, being very specific, and 20 extra services each day. That obviously adds to the work we have already done in relation to Doncaster with the SmartBus, and it is ahead of the work we are doing around the Doncaster area rapid transit which will be progressively implemented over the next two years. The upgrades will greatly improve bus services within the areas of Doncaster, Doncaster East, Templestowe, Donvale and Warrandyte. They are really about providing much better connections for people in Doncaster.

You are probably aware of some of the issues with Doncaster. They do not have the direct connection via train, and the reason for that is historical; it was not put through. There has been a lot of discussion with the people of Doncaster about whether that is the most cost-effective way of providing the sort of service they need to the CBD and connecting people from those communities. Certainly the Eddington report indicated that this is probably the better way to go, and this commitment is really to improve their bus services and the collection points.

I mentioned before that we were making major investments in buses, which is one of the reasons we are able to achieve the sort of detailed contracts that we have. We have committed to \$650 million through Meeting Our Transport Challenges, and since the middle of 2006 we have introduced service improvements on 66 bus routes across metropolitan Melbourne. That has resulted in more than 4500 additional trips per week, and it is one of the reasons why you are seeing the increase in patronage. We know that people will shift to buses if there are more frequent services and if they connect with other services, so a lot of the improvements have included increased service frequency to at least hourly every day of the week, new services and route extensions. At the moment we are undertaking reviews in a whole range of different metropolitan areas of Melbourne, so there will be a further 58 service improvements introduced by mid-2008 and then further improvements beyond that. Some of those improvements include extending the operating hours to 9.00 p.m., new bus routes, route extensions and increased frequencies. There are a number of select routes that will be upgraded to a minimum half-hourly service during peak periods on week days. Our bus patronage has grown by 12.8 per cent over the last two years, so because of these improvements we are making people are using the bus service. Often people think of public transport as trains and trams, but when you actually improve the service delivery, the connections and the frequency then people do move to that bus system.

Also, in the congestion package that was announced the other day there was a major commitment to road improvements for bus and tram priority. That will make a difference as well in terms of buses being able to get priority in certain areas. Again it adds to people feeling that they actually get a benefit by moving from car to bus.

Mr BARBER — Those 4500 trips you mentioned as a result of the improvements, are they 4500 bus trips or 4500 passenger trips?

Ms KOSKY — Bus trips.

The CHAIR — More buses, more often, obviously.

Dr SYKES — My question relates to level crossing upgrades, and I refer you to page 123 of budget paper 3. As you indicated earlier today you released a list of 1872 Victorian level crossings, but that list had no information for each crossing — apart from their location — on what level of protection they have and their Australian level crossing assessment model (ALCAM) risk rating. Previously you had released to every council a list of crossings within their municipality which listed the deficiencies of each crossing such as a lack of signage as required under the Australian standards. You will also recall that Mr Terry Mulder released a list of 143 of the most dangerous level crossings which even showed how many road users and trains used each crossing on a typical day. Why does the document today omit these other details that have been released previously?

Ms KOSKY — Just to clarify a couple of issues: previously when Terry Mulder released that document of 143 most dangerous — 'most dangerous' is just wrong. Every level crossing around the state is dangerous if people actually do not do the right thing. I cannot stress that enough. It was incorrect for Terry to say that they were the most dangerous level crossings. At the time I indicated that that was an interim list compiled by the department, having had discussions with a range of other authorities. It was an incomplete list that was developed in order that we could continue with the record investment we are making around level crossing upgrades rather than wait for the ALCAM assessment to be fully completed, which has taken two years.

Behind every one of those level crossings there are 30 000 pages of very technical, detailed engineering work. Those assessments were sent to the engineers in local government so that they could look at them. They are engineering assessments; they are not assessments that you would put out into the public domain because they are in engineering-speak, so to speak. That is why the list has been put out as it has. I may have misheard you, but it does indicate the type of treatment that they currently have.

The detailed information has been sent to councils — to local government — so that they can respond and, if they do work at those level crossings, they can update that information. But it is very technical, specific information. I do not know whether the implication is that I am hiding anything. I have not seen the detailed documentation, because I would not understand it. It is technical engineering work for each one of those level crossings.

What I gave a commitment to is that I would release the list. I will have to be absolutely clear yet again: it is about a risk assessment applied to every one of those level crossings. I think it is very dangerous to be talking about the most dangerous level crossings versus the others, because it actually gives the impression to people that, when they get to a level crossing that is at a lower number, somehow it is safe to break the law and to actually do the wrong thing — it is not. It is not in order of the most dangerous; it is a risk assessment on the basis of volumes of traffic — rail and road — and local conditions, and a number of other issues about vehicle occupancy as well, whether it is passenger train versus rail freight train, or whether it is a larger vehicle carrying quite a number of passengers versus a car or versus a truck. So it takes into account all those sorts of issues.

Some of the issues there will be line of sight. If you have got vegetation, it is very dangerous — and we have seen that with a number of the accidents — where there have been trees in the way. When they are removed there is reduced risk, because you have much greater visibility. Some of them are easier treatments and some are more costly treatments, but it is a working document that will be used across all of the groups.

I have got a press release in front of me, so I might as well respond to it. There is a comment here that we should release this information to Victoria Police and to other stakeholders. It has been; they have actually been part of the process of developing up this list. This is about the expertise we have around the country, rather than responding to having a political knee-jerk reaction. I understand there will be some politicians who use it to get the quick press release and have a quick whack, but I think when they do that, they actually need to think very carefully.

Mr WELLS — Name names!

Ms KOSKY — They need to think very carefully, because there are level crossings right around the state. We saw an accident recently where a person was coming from a farm to a crossing with very few rail freight movements. He actually said that normally the freight train did not go through at that time of the day; he said he made a mistake. You can have an accident at every level crossings if people do not obey the rules.

I cannot stress it enough, because the last thing I want to put out there is that it is safe to disobey the rules at some of these level crossings and not at others. It is exactly the same at any intersection around the state — any road intersection — if you run a red-light. It is more dangerous probably than running a red-light — a vehicle might be coming in at right angles — but on a train line it usually means the train is coming, and the train cannot do anything except go through. I just want to make it really clear.

The other thing is we have had record investments. To be a little bit political for a minute, I want to compare the investment we are now making — \$30 million per year over these two years — compared with \$3 million per year when the opposition was last in government.

Dr SYKES — Can I just clarify that the reason for asking that question was that there has been a lot of interest by constituents in this issue, and they have raised issues about vegetation, road surface and whatever. They would be very interested to know the basis for prioritisation of works, which is a risk assessment as a component of it, with the cost and the feasibility of fixing as another component. There is a lot of constituent interest in there about the basis for prioritising works, and when their particular concerns are likely to be addressed.

Ms KOSKY — We cannot give a time frame. ALCAM was never about having a time frame for the works that would be done at every level crossing. It was an assessment of risk, which made it a much more technical assessment, rather than, in a sense, just gathering information and making an assessment against objective and subjective data. This is a national model that has been developed, and local government obviously has information for their level crossings.

If MPs have genuine requests about particular level crossings, I can give them some of that information. The technical information is just unhelpful, except to the technicians, but I can talk people through about what the current treatments are. We are very transparent about our level crossing upgrade program. We nominate the crossings. Again, in the press release they are wrong about the number that we have actually committed to. It says 41 level crossing upgrades in 2007–08. In fact if the same person had looked at the budget papers they would actually have seen that it was 45, and we are going to exceed that figure as well.

I am happy to put out the assessment that ALCAM uses, the different issues that ALCAM is comprised of, because I think that is helpful and then people understand.

The CHAIR — I think that it would be useful to put out the model on which the process is based. Thank you, Minister.

Mr NOONAN — My question is in relation to the NightRider bus service. There is a descriptor on page 325 of budget paper 3 about funding being provided for additional NightRider services. I just wonder whether you can share with the committee what the additional component will be?

Ms KOSKY — This budget did include \$11.2 million over the next four years to extend NightRider services. NightRider has been unbelievably popular since it was introduced, and a large part of the \$11.2 million is increasing the frequency to services every 30 minutes. That will make a huge difference. At the moment they are hourly, and it obviously will reduce overcrowding and the waiting times, but I think also there will be greater numbers of people obviously using it, because it will come more regularly.

You probably only have to look at some of the issues that we have seen and the changes the government has made, say, to the 2 o'clock lockout. So NightRider buses are a great way for people to get home, get home safely and they probably modify their behaviour somewhat when there are others around as well. In addition to the frequency, additional services will be introduced to Cranbourne, Doncaster and Healesville, and it is probably worth mentioning that the NightRider services from the Melbourne CBD on the nine existing routes will increase from 93 trips on a Saturday and Sunday to 138 trips. There will be a new service to Doncaster, which I have mentioned, that will provide 12 trips from the CBD, the new Cranbourne service will provide 10 trips around the Casey area, and Healesville will provide 5 trips servicing the Yarra Ranges.

In terms of the numbers who use NightRider, 105 000 users in this financial year that are expected to use — sorry, between March 2007 and February 2008. That is a 15 per cent increase on the same period in 06–07, so again we are seeing incredible patronage increases. It is a fantastic service. It operates from the CBD between 12.30 a.m. and 4.30 a.m. and into the CBD from the suburbs from 12.30 a.m. to 3.30 a.m. on Saturday and Sunday. I am not one of those people who would be travelling into the CBD at 3.30 a.m.

Mr NOONAN — Nor me.

Ms KOSKY — But there are obviously a lot of people who do. It is just a fantastic service, and I think this will make a real difference. For young people, it means they do not have to have necessarily the designated driver, they do not have to grab a cab. It is obviously cheaper. It is linked in with the Metlink ticketing system, and it is a great service. I think it is a fantastic initiative, it will make a huge difference for young people, and we will see patronage continue to grow.

The CHAIR — That is very good. It stops just near my house, for my daughters.

Ms KOSKY — You will be able to get it at 3.30 a.m..

Mr BARBER — Regarding performance penalties for delays and cancellations of trains, my understanding of the way it works is there is the number of minutes of delay and then there is the number of passengers deemed to be on that particular service, and we multiply one by the other to get passenger-weighted minutes, but it is also how many passengers are waiting. With this spectacular growth in train patronage we have had, have those deemed passenger numbers also grown by 20 per cent over those two years when calculating the performance penalties?

Ms KOSKY — In terms of the weighting?

Mr BARBER — In terms of the deemed number of passengers to be on a service; it is not the same as it was two years ago, I presume?

Ms KOSKY — No. I will hand it to Jim or Hector, but in terms of the OPR it is a combination of different issues. It is the time delays, and it is weighted by different services, so obviously some during peak period have an impact on a greater number of people than later in the day. Hector or Jim, I am assuming that it has been — —

Mr BETTS — We review the weightings from time to time. The main thing is that there is a strong incentive for operators during the peak period when there are most people on the trains to ensure that services run punctually and that cancellations are kept to a minimum. We do not review patronage every year and then adjust the number upwards to a fine level of detail, because we do not want to penalise Connex for the mere fact of carrying additional passengers on the network. So it is not like we reset that number precisely every year, but Hector might want to add something.

Mr McKENZIE — The number was set up early on. A main point is to have an incentive that appropriately penalises heavily loaded trains against less heavily loaded trains. The intention is to ensure that when Connex has a choice as to whether it makes an operational decision to change one train or another, they are making the right decision on protecting, if you like, heavily loaded lines rather than lightly loaded lines.

Mr BARBER — But lightly loaded lines are also lines that run infrequently, like the Upfield line, which means they are more likely to cancel an Upfield train than a Cranbourne train, which means I will be waiting an extra 40 minutes instead of maybe waiting an extra few minutes on a frequent line?

Mr BETTS — I would not necessarily share your conclusion that that is the case. For instance, the Sandringham line is nowhere near as crowded as certain other parts of the network, but the frequencies are pretty good. So I do not think I would go with your — —

Ms KOSKY — I can attest to that in terms of the local members indicating that. You are operating on the basis that Connex actually does not have a commitment to providing a high-quality service. I am not suggesting that that is what you are saying. But they are, and they make calls if there are cancellations. But it tends to be where it will have the least impact and the time that it will have the least impact. The OPR system was set up when we had patronage at much lower levels. If you look at the increases, both Yarra Trams and Connex are now under a regime which in a sense penalises them because of the patronage growth we have had, and we know that the dwell times that they are experiencing really do slow down the system, or if someone is ill it slows down the system because of the numbers of people using it, and that is not something that they can fix.

There are changes they can make, and certainly what they have done in terms of the maintenance arrangements I would have to say has been fantastic. In changing the maintenance arrangements we have been able to have the timetable changes we have, which have provided a whole lot of extra services prior to making some of those decisions that I have made about the Werribee line and Clifton Hill. So we have been able to get a lot of benefit just out of them changing those arrangements and providing extra services.

Mr BARBER — When a train does not go through the Altona loop because it is running late and needs to make up time, is that treated as a cancellation, because it obviously is from the point of view of a passenger who wants to get on at the Altona loop? Is it a cancellation?

Ms KOSKY — It is penalty that they get.

Mr McKENZIE — We would have to come back with further and better particulars. It is not a full cancellation. It may be treated as a short run or something like that. There are some variations to it.

Ms KOSKY — I can assure you that the local member has followed up on it!

Mr BARBER — When they get the text message saying the train is cancelled, I get the same text message saying, 'Why don't you do something about that train being cancelled?'

Ms KOSKY — It is a very genuine issue for people on that loop, which is why some of those changes will actually benefit them but benefit people on the Werribee line as well. That will take a little bit longer, obviously, to fix. But I know there is a penalty for Connex, but we will get back in terms of how that is actually treated.

Mr PAKULA — Minister, last year there were some well-publicised incidents in and around Noble Park station. I notice both under ‘Asset initiatives’ and ‘Output initiatives’ in budget paper 3 there is mention made of some expenditure for Noble Park station. Could you just update the committee on what the expenditure is designed to do and the sorts of outcomes you are hoping to achieve from it?

Ms KOSKY — In this budget Noble Park station is made a premium station, and you are right, there have been issues around Noble Park station, not necessarily on the trains but around that area. So there has been quite a range of initiatives that have been put in place to deal with some of those issues. But just in relation to it becoming a premium station, it means that it will be staffed from first train to last train, seven days a week. So it will have staffing. It will have improved passenger facilities, such as enclosed waiting areas, and it will offer improved security and services for passengers. This brings the total number of premium stations to 72; it was 59 when we came to office, so that is, 13 extra. There have been additional changes also that have been done to Noble Park. In fact I was out there to do the launch. We have also invested in some works around particular stations to make them safer, and there are artworks that have been done at Noble Park — there is an underpass section — fantastic artworks that have been done by an artist in conjunction with lots of the schoolchildren. It is a terrific mural. Part of that is to beautify obviously the station precinct, but it is also to deter graffiti, which has been a major problem in that area, and we will continue to do that.

As well with Noble Park, Connex has instituted a change at a number of different, I suppose, hot spot stations. So it is not just on the trains, but it is actually in the surrounding areas. They have been working in conjunction with transit police, so in conjunction with Vicpol as well, and with the authorised officers, in having larger numbers of AOs at particular times when there have been difficulties so that they can operate on those trains but also to really quell some of the difficulties. But they are also available if people are worried about leaving the train to get to their cars in the parking spots. So Connex has changed their operations. We had to change the agreement that we had with them as a government, so they have been able to target some of those hot spots. My advice is that we have actually seen a reduction in incidents at those train stations. It is still early days, but we are seeing a decrease in the number of incidents at those areas as result of those changes. So it is making a real difference, and I know the people in Noble Park are very pleased with these changes.

The CHAIR — Just before I call on Mr Dalla-Riva I just ask if any of the witnesses have got their telephones on. Could you turn them off, because Hansard has had a problem with the phones. Even though you might have them in your pocket, they still interfere. Thank you.

Mr DALLA-RIVA — Just a quick question before I get to the substantive one. How many times as transport minister would you take public transport each week?

The CHAIR — I am not sure that is in the estimates!

Mr DALLA-RIVA — Just in terms of public transport services.

Ms KOSKY — It differs on different weeks. Last week I had six trips. I probably use the train more than I use the tram services, just because of where I live.

Mr WELLS — This is just not for the media; this is genuine — —

Ms KOSKY — No, that is very genuine.

Mr DALLA-RIVA — You do not kick people off the train when you go on it?

Ms KOSKY — That was actually a completely incorrect story that was in — —

Mr DALLA-RIVA — Sorry, did I raise something you know about? Sorry, I digress.

The CHAIR — I know you digress, Mr Dalla-Riva, but we probably should try and avoid those types of statements.

Mr PAKULA — You can ask next: how much is a pint of milk?

Ms KOSKY — Can I say, I use the system on a very regular basis. I catch it from home. I use it when I go out to different events. It is a very good system, and I encourage all MPs around this table and in other places to actually use the system. I actually see that it operates on the whole as a terrific service.

Mr DALLA-RIVA — Anyway I will get to the substantive question.

The CHAIR — You want another question, do you?

Ms MUNT — I thought you were going to tell us when you use it as well. Do you use it as well? When was the last time you did?

Ms KOSKY — I use it on a very regular basis, and I can say it is fantastic to use on the nights coming home from the Telstra Dome when the Bullies have won, which I have done on quite a number of occasions this year!

The CHAIR — Mr Dalla-Riva, can you get on with it?

Mr DALLA-RIVA — I am probably a little out of order, Chair, but anyway let us move on. I just go to the OneLink and the EOG Metcard program. I understand that it expired in March 2007. It has been extended for another five years on an annual basis. It relates really to the myki system, because earlier on in the initial discussion by the Deputy Chair when he raised the concern about the myki ticketing debacle, he raised some concerns that the evidence you gave is that the Oyster system in London and the Octopus system, I think it was, in Hong Kong have actually had a very long process or a long time frame in terms of when the initial project started to when it ends. I think it is in the vicinity, if I am right, about 10 years. Given that the myki system started in 2003 or thereabouts, I gather on your evidence given previously that you are assuming that the myki system will be completed in 2013, hence the reason why you have extended the OneLink EOG Metcard to possibly March 2012.

Given that it is in the forward estimates about the development, on page 137, how do you reconcile your earlier evidence about the other systems around the world that everyone admits are world-class, yet you suggest that this myki system will be completed earlier? I would suggest that the myki system may take 10 years. Do you have any comment in respect of that in the forward estimates?

The CHAIR — For the forward estimates, Minister, without the hypotheticals.

Ms KOSKY — I will stick by the time frames that I have publicly announced. I think you are incorrect in that assessment. All I was indicating was that it does take time. They are all different systems and they are different modes. The Octopus was one of the first to go. All of them have taken quite some time, and I am just pointing to the difficulties. What we do have on our side and why I still stand by the commitments I have given around the time frame is that we can access some of that knowledge now. I can access the knowledge that people in Hong Kong gave me to not do it the way that they did it, because they ran out the system with difficulties. With OneLink, that contract has been extended because there is a point at which you switch over to the other system, but we needed to do it for contractual reasons as well, I think, to that date. I am not assuming that we will have to use it to that date.

Mr BETTS — The extension of the OneLink contract from 2007 up until to 2012 was actually negotiated four years ago — in other words, before a contract had even been let by myki. It was a prudent measure put in place at that time. It does not reflect any subsequent developments in terms of the delivery of the myki project. There is no magic about 2012.

Mr DALLA-RIVA — In terms of myki, given it is in the budget paper, when do you expect it to be up and running and fully operational?

Ms KOSKY — I have indicated that we are doing a pilot at the moment, which is a limited pilot. It is testing quite a range of things, including the swipe-on, swipe-off facility, whether it can actually adjust for the different fares and it actually gives the right fare and the connection between the front-of-house and back-of-house material.

It is probably worth mentioning how much has already been rolled out in terms of myki. Just in relation to metropolitan rail, the work to accommodate the new myki ticket vending machines at metropolitan railway stations has all been completed. All the under-track drilling at metropolitan railway stations to provide the cable conduits

necessary for the future installation of devices has been completed without any disruption to passenger services. The majority work involving the relocation of electrical and data cabling at regional railway station platforms has been completed. In relation to country rail, all under-track drilling for the cable conduits has been completed, and the majority of works for the electrical and data cabling at regional railway station platforms has been completed. Over half the bus depots have been pre-wired. Three-quarters of buses and coaches have been pre-wired. All the tram depots have been pre-wired to support myki operations on trams, and 100 per cent of trams have been pre-wired to accept the ticketing equipment.

There is a lot that has been done. It is being trialled obviously at the moment. It is expected to commence in late 2008, so it will be rolled out in Geelong, to go live in metropolitan Melbourne in late 2009, and to be completed in 2010 because the regional aspects are the last to come on board.

I give those time frames but I have made it really clear since I have been the minister that we have got to make sure the system is working before it is rolled out. The difficulty that we have here in Victoria is we have essentially got five modes. We have got metro train, tram and bus and we have got regional train and bus. It is five different systems that we are trying to connect up. Because of our fare system that we have, which is unlike some of those other fare systems, it is all interlinked. You just cannot roll out one mode and then the next, because we have a fare system that operates across all of the modes. Unless I receive further advice — and I have not — and the TTA has still committed to those time frames, that is what we are operating on. Obviously at the end of this four-week trial we will have a closer picture of any issues that had not been anticipated and how well issues are working. That then forms the next set of work in terms of the rollout. There is a lot that has been done, but it is a complicated system.

Mr DALLA-RIVA — And the myki system has never been the debacle, in your view?

Ms KOSKY — I remember the saying — —

Mr BARBER — Anything involving computers is a debacle, including my laptop.

Ms KOSKY — Have you ever had a computer that has not operated according to — —

Mr DALLA-RIVA — No, but I sat through the public hearing with the Auditor-General before you sacked Vivian Miners.

Ms KOSKY — Is parliamentary services therefore a debacle?

Mr PAKULA — You sat through them. That is one way of describing what you did.

Ms KOSKY — You were the ones who said RFR was actually a debacle as well, and I think it is fantastic.

Mr WELLS — I did not. I said it was a fiasco.

The CHAIR — Back on to the questions. Ms Munt.

Ms MUNT — In budget paper 3, page 328, I have noted a line item for the Dandenong rail corridor, stage 2, Westall rail upgrade. That is a very significant amount of money. It is listed as \$151.1 million TEI. Can you explain what is involved with that project?

Ms KOSKY — I can. We have actually got another little clip, if it helps. No, we have not got Westall. I have got a handout, though.

The CHAIR — We will be happy to put it up on the Web for you.

Ms KOSKY — What the work of Westall does — it is part of obviously the commitment to the Dandenong rail corridor, and it stage 2, so in the last budget we had the commitment to the track work and the stabling work at Cranbourne. This is stage 2. What it will do is add a new section of third track at a very critical point in the Dandenong corridor and will also add stabling there at Westall. It means that trains can be stabled overnight and, similar to Laverton, they can start first thing in the morning from Westall rather than actually getting a train to that point in the morning before they can start. The third track will do similar things to Laverton in getting rid of some of those bottlenecks and where they cross over, as well as allow for that stabling. There are three

pedestrian footbridges along this section of track that will be built, and that will obviously be important for pedestrians to be able to cross the track.

If you look at this diagram — I always find it easier to look at the video clips — it actually shows where the existing parking is. New park and ride will be provided, and you can see where those pedestrian overpasses will be provided. You can see the new section of third track included there. It reduces the crossovers and allows for express trains, but it is really also for that stabling. It will allow stabling, Janice, for five trains at Westall. That will allow for additional services to be provided once this is complete.

I should say also that it will deliver important benefits for users of V/Line services as well. Again, similar to Laverton, for Traralgon and Bairnsdale and for rail freight it really provides extra capacity as well as for Dandenong, Pakenham and Cranbourne.

Mr WELLS — Minister, I am just wondering, in regard to V/Line and the rural and regional public transport services, is it correct to say that V/Line has made losses of \$23 million despite government subsidies which have increased from \$161 million in 05–06 to \$203 million in 06–07?

Ms KOSKY — Can you just give me the page numbers you are working from?

Mr WELLS — Pages 131 and 132 of budget paper 3.

Ms KOSKY — Where are those figures from, because the figures are not in here?

Mr WELLS — We have total output costs, then underneath rural and regional public transport, which goes over the page to total output cost down the bottom.

Ms KOSKY — You are comparing here payments that are made by government to V/Line.

Mr WELLS — Yes.

The CHAIR — Which is 272 for next year.

Ms KOSKY — Compared with the total output cost, so that does not include the fare box. I will need to seek clarification. There is a difference between those. They are payments made by government, and then there is the total output cost, and it also includes buses. That total output cost includes buses as well, and it includes capital assets charged, so it is not comparable. If I can — —

The CHAIR — I am not sure where you are getting the figures from.

Ms KOSKY — I will come back on the figures because they are different; they are not comparable in the way you are interpreting them.

The CHAIR — Minister, there are further figures up the page — namely, the second list for payments of 272 for next year and an expected outcome of 262 for this year; and then there is a previous actual of 256 in 2006–07. Are they the ones you are referring to?

Mr WELLS — Yes. Perhaps you could take it on notice. I am interested in getting a figure on the losses made by V/Line, also the fare box, and also the issue of payments made for V/Line train services.

The CHAIR — It is probably something we should ask in the outcomes.

Mr PAKULA — Chair, I am just wanting to know from Mr Wells where these losses are indicated?

The CHAIR — They are not here at all.

Ms KOSKY — They are not losses; it is just figures.

Mr WELLS — In answer, I am just asking for clarification.

The CHAIR — Do you want to know what payments are made?

Ms KOSKY — It is possible — I mean, I can provide from the annual report from last year; obviously for this financial year I will not be able to provide that until it is actually complete.

Mr WELLS — Sure, because the \$23.4 million V/Line loss was actually disclosed in the V/Line annual report in 06–07.

Ms KOSKY — Yes, and I am happy to get Bob to provide a clarification for that document.

Mr McDONALD — We do not have that document in front of us, but it is not unusual for an entity like V/Line. It all depends on how depreciation is actually funded. So in the accrual sense it might make what might be called a book loss, but in terms of cash, there is no loss on a cash basis, so it goes to the nature of the funding of the depreciation.

Ms KOSKY — We are obviously increasing their asset base as well, so that will have an impact.

The CHAIR — It is obviously something we will follow up in our financial performance outcomes.

Ms KOSKY — Yes, okay.

Mr SCOTT — Minister, I refer you to budget paper 3, pages 322 and 326, where reference is made to an improvement service package for South Gippsland. Could you please explain what this public transport service improvement package entails for South Gippsland?

Ms KOSKY — It is a \$14.7 million commitment that we have made for bus and coach services in South Gippsland and the Bass Coast. It actually includes major improvements to the premium road coach services from Leongatha and the Bass Coast, including Phillip Island; more frequent services between townships on the South Gippsland and Bass Coast highways; new and upgraded links from Leongatha, Wonthaggi and Inverloch, via Koo Wee Rup, to Pakenham; and a new cross-corridor connection between Koo Wee Rup and Pakenham. We will be working closely with local government and the community to get feedback on the timetable, and these improvements will be rolled out over the next 18 months. This is a commitment we made in May 2005: \$3 million over two years for detailed work to look at options for improved public transport services to South Gippsland. As you will probably recall, we had made a commitment in 2001 to reintroduce passenger train services to South Gippsland.

When the detailed costings were done on that, it was a package of around \$71.7 million, as well as additional funding to operate the service, which would have operated three return services a day seven days a week and would not have resulted in freight being transferred to rail. So there was detailed work that was done to actually look at whether this was the best option, whether this was, in fact, what the local community wanted, and as part of the research, working with local government down in South Gippsland. Some of the work that was done in a piece of research, that again the council was closely involved in, indicated that of all the people who responded to the survey — or respondents in the survey — only 20 per cent actually indicated that they considered restoring the train services to be a main priority, and that this would actually provide a lot more of the sorts of services that they would use locally rather than a train service that went from the CBD to Leongatha. That is why we have made the shift, because it was after that detailed work that we have done, and it is why we have made this significant commitment.

Mr RICH-PHILLIPS — Minister, I just seek clarification on the budget papers which Mr McDonald might be better placed to answer.

The CHAIR — We will see how the minister goes first. We will see how the minister goes first.

Ms KOSKY — What was that interjection?

Mr RICH-PHILLIPS — I said that Mr McDonald may be able to provide clarification.

Ms KOSKY — He is in trouble if he can't now, isn't he?

Mr RICH-PHILLIPS — On page 131 of budget paper 3, the output costs for the integrated metropolitan public transport is just under \$1.9 billion, and payments to operators — tram, train and bus — are roughly

\$970 million, so there is a \$920 million difference between what is actually paid for operations versus what is through the output group. I wonder if you could reconcile the difference, please.

Ms KOSKY — Bob can answer. He has sort of whispered to me, but he can answer.

Mr McDONALD — The predominant difference between the two figures that you quoted relates to the capital assets charge associated with the assets. As you probably recall, the capital assets charge was established some time ago when accrual accounting was introduced, and it represents the opportunity cost capital to government, and it is struck at a rate of around 15 per cent, which was also established back in early 1999, and it has remained unchanged from that time. So total capital assets charge across the whole of this sector is around \$969 million, and a good proportion of that relates to metropolitan infrastructure, which is around the \$750 million mark; and the other part relates to the rural part, the V/Line services, and that is included in the rural and regional public transport services output as the other part of the capital assets charge. That is predominantly the major difference. There are also the costs associated with Metlink, OneLink arrangements that are contained within that output.

Ms KOSKY — I could not have said it better myself.

The CHAIR — Minister, that concludes our consideration of the estimates for the portfolio of public transport. I have two questions on notice which the secretary will provide to you. I thank you and departmental officers for their attendance today. The committee requests that written responses to the matters that are on notice be provided within 30 days. Thank you very much.

Committee adjourned.

Transcript of Evidence

5.3 Roads and Ports portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 16 May 2008

Members

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

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

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr T. Pallas, Minister for Roads and Ports,
Mr J. Betts, Secretary,
Dr A. Smith, Deputy Secretary,
Mr B. McDonald, Executive Director Corporate Resources,
Mr G. Liddle, Chief Executive Officer, VicRoads, and
Mr T. Garwood, Executive Director, Freight Logistics and Marine, Department of Transport.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2008–09 budget estimates for the portfolio of roads and ports. On behalf of the committee I welcome Mr Tim Pallas, Minister for Roads and Ports; Jim Betts, the secretary; Alf Smith, deputy secretary; Bob McDonald, executive director, corporate resources; Gary Liddle, CEO of VicRoads; and Terry Garwood, executive director, freight logistics and marine, from the Department of Transport. Departmental officers, members of the public and the media are also welcome.

According to the guidelines for public hearings I remind members of the public they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach the PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in this Council committee room. All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and protected from judicial review. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript. The committee requests that verification be forwarded to the committee within three working days of receiving the proof version. In accordance with past practice the transcripts and PowerPoint presentations will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions related to the budget estimates. Generally the procedure followed will be that relating to the questions in the Assembly. I ask that all mobile phones be turned off, and I invite the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of roads and ports. Thank you, Minister.

Overheads shown.

Mr PALLAS — Thank you, Chair and committee members. The government's investment in roads is targeted at improving and expanding the existing road network. It is also aimed at making the network safer, reducing congestion, improving travel time and reliability, and delivering economic benefits through improvements to freight access.

Victoria's population is growing, as the chart would show, at an unprecedented rate. And you can see from the graph how we have outstripped Sydney and Brisbane. The demand on our transport system and our road network is also growing. This year's budget for the roads and ports portfolio reflects this. We are building additional capacity into the network, but we are also recognising that meeting the competing needs of road users does not always mean building more capacity; it means allocating our valuable road space more efficiently.

The 2008–09 budget includes almost \$770 million for new roads to upgrade existing roads, to improve road safety and to reduce congestion. Keeping pace with demand will be possible only because of the planning and delivery of significant road projects throughout the whole state. This slide shows the remarkable Middleborough Road project, which was reopened to traffic last year after an intensive construction period that saw the rail placed under the road in only four weeks.

The CHAIR — It was very good. I was there with the minister at the opening.

Mr WELLS — Which union do they belong to — that they are working that fast?

The CHAIR — It was near my electorate; that is why I was there.

Mr PALLAS — This landmark construction approach was undertaken to minimise disruption to traffic, train passengers and the local community, and involved work being undertaken 24 hours a day, 7 days a week.

Over the next few years a number of major investments will be completed. These include EastLink, which will open on 29 June; major upgrades to the Goulburn Valley and Midlands highways, due to be completed this year; the Calder Freeway in 2009; the Geelong ring-road; the Donnybrook Road interchange on the Hume Highway at Kalkallo; the Deer Park bypass from Sunshine West to the Western Highway at Caroline Springs; and the M1 upgrade, which I will address shortly.

The budget continues the government's commitment to upgrading key routes in Melbourne's outer suburbs to improve access and traffic flow across metropolitan areas. Projects to be funded include \$36.8 million to upgrade the intersection at Pound Road, South Gippsland Highway and South Gippsland Freeway in Dandenong; and \$48.5 million to duplicate Kororoit Creek Road from Grieve Parade to Millers Road at Hobsons Bay, including a grade separation of the railway crossing and an on-road bicycle lane.

The following slide shows a flyover of traffic modelling after the Monash–CityLink–West Gate upgrade is completed. The green cars represent those travelling at the speed limit, and the red are stopped cars. If I showed you the slide today, the vast majority of the cars would be red. The budget includes a further \$363 million investment along the state's busiest corridor, which comes on top of the \$1 billion already committed to this project — the biggest state-funded road project in Victoria's history. We are building more lanes, increasing road capacity by 50 per cent, decreasing casualty crashes by 20 per cent, and we are saving Victorians time and money through efficient travel.

Let me now turn to the key financials in the budget. The operating budget for 2008–09 is \$1.37 billion, which provides funding for key services and programs, including road and marine safety, vehicle and driver registration and licensing, road network maintenance and improvements, and freight and port development. As well as new operating measures, which I will detail shortly, VicRoads capital spend has more than tripled, from \$230 million in 1999 to \$887 million in 2006–07. The 2008–09 budget again demonstrates our commitment to delivering the best possible transport network for all Victorians, including \$224 million in funding for rural roads.

As our population grows so too does the number of cars on our roads, making congestion one of the biggest transport challenges we face in urban areas. This series of photos taken recently on the Monash Freeway shows how freeway traffic flows can break down within minutes. Between 2002 and 2007 there were also an additional 260 000 licensed drivers right across this state. Congestion is a complex issue that cannot be addressed either at a specific location or in isolation from a myriad of other factors. Our four key strategies to manage congestion are therefore, firstly, improving the reliability and flow of road-based public transport; secondly, making existing roads operate better; thirdly, improving service coordination, integration and customer interface; fourthly, promoting sustainable travel through better demand management.

Two weeks ago the Premier announced an investment of \$112.7 million over the next four years for congestion improvements, which includes \$12.6 million to standardise clearways, \$28.2 million for walking and cycling initiatives, \$37.8 million for targeted bus and tram priority measures and \$11.7 million to expand VicRoads rapid response services.

This chart shows some of the key points in terms of road safety history in this state. Since the introduction of Arrive Alive in 2002, Victoria has recorded its five lowest road tolls over the past five years, and an estimated 579 lives have been saved in Victoria as a consequence. Since 1999 the government has funded some 1927 road safety projects, which include a number of new projects fast-tracked out of the additional \$650 million committed over the next 10 years as part of the new road safety strategy, Arrive Alive 2008–2017. Our new strategy also includes a new focus on drink driving with drivers; introducing a peer passenger restriction for P1 probationary drivers; and electronic stability control and head protection technology — that is, side-curtain airbags — will be compulsory for all new cars from 1 January 2011 and 1 January 2012 respectively.

In 2008–09 around \$75 million will be spent on safer roads infrastructure projects right across the state, the majority in regional Victoria. The commonwealth government has committed to fund 22 transport projects in Victoria under AusLink 2, with 19 of these projects being ones that we had nominated in the state's AusLink 2 policy document, *National Transport Links — Growing Victoria's Economy*. This chart shows the range of those projects. The projects have a total value of commonwealth expenditure of \$2.715 billion, which equates to 18.4 per cent of the national transport funding commitments. Based on election commitments, the alternative under a Liberal government would have been 10.9 per cent. Victoria has proposed to contribute approximately 25 per cent of the total cost of the —

Mr WELLS — What year was that? Under a Liberal government? Which year are you talking about?

Mr PALLAS — That was the alternative offering at the last federal election — AusLink-funded roads to the state of Victoria — from the federal coalition. That is as a percentage of the total AusLink-committed funds to all states.

Mr WELLS — We will check the *Hansard*.

Mr PALLAS — Victoria has proposed to contribute approximately 25 per cent of the total cost of the AusLink 2 package. This budget locks in spending to start to meet this challenge, including \$110 million for the Princes Highway west duplication, \$65 million for stage 4B of the Geelong ring-road, and \$40 million for the Western Highway Anthony's Cutting. We were encouraged by the commonwealth's bringing forward of planning funds for many of the committed projects in this week's federal budget.

As well as road construction and maintenance, a key business function of VicRoads is the registration of vehicles and licensing of drivers. The budget contains a \$7.5 million investment towards the development of a more efficient and secure licensing and registration service for Victorians, as well as a further 16 million to improve VicRoads call centre response times and customer service performance.

Turning to port issues, we are also taking action now to meet the challenge of port freight with the channel deepening project in which over 3 million cubic metres of material has already been dredged while meeting all of the environmental safeguards in the environment management plan. We are also keeping our port competitive while we do the project, including a contribution of 150 million, reflected in this year's budget. The graph demonstrates that the port of Melbourne remains competitive with the other major Australian ports even with the introduction of the channel infrastructure fee, that being about \$34.65 TEU, including GST, for the project.

This budget continues to deliver on this government's commitment to building better and safer roads for all Victorians, relieving congestion and improving travel time reliability, enhancing on-road public transport and ensuring our road network is supporting the state's economic growth through reliable freight access.

The CHAIR — Thank you, Minister, for that presentation. We will now have questions from the committee for the next hour. I normally ask about concessions and subsidies, but we had a previous minister here and the department's paper was presented. If you have anything to add to that you can do it by a further note. I notice you have got some regulatory exemptions. Could you actually try to give us the cost of those regulatory exemptions which you did not cost in the questionnaire. You mentioned the Monash–West Gate project, and you said it was the biggest one that was undertaken under the public purse. I notice that in appendix A to budget paper 3 there is funding for that, and it is also mentioned at page 47 in budget paper 3. What is this going to do? What is the value for money in this particular project? What do people get for it?

Mr PALLAS — The Monash–West Gate upgrade is probably one of those projects that is critically important to the state's long-term viability, vitality and the economic capacity of the state going forward. As I indicated in my presentation, the increase in road capacity by about 50 per cent will have a dramatic effect on the flow of traffic. It will therefore provide for greater travel time reliability. There will be a decrease in casualty crashes on the road by 20 per cent, and it will save Victorians both time and money through more efficient travel. The cost benefit of the project is estimated at around 14 to 1, which is a significant benefit for the Victorian taxpayer. However, all of these benefits do come at a cost, and they cost more than the original estimates. The project now includes better design, less disruption to motorists during construction and more environmentally-friendly disposable waste. It also includes and takes account of historically unprecedented worldwide escalation in construction costs. We have made some changes to the design as well because we wanted to get it right. Our view is that we do need to get it right. It is our legacy to the future, and we do not want to cut corners on this. The Montague Street ramp will be closed from 18 May for around 18 months.

The CHAIR — There was an ad in the paper at the weekend, I think, for that — or was it yesterday?

Mr PALLAS — There is quite an aggressive advertising campaign because, if people do not make alterations to their travel arrangements, Chair, it could add as much as 10 minutes to their travel time. Being informed and recalculating their trips further out will effectively reduce that. We are taking the effort to also advise people that work is going on around them. It is currently a major work site, but it is also one of our major economic assets and roadways, so it requires a deft management arrangement to ensure that the traffic management skills are adequately put in place. We have now established that completed sections of the road will be able to be opened progressively, and the sections between Jacksons Road and Warrigal Road will now be likely to be opened in April 2009 and also completed Monash Freeway and CityLink sections will be due to be opened by the end of 2009. If you effectively calculate the cost benefit and incorporate that into the benefit to the community, the extra cost on

this project is about \$363 million and the extra economic benefit — putting aside the improvements in design — from just the early opening has a dramatic effect of about \$600 million in terms of economic activity.

The CHAIR — What is the revised cost-benefit ratio now?

Mr PALLAS — It is still, as I say, 14 to 1.

The CHAIR — I remember that figure; it is very high.

Mr PALLAS — It was higher than that. I think originally it was closer to 16 to 1 — it is because of the additional cost, but nonetheless there is a substantial benefit in terms of the efficiency to the community. For such a large capital investment it is rare that you get this sort of return.

The CHAIR — Is that higher than the average for VicRoads?

Mr PALLAS — On large capital investments?

The CHAIR — Yes.

Mr LIDDLE — For a project of this size that is a very high BCR. Normally on a large capital project it is two to three to four — in that two to four range. So this is a very good return.

Mr WELLS — My question is also with regard to the West Gate-Monash freeway project. I am just wondering if you could step us through the specific details of the \$363 million blow-out. I note with interest that it has gone from a \$1 billion project to a \$1.3 billion project because of the blow-out. That is the first part, if you could step us through the overruns; I know you stepped through a couple of them. Secondly, how much additional income will Transurban receive in tolling as a result of this widening project?

The CHAIR — They are two separate projects. Which do you want to focus on?

Mr WELLS — If you could focus on both, that would be great.

The CHAIR — I am sure it would be, but — —

Mr WELLS — Obviously there is going to be a greater impact on — —

The CHAIR — Sure, but the CityLink part is actually a separate project altogether, so do you want to answer the first question and then answer that one later?

Mr PALLAS — Chair, I think probably in fairness, given that we are dealing with them as an alliance project — —

Mr WELLS — It is the West Gate-Monash freeway project.

Mr PALLAS — I am happy to deal with the two aspects of the question.

The CHAIR — All right.

Mr PALLAS — Firstly, I suppose when we talk about this project, Kim, we do need to recognise that this government actually has proposed to do something in respect of Monash West Gate. The alternative government at the last election actually did not propose to do anything. So whatever the criticisms that may affect the operation of this proposal — —

Mr WELLS — Tell me you are kidding! Let us go back to the previous government. We had traffic lights on at Warrigal Road, for goodness sake!

Mr DALLA-RIVA — 1999 traffic flows.

Mr PALLAS — Whatever concerns you have about the operation of this project, they are substantially better — —

Mr WELLS — Are you going to talk about population? Are you are going to talk about traffic flows?

The CHAIR — One at a time, thank you.

Mr WELLS — You have got to be absolutely joking.

Mr PALLAS — They are substantially better than doing nothing, which was your remedy for the future.

Mr WELLS — Let us step through it: \$363 million — if you want to do it that way, let us do it. The first point — —

The CHAIR — Let him answer the question, please.

Mr WELLS — He is — —

The CHAIR — No, he is answering the question.

Mr WELLS — No, he was not. He was having a go at the previous — —

The CHAIR — Can you just let him answer the question, please.

Mr WELLS — Is he going to stick the question?

The CHAIR — He will.

Mr WELLS — He will? Okay, let us get on with it then.

Mr PALLAS — As we have indicated, at the time the project was announced we took a clear decision in terms of what we saw were the key deliverables in this project, and that goes essentially towards the road capacity. We were quite clear to the community at the time we announced this in Meeting Our Transport Challenges in 2006 that we would aim to increase the road capacity by 50 per cent and we would decrease casualties crashes by 20 per cent, and it would have a saving for Victorians, both in time and money, through efficient travel. So in respect of the design, those were the specifications that we were anxious to make sure were actually delivered.

Importantly, in being able to do that, the project did require quite an intensive review of the interchange arrangements, particularly the Montague interchange and the Bolte Bridge interchange. So we have spent a fair degree of time and effort working to make sure that we achieve the deliverables but also we get the best we can out of the design arrangements on those two interchanges, because quite frankly that is where the greatest efficiency in this road construction project lies. We have sought to ensure that we do this at the same time as providing as little disruption to motorists as we can, so we have invested further and additionally in the capacity to reduce disruption to motorists during the construction phase. That has a critical value in the sense that it allows the work to go on efficiently and safely, and it also enables, as a consequence of the arrangements that we have put in place, for it to be delivered in a staged process — so less disruption to motorists during construction.

More environmentally friendly management and disposal of waste is a contingent element of the revised project, and of course with worldwide costs escalating, the construction costs have also played a constituent part. We have consistently said that we want to be able to get this project managed in a way that means that we do not cut corners. It is the single biggest state-invested piece of road infrastructure as a project in the state's history, and we are committed to getting it right. Our view is that on the basis of the design we have got in place we have every confidence that Victoria will get the outcomes that were committed to at the time the project was undertaken.

Mr WELLS — How much additional income will Transurban receive in tolling?

Mr PALLAS — At the time that the agreement was struck with Transurban and they became part of the alliance arrangements, I do not believe there is any material difference since the introduction of those arrangements and since the announced alternative design arrangements, the reason being that we have been focused on making sure that the deliverables in this project remain consistent. Transurban, in terms of its contribution to this project, essentially put in \$166 million. The breakdown in the costs are \$737 million from the state, as it initially announced; \$166 million from the Transurban contribution; \$120 million for bridge strengthening work — that does not yet account for federal contributions; and \$363 million for the extra work that was announced recently. So it is \$1.386 billion.

Mr WELLS — Am I fair in saying that there has been no modelling or calculations with Transurban to find out what extra tolling it will receive as a result of these works?

Mr PALLAS — As a result of these additional works?

Mr WELLS — No, as a result of the project.

Mr PALLAS — As a result of the project from the point of announcement — do we have an answer?

Mr LIDDLE — I do not have the exact figure. There was some modelling done as to the uplift that would result from the project, but I do not have an exact figure here today.

Mr WELLS — What is the rough figure?

Mr LIDDLE — I do not know off the top of my head.

The CHAIR — Okay, we will take that on notice.

Mr WELLS — You can take that on notice and provide it to the committee.

The CHAIR — There was probably a vote made available last year.

Mr NOONAN — Minister, I wanted to ask you about congestion. You put up some slides on the Monash Freeway. But as part of this budget — and I note on page 14 of budget paper 3 tackling congestion — I wonder if you can outline how the government intends in terms of road management to tackle and manage congestion on our roads?

Mr PALLAS — Certainly I can. Congestion is one of the greatest challenges that confront our community. The Victorian Competition and Efficiency Commission identified this having a cost upon our economy of up to \$2.6 billion. That figure could triple effectively over the next 10 to 15 years if not addressed. Congestion of course is in many cases a by-product of a strong and vibrant economy. That does not make it any less a challenge or something that we need to confront, but it is certainly a demonstration that it constitutes part of the symptoms of success in many respects.

Melbourne is experiencing strong economic and population growth, which is contributing to increased congestion on public transport and roads, particularly during peak periods and the inner and middle suburbs. The extent of population growth, the rate of growth and its geographic distribution has exacerbated existing congestion. The economic, social and environmental costs of traffic congestion are significant. The government is committed to tackling congestion to minimise its impact on Victoria's livability and its prosperity.

The Premier held a round table in January of 2008 in which he sought to apprise himself of the views and concerns of key stakeholders in this area. Representatives from a wide range of community public transport, road, business and local government organisations came together to identify practical solutions to improve traffic flows. This round table reinforced the view that congestion is a crucial issue, particularly in inner Melbourne and that there are no easy answers.

Four key strategies associated with addressing these issues are, firstly, to improve the reliability and flow upon road public transport; secondly, to make existing roads operate better — that is, to maximise the value of the existing asset; thirdly, to improve service coordination, integration and customer interface, so effectively people have a clearer appreciation of how the system is operating and what their choices are; and finally, promoting sustainable travel through better demand management.

The \$112.7 million Keeping Melbourne Moving package, announced on 29 April, focuses on these four strategies and it will assist in reducing congestion across the road network. Keeping Melbourne Moving will greatly assist and also ensure that road-based public transport is and remains a viable option for people to take up. About 88 per cent of all public transport services are actually on-road public transport. Keeping Melbourne Moving therefore seeks to provide tangible and realistic benefits. I will give you an example. If you look at tram route 109, the extension of the three clearways in the afternoon period is estimated to provide an average saving of around 400 tram hours in travel time each year. On Hotham Street, bus routes 216 and 219, the extension of the afternoon peak clearway is estimated to provide up to 2 minutes per bus additional time savings. Clearways are a key feature

of a modern and successful city. We have provided \$12.6 million to be spent to standardise clearway times on arterial roads in the peak direction in the 10 kilometre radius of the CBD. The new times will be from 6.30 a.m. to 10.00 a.m. and from 3.00 p.m. to 7.00 p.m. It is important to note that counter-flow clearways will not be affected — that is, counter-peak clearways will not be affected — during the operation of these standardised clearways coming into effect.

The Keeping Melbourne Moving package also includes \$28.2 million for cycling and walking infrastructure; \$37.8 million for targeted bus and tram priority measures; and \$11.7 million for VicRoads rapid response services to assist with breakdowns. I think this is a little known but a particularly important element to this package. One of the things we are finding is that when you have breakdowns on freeways, and VicRoads up until now has essentially provided this capacity on freeways only, if you do not get in and resolve that blockage quickly — it could be a broken down truck on the West Gate or any other part of the freeway network — then we have a rapid response unit in VicRoads to deal with it. But on the arterial road network we do not have a similar facility. We are going to increase our investment. The thinking is that if we get that response in place, it will stop the congestion effectively clogging up the rest of the arterial network and ensure that we get smoother and efficient operation of traffic flows, and stopping a flooding of banked up traffic right across the network.

We will also put in 3.4 million to better manage the impact of roadworks. That will essentially be a responsibility of VicRoads to make sure those network operations, where it is roadworks that are undertaken by either VicRoads or councils, do not unduly adversely affect the congestion affect, even though they are working towards a substantial benefit in terms of improving the operation of the road. There is \$2.2 million to improve the efficiency of tram route 6 on High Street, Malvern, and also route 96 in East Brunswick–St Kilda, and \$16.8 million to provide more information to motorists to help them make travel smart options, so that is greater interaction with motorists, giving them greater appreciation of not only how the arterial road network is operating but what their alternative choices are in order to get to where they need to go.

Mr RICH-PHILLIPS — Can I take you to page 139 of budget paper 3, and the targets for pavement resurfacing. You will see that for metropolitan resurfacing you are targeting a much lower level of metropolitan resurfacing for the 08–09 year compared to the current financial year. There is a note to the effect that for 07–08 there was a needs assessment and that the increased work was as a consequence of that needs assessment, but we are now going to revert to a target that is actually much lower than the previous year's target. I am wondering if you can explain to the committee has the work that was identified in that needs assessment been completed — i.e., is there any outstanding work against that — and which projects will be delayed as a consequence of that 35 per cent cut in the target for metropolitan resurfacing this year?

The CHAIR — Minister, there is a footnote of course, which says that there is a transfer from metropolitan to regional, but there are a number of other issues which have been raised there.

Mr PALLAS — Obviously in the budget there is a substantial increase in terms of the maintenance allocation, but in terms of the response to the specific issue associated with the resurfacing and targeting, I will hand over to Gary.

Mr LIDDLE — I think, as the note says, it was recognised over the previous years that there had been a need to do some more works in the metropolitan area, and as a result we had increased our spend on metropolitan resurfacing. That resulted in our getting a much higher smoothness, if you like, to the road network in Melbourne, and we have achieved what we set out to achieve. In the coming year, in 2008–09, we recognise there is a greater need in regional Victoria than there has been in the previous two or three years, and so the prioritisation for that resurfacing has shifted to regional Victoria in 2008–09.

Mr RICH-PHILLIPS — Are you able to identify which projects will be completed in metropolitan Melbourne under that reduced target? Have you got a priority list of projects that you will be working on within that target?

Mr LIDDLE — This is for 2008-09?

Mr RICH-PHILLIPS — Yes.

Mr LIDDLE — The answer is yes, we do have a list of projects, and as the year progresses we ensure that the priorities are still being met, so those projects might change marginally through the year. But yes, we do have a list of projects that are part of that budget allocation.

Mr RICH-PHILLIPS — Is that a rolling list of projects? Obviously it is an ongoing issue to resurface; is there a shelf life or an effective life for a road surface?

Mr LIDDLE — No. VicRoads does basically a zero-base review every year, so every year we reassess the prioritisation for resurfacing projects. There is no ongoing rolling list of projects, it is actually a zero-base review every financial year to ensure we are doing the highest priority in the coming year.

The CHAIR — There is one out in my electorate which I am sure must be high priority, and no doubt other members have similar things.

Dr SYKES — Is yours a marginal electorate?

Mr DALLA-RIVA — It is now!

Dr SYKES — Do you sit on the marginal seats committee? Have you had any comments recently from the public?

The CHAIR — I am very well behaved in that regard.

Ms MUNT — When the Minister for Police and Emergency Services came in he gave a presentation that showed that in the 1970s I think there was a peak of 1100 road deaths in that year that has since been reduced to around 300, and he outlined the measures that they are putting in place to contribute to road safety. Can I refer you to page 323 of budget paper 3 under 'Arrive Alive' where it says:

An additional contribution has been provided by the Transport Accident Commission for the safer roads infrastructure program as part of Victoria's new road safety strategy — Arrive Alive 2.

Could you take us through what is actually involved in that program?

Mr PALLAS — Sure. I think one of the issues about road safety is that we actually do not sit back on occasion and recognise how far we have come. I often say that whilst we have seen the road toll drop from 444 in 2001 to 332, that effectively should be of no comfort to us. We have got to continually and diligently apply ourselves to the task of actually addressing the problem that 332 lives lost is 332 too many.

Victoria actually is seen as a world leader when it comes to road safety, but we cannot simply rest on our laurels. If you look at how far our road safety performance has come, you will see that in 2001 we had about 9.2 deaths per 100 000 head of population. In 2007 that has reduced to 6.4 deaths per 100 000, so it is a substantial reduction — 30 per cent or thereabouts. It is also significantly below the rest of the nation, which sits at about 8.1 per cent. We have recorded our five lowest levels of road deaths on record, and Victorians can be proud of that. Over the life of our strategy about 579 deaths have been prevented.

There is of course an economic reason why we need to look at road trauma. About \$3.6 billion is what road trauma costs the Victorian community — in effect more than the current assessment of what congestion costs — but the financial costs are really subservient to the emotional and community desiccation that flows from it. So despite our record low, the government is taking action to further reduce trauma and increase road safety. Our Arrive Alive 2 package identifies that we seek to reduce the road toll by a further 30 per cent over the next 10 years between 2008 and 2017.

If we are successful in being able to achieve that, we will have dropped, from 2017 every year thereafter; a further 100 lives lost will not have been lost. They will have been prevented by a more rigorous approach towards the introduction of these sort of measures. For the first time we will be applying what is known as a 'safe system' approach towards to road management. What that means is: safer vehicles, safer roads and safer drivers. We need to get a holistic approach in terms of making sure that each one of those areas is effectively addressed.

We have committed \$650 million over the next ten years for road safety initiative projects, which includes \$230 million over the next three years. In 2008-09, through the safer road infrastructure program, we will be

investing \$75 million to be injected into road safety right across the state. We will be investing \$16 million over two years to continue the successful greyspot program, which I am sure, Bill, you would be happy to hear about. It is certainly something that has been quite well received, particularly in country Victoria.

Encouraging safer drivers is another focus of our new strategy, and our initiatives in Arrive Alive are based on the statistics rather than rhetoric. We have tried to take a systematic approach to this. It is not simply making judgements because we think they may be expedient in the short term. We need the science to demonstrate that we are heading in the right direction, and I am satisfied that, on the basis of the development of the strategies that we have got, we are doing that.

In the graduated licensing system is a requirement for 120 hours for young drivers in the first 12 months of their driving experience. They get 120 hours on-road experience. We will be putting in tougher testing to better assess the capacity of young drivers, and introducing peer passenger limits for young drivers on the new P1 licence — that is, for the first 12 months. We will also be targeting areas such as speeding, drink-driving, fatigue driving and driver distraction initiatives through education enforcement and investment in infrastructure. We are also encouraging the take-up of safer vehicles on our roads.

As you would be aware, Victoria has historically been a pioneer in road safety. We led the world when it came to seatbelts, we led the world when it came to random drink and drug testing initiatives, but around about 20 per cent of all new cars sold in Victoria in 2006 achieved a maximum safety rating level of 5 stars. In comparison, if you look at what is happening in Europe at the moment, it sits at around about 85 per cent for new cars. To improve vehicle safety for Victorian road users the government will be requiring the installation of electronic stability control and head protection technology for new cars from the end of 2010 and 11. The Premier has championed this initiative and he has been successful in getting the Council of Australian Federation and obtained their agreement to mandate these important vehicle safety changes. Our aim would be to see if we could do this, in a national sense, working with the federal government, and all indications are good. Recently I attended the Australian Transport Council, where all states indicated their willingness to move towards a common date and implementation of these arrangements. Essentially Victoria should take some pride in being able to move this agenda on.

Finally, over the life of our new road safety initiatives the estimated economic saving to the Victorian community will be about \$5.2 billion. More importantly, though, we are also talking about taking action to remove the emotional and the physical costs associated with road trauma: preventing 100 road deaths, as I have indicated, a year; we are also aiming to reduce 2000 serious injuries on our roads annually by 2017 — a very worthwhile objective.

The CHAIR — Absolutely.

Dr SYKES — Minister, my question follows on from that. I should say that I am struggling a bit with information overload at this stage of the week, but I am sure you will have some detailed notes there that we can pick up on. I am interested in a bit more information on the peer passenger number restrictions, because The Nationals were also supportive of that approach. Have you got any information on the expected impact on road toll, and then — following on from that — your information strategy in terms of timetabling and budgeting? But also, can you expand on any exemptions you may have, particularly coming from the point of view of the country young people, who have to a large extent reacted rather negatively to this proposal? They see serious implications where there is generally an absence of public transport options, and therefore going to and from work or to and from school become issues, and even the concept of designated drivers getting to and from functions which they may need to travel been communities to get to — so impact, information strategy and consideration and exemptions, particularly for country young people?

Mr PALLAS — I might throw to Gary during the course of this presentation. On the impact issues, Bill, I have got to be one of the people who actually says my initial reaction towards the concept of passenger restrictions for young drivers was probably that it was better for us to stick to our strategy. The strategy up to that date, until this change was announced, was that we should not go to a process that would undermine the idea of strategies such as Keys Please, which aimed to ensure that you had a designated driver. The problem with all of that — and it really goes back to what I said earlier — is that, as a government, we need to be guided by the factual material about what the practical effect of these changes. I was persuaded by the material which was shown to me and I think is replicated in the Arrive Alive 2 strategies that were released at the time of the announcement. There was a

four times higher likelihood of a young driver being involved in a fatal accident in circumstances where they had more than one peer passenger on board. In the light of that sort of evidence, I felt it was compelling, so I was more than prepared to acknowledge in a substantive way that we had to change tack. To the extent that that was a backflip, I am more than happy to backflip in the interests of community safety, and I think it was critical.

Dr SYKES — I am not pursuing you on that.

Mr PALLAS — In respect of the issues associated with travel, the operation of these arrangements is that they apply only for the first year for young drivers. There are exemptions in respect of the peer passenger arrangements. They do not apply for siblings, and they effectively only apply in circumstances where it is the first year of driving. There will be a substantial advertising campaign around it, which has already started in terms of the graduated licensing system. You may have seen some of those in newspapers — the ‘There are two Ps on the Plate’ campaign, identifying the difference between the green and the red Ps, and so forth. Gary might be able to give you some further elaboration on the specific issues.

Mr LIDDLE — With respect to the estimates we have made of the impacts of this, we have not made specific estimates of the impact of peer passenger restrictions, but the estimates we have made are of the impact of the total graduated licensing system and the outcomes we believe that will have, and that estimate is that there will be 800 fewer casualties a year and 12 fewer deaths a year as a result of the full graduated licensing system, of which the peer passenger restriction is one component.

The other thing that we also looked at is the impact of people not being able to take other young people with them and the idea of a designated driver. We made an assessment that even when you allow for some additional trips on the road, the overall impact of a peer passenger restriction is still a positive one. It is important to recognise that in the work we have done, only about 7 per cent of total trips undertaken by people in the first-year of their probationary licence are trips undertaken with more than one peer passenger; so it is quite a small number of total trips, and the overall impact is still a positive one.

Dr SYKES — I would like clarification: this will apply in their first year of licence, regardless of whether they get their licence first at 18 or 28?

Mr LIDDLE — Only for those under 21.

Dr SYKES — Okay. The second thing is: did you give any consideration to an option that we have put out there — that is, to have their first year of licence come down to 17 so that it is a carrot for the young people? These restrictions are applied in this first year, but right now you are taking something away from them which they really have reacted to, whereas if you gave them the opportunity to have their licence at 17 with these restrictions, you would be giving them something. It is my understanding that in other states generally the licences are coming in at a younger age and the issue of deaths and accidents is associated with first year of licence rather than whether you get it at 17 or 18.

Mr PALLAS — I can answer that the state of Victoria has no desire or intention to move towards younger drivers’ licensing. The reason that that is our view is that it is not just the first year of driving after they receive their licence where the problem exists, although admittedly there is a substantial problem in the first year of driving. It is in that age group of 18 to 25, where we notice that the highest level of accidents occur. From memory I think they constitute about 23 per cent of all accidents.

Dr SYKES — It is 18 to 24-year old males, so why are you penalising females, is one of the arguments that has been put to me.

Mr PALLAS — From a government point of view I think it would be folly from a policy point of view to start to make a distinction; quite frankly, the government intervening in these areas for the purposes of trying to protect people so that they can be efficiently road-ready has a practical effect. You asked earlier what we saw as being the ultimate benefit of the safety outcomes of these arrangements, and I am reminded that at the time that we looked at these things, we came to the view that it was something like 12 lives that would be saved and something like 800 fewer serious casualties would occur once these changes were operational. If we were to look to bring younger people onto the road earlier, I think that would run counter to all the things we are trying to do in terms of road safety.

Dr SYKES — Can I encourage you to look at that again, because my understanding of the information interstate and overseas is that the issue is related to when you first get your licence, not whether it is at 17 or 18, and I have seen some graphs that show that the real jump up in accident rates is when you go off Ls and onto your Ps; so I would ask you whether you would undertake to have a look at that and come back to us.

Mr PALLAS — If you are asking me whether the government will have a look at the idea of introducing younger driving capacity, the answer is no. We have a very clear view about this. If you bring people into driving earlier, you expand the category of people in the at-risk group.

Dr SYKES — Is that evidence-based in terms of comparison with other states and overseas?

Mr PALLAS — The evidence is pretty clear when Victoria leads the nation in terms of deaths per 100 000. We are at 6.4 and the rest of the nation is at 8.1. It is evidence-based in the sense that if you look at the progressive implementation of our strategies, we have been able to bring the road toll down. I think sending a counter-intuitive message like bringing in younger people — the highest risk category that we have in terms of their involvement on the road, onto the road earlier, is not a good thing.

Mr BARBER — In relation to the clearway announcement, do you know how many kilometres of road that applies to? You said ‘a number of roads within 10 kilometres of the CBD’; did you also announce the preferred timing for the implementation of that at the time you announced it?

Mr PALLAS — Yes, certainly 150 clearways are directly affected. Exactly what the road space is — I do not know. We did announce the timing, and it was effectively expressed in terms that as a government we saw it as being appropriate that firstly, we would identify a number of specific, key areas on the public transport network in the a.m. period that would need to be addressed, and that we would progressively roll it out into the rest of the a.m. peak on the arterial road network, and then subsequent to that we would look to move it into the p.m. peak. It would be progressively introduced over the next 12 months, so we would not anticipate implementation, even in the priority areas, for some months yet because there is clearly a process of consultation that we are going through. Our view clearly is that we need consistency in terms of the operation of the arterial road network, particularly around the public transport areas. They are our priorities; they are the areas we are looking to move on first, and principally in the a.m. peak.

Mr BARBER — Just on that consultation period you just mentioned, that is to occur under a code of practice designated under the Road Management Act. Is the version of the code of practice that you are working off the one that was gazetted on 16 September 2004?

Mr PALLAS — I believe it is, yes.

Mr BARBER — In other words, when it requires you to determine whether to create or alter a clearway, and you have to take into account traffic congestion; Melbourne 2030; whether it is beneficial to the community with regard to the enhancement of the environment; the view of the relevant council and all of its policies; economic and social activity, amenity and accessibility; the future relationship between bicycle use, transport operation, curb lane marking; opportunities to address conflicting demands of schools, shopping centres and other sensitive land uses; plus a notification and appeal process that requires at least 60 days of notice: you are saying you can do that within a few months in some cases?

Mr PALLAS — Our view is — —

Mr BARBER — And a year overall?

Mr PALLAS — Our view — —

Mr BARBER — For 165 clearways?

Mr PALLAS — Have you got any more bits you want to add? Our view is clearly this: the Road Management Act provides us with a capacity to undertake the actions we have. The code of practice was actually developed at the time the Road Management Act was introduced for the purposes of dealing with isolated and singular addendums and amendments to clearway times. This is clearly not contemplated by that process. It is actually a system-wide change; it is unprecedented — it has not happened before — and as a government we see it as being ultimately in the long-term interests of the community.

We are going through a process of seeking to engage all affected stakeholders through local council discussions, but it would be entirely disingenuous if we were effectively to say, 'We intend making a one-size-fits-all approach to clearways' and at the outset start a process of individual engagement. That would be a nonsense, and it would be dishonest. What we have said — —

Mr BARBER — But the code requires you to do exactly that, Minister, and that is my question.

Mr PALLAS — Of course, I believe the code does not contemplate a system-wide amendment. If you are advocating that I should have gone out and been dishonest with the community and actually had an engagement with them around the fact that perhaps we should create a sham process of engagement, and say, 'We would like to talk to you what best suits your community. I have gone through the motions, and by the way it is a system-wide adjustment', that makes not only a nonsense of the process but it also insults the councils and the communities that we are obliged to consult with. Given the constraints of the act, I believe we can act entirely consistently with the obligations contained in the act.

Mr BARBER — The code — —

Mr PALLAS — Certainly in respect of the code I do not believe the existing code actually contemplates the sort of changes that we are proposing to put in place. As a government we would seek to ensure that in future the code actually contemplates such generic-wide changes, and we have already started the process of engaging peak stakeholder organisations to ensure that system-wide variations can occur.

Mr BARBER — Do you think there will be further expansions to this clearway network in years to come?

The CHAIR — I think that is probably a policy question outside the estimates. I will let that one go, maybe it is a question for the house.

Mr SCOTT — My question relates to the outer metropolitan roads program which is referred to on page 330 of budget paper 3. What action is the government taking to improve travel times in Melbourne's outer suburbs in the estimates period?

Mr PALLAS — The issue of outer metropolitan arterial roads is one that demonstrates exactly what vitality and growth is going on within this community. We have seen strong population growth going on within metropolitan Melbourne. It is about 12.6 per cent since 1999, predominantly in our outer suburban growth corridors such as Melton, Casey–Cardinia and Wyndham. The government made an announcement in the current budget that it intends to make a substantial investment in the road network that services the booming outer suburbs. Of course, that investment in the 08–09 budget is \$85.3 million — that is specifically allocated.

In addition to this funding the Brumby government is currently building or planning 18 significant road upgrades right across metropolitan Melbourne worth about \$1.8 billion. These projects include and are in cooperation on occasion with the federal government — the Deer Park bypass being an example of that — Cranbourne, Sunbury, Dandenong, Hoppers Crossing, Wheelers Hill and Narre Warren also have projects being undertaken. In total we have completed and delivered 49 significant outer metropolitan arterial road projects, and those are at an estimated worth of about \$1.5 billion. This is a significant investment in metropolitan arterial roads. It is a record that this government is proud to achieve. The infrastructure we are providing is particularly important to communities, to families and to the amenity of the suburbs they live in. Each project will help to improve and address our traffic flows.

But, as the Premier detailed in March, we now expect 1 million extra people in Melbourne a decade earlier than our previous estimates, so we are taking action to build road infrastructure in our rapidly growing suburbs that are needed now and in the future. The budget will invest \$36.8 million in the Pound Road and South Gippsland freeway and the highway. It is a project that will obviously be welcomed by local residents particularly in the Dandenong and Casey areas. The upgrade will widen and the Pound Road bridge over the freeway. It will improve access to the freeway by upgrading the on and off ramps and it will see the installation of traffic signals at the nearby South Gippsland Highway.

We will also invest \$48.5 million to see the completion of the duplication of the Kororoit Creek Road between Grieve Parade and Millers Road. Not only will this initiative provide a four-lane divided carriageway linking

important industrial areas such as Alton, Laverton and Williamstown North, but it will also include a grade separation of the existing rail level crossings. We recognise that the quality of our infrastructure can enshrine Melbourne's reputation as one of the world's most livable cities. These initiatives, combined with \$112.7 million in the Keeping Melbourne Moving congestion plan will continue the government's record of investing in our infrastructure.

Mr DALLA-RIVA — Can I just get clarification on the clearways? Are they going to be tow-away zones as well? Is that the anticipation?

Mr PALLAS — It is anticipated that the clearways will be serviced by the tow-away arrangements, absolutely. Those tow-away arrangements are part of the reason we will be taking some time in not only consulting with the local communities but also reaching the appropriate arrangements for those tow-aways to occur.

Mr DALLA-RIVA — The other bugbear that we have in parts of Box Hill is the super-stops along Whitehorse Road. If you are looking at expanding into clearways for trams and then you put these super-stops, which actually convert the traffic into one lane — —

Mr BARBER — They are going to put super-stops on all these roads as well.

Mr DALLA-RIVA — I am just curious — —

Mr BARBER — The DDA requires them to put super-stops in the tram network.

Mr DALLA-RIVA — I am just trying to work out how you are going to work around that.

The CHAIR — They are only 0.8 of a minute actually extra, but have you got a question?

Mr BARBER — The code goes, the Disability Discrimination Act goes, tow trucks come in.

Mr DALLA-RIVA — I gather you are going to support the super-stops and the clearways, which will then bank it up again?

Mr PALLAS — The government does have a priority and a commitment to the provision of public transport as a priority on road. That is clearly our objective in terms of seeking to ensure that the appropriate road space is provided. Nonetheless we recognise that we have obligations, as Greg has indicated, under the Disability Discrimination Act to provide appropriate levels of access. That does not necessarily mean that there will be a substantial level. Part of this process will also be aimed at looking at rationalising the number of stops that we actually put along the roadway for the purposes of being able to ensure a smooth movement of traffic and a smooth movement of public transport. Other things that we will be able to put in place, for example, are on occasion we will look at restrictions in terms of right-hand turns on road, the aim being to make sure that we do have effective movement of trams on road. Our trams currently move at about 9 kilometres an hour — —

Mr WELLS — The slowest in the world.

Mr PALLAS — And we are going to have to make some hard decisions if we want to get effective utilisation of our road space to get public transport moving. If we genuinely accept the proposition that we need to provide clear and effective priority for mass movement of people, then we have to take some reasonably firm and appropriate actions. We will also be looking at the provision of the installation of dynamic signals and pavement markings to alert motorists to stay clear of tram tracks. All over, with the construction of platform stops at high loading points to reduce tram dwell times, we are looking basically to rationalise but to increase the level of efficiency of those stops that we put in place.

Mr DALLA-RIVA — You mentioned those lights. I have seen them in Kew and they do have an effect because as soon as people see them, they merge to the left. I am just curious in terms of your budgeting forward with the clearways to reduce congestion, which is one of the key indicators on your concerns about trying to keep the roads clear, but as part of that process there has not been much consideration given to the componentry of super-stops as part of your budget estimations. In other words, this proposal to open the clearways may actually be short-circuited by the fact of the disability requirements for trams. I am just wondering: are there any forward estimates budgetary considerations you have given as to how you are going to deal with the road network if there is a requirement for the trams to comply, like we have got in Collins Street with the super-stops, where they actually

congest traffic into one lane? I am just wondering from a budgetary consideration if that has been put forward in the forward estimates?

Mr BETTS — No, it does not so much feature in the forward estimates. But obviously the establishment of clearways enables you to introduce DDA-compliant tram stop infrastructure without completely blocking roads. In other words, it frees up road space to enable you to do both. If you consider that a tram can carry 140 to 200 people, that can be a kilometre of traffic jam taken off the roads. Often giving priority to the trams is a decongestion measure. While Mr Wells said we have a slow tram system, we also have one of the largest tram systems in the world, which is a huge asset for us in the fight against road congestion. Protecting it through super-stops and the other measures the minister has described is part of reducing congestion in the long run, it is not a contributor to it.

Mr DALLA-RIVA — You have not ruled it out.

The CHAIR — Minister, I note in the budget papers that under Labor's financial statement, under the assets ones, for one small project you have actually done the assets initiatives, or they are there. Obviously we have to move on to newer projects as well. You mentioned in your overheads the AusLink program. What will this budget and the estimates going forward do to deliver vital road projects under AusLink?

Mr PALLAS — I think AusLink is one of those areas where Victoria can feel justifiably proud of the improvement in the position we have got, but we should not be particularly smug — there is still more work to do here. As a government we have had a consistent position that we expect to get 25 per cent of federal funding allocated under the AusLink program. We are 25 per cent of the nation's economy, we are 25 per cent of the freight task, and we pay 25 per cent of fuel excise.

The CHAIR — We are 25 per cent of the population, too.

Mr WELLS — When will you achieve that by?

Mr PALLAS — Appreciably earlier than you ever did, I suppose.

Mr WELLS — Just tell us: when are you going to achieve it by? You have got your mates in Canberra, so when are you going to achieve it?

Mr PALLAS — We are making substantial inroads.

Mr WELLS — Tell us.

Mr PALLAS — We have increased it — —

Mr WELLS — Is it 2008, 2009, 2010?

Mr PALLAS — We have increased it from 16.5 per cent under the previous government to 18.4 per cent.

Mr WELLS — What is your expectation?

Mr PALLAS — My expectation is I want to get 25 per cent as soon as I can.

Mr WELLS — When?

The CHAIR — Thank you. He has given an answer. Can you give us some more details of this funding, as was in the original question?

Mr PALLAS — Last year the Victorian government released its national transport links, which was a strategic vision of some 30 priority projects for consideration as part of the \$22.3 billion AusLink 2 program. Victoria lobbied both sides of politics in the lead-up to the federal election. We sought then, and we continue to seek, 25 per cent of the AusLink 2 program. This approach has largely been vindicated, I think, in terms of a demonstration of a substantial and positive move forward. Our state secured 19 promises out of a total of 23 promises from federal Labor: 19 of our priority projects were identified, and an additional four projects that federal Labor also identified. That is 18.4 per cent of the total committed AusLink allocations. So this funding level is still less than Victoria deserves, given, as I have indicated, our 25 per cent contribution to the national economy.

The projects identified are quite substantial. They include the Western Ring Road upgrade — the federal government has actually already identified \$5 million for planning and \$9 million for a feasibility study associated with the Western Ring Road; West Gate Bridge rehabilitation — the federal government has identified \$25 million towards planning and preconstruction of that project; Somerton intermodal terminal; Altona intermodal terminal; Dandenong intermodal terminal development; Wimmera Dooen intermodal terminal; Shepparton freight and logistics centre; Western Highway duplication between Ballarat and Stawell — the federal government in its budget identified \$5 million for planning on that project; Western Highway Stawell–South Australian border capacity improvements; Western Highway Anthonys Cutting; Melbourne–Adelaide rail line upgrades featuring concrete sleepers and longer passing loops; Melbourne–Adelaide rail line with the Geelong port connection; Geelong ring road stage 4A — in this current budget the federal government has allocated \$6 million and a total of 62.5 million over the next four years in terms of being able to conclude the construction of that road; Geelong ring road stage 4B; Princes Highway west Geelong–Colac duplication stage 1, Winchelsea section — once again in the federal budget \$1 million has been allocated in the planning process of the federal government; Nagambie bypass — the federal budget has identified 5 million for planning and preconstruction activities; Princes Highway east Traralgon–Sale duplication — the federal budget identified \$1.2 million over two years to commence detailed planning; Calder Highway Kings Road interchange; ARTC projects in and around the Dynon precinct; Springvale Road grade separation, Nunawading; Clyde Road upgrade, Berwick; West Warrnambool interchange terminal; and the Colac–Lavers Hill Road — the federal budget once again put in \$7.5 million over the next two years for preconstruction.

The CHAIR — How much is that overall that the federal government is putting in? What did you say before?

Mr PALLAS — It is 18.4 per cent of the total; it is about \$2.7 billion over the life of the AusLink 2 agreement. I think it is important to recognise that we still have some negotiations to go with the federal government, Chair. AusLink 2 is not due to come into operation until 2008.

Mr LIDDLE — July 2009.

The CHAIR — July 2009. So the money that you have mentioned, a lot of it is for planning work.

Mr PALLAS — It is good to see really that what we are getting here is a down payment demonstrating that the commitments that the federal government has made in respect of these areas will be honoured, and indeed the federal minister has publicly said that all commitments given in the election in respect of the AusLink and funded roads will be honoured and that, I have got to say, comes as a considerable satisfaction to me. If you look, for example, at the Western Ring Road, which is a critically important piece of infrastructure for Victoria, it is estimated at around about \$2.3 billion in terms of the provision of that road, which is an extra lane along the entire length of that road. That would take quite some time to actually deliver, and it is important that we get the appropriate demonstration of commitment from the federal government. A lot of planning work needs to go into it, but the fact that they have actually put aside planning money is a great indication.

The CHAIR — So what is our commitment as our share of these particular projects so far?

Mr PALLAS — The government has indicated and we remain committed to our publicly stated position that we will put in 25 per cent of the total of these projects, and we have started and we have demonstrated that process in this budget by making appropriate contributions — for example, the \$110 million to Princes Highway west, the contributions that we sought to make in respect of both the 4A and the 4B development of the Geelong ring road. I have got to say that road is going to be of enormous significance and benefit to the people of Geelong, and it is great to see that the federal government is working with us. Kim, you will recall that some have said that this, Princes Highway west, was entirely a state responsibility. It is good to see that we actually do have a cooperative approach in working with the federal government, and a recognition of that in respect of the completion of the work of the ring road and of course in terms of going forward with the Princes Highway west. I am sure a lot of people would be very satisfied that we are going to get a much better outcome as a consequence of that. I thought it would probably be useful to show you a couple of handouts which show us exactly how far we have come in terms of federal funding on these issues, and if I could — —

Mr BARBER — Are they updated to include the budget last night?

Mr PALLAS — Last night? Was there a budget last night?

Mr BARBER — The night before. I have been in these estimates for a long time, Minister. I am losing track of time.

The CHAIR — This is only the first week, Greg.

Mr PALLAS — So do we have the handouts?

The CHAIR — Okay, I will get the secretariat to hand them out.

Mr WELLS — Minister, can I just seek clarification. You mentioned earlier the strengthening of the West Gate Bridge was 125.

Mr PALLAS — One hundred and twenty.

Mr WELLS — One hundred and twenty?

Mr PALLAS — Sorry, that is a state contribution. We are expecting — —

Mr WELLS — And the 25 from the commonwealth is in addition to the 120?

Mr PALLAS — Sorry, the 25 million that the federal government has identified would be a down payment on their ultimate and total contribution of \$120 million that is yet to be received, but they have put in effectively a 25 million contribution which demonstrates they are signed up to this project. So effectively a fifty-fifty contribution — —

Mr WELLS — Okay, so it is going to be — —

Mr PALLAS — One hundred and twenty- One hundred and twenty.

The CHAIR — Because you said originally 25 per cent, but some of them are actually fifty-fifty, are they?

Mr WELLS — So that one is fifty-fifty.

The CHAIR — But most of the other ones are twenty-five-seventy-five.

Mr PALLAS — These are really just a couple of graphics to show that we have got a fair bit of work to do in terms of federal funding.

Dr SYKES — That is a party line: 'But there is more to be done'. We must coin that one!

The CHAIR — There are two different ones, are there? New South Wales gets more than their fair share.

Mr PALLAS — But we are getting on with the job, Bill.

Dr SYKES — Yes. And is Victoria a great place to live, work and raise a family — and suffer traffic congestion or something like that?

Mr PALLAS — What you have here are two graphic descriptions essentially of our commonwealth road expenditure share by state. We will no doubt share a common goal here looking at the great outrage that has been suffered by Victoria. It was an outrage in 1994–95, Kim, so you will be happy to hear me say that — when Victoria got 20 per cent of the national share, Queensland got 20 per cent of the national share and New South Wales got 37 per cent of the national share. In 2000–01 that share actually declined and we got 15 per cent of the national share, Queensland went to 26.3 per cent of the national share and New South Wales declined marginally to 34.5 per cent.

Mr WELLS — You are not being selective in the way you have just chosen, for example, 1994–95 compared with 2000–01? Are 2001–02 and 02–03, 04–05 the same? Are they all the same at 15 per cent.

Mr PALLAS — The point here is that — —

Mr WELLS — I know you would not be that selective.

Mr PALLAS — You know I would not do such a thing.

Mr WELLS — No, I know you would not do that.

Mr BARBER — What about 07–08?

Mr PALLAS — The point here is to actually identify the problem and that is the trend: it is going against the economic share and the argument for the state.

Ms MUNT — And population growth, too.

Mr PALLAS — There is reason for optimism here but not for smug satisfaction. We have come a way forward, but I think Victoria would be expecting substantial improvement in the next budget.

The CHAIR — We are up to 18. What did you say it was? Eighteen point something per cent?

Mr PALLAS — It is 18.4 per cent of the total committed AusLink funding in terms of federal Labor commitments.

The CHAIR — What was it last year? 15 or something?

Mr PALLAS — It was 16.5. Is that right?

Mr McDONALD — About 16 — yes, around that.

The CHAIR — Yes, 16.5 in 2006–07.

Mr WELLS — Mr Rich-Phillips?

The CHAIR — Have you had yours?

Mr WELLS — No.

The CHAIR — No? That was my question.

Mr WELLS — We are swapping.

Mr RICH-PHILLIPS — Minister, off the roads and into the bay. The government committed \$150 million last year for the channel deepening project. Can you tell the committee what the current total cost estimate of the channel deepening project is, and is that commitment from the government capped at \$150 million if there are further cost increases, that is, do they have to be borne by the port of Melbourne?

Mr PALLAS — Yes, I can certainly tell you that channel deepening is a critically important project, and we have consistently said the costs associated with this project are necessary for the long-term vitality of the state. I also think it is only fair and appropriate that I make the point that the state has never indicated a figure except since the federal approvals and the business case was ultimately approved and that figure was \$969 million — —

Mr WELLS — How much is that again, Minister?

Mr PALLAS — Were you not here when the announcement came out, Kim? Were you on holidays?

Mr WELLS — No. Just so that I can write it down again — \$969 million.

Mr PALLAS — It is \$969 million.

Mr WELLS — Just a smidge under a billion.

Mr PALLAS — Let us be clear when you are talking about the vitality and assurance of Victoria as the freight and logistics hub of the nation, the channel deepening project is a critically important and valuable investment. If you take, for example, the fact that there is rapid container growth, rapid container movements coming right through the port we know that over the next 30 years we are likely to see a five-fold increase in terms of container movements from 2005 to 2035, from 1.4 million to 7 million TEU. It is also critically important that

we recognise that this project is part of an integrated process on the government's behalf in order to ensure that we can essentially preserve our place as the freight and logistics hub of the nation. Slightly less than 40 per cent of the nation's containers actually move through the port of Melbourne, and we want to be a bit careful that we do not embrace and adopt the approach that other ports have done and chosen not to deepen their hub. That is a decision they make but it is also a decision about the long-term economic vitality of those areas. If you look at the port of Portland in Oregon, it made a choice not to actually deepen its harbour. The practical effect of that was that over a 10-year period the port saw about 50 per cent of its container services reduce because other ports were seen as alternative and more appropriate ports to go to. About two out of three of the major shipping lines actually ceased going into that port.

As we have indicated, the economic benefit for this process, which has been the subject of a study by PricewaterhouseCoopers and which was released on 21 March by the Treasurer, found the port of Melbourne generated in 2004–05 a total economic impact of \$2.5 billion per annum and supported almost 14 000 full-time equivalent jobs. The study also calculated that the net economic benefit of the channel deepening project was in the order of \$2.2 billion for the period to 2035. The government has essentially identified that we would make approximately \$100 million of contribution in respect of the assistance to maintain the TEU viability rate, and I take you back to the slide I have shown you already which assures people and the community that the TEU handling rates in Melbourne are still competitive and lower than our eastern seaboard competitors into the long-term as well. Also there is an additional \$50 million for critical port infrastructure work that can be made in order for the port to be able to harness the full effect and benefit of the channel deepening project.

Mr RICH-PHILLIPS — And all further costs to be borne by the port of Melbourne?

Mr PALLAS — The way that the project is proceeding we would not anticipate that occurring and certainly from our perspective we see that the project is being managed extremely well. We are about 20 per cent of the way into the project. I might add that all the environmental advice that is coming to us is that the environmental issues are being managed and within the environmental management plan safeguards. We do not anticipate that the project will have any greater costs but ultimately we see that the port has a commercial responsibility. That is its charter, and it will manage this project responsibly, and ultimately it will take responsibility for delivering the project to the state.

The CHAIR — So it is on time going forward, is it?

Mr PALLAS — It is on time, yes.

Ms MUNT — Can I just follow up on that topic a little bit. There is a lot of business in my electorate, particularly in Braeside, and a lot of that business relies on import-export. So the efficiency of the port is paramount to not only their business but business in Victoria generally. We are a manufacturing state, and we rely on business to be the powerhouse of our economy. Could I just refer you to budget paper 3, page 140, 'Freight, logistics, ports and marine development'. It says there:

Plan and deliver policy and infrastructure initiatives to improve efficiency and safety in the freight and logistics sector and the state's ports and marine environment ...

Could you expand on exactly what that plan entails and what is being envisaged for the next 12 months or so in that regard?

Mr PALLAS — Sure. The government has invested, as I have indicated, \$150 million for the development of portside infrastructure improvements and to minimise the burden on businesses at the port using the port of Melbourne. The project will also recover costs through port users, and work is continuing pursuant to the approvals provided by state and federal ministers. So far over 3.4 million cubic metres of material has been dredged in accordance with the environment management plan. Today marks the 100th day of the project, and obviously a substantial amount of progress has occurred. I think I indicated that 20 per cent of the project had been done since — —

The CHAIR — Yes, you mentioned that.

Mr PALLAS — Fifteen per cent of the project has actually been done to date. The port has been providing weekly reports on turbidity over and above the quarterly reporting requirements, and data from the environment monitor shows us that the environmental requirements are being met. The second trailing suction

hopper dredge, the *Cornelius Zanen*, or the *Coza*, arrived at the start of May to begin work on the port of Melbourne channel to continue dredging and dredging works. Obviously the thing that is critically important about this project is that it has relevance for every Victorian in terms of their capacity to go about their daily lives. It has an effect upon the way the freight moves around the state, around the city, and it also has an effect ultimately upon the cost of goods, whether it be DVDs and whitegoods and the competitiveness of our exports too. Getting our materials from our exporters and to our exporters is critically important.

In port logistics alone, as I have indicated, there have been 14 000 jobs and \$2.2 billion worth of economic benefit over a 30-year period. We have always said that there will be an impact in terms of channel deepening. At times the water will be murky, and the currents and the wildlife will be temporarily affected. But in a broader sense it is critical that we need to make these changes in terms of the long-term efficiency of freight movements throughout the state. Because of Melbourne's proximity to New South Wales, South Australia and Tasmania, the port of Melbourne's access to road rail and rail corridors is critical to national competitiveness; not just Victoria — we cannot take that for granted. The port of Melbourne handles about \$75 billion worth of trade each year, and that includes more than \$100 million worth of exports in every day.

Current draught limitations that attach to the bay as it currently operates, it is about 11.6 metres, and around about 27 per cent of ships entering the port from loading to maximum capacity in 2005–06, and this has substantially increased since that time to as much as 38 per cent recently. Adelaide and Brisbane currently provide access for deeper draught vessels, and plans are already under way for deepening channels in Auckland, Shanghai and Kelang, all of which have direct and important connections to Melbourne. To remain competitive we need to look at ports across the world. They are all embarking on these channel deepening projects, and history has shown that ports in the US, the UK and Europe that have failed to deepen their waters actually lose their market share and their trade. I have given you the example already of the port of Portland.

The port of Melbourne is projected to increase its handling of 20-foot TEU, as I have, said, from 2 million to 7 million TEU over the next 25 years. As I have indicated, the economic benefit of channel deepening varies, at up to \$2.2 billion in economic benefits in net present value terms. It does have a benefit to cost ratio of 3 (rounded to the nearest whole number), and the additional jobs that are likely to be effected is about 2200 during the construction phase. So these are the opportunities that we can either grasp or we can forego, but ultimately they are decisions that define the community and the sort of community that we want to live in.

Channel deepening is a project supported by business, supported by industry, supported by farmers, supported by exporters and supported by trade unions. Their view is clear and unmistakable; we have got to keep up with global trends in shipping, and we need to complement those actions. So, for example, the Dynon port rail link, which will complement the movement of freight by rail into the port, has to occur. The project will also help the efficient movement of freight into the port of Melbourne. It will integrate the port with the Dynon port terminal to establish a cutting edge intermodal precinct, catering for the efficient movement of freight between road, rail and sea. It is a significant project which will markedly improve road access and efficiency. Just on that point, that is an intersection that has three roads that intersect at Dynon port: Enterprise Road, Footscray Road and Appleton Dock Road. There is something like 19 freight movements along that road every day. We will be able to grade separate those, and that will have a dramatic effect upon congestion, particularly in the inner west. So it is not only good for the port; it is good for road users as well.

Mr BARBER — Just a point of clarification, Chair, on that one.

The CHAIR — Okay, quickly.

Mr BARBER — The minister gave a figure on TEU in 30 years' time. Can you tell us what it will be this year? What is the projected growth in TEU for this year?

Mr PALLAS — I think it is currently just over 2 million TEU.

Mr GARWOOD — That is correct.

Mr PALLAS — The growth is around about 7 per cent per annum at the moment on TEU.

Mr GARWOOD — That is correct. It will go down over the longer period; down to about 5 per cent. That is conservative.

Mr BARBER — So projecting 7 per cent for this year?

Mr PALLAS — Seven per cent or five?

Mr GARWOOD — Yes, for this year.

Mr PALLAS — Seven per cent for this year, but five going forward.

Mr WELLS — My question is also about channel deepening. Did you say that the economic benefit of the project is 3 to 1?

Mr PALLAS — That is right; the benefit to cost ratio of 3 (rounded to the nearest whole number).

Mr WELLS — That is a cost of 969 million, and the economic benefit over the life of the project will be 3 to 1; is that correct?

Mr PALLAS — That is right.

Mr WELLS — In regard to legal costs associated with the project, how much has been spent by the port of Melbourne and the state government, and do you have contingency funds put aside for legal costs over the forward estimates?

Mr PALLAS — I could not give you the legal costs off the top of my head but I can tell you that the port will bear those costs within its own budget. As a consequence, they are actually not incorporated within the terms of this budget. The port itself will absorb and meet the responsibilities of legal costs.

Mr WELLS — So there will not be any payments by the state government. All legal costs will be with the port of Melbourne.

Mr GARWOOD — Minister, the state is a party to the legal matters, therefore there are costs accruing to the state.

The CHAIR — You will need to come up to the microphone, otherwise Hansard will not be able to record it properly. You will need to give us your name as well.

Mr GARWOOD — Terry Garwood. I am the executive director, freight logistics and marine division, Department of Transport. The state was a party to the legal matters before the Federal Court, and therefore the state has incurred costs. Those costs will be met from within the department's appropriations.

The CHAIR — So you will report them in the outputs and outcomes in the annual report, will you?

Mr PALLAS — Yes.

Mr WELLS — How much of those costs are borne by the state?

Mr GARWOOD — On the costs associated with our representation, the state actually engaged legal services, so those costs will be paid by the state. The port engaged its own legal services, and therefore it will pay the costs associated with legal services that the port has accrued.

Mr WELLS — What is the expense to the state?

Mr GARWOOD — I do not have those figures in front of me, I am sorry, but we can provide those for you if it is required.

The CHAIR — We can take them on notice.

Mr WELLS — On notice.

Mr BARBER — A double-up.

Mr NOONAN — Minister, I want to ask you about country roads. You have talked a little bit about AusLink, but I want to ask you specifically in relation to funding commitments for the rural roads program how

this investment will support the development of the regional roads network. There is a reference to this on page 328 of budget paper 3.

Mr PALLAS — The government has placed a strong emphasis on upgrading roads in our regional communities. As part of this budget you will see \$224 million has been announced to upgrade regional roads, which is aimed at improving road safety and reducing travel times. The government has substantially increased the proportion of regional capital road expenditure since coming to office. On a per capita basis our road investment in country roads has increased from around about \$76 per person living in regional Victoria in 1999–2000 to around about \$191 per person by 2006–07.

Mr WELLS — Do you have the city figures?

Mr PALLAS — We have a graph for you, if you would like. I might hand that up. Kim, I can assure you I have not been selective. Between 1999–2000 and 06–07 these are the figures. So there is nothing selective there, but what you can see effectively is that there has been a substantial increase in — —

Mr WELLS — But that does not include investment in EastLink, does it, only government — —

Mr PALLAS — No, this is state funding. This growth has taken place over a time when the population of regional Victoria has grown significantly as well. In fact if you look at it overall, I think the state population growth is around about 11 per cent, and we have allocated \$110 million to the Princes Highway west duplication between Waurin Ponds and Winchelsea, an upgrade that the local community and the member for South Barwon and the federal member for Corangamite have campaigned pretty fearlessly on. I am delighted that the commonwealth has put forward \$1 million in their budget for the planning funds for this project. The reason why it is so important that that planning money is there is that it is a clear demonstration that the federal government are acknowledging that this is now part of their shared responsibility. We have been quite public and quite outspoken about the need for this road to be seen as a joint responsibility, and I am pleased to see that the federal government is honouring its commitments prior to the last election and working with us on this.

I have spoken with local community members about this project, including members of G21, local business groups and representatives from the seven councils that support the upgrade. It is a project that the Brumby government has clearly and very forthrightly spoken in support of, and I am pleased to see that we have been able to achieve it, because the Brumby government in funding this road along with the commonwealth government's commitments knows that it will be a major transport corridor with a vital role in supporting trade between Victoria and South Australia and throughout the south-western region of the state. I know that, for example, the member for Polwarth actually expressed the view that he thought this was all a con and that after the election people would walk away from their commitments. I am pleased to see that they have not. Far from walking away from the funding projects, clearly what we have seen is that there is a substantial contribution and commitment from the federal government going forward.

Another key and important project of course is the Geelong ring-road. As part of this budget we will invest \$65 million for section 4B of the Geelong ring-road on top of our existing commitments. Stage 4B will take the significant piece of road infrastructure from Anglesea Road through to Princes Highway west. Effectively what you will see is from the Princes Freeway all the way through to the Princes Highway and then over the Princes Highway, the Anglesea overpass, over to the Princes Highway again through the 4B connection and then all the way through to Waurin Ponds the development of this fantastic piece of infrastructure that I think is so vital in terms of the growth that is going on in respect of the south-west and around Geelong.

We see this as a critical piece of infrastructure — 23 kilometres worth of link around the Geelong ring-road in particular. That will mean that 29 sets of traffic lights will be able to be avoided on Latrobe Terrace. Depending upon the time of day that people are travelling, it will reduce travel times from between 25 and 60 minutes by around 15 minutes, so it will effectively take approximately 15 minutes off those travel times, some of which take 25 minutes and some 60 minutes, just depending on the time of day. It will also improve the amenity of Geelong. That is going to be a great story for the state's largest provincial city. It will improve access to the Surf Coast and south-western Victoria.

The other really important initiative is the \$9 million that we put forward in terms of the Yarra Glen truck bypass, which is a project that the member for Seymour was quite rigorous in terms of his support. Around 13 per cent of the 9000 vehicles that actually use that alignment are freight vehicles. This will provide the capacity to use the

Melba Highway by essentially establishing a bypass around Yarra Glen. It should provide a more efficient freight route away from the centre of town. Obviously it provides some amenity to the community that has been so anxious to see that it is achieved.

Additionally, and importantly, a project that we are pleased support is the \$40 million upgrade commitment for the Western Highway, which provides a vital link between Melbourne and Ballarat. That funding will be used to develop a new freeway standard connection between West Melton and Bacchus Marsh. It will be to replace the steep grade that occurs down the Anthonys Cutting area.

The Brumby government is obviously making a very tangible and substantial commitment in respect of our investments to country roads. In addition to the projects I have outlined, we are currently delivering or preparing to deliver a further 15 significant road projects worth more than \$1 billion in country areas. That is a massive investment in our regional roads. Since 1999, where there has been a 7.1 per cent population increase in regional Victoria, we understand the importance of those commitments. Since 1999 in total we have put in a commitment of around \$2.5 billion to upgrade regional roads. I think these initiatives are a substantial and continuing demonstration of our commitment to making sure that regional Victoria gets a substantial commitment from this government.

Mr BARBER — Just in relation to page 140 of BP 3 for the freight, logistics, ports and marine development output group, in terms of those projects that are meant to benefit rail freight, can you give me a little indication of how much extra rail freight we expect to be carried as a result of those projects? In relation to appendix B of the same budget paper, page 378, which is your target to get rail freight increased from 10 per cent to 30 per cent, which in fact has declined, how soon do you think until you officially ditch that target?

Mr PALLAS — Certainly from a government perspective we have never shied away from the fact that the freight to port target by rail is a target that is a stretching one. We need to recognise that the amount of material that can be moved to port is to some extent affected by circumstances beyond the state's capacity — for example, the reduction in agricultural produce, which is a substantial user of the freight to port network, and the erosion of the volume of goods that has been moved as a consequence of the drought is essentially an issue that will have a practical effect.

Freight carried by a rail to and from Victorian ports consists essentially of bulk goods, logs, containerised primary commodities such as meat and dairy products. The percentage of containerised freight carried by rail to and from the port of Melbourne has been stable in recent years as a result of the drought and the overall effect the drought has had upon volumes. The most recently available information indicates that there is approximately 15 per cent of freight which is carried by rail. The government is securing federal funding and making direct investments in order to achieve improved rail freight efficiency. Quite frankly, that is where the state should be. It should be in the space of putting in place tangible efforts to facilitate and improve the capacity of rail freight to port. We have provided \$53 million towards the \$73 million upgrade of the Geelong to Mildura railway line. This project has now commenced and will ensure that the line remains a viable option for the transport of export freight by rail.

We secured 110 million in AusLink funding towards the construction of the Dynon port rail link, which I spent a bit of time talking to the member for Williamstown about; the work of the ARTC to progress a \$45 million project to increase rail capacity from Tottenham to Dynon rail terminals in the port of Melbourne; we have introduced a \$21.4 million rail freight support package in February of 2008, which provides a rebate for export grain and containerised transport by rail; we have announced \$42.7 million package to rehabilitate key intrastate rail lines and to undertake general maintenance of the network. This investment follows \$25 million which has been allocated for urgent maintenance of the network following reactivation in May 2007 and further to the 13.3 million allocated in the 07–08 budget.

In the long term rail share of the freight network is expected to increase as truck costs increase as result of higher fuel costs, increased registration charges and driver shortages. The introduction of carbon trading also has the potential to shift some freight to rail. To date, rail has been uncompetitive for metropolitan freight to and from the port of Melbourne. As the metropolitan freight task is predicted to grow significantly, the 30 per cent target will be difficult to achieve, although work is being undertaken to determine the long-term viability of short-haul rail shuttles to Melbourne.

Mr SCOTT — I would like to ask about safer speeds on our roads. I refer the minister to budget paper 3, page 124, where there is a reference to a Safe System approach, and I ask: what initiatives will the government undertake to encourage safer speeds on our roads? On a personal note on road safety, I will just make a simple point. It is often talked about in statistical terms, but I know that many families, including my own, are touched by road tragedies. I had a number of distant family members killed in a road tragedy recently, so I would encourage any actions that lead to safer roads.

Mr PALLAS — Robin, I am sorry to hear that. I am sure that given the sort of human tragedy that is involved in the road toll, no matter how good Victoria's position appears to be in terms of its comparison with other states or internationally, we have come a long way, but there is a lot further down the road that we can go to basically live up to the fundamental proposition that every life lost on our roads is one too many. We have a reputation as being a world leader when it comes to road safety, and as the committee would be aware, slowing down actually does reduce the incidence and the severity of crashes, particularly when we are talking about vulnerable road users, and that is in particular pedestrians, and cyclists as well.

Each year speeding contributes to about 30 per cent of our road toll on Victorian roads, but speeding only actually has a relatively minor effect in terms of travel-time savings — for example, if you reduced your speed from 65 kilometres to 60 kilometres, over a 10-kilometre distance, you would actually only lose 46 seconds on the journey. Effectively I think far too often we get so caught up in the desire to get to where we are going, we actually lose a sense of exactly how much it is that we are actually saving and what we are gambling with as we go down that path. That is why the government has been committed to encouraging Victorians to slow down on our roads. We have been doing this through education campaigns, through reducing speed limits on our streets and through targeted enforcement measures. But one of the successful initiatives regarding speed has been the introduction of school speed zones. You will see at page 323 of budget paper 3 that we have invested \$13.6 million in terms of putting in place 600 electronic speed signs at over 200 schools. In addition to that, \$17 million has already been allocated to the installation of electronic speed signs outside Victorian schools. Since these new zones were introduced in 2003 we have seen a 23 per cent reduction in casualty crashes and a 24 per cent reduction in crashes involving pedestrians or cyclists around schools. It is an investment well worthwhile, providing real road safety benefits. For vulnerable road users such as pedestrians a small reduction in speed can be the difference between life and death.

I will just give you a handout which shows you the graphical description of what that looks like in terms of speed reduction. It is quite impressive. Effectively what this shows — —

Mr WELLS — Is this another handout?

Mr PALLAS — Yes.

Mr DALLA-RIVA — How come we get handouts for their questions and not ours?

The CHAIR — It was Kim who asked the last one, and he got one.

Mr PALLAS — If you ask the right ones, I will give you a handout.

The CHAIR — Minister, keep going.

Mr PALLAS — As you can see, this is research which shows the risk of death of pedestrians, which increases quite rapidly as the impact speed increases — for example, if you look at a 60 kilometre speed, the risk of death is effectively 100 per cent; it is as near as you get to a certainty in practical terms. If you look at a speed of 40 kilometres, the risk of death is around about 25 per cent, so actually slowing down speeds in those areas where there is a high risk of pedestrian interaction is a critically important thing to do.

Of course I was pleased today to announce and I am pleased to advise this committee that not only have we introduced some 18, 40 kilometre speed zones at strip shopping areas right across the metropolitan area, but today I have outlined the guidelines that will attach in terms of the operation of those speed zones and also announced the application for the extension of those speed zones to five other locations: Lygon Street in Carlton, Station Street in Fairfield, Glenferrie Road in Hawthorn and Koornang Street in Carnegie. You will also see that we are upgrading the shopping strip speed limits in Fitzroy Street, St Kilda. Rollout of these speed limits will better protect the safety of pedestrians and road users.

VicRoads will be releasing guidelines to further consider reducing speed limits at other shopping strips right across the state. Each year there are on average about 800 pedestrians killed or seriously injured on our roads, and about 40 of those on average are actually killed on our roads, so initiatives such as reduced shopping strip speed limits will be beneficial to pedestrians. Looking at the year-to-date figures in terms of where we are at, one of the things that does concern me is the increased level of pedestrian fatalities for the year to date. You will see that it is currently at around about 19 in 2008 compared to 12 at the same time last year, so we are 7 above. Provided there is a capacity to meet the criteria — 400 metres in length of a strip shopping area where there is continuous — —

The CHAIR — I have got a couple of candidates, Minister.

Mr PALLAS — Let me see if I can build the criteria that at least limits your expectations, Chair.

Ms MUNT — What are the criteria?

Mr PALLAS — They are 400 metres of continuous shopping — —

The CHAIR — I was just fascinated by this. Looking at it as a research paper, there is an enormous gain to be made between 40 and 50.

Mr DALLA-RIVA — Although I do note that it is a 1997 study, and putting my industry hat on, motor vehicles have improved substantially, as you would be aware, in terms of impact and the way they are designed to — —

Ms MUNT — That is impact with other motor vehicles, not impact with pedestrians.

Mr DALLA-RIVA — It is a worldwide issue.

Mr PALLAS — Richard, you are right. There are certainly impact issues associated — motor vehicle design has improved — but, to give you a more current example of how this has demonstrably tangible benefits, MUARC undertook an analysis of the 18 areas that we had trialled for the purposes of the strip shopping speed reductions.

Mr BARBER — What is that acronym?

Mr PALLAS — Monash University Accident Research Centre. MUARC undertook research, and they found there was a 17 per cent reduction in casualty crashes involving pedestrians at those locations compared to a similar other group of locations that were not similarly regulated in terms of speed. So there is a tangible benefit. I think we do have to balance up the needs of the community in terms of being able to have requisite mobility, but also in areas of high density of pedestrians I think it is incumbent upon the state to look at those areas in terms of being able to put in place appropriate reductions.

Mr DALLA-RIVA — Will the 40 km/h limit apply in the clearways?

Mr PALLAS — It can and it does in some cases.

Mr DALLA-RIVA — So the new areas you have nominated?

Mr PALLAS — No; not as an automatic thing.

The CHAIR — There are no new clearways.

Mr PALLAS — What is happening is that, for example, in Bridge Road in Richmond, that was one of the places that we actually trialled for the purposes of a 40 km/h zone. They have to meet the criteria in respect of the strip shopping speed reductions.

Ms MUNT — What are the criteria?

Mr PALLAS — The criteria are 400 metres of uninterrupted commercial and retail activity on both sides of the road; high density of pedestrian population interaction; and also community support, both the councils and the local community.

The CHAIR — Thanks very much.

Mr DALLA-RIVA — I refer you to service delivery — budget paper 3, page 139 — in regard to the ‘Road projects completed within agreed scope and standards’. In respect of the 98 per cent completed of regional roads, my understanding is that the Geelong bypass stages 1 and 2 are delayed. Are they part of that forward estimates in the target of the 2 per cent that will not be completed? Are there other roads that perhaps you could nominate in the forward estimates in both those areas that you do not expect would be completed within the required time frame, given that you say there is a 2 per cent — —

What I am trying to get at is: are they major road projects that are not going to be completed within agreed scope and standards, or are they minor roads, so to speak, comparators?

Mr PALLAS — I will let Gary deal with the more technical aspects of this response, but I can tell you that in respect of the Geelong ring-road there is a likely delay on the delivery of that project. We thought it would have been due about the middle of this year, and it is now likely to be due towards the end of the year. The reason there is a delay is essentially because of wet and cold weather coming into effect. That affects the capacity to lay bitumen.

Mr DALLA-RIVA — We can disregard previous evidence from the Minister for Agriculture when he said there is a drought in the country.

Mr WELLS — It must be exclusively around Geelong.

Mr DALLA-RIVA — The minister has given us evidence there is lots of drought.

Mr PALLAS — It has rained in some places — I can vouch for that fact. Does that necessarily mean that the drought is over? I think we had better get Bill back and ask him for an expert opinion on that.

The CHAIR — The minister, to answer the question.

Mr PALLAS — In respect of that issue, clearly we could have gone through a process of laying the surface. The advice that I have received is, if we were to lay a surface on Geelong ring-road, there was an unacceptably high risk that that would require further and additional maintenance further down the track, and quite frankly I prefer to get it right. In terms of the effective deliverables on projects, most of our road projects are either delivered on time or ahead of time. The reason they are being delivered ahead of time is essentially because it is so dry — and effectively good project management. But the dry weather has substantially contributed to not as many of the wet weather days that had been effectively factored in being used for the purposes of the delivery of the projects. In respect of the scope and standards and what is incorporated within the failure to comply with 2 per cent, Gary, might have something to add.

Mr LIDDLE — What I could say is, with respect to all the other substantial projects — like the Deer Park bypass or the Calder Highway duplication — all of those other substantial projects are on time and will be delivered on time, so the 2 per cent is in the next level of projects down. I do not have the details of the ones that are not.

Mr PALLAS — In fact I think I might have announced the Deer Park bypass is going to be delivered a little bit early.

Mr DALLA-RIVA — There is no rain cloud over there; it just must be over Geelong.

The CHAIR — That concludes the consideration of budget estimates for the portfolio of roads and ports. I thank you, Minister, and departmental officers for your attendance. The committee has a couple of issues to follow up, and we request written responses on those matters be provided within 30 days.

Witnesses withdrew.