

## **CHAPTER 5: DEPARTMENT OF INFRASTRUCTURE**

### **Transcript of evidence**

#### **5.1 Major Projects portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 30 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. Theophanous, Minister for Major Projects  
Mr H. Ronaldson, Secretary,  
Mr A. Smith, Deputy Secretary, and  
Mr R. Oliphant, Chief Finance Officer, Department of Transport; and  
Mr S. Sweeney, Executive Director, Major Projects Victoria

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2008–09 budget estimates for the portfolios of major projects, industry and trade and information and communications technology.

On behalf of the committee I welcome the Honourable Theo Theophanous, Minister for Major Projects, Minister for Industry and Trade and Minister for Information and Communication Technology; Howard Ronaldson, Secretary; Alf Smith, Deputy Secretary; Robert Oliphant, Chief Finance Officer, Department of Transport; and Sean Sweeney, Executive Director, Major Projects Victoria. 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 that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach 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 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, PowerPoint presentations and any other documents tabled by the minister 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. I ask that all mobile telephones be turned off.

I invite the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of major projects. Thank you, Minister.

**Mr THEOPHANOUS** — Thank you, Chair. It is a pleasure for me to be here to address the committee. As a former chair of the committee's predecessor, I value very much the work of the public accounts committee and I support its work as part of our democratic institutions.

Let me talk to you today about major projects in this first segment. Perhaps I will begin by saying major projects is one part of the infrastructure build that the Victorian government is engaged in, and it is an enormous infrastructure build. I am happy to talk about how big it is compared to our predecessors, but it is approximately four times greater in money terms at over \$4 billion compared to about \$1 billion in the last year of the Kennett government.

I have got a number of slides I will try to get through as quickly as I can. I think I will move on to the first slide.

#### **Overheads shown.**

**Mr THEOPHANOUS** — I want to just mention a few of the exciting projects in the portfolio. MPV is responsible for approximately \$4.1 billion of projects that we are currently managing. It is a very broad portfolio. It has been described as the specialist major project arm of government. We do not build roads and we do not build public transport, but we do build a range of specialist-type buildings that add to Melbourne's infrastructure. Some of the new ones are up there on the screen. They include the Melbourne rectangular stadium, which is under construction at the moment. It is going to bring soccer and Rugby to Melbourne in a significant way. It will have 31 000 people capacity, and we think it will be a valuable addition to our infrastructure in that precinct.

The Biosciences Research Centre is a new one which will be built at La Trobe University in a partnership with La Trobe University. I am happy to answer questions on it, but it is the other half of our biotechnology capability. We already have an enormous biotechnology capability in the human biotechnology space at Monash University and at Melbourne University, and what this will do will be to put us right at the forefront in world-class research and development in planning and biotechnology. It is an exciting project.

The Melbourne wholesale markets is also an exciting new project which will reconfigure our wholesale markets. Again, it is one that has been negotiated with the providers, and we are looking forward to constructing that major project as well.

Three are a bit unusual: the Geelong future city master plan is one that I am happy to answer questions on, but we want to develop the cultural precinct of Geelong, which will include the Courthouse Youth Arts Centre and some detailed planning and a business-case development for the Geelong Performing Arts Centre, the Geelong central library and the Geelong Heritage Centre. This is part of developing Geelong's culture.

The other one is the upgrading of the sporting facilities at Olympic Park and Albert Park, and there is \$50.3 million allocated in the budget for that specific purpose. Finally, because I know you want me to be brief, Federation Square East is an exciting project. We intend to cover the Federation Square East area with a platform which will then allow us to build exciting new infrastructure for Melbourne. It is the missing part of Federation Square. It will double the size of Federation Square, and again it is a fantastic new project that has been given to Major Projects Victoria.

I want to talk about leadership in three areas. One is in sustainability, which we are very keen to try to promote. You might know that we have therefore made sure that the Melbourne Convention Centre will be the largest convention centre in Australia, and perhaps the largest in the Southern Hemisphere. It will have 5000 seats; it is hi-tech; it is a fantastic new facility, and it is 6 star green rated for environmental design. It is a 6-star building. It is certainly the only 6-star convention centre that I know of in Australia.

I refer to Parkville Gardens. All the housing in Parkville Gardens is 6-star rated housing. Again it is an attempt for Major Projects Victoria to lead the way in that space. The Melbourne rectangular stadium also has a number of such features, including water capture and reuse.

On leadership in sustainability and leadership in PPPs, there have been 18 Partnerships Victoria projects since 2000 worth \$5.5 billion. Some recent studies that have been concluded have shown that we get better value for money out of these projects than would be the case if we did them in a traditional build environment, particularly for larger projects, and the gain to the community is as much as 10 per cent better value for money through a PPP. Again, I say that it varies from project to project, but in relation to larger projects that has been what seems to have come out.

Our PPP structure is so well regarded now that it has been taken up by other Australian states. Incidentally, it has also been taken up by the World Bank which has made comments on our PPPs as the way to do PPPs in the Asia-Pacific region, and has suggested that we should try to export our PPP capability into that region to help those countries develop their own economies. Some examples are listed. The Southern Cross station, Melbourne Convention Centre, Biosciences Research Centre and the Royal Melbourne Showgrounds redevelopment are just some of the PPP portfolios that have taken place within MPV.

I want to mention some of the machinery of government changes that have occurred and what that has meant. Major Projects Victoria was a part of the old DOI, which has now become the Department of Transport. It has now been brought over into DIIRD, and I think that is a much better fit for Major Projects Victoria. It is certainly a much better fit for me personally as the lead minister of DIIRD. It makes sense that these major projects are done from our main economic department.

It does mean that there will be arrangements that will have to be put in place in order to ensure that it is done smoothly, but so far as I am aware this has been welcomed by the department and by MPV itself. We want to create a range of benefits for Victoria, and we do so through a range of developments. I guess the thing I would like to say is that we are adding to the sporting, the cultural heritage of Victoria, and the way in which Victoria is seen. The range of projects, like the convention centre, the bathhouse development, the synchrotron, which adds to our scientific capability, the new bioscience centre and a range of other projects that add to our cultural and sporting infrastructure, will mean that future generations will benefit from the spending that is taking place right now in the construction in major projects.

**The CHAIR** — With the machinery of government changes — which of course changes a whole lot of things — perhaps you or the secretary could take us through what that means in terms of where we are within the budget formulation in terms of outputs and funds; is that possible?

**Mr THEOPHANOUS** — I am happy for that to occur. I have mentioned the machinery of government changes have been well received, but I am happy for the secretary to refer to them as well.

**The CHAIR** — I do not know whether the secretaries have gone down and talked about what outputs they are going to have in regard to various new parts.

**Mr RONALDSON** — The budget scenario for Major Projects is a bit unusual compared to other mainstream government departments. Most of the money for major projects is usually allocated through the budget process to the client department as the department that is the home, if you like, of the capital works. Embedded in this budget normally is the resources involved for MPV to get the right resources on board to undertake the project, but of course you will note that in the budget papers there are never any great dollar figures against MPV because they reside elsewhere in the budgets of other departments.

Other than that there has been the normal transition between the departments. We have had a normal transition of resources to appropriately run the unit. Once again Major Projects is a bit unusual compared to other government units. It is set up as a small commercial group and, as such, has very few line items, very few public servants and proportionately more contractors who work for it. The contractors come and go according to the number of projects and the size of projects, so its employees from one, say, six-month period to another might vary quite considerably depending what projects are taken on and what mature.

Once again it is unusual in the budget context in that projects do arise from time to time that are allocated to the Major Projects unit. Prior to that the government has to be satisfied that it wishes to do them, and indeed the projects will give us an adequate return to government. Then there is usually a discussion in government as to who is to do these major projects, and quite often outside the mainstream departments — by that I mean, generally speaking, as the minister has indicated, transport does transport projects; education builds schools; and generally speaking health does hospitals. But broadly speaking, outside that purview, Major Projects is likely to be allocated a major project from the government.

**The CHAIR** — I notice in the outputs on page 141 of budget paper 3 you have got ‘Delivery of nominated Major Projects Victoria projects complies with agreed plans’. So that is your output for this particular group?

**Mr RONALDSON** — Yes, that is right.

**The CHAIR** — I wanted to clarify that before we started.

**Mr DALLA-RIVA** — Following on from the questionnaire, page 5 of the *Victorian Budget Overview* mentions that:

This budget delivers:

....

net infrastructure investment of \$3.9 billion in 2008–09, averaging \$4.3 billion over the four years to 2011–12.

Given that the Major Projects website states:

Major Projects Victoria manages large-scale development and construction projects — from concept to completion ...

why is it that under your responsibility as Minister for Major Projects you do not have large-scale developments like the desalination plant, the north-south pipeline, channel deepening and others, just to name a few? And if you could also provide, Minister, what MPV has responsibility of of the nominated \$3.9 billion, as mentioned in the budget overview?

**Mr THEOPHANOUS** — Thank you for the question. I did indicate in my preamble that Major Projects Victoria is responsible currently for \$4.1 billion of projects. Whilst you could keep adding to that \$4.1 billion ad infinitum, Mr Dalla-Riva, it was the government’s decision that Major Projects Victoria would be a specialist agency that would deal with what are usually very complicated types of constructions that require an unusual degree of expertise. So you can see that, for example, the recital centre, which is an exciting project that Major Projects is building which will give Melbourne its first recital centre — but the construction is extremely complicated. The whole building is on springs; the building has to be soundproofed to a certain standard, and we

have had to do the design of the sound imaging and the sound stage to the point where I am confident that it will be amongst the very best, if not the best, in terms of acoustics of any such recital centre in the world. That is why we are a specialist agency.

Similarly, the construction of the Australian Synchrotron required a specialist-type of construction. And you can go through virtually every circumstance. The Melbourne Convention Centre, which incidentally, with the commercial elements of the convention centre, there is probably in the order of \$1.5 billion of economic development down there. That is one of the most complicated convention centres you can imagine. It is built in the form of a sort of amphitheatre internally, but it can be divided into three, with walls that come up and provide three smaller areas for usage. I am told — although we will see in the testing — that you can have a band in the middle one and you still cannot hear it on each of the other two convention centres on each side.

Designing these kinds of specialist constructions is what Major Projects Victoria does. It does not build roads; I have said that right at the beginning. We do have a transport department that is specialist in public transport and in road construction. Health is for the same reasons, and education builds schools. Now it is true that the government decided to establish a specialist water construction area with the Minister for Water, who is responsible for the construction of a number of pipelines and the desalination plant. That was a deliberate decision by the Premier. In a more general sense, every major project as it comes up goes through a process of deliberation as to who should, and which agency is best suited to, construct it. Major Projects is one arm of our construction capability, and it is a very important arm, and as I said it has \$4.1 billion of construction currently in hand.

**Mr DALLA-RIVA** — You might just take it on notice then, Chair, for the minister in terms of what he is saying about those projects in more detail.

**Mr THEOPHANOUS** — I am happy to provide a list of the projects.

**The CHAIR** — If you could provide a list of projects which are the responsibility of Major Projects Victoria, that would be terrific.

**Mr THEOPHANOUS** — Yes, I am happy to provide it.

**Ms MUNT** — Minister, in the context of the Regional Infrastructure Development Fund, I was wondering if you could provide some more information on the Hepburn Springs bathhouse development that you mentioned in your initial presentation.

**The CHAIR** — Is this to reduce stress, is it, Minister?

**Mr THEOPHANOUS** — I thank you for the question, because the Hepburn Springs development is one which has been criticised by the opposition in particular, and I am a bit surprised the opposition did not ask the question, in fact. In any case, I am very happy to receive the question. This is a very significant investment that will have a long-term benefit going over perhaps 50 years of usage. I was up there recently, and I can tell you that it just looks better every time I go up and have a look at it. It will be a fantastic new facility for the region. Everyone up there is very much excited by it. We did have little bit of a delay; we did not try to hide that delay. We are working very hard, as a matter of fact. We did say we would get it done, I think, by the end of July or around July. Or was it the end of June?

**Mr SWEENEY** — The end of June.

**Mr DALLA-RIVA** — Last year, I think it was.

**Mr THEOPHANOUS** — We said we would get it done by the end of June, and I am working very hard to try to bring that forward. Without going into it here, I am very hopeful that we will be able to have an announcement in relation to it in the not-too-distant future.

This area is very much loved as a tourist attraction. It has 250 000 visitors per year going into that region. It is an iconic bathhouse, and it will generate \$200 million, we estimate, of annual activity once it is all constructed. It is an unusual thing for a government to go and build, a bathhouse, but we wanted to lift tourism in that region, and it had been neglected for many, many years in the past, and so the government went in, took up the challenge, and we are building this bathhouse. It is a complicated construction — very complicated. We have had a slight delay, but it is coming in on budget, and so I will be very pleased to be able to make the announcement, and I am sure there will

be lots of members of Parliament and lots of members of the public who will enjoy it. I would say to anyone who likes to have a decent spa that you should go up there once it is constructed, because the experience will be fantastic.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 4, page 123. It relates to the Melbourne Convention Centre. Can you outline what administrative appropriation for the lease payments will be provided in the forward estimates, and what have you recognised as the administered liability in relation to the lease payments associated with the Melbourne Convention Centre? In addition, what is the dollar amount for the loan payable — and the interest rate — to the department in relation to this administered liability?

**Mr THEOPHANOUS** — The first thing to say — and I want to make this point about the convention centre — is that the convention centre is a project which is, from our point of view, coming in on budget. We are working very hard to bring it in on time as well. There has been a little bit of a slippage of maybe a week or two only in the construction, because it varies a little bit, but we are trying to recover that at the moment. It is a huge project for the state. It is fair to say we got a very good deal in relation to it with the Plenary Group, where the Plenary Group made a significant contribution to the state as a result of this arrangement that was made for the construction. That significant contribution has resulted in a reduction in what would have been the cost of the convention centre.

Upon completion obviously there will be a set of financial arrangements that will be put in place in order to ensure the ongoing performance of this convention centre. I might say that there have been at this point a number of conventions that have already been signed up for the completion of the centre. They will generate a very significant amount of commercial activity around the convention centre going forward once it is open. The financial arrangements — the specific detail of what you are seeking in the financial arrangements — I am happy to pass on to Sean if he wants to make a comment about that. Otherwise, if we are not able to provide that detail at the moment, then we will get back to the committee.

**Mr SWEENEY** — Sorry, I cannot provide detail about this administrative appropriation. It is a DIIRD matter, and I think we will have to come back to you.

**Mr DALLA-RIVA** — The secretary? It is a DIIRD matter; we have got the secretary here.

**Mr RONALDSON** — I am joining Mr Sweeney; I would rather come back.

**Mr DALLA-RIVA** — There is a line item on page 127 — I think it is \$27 million — but it does not actually clarify what percentage it is in relation to that. I am just concerned you do not know what the liability is in terms of the answer.

**The CHAIR** — We will get that one on notice. There are two items there: one is the item on top, ‘Appropriations — Payments made on behalf of the state’ starting in 2008–09, \$27 million, which seems to relate to the receiving of an administered appropriation for lease payments starting in 2008–09, so there is some relationship there. I note that DIIRD has to recognise administered liability, which may or may not, depending on your explanation, be in the last line of that particular table.

**Mr DALLA-RIVA** — Can I just ask in relation to the convention centre, Chair, is it 6-star?

**Mr THEOPHANOUS** — Yes.

**Mr DALLA-RIVA** — And it is going to remain at a 6-star energy rating when it is built?

**Mr SWEENEY** — The way the rating system works is that the proposed design is assessed and then the building is assessed on completion, and it may even be assessed during operation.

**Mr DALLA-RIVA** — It may change?

**Mr SWEENEY** — It could be.

**The CHAIR** — If there is any further information, you can provide it to us, but my understanding is there are various definitions of star rating, and very few commercial buildings are 5-star rated. There is some explanation in that regard which is too technical for me to try and explain.

**Mr DALLA-RIVA** — Yes. You would not want to change the wiring or something.

**Mr SWEENEY** — The design as it is now being constructed is 6-star rated, but it will still go through ongoing assessment; that is all I am saying.

**Mr PAKULA** — I will stay on culture while we are on it. In the context of the line item in the budget about the promoting, presenting and preserving of Victoria's heritage and art through Victoria's cultural agencies, it would be helpful if you could enlighten the committee on what work Major Projects Victoria will undertake towards the development of the Geelong cultural precinct.

**Mr THEOPHANOUS** — Thank you, Mr Pakula. I might say, as I earlier indicated, that culture is one of the things that Major Projects Victoria is very much engaged in. I gave the example of the recital hall, which is one such activity, but this one in Geelong is a bigger challenge in some respects. It is not bigger in a construction sense, but it is different, in that what we are trying to do is change the cultural face of Geelong. The government has allocated \$7.9 million over two years to begin stage 1 of the Geelong future city master plan. This is in order to do a number of things, which will include upgrading and improving the functionality of the Courthouse Youth Arts Centre. The former Geelong magistrates courthouse has been used principally by the Courthouse Youth Arts Centre for the past 10 years. It is one of the uses that brings young people into the precinct regularly and engages them in the arts scene and exposes them to a wide range of arts activities. So improving its functionality will provide good-quality, low-cost accommodation for community arts organisations.

We are also going to undertake detailed planning and a business case development for the Geelong Performing Arts Centre, the Geelong central library and the Geelong Heritage Centre. These projects will be of significant social and economic benefit to Geelong. They will attract intrastate and interstate visitors to what will be a cultural precinct in effect. They will encourage a high level of daytime and night-time activity, and they will stimulate private sector investment as well in the provision of a mix of appropriate commercial and cultural enterprises that will build around these cultural activities. This is an exciting project for us. It raises new challenges for us, but they are important challenges that we are happy to take up.

**Mr SCOTT** — Minister, I refer you to budget paper 2, pages 66 and 67, where under the heading 'Future Partnerships Victoria projects' three projects are outlined as being prepared for future procurement. Can you please provide further details on one of these projects, the bioresearch centre, which is being developed by Major Projects Victoria?

**Mr THEOPHANOUS** — The bioresearch centre that Major Projects Victoria is engaged in is going to be an exciting project. Major Projects Victoria has only recently acquired this as a project, and we are looking forward to its construction. It did take quite a lot of negotiating, because it involved negotiation with La Trobe University, but the project as it stands now is a \$230 million project. It will put Victoria and Melbourne at the forefront of bioscience research in relation to plant and animal research. That is essentially what this does. It fills a gap which we had in our bioscience capability. You have probably heard the Premier and other people in government saying in the past how we have 2 of the top 20 bioscience centres in the world, at Melbourne University and at Monash University. But those two bioscience centres are focused on human bioscience research. This will add the missing bit, which is bioscience research into plants and animals.

People should not underestimate how important this is, because this is about putting us at the forefront of being able to develop new ways of producing food, new animal husbandry methods, new ways of dealing with diseases in both plants and animals, and a whole range of things like that which again will put Victoria at the forefront in this particular space. So it is a major facility for agricultural bioscience. Its location at La Trobe University is, we think, the right place. It potentially will offer ready employment opportunities for La Trobe graduates and postgraduate students as well. It will have one added advantage from my point of view: it will actually boost Melbourne's north significantly as well in terms of employment. The project will be managed by MPV, and its construction is expected to commence in late 2009. There is quite a lot of planning involved before we get to the construction phase, because this is a complicated project. It is not just building a building; it is very complicated in terms of how you design a building which will be optimal for this kind of research. We expect that the centre will be fully operational — it will take three years to complete — in 2012. It will, as I said, strengthen our international reputation in this space, improve our international competitiveness and enhance our preparedness for rapid-detection response and management of plant and animal pests and diseases.



We have an \$8.4 billion agricultural sector, and this kind of research facility is designed to protect that sector going forward. It is one of our top three exporters as well. Building this was a deliberate decision by government in collaboration with La Trobe University, and we think it is going to be a fantastic development.

**Mr DALLA-RIVA** — I refer you to table A.14 on page 346 of budget paper 3. In relation to the rectangular sports stadium, can you explain to the committee whether this \$11.5 million is an injection of additional moneys for this project, given the initial denials in April this year that the \$268 million project had blown its budget due to delays in the start of stadium? Can you also in your explanation explain the relationship of footnote (a) to that table, and how that footnote impacts on the forward estimates as reported?

**Mr THEOPHANOUS** — The answer to your question is no, it is not an extra amount. This is part of the original budget of the rectangular stadium. The 11.5 million — I will ask Sean in a minute to explain it further, but my understanding of it is that it was to provide for additional capacity to increase the capacity of the stadium to 31 000. It is not, in any sense of the word, a blow-out. There was a policy decision made by government as part of a series of policy decisions, commencing with an initial idea of a stadium of around 20 000, which progressively increased until we came to a landing where we decided that it would be 31 000. The price went up commensurate with that, but once we decided on the 31 000, that has been the budget. That has not changed; there has been no blow-out at all.

**Mr SWEENEY** — Footnote (a), I think, refers to 57 million which was the first part of the overall funding increase.

**Mr DALLA-RIVA** — How much?

**Mr SWEENEY** — I think it was 57 million.

**Mr DALLA-RIVA** — Fifty-seven million dollars?

**Mr SWEENEY** — I just have to check.

**Mr DALLA-RIVA** — And that was expended in the current year?

**Mr SWEENEY** — No, it was granted in a different year, that is all.

**The CHAIR** — If you can give us the details on notice, that is best, I think.

**Mr DALLA-RIVA** — I guess what I am trying to get clarity on is that the \$268 million claimed as being the cost of the project remains.

**Mr SWEENEY** — Yes.

**Mr THEOPHANOUS** — That is correct; \$267.5 million.

**Mr DALLA-RIVA** — That is right.

**Mr SWEENEY** — That project went up by 68 million, and if you add those two together, that is the difference between the 199 and the 268.

**Mr THEOPHANOUS** — When we were looking at a much smaller stadium it was around 200 million, and it has gone up in that time as a result of the increase in size. We finally decided on a 31 000 capacity, and the cost of that is 267.5. That is what government settled on, and we expect to build it within that budget.

**Mr DALLA-RIVA** — Is it going to be on time?

**Mr THEOPHANOUS** — On time and on budget are the two things we aim for consistently. We always aim for excellence, Mr Dalla-Riva.

**The CHAIR** — Does Mr Sweeney wish to add something, Minister?

**Mr SWEENEY** — That figure I gave you, it is 57 million, not 58 — it was footnote (a).

**The CHAIR** — That fits with the minister saying 57 plus 11.5, then adds up to 267.5.

**Mr SWEENEY** — Yes.

**The CHAIR** — Are you going to soccer tonight? I assume it will be a topic of discussion.

**Mr THEOPHANOUS** — I am going to the soccer tonight. I am sure that Melbourne Victory is looking forward to playing in the new stadium when it is built, as well.

**Mr NOONAN** — Minister, I want to stay with the sporting theme if I could. In the Treasurer's speech, under the heading 'Maintaining and improving livability', on page 9 of budget paper 1 he references 66 million to go to the state athletics centre at Albert Park and, of course, the upgrade of the MCG and also some funding for the VIS. My question is whether you can provide details on what projects Major Projects Victoria is managing as part of that commitment?

**Mr THEOPHANOUS** — This was another project given to Major Projects Victoria. Again, it is in that sphere of sporting culture or building up sporting infrastructure along with the rectangular stadium. This was \$50.3 million which has been provided to Major Projects Victoria, and it is to build a new state athletics centre in a multipurpose facility at Albert Park with Olympic Park to make way for training grounds for Melbourne and Olympic Park tenants. The athletics centre will improve training fields for touch football and soccer in Albert Park; it will redevelop Lakeside oval to provide improved facilities for South Melbourne Football Club and new facilities for athletics and the Victorian Institute of Sport; and it will redevelop Olympic Park to provide a training oval for Collingwood and Melbourne football clubs. This work complements all the other things that we are doing in relation to the sports precinct, including the rectangular stadium, which is incidentally a great facility with a spectacular new bioframe that will just be a landmark for Melbourne as well.

This is about grassroots sport as well as elite sport in building further the infrastructure we need to maintain not only the capacity to stage events but also the capacity for clubs to be able to train and bring themselves up to the absolute best so that when they do play they can represent Victoria and Melbourne in the best possible way.

**The CHAIR** — Mr Dalla-Riva referred before to \$3.9 billion worth of infrastructure investment Budget paper no. 1, on page 4, also refers to 17 billion over four years. What role overall in this total program is your portfolio playing?

**Mr THEOPHANOUS** — The major projects portfolio, as I indicated earlier, is involved in \$4.1 billion of economic activity. I want to go through some of them for you, if you do not mind. The value of the combined projects we are doing is \$4.1 billion. Some of them are nearing completion, but many of them are about to begin.

I have mentioned already the bioscience centre as one which is important. The former fish market will come on screen soon, it is a \$170 million project; there is the Geelong future city master plan; Hepburn Springs; the Melbourne Convention Centre; Kew Residential Services; the Melbourne Recital Centre, the MTC; and the Melbourne wholesale markets redevelopment. There is the Olympic Park and Albert Park upgrade at Lakeside oval. There are the Parkville Gardens, which is \$370 million worth of development. There is the Princes Pier restoration and the Melbourne rectangular stadium. In addition to that we are also doing the State Library of Victoria. We have to do 4 to 6; we are just finishing stage 6 of that project. That was a \$91 million development as well of the state library. The state library is a fantastic facility, incidentally, for anyone who has not gone down and had a look at it lately. The developments that we have done down there make it, I think, one of the premier libraries certainly in Australia and one of the best facilities in the world.

I think it is important to see how the government has prioritised infrastructure construction and development.

**The CHAIR** — There is a lot of it.

**Mr THEOPHANOUS** — We use these figures, we talk about \$4 billion — \$4.3 billion on average over the next four years. You should bear in mind that at the point where the present government came into power, the last year of the Kennett government, it was around \$1 billion. There has been a four-fold increase in expenditure on new infrastructure. You might say, 'Oh well, fair enough', but put it into this context. The increase in the budget as a whole, which includes of course recurrent spending in the budget, has been about 70 per cent over the same period, so the budget today is 70 per cent greater than it was back in the last year of the Kennett government in

1999. But infrastructure spending is 400 per cent greater, and that gives you an indication of just how much more proportionately is being spent on infrastructure.

Why are we doing this? We are doing it because this is what makes Victoria competitive. If we stop spending on infrastructure, we will lose our competitive edge. In Victoria our competitive edge is about how well we can manufacture things, how well we can get them to market, how much better we are in our educational institutions, how much better we put on major events. All of these factors are the factors that are driving our economy.

People sometimes talk about a dual economy, and that is because you have Queensland and Western Australia being driven by the mineral resources boom. But somehow Victoria is holding its own not only against them but well ahead of the other non-resource states in terms of our economic activity, in terms of the number of jobs that we are creating. We created more jobs in Victoria last year than in any other state, including the resource-rich states. We are increasing our population at a faster rate in Melbourne than in any other capital city. We are doing this because we have got our unemployment rate down to 4.3 per cent. Regional unemployment is 4.7 per cent. These are numbers that have not been heard of for decades. The reason we are able to do this in Victoria is that we are prepared to spend on new infrastructure and build the capability in our educational institutions, in our sporting capability and in a whole range of areas which create economic activity. We have done this as a deliberate policy by the government to build new infrastructure so that the next generation of Victorians has a solid base upon which they will be able to build a future for themselves as well.

**Mr DALLA-RIVA** — I thank the minister. It has taken him 50 minutes to get fired up, so I do appreciate it.

**Mr THEOPHANOUS** — Not to one of your questions, though.

**Mr DALLA-RIVA** — I just wanted to get clarification, because it was the first question that I sought in respect of it. With those projects — in particular I think it is the \$1.4 billion Melbourne convention centre — there are no government dollars in that. It is a PPP, isn't it?

**Mr THEOPHANOUS** — No, that is not correct, Mr Dalla-Riva.

**Mr DALLA-RIVA** — You put it down here as a PPP portfolio — \$1.4 billion on your slide — so that is a quarter of your claim already gone. I am just seeking clarification, because it is — —

**The CHAIR** — Can you be more exact in what you are seeking clarification on?

**Mr DALLA-RIVA** — The minister refers to the \$4.1 billion infrastructure and how great it is. I am concerned that we are getting told a particular line when in actual fact there is no government money. It is all private partnership arrangements and it is private money going in and you are claiming it as being part of MPV.

**Mr THEOPHANOUS** — You know what, Mr Dalla-Riva, I have not got fired up to any of your questions!

**The CHAIR** — No need to do so now, Minister.

**Mr THEOPHANOUS** — I do not think with 10 minutes to go you are going to succeed in getting me fired up.

**Mr RICH-PHILLIPS** — Perhaps if Mr Davis were here — —

**The CHAIR** — Which one?

**Mr RICH-PHILLIPS** — Either.

**Mr THEOPHANOUS** — Let me just answer your question. PPP stands for public-private partnership. It means private as well as public. It is not just private and it is not just public. It is public-private partnership, which means there is public money that goes into a PPP and there is private money that goes into a PPP. You do not have to be a genius to work that out, but if you are the shadow Minister for Major Projects you would probably go out and have a look to see — —

**Mr DALLA-RIVA** — For a start I would have my portfolio a lot larger than yours, and I would have it involved in other infrastructure projects. I would be building things other than the Melbourne Recital Hall.

**The CHAIR** — Let us not make it hard for Hansard. The minister, to continue, please.

**Mr THEOPHANOUS** — I am happy for you to give a personal explanation any time, Mr Dalla-Riva. I am happy to give you time for that. Mr Dalla-Riva, the answer to your question is that in each case there is a combination of private and public money that is involved. In the case of the Melbourne convention centre development, the same is true. There is a significant amount of public money being put into that development — in the order of \$368.8 million is going towards that development. The point about PPPs is that if the government just did something on its own, first of all it would have cost us a lot more than \$368.8 million to build the convention centre. But what we do instead is go to a private sector developer and we say, ‘Let’s do a partnership, where you build the convention centre for us, we will give you X amount, but we want you to build as well as that a commercial section, a hotel and so forth.

**Mr DALLA-RIVA** — So are you claiming the 4.1 billion as 368, or 1.4?

**The CHAIR** — All right! The minister, to clarify.

**Mr THEOPHANOUS** — I am happy to give you the split. The split is roughly half-half, Chair. The total investment that is being expended as a result of these major projects is \$4.104 billion, and the amount of state money that is going into that is \$1.9645 billion, so roughly half of the \$4 billion is state money, and roughly the other half is private sector money. The point I would make to you, Mr Dalla-Riva, is that you would not get one without the other. This is new infrastructure that is being developed in this state directly as a result of us putting up \$2 billion in order to gear off another \$2 billion from the private sector.

**The CHAIR** — It might be a good time to have a couple of minutes break before we swap over to the next portfolio. Thank you, Minister.

**Witnesses withdrew.**

## **Transcript of evidence**

### **5.2 Public Transport portfolio**

*The transcript for the hearing on this portfolio was included in the Report on the 2008-09 Budget Estimates – Part One.*

## **Transcript of evidence**

### **5.3 Roads and Ports portfolio**

*The transcript for the hearing on this portfolio was included in the Report on the 2008-09 Budget Estimates – Part One.*