

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2012–13

Melbourne — 8 May 2012

#### Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Dr D. Napthine, Minister for Major Projects,

Mr H. Ronaldson, Secretary,

Mr P. Noble, Acting Deputy Secretary, Investment and Major Projects, and

Mr T. Bamford, Executive Director, Major Projects Victoria, Department of Business and Innovation.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I welcome from the Department of Business and Innovation Mr Howard Ronaldson, secretary; Mr Jim Strilakos, director of finance; Mr Peter Noble, acting deputy secretary, investment and major projects; and Mr Tim Bamford, executive director, Major Projects Victoria. I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information relating to the budget estimates for the major projects portfolio.

**Dr NAPHTHINE** — It is a pleasure to be here to talk about the major projects portfolio. This year Treasurer Kim Wells handed down a very responsible budget that was also aimed at driving economic activity, productivity and jobs. Delivered in a context of tough economic times and reduced revenue, it was a disciplined and carefully thought-out budget that delivers \$5.8 billion of investment in product-enhancing infrastructure, including new projects to the value of \$2.7 billion. This also includes several projects from the major projects portfolio, such as the dramatic upgrade of the shrine in time for the 2015 Anzac centenary, and funding to progress the second stage of the redevelopment of Melbourne Park. Today I would like to talk about a number of the highlights from the 11–12 financial year, tell you about the 12–13 budget announcements and provide a progress report on some of the most significant projects in the portfolio.

#### **Overheads shown.**

**Dr NAPHTHINE** — There have been a number of highlights since I spoke to the committee. We have moving pictures, which is terrific. Three projects have been completed and are now operating with great success. The \$67 million State Sports Facilities project at Lakeside Oval involved creating an international-standard athletics track, improved facilities for the South Melbourne Football Club and new administrative spaces for athletics and the Victorian Institute of Sport. A secondary element of the project, the construction of offices for Athletics Australia, Athletics Victoria and Little Athletics will be completed in the third quarter of this year. The government committed a further \$15 million to this project in last year's budget due to underfunding by the previous government. The athletics facility opened in spectacular form in December last year, with the running of the Zatopek 10 000-metre race. This track has been used for numerous athletics event, including trials for the London Olympics, which will be held in July this year.

In February the Minister for Sport and Recreation and I attended the opening of the new Victorian Institute of Sport in the freshly restored 1926 South Melbourne grandstand. If you have not had the opportunity to see that, it is magnificent the way that has been constructed, maintaining the heritage and attributes of the 1926 grandstand with modern facilities inside. It is a great credit to all those involved. This fantastic building will give Victorian athletes a head start with an elite training gym, state-of-the-art coaching, a 25-metre pool, a sprung floor and a multipurpose room. Feedback from athletes who have used this facility to prepare for the Olympics has been excellent, and I think the facility will drive the future successes of many of our sportspeople.

The \$135.8 million Hamer Hall redevelopment is set to reopen to the public at a gala concert in late July this year. The project will make the facility even more accessible, providing a better experience for audiences and ensuring that it can continue to provide a wide variety of top international and local performers. This project will help maintain Victoria's competitive advantage well into the future by providing a cultural precinct where all Victorians and visitors can experience the best arts and cultural activities. The renovation will create a new outward-facing venue that aims to enhance the unique heritage character of the building, but making it more accessible and more inviting to the public. The redevelopment of Hamer Hall is being provided for audiences and performers alike and expanded foyer spaces; new connections to the city, St Kilda Road and the river; new stairs; improved disability access, escalators and lifts. The new access to the river is absolutely breathtaking. It really does complement that whole Southbank development. There are improved acoustics, new auditorium seating and cutting-edge staging systems and technology.

In December 2011, the Victorian government completed the \$34 million Princes Pier project. This project was initially announced by the former Labor Deputy Premier, the member for Albert Park, in 2007. The original cost was \$14 million, but it was subject to 142 per cent blow-out, as well as a four-year blow-out in completion time. There were no less than three Labor ministers who failed to control the costs of this project. But I must say that the outcome is a great credit to the people who have worked on that project, who have done a great job in difficult circumstances. The project involved removal of existing deck structure, reconstruction of 196 metres of pier, repair of defective timber pylons, support of the new concrete structure, refurbishment of the gatehouse, and the creation of a forest of piles at the seaward end as a heritage and sculptural masterpiece.

This year's budget announced funding for three additional projects. The coalition government committed \$22.5 million in the 12–13 budget towards a \$45 million redevelopment of the Shrine of Remembrance. This development will expand improved facilities for exhibitions, community research and the delivery of school and community education programs. The new facilities will enhance the shrine's capacity to meet the demand for commemorative activities during the centenary of Anzac and the World War I commemorative period 2014–18. Further funding for the project is being sought from the commonwealth, and we would certainly urge them to come on board with this iconic project. Major Projects Victoria is assisting the shrine trust and the Department of Planning and Community Development to deliver this redevelopment.

\$5.5 million to project scoping and early design work for stage 2 of the redevelopment of Melbourne Park. A full economic assessment showed the Australian Open generated 1000 full-time equivalent jobs, injected \$164 million into the economy and attracted 240 million viewers worldwide. Preliminary estimates were that the economic impact of the 2012 Open is likely to top these figures. The 2012 Open showed the event was becoming even more popular, with a record attendance of 686 000 — 24 per cent of patrons were from interstate and 15 per cent were from overseas. This funding is part of the Victorian coalition government's commitment to keep the grand slam of the Asia-Pacific in Melbourne until 2036 and comes on top of \$363 million already invested in the project. This funding and the entire Melbourne Park project is focused on positioning Victoria to take full advantage of the current and future opportunities in this vibrant sports and entertainment precinct. The business case will investigate the stage 2 works, will include significant improvements to the centre of the Melbourne Park site, including the upgrading of Rod Laver Arena and, depending on the outcomes of the scoping process, a new town square and a vastly improved player, media and broadcast facility.

The redevelopment of the 23-hectare E-gate rail yard in West Melbourne is a vital project to drive the economy, productivity and jobs. This is an extremely exciting project. The E-gate site has the potential to generate activity in the order of \$6 billion over a 10 to 15-year period and generate thousands of jobs in construction and planning phases. Strategically located at the western edge of the CBD, between the key inner growth precincts of the Docklands and West Melbourne and North Melbourne, E-gate provides the opportunity for a mixed-use urban redevelopment which would assist in facilitating housing and supply growth in Melbourne's inner west. It has the potential to provide housing for 12 000 people, office accommodation of 180 000 square metres and retail and community space of 17 000 square metres. E-gate is one of the largest inner metropolitan sites, and we have a long-term strategic plan in place for its future use. The budget provides a funding package for a detailed business case and related study to analyse and assess the potential of the E-gate site, which becomes available for redevelopment from 2014.

While I cannot go through the entire portfolio, I would like to just go over for you some of the important current projects. The Flinders Street station design competition is a city-shaping project that will rejuvenate and restore a Melbourne icon. The Baillieu government is looking for the best ideas from around the world to re-energise the station and its surrounds to make sure that we maintain the integral heritage features. Designs are expected to address the station's main function as a transport centre and address the heritage requirements and urban design integration with the surrounds as well as providing a value-for-money proposal. Not only will it need to cope with the increases in patronage through our train systems, but we also believe that much can be done to improve it as a public space and a whole new precinct for the city.

A statement of key objectives document has been released to give potential applicants a guide to what the government is looking for — an enhanced Flinders Street station precinct. Currently MPV is working with other relevant agency stakeholders to develop a full competition brief. The competition is attracting worldwide interest already.

The \$363 million stage 1 of the redevelopment of Melbourne Park is already under way and includes a major upgrade to the fully enclosed Margaret Court Arena and increased capacity of crowds to 7500; a new eastern plaza, a national tennis centre training facility incorporating 8 new indoor courts and 13 outdoor courts; refurbishment of Rod Laver Arena and Hisense Arena; additional parking; and a terrific footbridge linking Melbourne Park to the AAMI rectangular stadium. This has created hundreds of jobs and is providing enormous economic benefit to the Victorian economy. As I said before, the Australian Open is of great value to the community.

I am conscious of the time. I want to refer briefly to the Melbourne fruit and vegetable market, which is being relocated to Epping in Melbourne's north. An important part of the state's infrastructure, the Melbourne market has a turnover in excess of \$1.6 billion. We understand that the previous government had difficulties with this project, with time and cost blow-outs, and what we have sought to do is to re-examine and rescope the project, refinance the project and establish better structural arrangements for market-community consultation. In the year ahead we are going to be releasing details of rents, leases and fit-out guidelines and making sure we sign tenants for lease agreements to the trading floor complex and negotiate warehousing arrangements. It is expected that the market will be operational in 2014–15.

In conclusion, Major Projects Victoria aims to support Victoria's growth. We have taken the time to choose our projects carefully with the aim of securing and creating jobs, stimulating investment, generating job opportunities for employment, business and industry, and providing productivity and economic benefits to the state. We believe infrastructure projects can boost the state's economy, but we must take care to plan well and deliver value for Victorian taxpayers.

**The CHAIR** — The remaining time will be given over to questions. I ask: given the key growth and efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within the major projects portfolio, and in your response could you indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas?

**Dr NAPTHINE** — As I outlined, the budget provides \$5.8 billion worth of funding for infrastructure and projects, which really is a massive amount of money in the Victorian budget context. Indeed if you took out commonwealth stimulus funding from previous budgets, this is a record amount of investment in infrastructure. Given the difficult, challenging economic times, this is a real investment from the Baillieu government in improving infrastructure and productivity.

As outlined in my previous contribution, some of the key projects that major projects will be involved in are scoping the E-gate opportunity, which is an exciting and terrific opportunity right on the edge of Melbourne for a potential \$6 billion development that can be developed following leases expiring in 2014. This creates accommodation opportunities in the inner city area and commercial opportunities, and it also provides great quality-of-life opportunities in that inner city area.

The Shrine of Remembrance, \$22.5 million, is a vital project as we come up to the centenary of Anzac, to ensure that our shrine is capable of dealing with the expected increased enthusiasm and patronage associated with the centenary of Anzac and the centenary of a significant number of events that occurred during World War 1.

The Melbourne Park development: we talked about stage 1 and stage 2, which again are great opportunities. The challenge in terms of major projects is to manage these projects in an efficient and effective way and to learn from the reports of the Auditor-General and others on a number of these projects so that we can continue to make sure that we get best value for Victorian taxpayers dollars.

**Mr PAKULA** — I just want to understand how we are to understand the limits of this portfolio, and I want to do it in a way that does not set you off. You made reference to a whole range of projects during your contribution. You talked about the shrine, you talked about the arts precinct, you talked about Melbourne Park. When I look at the output, the asset initiatives, that are under DBI for 2012–13, the only two that are mentioned are a couple of million for E-gate and a couple of million for Puffing Billy. A number of those other outputs are listed under DPCD or DPC. The Melbourne Park one I could not find at all on a brief perusal; I am sure it is in there somewhere. How do we know from the budget papers whether a project is a Major Projects Victoria project, because it is not immediately apparent when you look at the DBI output what is in and what is not?

**Dr NAPTHINE** — Major projects provides services to a range of other departments and agencies, particularly departments and agencies that do not have a strong capital management experience and expertise. So, for example — and this happened under the previous government and continues significantly the same under this government — in the arts portfolio the redevelopment of Hamer Hall was put forward. The arts ministry does not have a vast capital experience or capital capacity. So while the funding is through arts, the delivery of the project is managed through Major Projects Victoria. That happened under the previous

government, and it continues to happen. For example, in this case, for something like the State Athletics Centre, the funding comes through sport but the project is managed through Major Projects Victoria. That is how the process works, and that is how it worked under the previous government.

In terms of major projects, I as Minister for Major Projects also — again, you may have some difficulty comprehending this, but — —

**Mr PAKULA** — You just told us it is the same, so I am pretty sure I will comprehend it.

**Dr NAPTHINE** — We work as a collegiate cabinet, we work with each other, we work as friends and colleagues and we do not see ourselves as silo ministers who do not talk to each other.

**Mr PAKULA** — We will see how that goes as the years go by, Doc.

**Dr NAPTHINE** — So, for example, I talk to the Minister for Ports about the developments at Hastings —

### **Members interjecting.**

**Dr NAPTHINE** — and the developments at the port of Melbourne. There are a number of projects in the Bendigo hospital redevelopment where I have an interest as Minister for Regional Cities and I have an interest as Minister for Major Projects. I have an interest in transport projects like the Dingley bypass and the three grade separations. I have interests in a whole range of projects that are across the government portfolio for which major projects may not be the direct line manager of that project. So it is based on working together in a proper sense, a way a government should work and a way a cabinet should work.

**The CHAIR** — Deputy, I am sure you have something to add.

**Mr PAKULA** — It is good to have the admission that the minister talks to himself! There are lots of things that lots of ministers are interested in, and there are lots of things that ministers talk to one another about, but in terms of line accountability and responsibility, it is more important to know which minister is accountable for and responsible for a particular project. So is there a list that is available that says what projects the Minister for Major Projects is accountable for directly? Because if the Minister for Major Projects is directly accountable for it, then it means some other minister is probably not directly accountable for it. So it is not a question about what you are interested in; it is a question about what you are accountable for.

**Dr NAPTHINE** — Mr Pakula, there are a number of projects that we have a management responsibility for, but those projects are often funded through another minister, who then asks us or cabinet allocates the project to major projects. So that is how it is managed.

**Mr PAKULA** — I am just wondering: how do we know which ones they are?

**Mr ANGUS** — Listen to the answer.

**Dr NAPTHINE** — I think you have a look at what we do.

**Mr MORRIS** — Minister, I refer you to budget paper 4, the state capital program, and in particular page 14, the DBI existing projects and specifically the Melbourne wholesale markets redevelopment, and can I ask you: how is the government responding to the Auditor-General's investigation into the market relocation project?

**Dr NAPTHINE** — I mean this is a challenging and difficult project but an absolutely vital project for Victoria. The Melbourne market is an important part of our economy that has significant turnover of \$1.6 billion, it has a large number of participants and stakeholders, and it is absolutely important that we provide a proper market facility that meets their needs, that meets occupational health and safety requirements and that is delivered as efficiently and effectively as possible.

As you alluded to, the Auditor-General's report highlighted that the Melbourne market project under the previous Labor government had been the subject of monumental mismanagement, with cost blow-outs, time delays —

**Mr PAKULA** — Still 100 million cheaper than your policy of keeping it where it was!

**Dr NAPTHINE** — and poor stakeholder engagement. Indeed, the audit report said — and let me quote from the audit report. On page 20 it said that the cost:

... will be more than double the \$300 million budget ...

Page 9 says “the project will be six years late”. Page 29 says “the procurement process was not demonstrably fair.”

**Members interjecting.**

**The CHAIR** — Deputy, just let the minister complete his answer.

**Mr PAKULA** — Did you dump button me again?

**The CHAIR** — I will keep overriding you as long as you keep trying to talk over the top of the minister, okay?

**Mr PAKULA** — I was just helping him with a helpful quote from his own press release — —

**The CHAIR** — The issue here is that the minister has been asked a question, and it is respectful of the committee to hear the answer. You may ask a further question later.

**Dr NAPTHINE** — As I was saying, the Auditor-General said on page 31:

... it is likely the government paid more for the trading floor than it should.

On page 21:

Stakeholder management was not effective.

On page 9:

The project was not fully costed prior to seeking funding.

On page 37:

The price bid by the unsuccessful tender was \$40 million less than the successful tender.

On page 32:

... poor probity management resulted in a procurement process that did not demonstrate fairness or appropriate management of conflicts of interest.

No less than 12 Labor ministers had direct oversight of and responsibility for this project since it was first announced in 2004. Unfortunately the Victorian public and the Baillieu government have now had to pick up the pieces of this disaster of a Labor project.

Upon coming to government we undertook a major review of the Melbourne Markets relocation project, and after that review we determined that Epping was the appropriate site given the sunk costs that had already been spent there by the previous Labor government. Given that circumstance, our job was to take over the project and manage it as efficiently and effectively as possible, and part of that involved rescoping the finances of the project.

In 2005 the Labor government proposed a project of \$300 million, which included \$227 million of government funding and \$73 million of debt funding. When the project blew out in 2009 to \$531 million the Labor Party’s approach was to massively increase the debt to \$216 million, demand \$51 million from the MMA and get some money from the sale of surplus land. Their approach was to increase the debt that was going to be incurred by the market.

On coming to government we examined that. That debt level was unsustainable for the market in a viable sense, so we have rescoped the funding. We have reduced the level significantly. We have continued to work hard to manage the project in an efficient way. We are working hard with the stakeholders, and there are challenges there.

**Mr PAKULA** — That is why they are taking you to court.

**Dr NAPTHINE** — There are challenges there.

**Members interjecting.**

**The CHAIR** — Order! Deputy, calm down. With great respect, you will have your opportunity shortly — or you may have an opportunity if indeed you get the call, but at this rate you are not likely to, because we are churning up the time. All of these interruptions are wasting the minister's time. If you want to ask questions, Deputy, then you will just have to stop interjecting, because every time you interject you extend the period of the minister's answer.

**Mr PAKULA** — Can I talk now?

**The CHAIR** — No, you cannot. You do not have the call.

**Mr PAKULA** — Then I will take a point of order.

**The CHAIR** — What is the point of order?

**Mr PAKULA** — The point of order, Chair, is: do you seriously expect that when the minister just goes on a 10-minute diatribe about the previous government — —

**The CHAIR** — Deputy, that is not a point of order. There is no point of order.

**Mr PAKULA** — Why don't you start managing the hearing appropriately and call the minister to order? Why don't you call the minister to order, Chair? Then I would not have to.

**Dr NAPTHINE** — The Auditor-General did identify significant problems with this project. We have made some strong decisions in terms of refinancing the project, focusing on getting the project back on stream and working with all stakeholders to try to get this project completed as quickly as possible.

**Mr SCOTT** — In the questionnaire which was sent to the committee from DBI there were savings initiatives that were outlined that the department had to deal with, including \$12.5 million from the government's election commitment savings from the previous budget, \$9.9 million from the GST reductions savings measures from the previous budget, and there were \$2.3 million and \$6.6 million from the budget update. Additionally there is \$14.7 million from this current budget. I am just interested to know what the share is of those savings this year which has to be dealt with by the major projects unit.

**Dr NAPTHINE** — The lead minister, Minister Asher, is more appropriate to address the issues.

**Ms HENNESSY** — For God's sake!

**Dr NAPTHINE** — I have just said that as an introduction. With respect to major projects, there will be no impact on the delivery of major projects.

**Mr PAKULA** — You do not have to find any of the savings?

**Mr SCOTT** — By way of follow-up, I will just echo that comment. So there are no savings within major projects that have to be found?

**Dr NAPTHINE** — The answer I gave is that there will be no impact on delivery of major projects through this process.

**Ms HENNESSY** — Come on, that is not an answer to the question.

**Mr ANGUS** — I refer you to budget paper 4, page 13, in relation to the E-gate project, which you touched on in your presentation and indeed in some earlier comments you made. Minister, can you advise the committee: how is the government progressing the development of the E-gate site down there at West Melbourne?

**Dr NAPTHINE** — Thank you for that very important question. E-gate is strategically located at the western end of the CBD, between inner city growth precincts of the Docklands and the West Melbourne–North Melbourne area. E-gate provides a great opportunity for mixed-use urban development which would assist in facilitating housing supply growth in Melbourne’s inner west, and it would help meet the growing demand for inner suburban quality housing. E-gate is a VicTrack-owned site of approximately 23 hectares, and it is named ‘E-gate’ because it is located at gate E in the Melbourne rail yards. It is in West Melbourne, 2 kilometres from the CBD, bounded by the Moonee Ponds Creek, Footscray Road, Dudley Street and the North Melbourne rail corridor. That means that E-gate has ready access to the North Melbourne railway station, to Footscray Road, across the road to Docklands and of course via Dudley Street into the city. It is an absolutely prime site for development.

Two primary users currently occupy the majority of the E-gate site: BlueScope and OneSteel operate a hub for distribution of steel by rail and road to customers in Victoria and interstate, and Metro Trains Melbourne and Yarra Trams occupy the site for a variety of logistics, maintenance and administrative purposes in the western portion. The site will become available for redevelopment following the relocation of these tenancies with the expiry of the existing VicTrack lease to Pacific National, which is subleased to BlueScope and OneSteel, scheduled for November 2014. So the E-gate site has enormous potential to generate economic and job activity and to deliver a very positive outcome for Melbourne. It is estimated that over a 10–15-year period it could be a \$6 billion development, given the prime site and the opportunity for developing that area. The budget contains a \$2 million package to fund detailed business case and related studies to analyse and assess the potential of the E-gate site so that we are ready when the leases expire and we can look at how that site can be developed to the best advantage of the community of Victoria.

**Ms HENNESSY** — Minister, just in relation to budget paper 3, page 66 — it is the port of Hastings development — I was just wondering if you could advise the committee on the status of your plan to introduce giant driverless trucks as part of the port of Hastings development process, as was reported in the *Sunday Herald Sun*.

#### **Members interjecting.**

**The CHAIR** — Thank you, Ms Hennessy. I think the minister has your question, and I will ask him to respond.

**Dr NAPTHINE** — Ms Hennessy, that question opens up a significant answer that I need to develop, and I am sure you will bear with me while I do that.

**Mr PAKULA** — It all depends, Minister.

**Ms HENNESSY** — What the status of it is.

**Dr NAPTHINE** — The situation is that, as I outlined in a previous contribution as the Minister for Ports, currently we are doing 2.5 million TEU — 20-foot equivalent unit — containers through the port of Melbourne. As the growth rate of import-export containers is growing at about 6 to 8 per cent per annum, it is expected that there will be 5.5 million TEUs in 2025, and 8 million by 2035. So the government needed to make some decisions regarding capacity to cater for that import-export trade. As you are aware, Victoria is the freight and logistics capital of Australia; a lot of the economic and jobs activity in Melbourne and Victoria is built on our freight and logistics advantage. Therefore, a responsible and competent government would not dither and delay on decisions about port capacity, not like the previous government.

We have made decisions with regard to development of increased capacity at the port of Melbourne with East and West Swanson Dock and with a third container terminal at Webb Dock. We have also made decisions with regard to medium to longer term capacity in developing the port of Hastings. The port of Hastings is a greenfield site in terms of container capacity, as you would be aware, Ms Hennessy. While it is an active, working port and while there is significant land around the area that has been zoned for port and port-related activity, it is not a working container port at the moment. That is why we have a high calibre team appointed as the chair and the board of the Port of Hastings Development Authority to explore the options and opportunities as we develop this port into the future.

What I have said to the Port of Hastings Development Authority and more broadly is that we want to use this unique opportunity of a greenfield site development as a new container port on the edge of a major city, building on our freight and logistics strengths, to make sure that we have the very best and most efficient port available. That involves using state-of-the-art technology and state-of-the-art opportunities. So we should not limit our horizons in terms of what is happening.

**Ms HENNESSY** — So does ‘horizon’ mean giant driverless trucks are a fair way off, or are they — —

**Mr ANGUS** — Until the minister answers the question, stop interrupting him.

**Ms HENNESSY** — Well, simply, the minister has been going for a number of minutes. I asked what is the status of the minister’s plan to introduce giant driverless trucks.

**Mr ANGUS** — If you will be quiet, you will hear it.

**Ms HENNESSY** — No, what is the status of it?

**The CHAIR** — I take it that is your final question, thank you, Ms Hennessy.

**Dr NAPTHINE** — As I am explaining, we have charged the Port of Hastings Development Authority to look broadly at all the opportunities across the world, and not be blinkered in its vision in terms of traditional port approaches and port activities. Some ports around the world are now using systems that are using modern technology that means that they can operate in completely different ways from the way that ports have been traditionally operated. They are changes that are equivalent to the changes that occurred when we went from bulk and bags to containerisation. There are opportunities to use that technology in ports. Many ports are now using rail or other shuttle services to take containers from the port to inland ports to be opened and distributed. I do not think we should close our eyes to any opportunities to look at developments that use modern technology.

If you had asked me 20 years ago whether you could get a car to do a reverse park on its own, without driver intervention, I would have said that would never happen. But it is happening; it is now available. The technology is available. There is technology that we should be looking at in 10, 15 and 20 years. That means that how we operate straddle cranes, how we move containers around and how we move containers to inland ports all need to be examined to make sure that we have the most efficient and effective and environmentally acceptable ways of moving those around.

**Mr O’BRIEN** — Minister, I would like to ask you a question in relation to budget paper 5, page 202, where there is a section relating to the Melbourne Park redevelopment. I would like to ask you, Minister, what is the status of the stage 1 works of the Melbourne Park redevelopment, and how will the finished product benefit Victoria?

**Dr NAPTHINE** — Thank you, Mr O’Brien.

**Ms HENNESSY** — Will there be giant driverless trucks there?

**The CHAIR** — A bit obsessed with that fixation, Ms Hennessy.

**Ms HENNESSY** — I was thinking I would just like an answer, you know, rather than a lecture.

**Dr NAPTHINE** — It is a pity that Ms Hennessy and the Labor Party are stuck in the 19th century when it comes to freight and logistics.

**Ms HENNESSY** — Absolutely not, Minister, as you made the announcement last year about giant driverless trucks and you cannot advise the committee with any degree of specificity when and if we are going to have them. That is my point.

**Dr NAPTHINE** — The question related to the Melbourne Park redevelopment. I was pleased to be at Melbourne Park yesterday with Minister Delahunty. Work is progressing well with the eastern plaza and the national tennis centre training facility well on track. The large trusses supporting the indoor tennis court building have all been installed, and installation of the roof is currently occurring. It is a very exciting development to go past. In the train you get a great view as you are travelling along there.

Lights for the outdoor courts are currently being installed, and the new podium adjacent to the east side of Hisense Arena containing a large public open space has largely been completed with a number of trees recently installed to help beautify the area. This creates a new open plaza space that will help cater for the crowds that attend the Australian Open. There is also a significant open space that links the MCG across the rail yards through this plaza and across the new bridge that will be built towards AAMI Stadium. I think it links all those areas well together. Works will begin in coming months on the walkway from the podium across the Olympic Boulevard to AAMI Park. This will mean pedestrians will be able to walk from the MCG to AAMI Park uninterrupted, which enables us to maximise the use of parking in that precinct. Also Minister Delahunty and I were there yesterday, because we are going to restore the old Olympic rings that were at the velodrome and at Olympic Park and place them on that walkway so that they will be visible and a great reminder of the Olympic history of that region. We expect the walkway to be completed in 2013.

Works have also recently commenced on the new Margaret Court Arena, which will have an operable roof. This means that Melbourne will be the only grand slam to have three operable roofs, providing greater certainty in terms of weather conditions, whether it be the rain or the heat, and that means that we will be able to keep to our schedule better, and the increased capacity at Margaret Court Arena will complement Hisense Arena and Rod Laver Arena to once again re-establish that Melbourne is the best place to have a grand slam tennis open.

**Mr PAKULA** — Minister, I am going to rely on your undertaking before that you have interests across government when it comes to major projects. You would be aware that in the last week there has been reference in the major dailies to the fact that the government is now looking again at a ferry service from Werribee or Geelong to the CBD, which would clearly be a major project if it was ever built. I assume the minister would also know that back in 2008 there was work done by Maunsell Aecom for government which showed that fundamentally it was economically unviable, that there was something like an \$8000 shortfall per week and the government would have to subsidise the rest to make it viable. Are you aware of anything that has happened in the meantime that has turned that around that would now make it viable, and is it a serious proposition?

**The CHAIR** — The first question I put to the minister is: is this a matter for his portfolio?

**Mr PAKULA** — He says everything is.

**The CHAIR** — If he is happy to accept responsibility, then he may answer the question.

**Dr NAPHTHINE** — The matter was announced by and is the responsibility of the Minister for Planning, who is going to undertake this study.

**Mr PAKULA** — I thought you all worked together.

**Dr NAPHTHINE** — We do, but I am happy to make some comments.

**The CHAIR** — Thank you, Minister. Proceed.

**Dr NAPHTHINE** — We are happy to help. We are here to help.

**Mr PAKULA** — Sorry; that 8000 was daily, not weekly.

**Dr NAPHTHINE** — There was an announcement made at the weekend by the Minister for Planning of an examination of the possibility of the use of ferries from Werribee, Werribee South, Altona and Williamstown to link them to the CBD. I think it is appropriate that government undertakes appropriate studies at key times to examine these possibilities. It was indeed gratifying to see the enthusiasm for these projects from ordinary Victorians, who believe that there are opportunities to look at this and to see if it is a viable proposition, to see if it can be done and can deliver outcomes.

Mr Pakula asked what has happened since 2008. One of the things that has happened since 2008 is there has been significantly more traffic on the roads, which does create challenges, but it also creates opportunities. Any government worth its salt will examine those opportunities and will conduct an honest, open, investigative process so that people can have their say, the possibility of a ferry service can be legitimately examined and proper advice given to government and a conclusion drawn.

**Mr PAKULA** — I am sure that the public welcome these things when there is a genuine prospect of them occurring, Minister, but as I indicated there was an \$8000 a day shortfall only a few years ago. This is, I suppose, potentially like the Geelong car trade. The public react very, very well because they get a press release which says thousands of new jobs for Geelong, which a year later do not materialise because it was just a media release for the sake of a front page on a particular day rather than a genuine — —

**The CHAIR** — There is a point of order. Sorry, Deputy Chair.

**Mr MORRIS** — On a point of order, Chair, I think the supplementary is straying way, way, away from the original question. If it is relevant to the initial question, that is fine, but it is nowhere near relevant on my reckoning.

**The CHAIR** — Thank you, Mr Morris. I think I have to concur that this is more of a speech than a follow-up question, so if you could narrow it back to the initial question.

**Mr PAKULA** — I suppose the point I was happy to make, Chair, is that it is not really fair to get people's hopes up with a bogus claim.

**Members interjecting.**

**The CHAIR** — The minister to respond without assistance. Ms Hennessy!

**Dr NAPHTHINE** — Mr Pakula referred to the proposed relocation of the car trade to Geelong —

**Mr PAKULA** — Which you never intended to do.

**Dr NAPHTHINE** — which is not a bogus — —

**Mr ANGUS** — Let the minister answer.

**Dr NAPHTHINE** — This is the difference between the previous government and this government. The previous government did not do proper research —

**Mr PAKULA** — You put out a press release, 'Thousands of jobs for Geelong'.

**Members interjecting.**

**Dr NAPHTHINE** — did not properly investigate things, did not properly consult, did not talk to stakeholders, did not — —

**Members interjecting.**

**The CHAIR** — Minister, I am moving on; I am sorry. Minister, as you know I have a very long interest and association with the wholesale fruit and vegetable market, as do you. This goes back probably two decades, really. I am interested in the overview you have given today and particularly interested if you can advise of the current status of construction of the relocation of the wholesale market and when you expect the market to be operational.

**Dr NAPHTHINE** — The market has kept proceeding with the construction, and indeed while the government reviewed its decision with respect to the market there was not one hold-up in terms of the construction, because that contract had already been let and it was being delivered. I was out at the market recently and work had already commenced on a 130-day project to put down 40 hectares of asphalt, which gives some indication of the size of the market, the size of the project. That 40 hectares of asphalt is in some places 20 centimetres thick, quite thick asphalt, to cater for the weight of the large trucks that will be using that area and to cater for the trucks turning on those areas, so it is a significant component of the project.

The trading floor complex is nearing its completion. I think it is terrific to go out there and drive past and see the large roof area and the large trading floor area that is being completed. The administration block is largely completed. Some of the services areas are nearing completion. So a significant part of the project is well under way. But as you know, Chair, the project cannot proceed without warehousing to support the trading floor, and that is the next stage of development that we need to negotiate with the storeholders so that we can negotiate a

construction of the warehousing. That will be done in proper consultation with the market community. The challenge is to rebuild the faith the market community have in this process. They have been let down badly by the previous government.

**Mr PAKULA** — And you.

**Dr NAPTHINE** — They have not been consulted with properly by the previous government —

**Mr PAKULA** — Or by you.

**Dr NAPTHINE** — and it takes a lot of time and effort to rebuild that trust, rebuild that faith. We are working hard with the Melbourne Market Authority, with the department and with Major Projects Victoria to rebuild that trust, rebuild that working relationship, so that we can get an outcome. But we must also remember, Chair, that there is a segment of the market community who simply do not want to move, and that is going to be a difficulty in the process.

**Mr PAKULA** — Because you geed them up and told them they could stay — all the way up to 2010.

#### **Members interjecting.**

**Dr NAPTHINE** — One of the things that was told to me, Chair, was that in major projects in just about every case the client that we are working for — be it the department or a service provider — is absolutely rapt they are getting government money to assist in redeveloping their facilities. The market is not such a case. This decision was foisted on them by the previous government without proper consultation. So it is a difficult process and it does require a lot of hard work. But we have analysed the project, and given the sunk costs in the Epping site under the previous government it would simply be unviable to rip that up and remain at the current site. Therefore the project must go ahead. It had to be refinanced, the management had to be reinvigorated and we had to rebuild the trust with the market stallholders. That is what we are seeking to do, and we are working towards an opening in 2014–15.

**Mr SCOTT** — Minister, last year you came before the committee and made reference to 1.6 million for the Flinders Street Station Design Competition. I note it is also referred to in the current presentation. What has happened in the last year regarding this project?

**Dr NAPTHINE** — Let me hand over some of the good work that has been done. Flinders Street, as you would be aware, Mr Scott, is a terrific site. It has got great history, great heritage, the building is over 100 years old, and it services as our no. 1 railway station. It is also one of the busiest railway stations in the world. So the challenge with Flinders Street is to maintain the heritage, the history, the uniqueness of this beautiful building. The challenge is also to make sure that it is a working railway station that is efficient and services the growing demands of our rail system.

The next thing we need to do is look at what are the opportunities to refurbish parts of the building that have fallen into disrepair — particularly, for example, the ballroom. When you go into the ballroom you can only be sad at that magnificent building being left to rot and decay, particularly over the last decade of inaction under the previous government. But we as a government are determined to do our level best in terms of the Flinders Street station. There are also some great opportunities as part of the site, particularly in the western section of the site: the west concourse, which is 7900 square metres; the milk dock area, which is 12 100 square metres; and the Banana Alley Vaults area, which is 7100 metres. So what the project has been working on is developing the rules of the design competition, developing the judging — —

**Mr PAKULA** — That is all you have done for the last year? Worked on the rules?

**Mr ANGUS** — We know how to do things properly. We do not just race into them.

**Mr O'BRIEN** — It certainly does not look like a \$750 million pipeline!

**Ms HENNESSY** — You must be exhausted! You've done nothing and you've not committed any money. Tell the committee the truth!

**Mr PAKULA** — You must be knackered!

**Dr NAPTHINE** — Mr Pakula interjects, and I think we can see why, when Mr Pakula was a minister, so many projects went off the rails, over budget, or were underscoped, undercosted and poorly managed because they did not do the hard work — —

**Mr PAKULA** — You have been working for a year on a drawing competition!

**Dr NAPTHINE** — They did not do the proper consultation — —

**Mr O'BRIEN** — That is right. They did a press release.

**Mr PAKULA** — Just nonsense.

**Dr NAPTHINE** — They did not do the work to scope the project properly. They did not provide the added — —

**Mr SCOTT** — It is just extraordinary.

**Mr PAKULA** — It is a \$1 million drawing competition.

**Mr O'BRIEN** — A \$750 million pipeline.

**Dr NAPTHINE** — Mr Pakula has interjected again, saying that the design competition for Flinders Street is a drawing competition. I think it goes to show the simplistic, appalling approach taken by Mr Pakula and the previous government — —

**Mr PAKULA** — What has happened in the last 12 months?

**Dr NAPTHINE** — I would suggest to Mr Pakula that he read the Flinders Street design competition statement of key objectives, which outlines some of the work that has gone on, the enormous significance of this project and the importance of absolutely doing it right — not rushing, not running a Labor Party drawing competition.

**Mr ANGUS** — That is right. Exactly.

**Mr O'BRIEN** — Or a sham consultation like the Windsor Hotel.

**Dr NAPTHINE** — — or a sham consultation or some other nefarious Labor activity, but doing it properly.

**Ms HENNESSY** — I would be worried about the DBI offices closing in your electorate.

**Mr PAKULA** — It is like a comedy routine. You are a comedy routine!

**The CHAIR** — Sometimes I just wonder about your lack of respect for your own office.

**Ms HENNESSY** — His office is very clean; he respects it beautifully.

**The CHAIR** — That brings to an end the consideration of budget estimates for the portfolios of Ports, Regional Cities, Racing and Major Projects. I thank the minister and departmental officers for their attendance today. I am not sure but there may have been one question that you have taken on notice?

**Ms HENNESSY** — Yes, there was.

**The CHAIR** — In an earlier portfolio. But we will get back to you. We will review the transcript and see if there was. We will write to you, and if we do write to you, could you respond within 21 days? This concludes the hearings. The meeting is adjourned. Thank you.

**Committee adjourned.**