

# TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Budget Estimates 2018–19

Melbourne — 30 May 2018

#### Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Mr Steve Dimopoulos

Mr Tim Smith

Mr Danny O'Brien

Ms Vicki Ward

Ms Fiona Patten

#### Witnesses

Ms Jacinta Allan, Minister for Major Projects,

Mr Richard Bolt, Secretary,

Mr Justin Hanney, Head, Employment, Investment and Trade,

Mr Luke Wilson, Lead Deputy Secretary, Corporate Services,

Mr Matt Carrick, Deputy Secretary, Investment and Economic Projects,

Mr Peter Armstrong, Executive Director, Economic Projects, Department of Economic Development, Jobs, Transport and Resources and

Ms Angela Skandarajah, Acting Chief Executive, Development Victoria.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2018–19 budget estimates.

All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Major Projects, Ms Jacinta Allan, MP; Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources; Mr Justin Hanney, Head of Employment Investment and Trade; Mr Luke Wilson, Lead Deputy Secretary, Corporate Services; and in the gallery, Mr Matt Carrick, Deputy Secretary, Investment and Economic Projects; Peter Armstrong, Executive Director, Economic Projects; and Angela Skandarajah, Acting Chief Executive, Development Victoria. Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege.

The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

### **Visual presentation.**

**Ms ALLAN** — Thank you, Chair. Last year when I addressed the committee in the Major Projects portfolio we talked about how there were a range of projects going on across the state, and I am delighted to say that little has changed. There continues to be a lot of activity going on and the agenda in this area continues.

Just to give you some examples of that, work at our majestic State Library has started. This is an \$88 million project that will look at how we can ensure that the history and heritage of this wonderful building is preserved but will also look at how we can make it a modern and functional space where we can so future generations can enjoy the State Library. There is the work at the Melbourne Convention Centre — the expansion works there. These works were funded in 2015 and they started in 2016, and I am also pleased to say that they will be open and ready for business in the next few months.

Then there is also the ongoing program of works at Flinders Street station, and whilst it is a public transport asset, the works down there are being delivered as part of the Major Projects portfolio. It is an asset that sits at the heart of our public transport network but also at the heart of our city as well. That is why there has been a great program OF works to both address some of the heritage issues — restore the facade that is visibly noticeable as you move around the city — and also make passenger improvements as well.

This time last year when I addressed the committee, Development Victoria had just been established. To remind committee members, this was consolidating Places Victoria and Major Projects Victoria. The purpose of this was to have it oversee urban renewal development of under-utilised government land and civic projects delivery. We also established Development Victoria to deliver a range of diverse projects that are designed to meet broader government policy objectives. We want to get more out of our projects, and we can do that

through some of the policy settings such as looking at how we can incorporate building more social and affordable housing, activating under-utilised government landholdings.

I am pleased to see that some of these policy settings that have been built into our project delivery are paying dividends. For example, expressions of interest have been sought from the community housing sector on how they can deliver a component of affordable housing on three new Development Victoria residential developments at Altona North, Springvale South and Keilor Park. This builds into what we have said from the outset — from the establishment of Development Victoria — that it has been established not to emulate the private sector but to complement it through the delivery of socially responsible and economically prudent projects that we want to see delivered.

Another example of this is our \$100 million Ballarat GovHub project. This is going to be a commercial office development. It is going to bring together 1000 government employees, but it is also going to bring these employees into a revitalised civic hall space, and that is going to really bring more workers and more people into this part of the Ballarat CBD and create many construction jobs as well. Moving now to looking at some of the work we do in Development Victoria within this portfolio and with others on supporting the development of key precincts around the city, we are blessed with a number of strategic landholdings in the vicinity of the CBD — at Arden-Macaulay and at Fishermans Bend. There are also key education and employment hubs around the CBD, with the Monash National Employment and Innovation Cluster being a stand-out one of those.

With Development Victoria and also the Department of Economic Development, Jobs, Transport and Resources, there is a significant role to be played there in the strategic planning and delivery phases of these precincts and looking at how we can bring investment into these areas. We also work with other areas too, particularly with the planning minister on some of the planning activities as well. We need to do this careful work because these are areas that provide unparalleled renewal opportunities to accommodate more people and to create more jobs, as some of these locations are very close to the city's CBD.

Turning now to the 2018–19 budget, the budget provided for some ongoing work on our GovHub program. The 18–19 state budget allocated \$16 million to establish the Bendigo GovHub as a centre for co-locating Victorian government services into one building in the Bendigo CBD. This builds on the work that I have just mentioned in Ballarat, and there is also a similar GovHub concept going into the Latrobe Valley as well.

The budget has provided \$20.4 million for the Fishermans Bend activation. There is also funding for improved transport links and for the continuation of the work that has been done by the Fishermans Bend Taskforce. Also, the education minister may have reported on the work that is going on in building a secondary school in Fishermans Bend as well. There is also the partnership that we have forged with Melbourne University, which has taken on 7 hectares of land in this area and will bring its own significant investment to this site as well as its school of engineering.

In Geelong the budget provides funding for the Geelong Convention and Exhibition Centre — part of the work that is being done with the federal government on the city deal. We are funding this part of the convention centre, which is going to be is great news for Geelong as well.

I might leave it there. There is work that we are doing in other areas, but hopefully over the course of the hearing we will have the chance to explore those in greater detail.

**The CHAIR** — I might start if I may. In your presentation you talked about some of these precincts, and many of these precincts are located quite close to major transport interchanges and major transport infrastructure. Can you just talk about the synergies between the location of these precincts with major transport infrastructure? I am thinking about Arden-Macaulay in particular.

**Ms ALLAN** — Thank you, Chair. As we look at developing these precincts we have to also very carefully plan to ensure the efficient and effective movement of people in and out of these areas. Clearly the development of transport infrastructure and economic growth go hand in hand. As we are planning to increase the number of people and jobs, we want to make sure that we have got the infrastructure to support that. That is certainly something we see in successful precincts around other parts of the state and the world as well. So that is some of the work that the department is doing, because within the department we have got those levers of both the transport responsibilities and the economic ones as well.

You are right to single out Arden. Arden-Macaulay is a really good example of that. I guess what has helped to drive that further is the location of one of the five Metro Tunnel locations: what is now known as the North Melbourne station is located in this Arden-Macaulay area. That again is a real catalyst. It has opened up what was previously a lot of industrial land into what will be a jobs and housing precinct.

Whilst the work is going on with the Metro Tunnel project to actually deliver the station and to deliver the project more broadly, we are also doing work in the department on what the other activities are that we need to bring around the precinct — obviously housing and jobs as well — and how they link into other parts of the city. The new North Melbourne station will be a 2-minute train ride to the new Parkville station, so it is really going to provide improved connectivity to those parts of the city. The question is how can we use this area to address, as I said before, some of those housing opportunities and also how we can implement parts of the Homes for Victorians policy around affordable and social housing in areas that are going to be very close to the city and provide new access and new opportunities.

**The CHAIR** — Again, similar to my previous conversation in the previous hearing, what are some of the risks associated with projects like this in the event that you do not get the planning right or you do not have enough of that longer term strategy planning for these sorts of precincts?

**Ms ALLAN** — Well, there is risk if you do not get this right. You have got to make sure, as I have already mentioned, that you have got planning undertaken for the transport links, and you have got to make sure there is provision for schools and education facilities from primary all the way through. You have to make sure there are appropriate job opportunities both in the precinct and close by. This is why there has been, whether it is at Arden-Macaulay or at Fishermans Bend, a lot of work done through the development of strategies to oversight this work.

I think we all know the story well of Fishermans Bend and how there have been some challenges there in the past, and we are determined not to repeat those into the future. We all know, I think, the story about how much the education department had to spend on land in Fishermans Bend simply to build a school, which is obviously a vitally important public asset. At Fishermans Bend we are also seeing that that has got the potential to be home to approximately 80 000 residents and provide employment for up to 80 000 people by 2050. To get to there — obviously it is a long way off — we have got to make sure we have the processes in place. That is why, for example, the budget provides \$1 million for new transport connections between Fishermans Bend and the CBD. There has been a lot of work going on on that front as well.

I mentioned in passing in my presentation that Melbourne University has acquired some of the land there. That will help see the relocation of its school of engineering into the Fishermans Bend precinct. There is going to be a great opportunity to develop what will be an exciting engineering precinct into the future. There is part of an investment of almost \$1 billion, as I understand, from the university into their engineering school. This will also bring students into this precinct, so you will have people working there, people living in this area and people coming in and out for study. That is going to be a really vibrant space, but again we have got to work through the planning processes and also the economic development opportunities that will come from that as well.

**The CHAIR** — Thank you, Minister. I am just conscious of time, and I know we are all very excited about getting through our series of questions, so I might hand over to Ms Ward.

**Ms WARD** — Thank you, Chair. Minister, unfortunately the opposition were not able to make it for your presentation, so they may not have context regarding my question which is relating to your presentation. You have spoken about the major projects that we have got happening across the state. There are numerous, as I understand it, economic and social benefits that come from these. Can you talk us through the wide range of what you actually get out of this pipeline of projects that we have got?

**Ms ALLAN** — Thank you, and again you reference the presentation where I talked about how the creation of Development Victoria and bringing together the project delivery capacity for Major Projects Victoria and looking at how we can develop our land also gives us the opportunity to apply broader government policy principles to those projects. I have mentioned already a couple of times the *Homes for Victorians* policy and how we can, if you like, implement that policy setting that has been established by government. Another example, and I think I may have spoken about this at the committee last year, is the value capture and creation framework that was released by the government before last year's hearings. That is also a policy setting that we will be implementing as we develop land — whether it is around Arden-Macaulay or at Fishermans Bend —

and how we apply those principles of not just value capture, which implies a financial return to the state, but also value creation. A good example of that, at risk of going back to our previous hearing, is the work that we have done on the level crossing removal program on the Caulfield to Dandenong line, where as a result of that work we have opened up 11 MCGs worth of open space in parts of Melbourne that have historically had much lower proportions of open space compared to other parts of the city. They are a couple of really good examples of policy settings that we apply through the delivery of our projects.

Also too there is the application of the Major Projects Skills Guarantee. This is a policy that is a responsibility of the Minister for Industry and Employment, but all of us who are responsible for delivering projects are required to comply with this policy, and why wouldn't you? It is a great one because it is about 10 per cent of the workforce being dedicated to apprentices, trainees or engineering cadets, and with the major projects portfolio and through the projects that are run by Development Victoria we have got some great examples of that in action.

**Ms WARD** — Obviously being the Parliamentary Secretary for Industry and Employment I am pretty interested in this. Would you mind talking us through some of those examples, please, Minister?

**Ms ALLAN** — So certainly the State Library is a good example. We have got 125 jobs being created through this redevelopment at the state library, and of the works that are going on there we have got seven apprentices, trainees and engineering cadets. That may sound like a modest number, but for those seven trainees, apprentices and engineering cadets, they are all getting to work. They are getting a job, and also — this is the experience I have had with some of the apprentices that I have met, particularly on the Flinders Street station project — they are just so excited to be working on an iconic building in and around the city. It is a very rare thing to get to work on a project like the redevelopment of the State Library. It is a grand building; it has got great history. It obviously needs some significant work on it, which we are undertaking, so they get to start their career, they get to work a significant part of their training, part of their career, on these projects, and they will forever be able to say that they made a really important contribution to that project.

**Ms WARD** — Just quickly, Minister, could you talk us through, then, the opportunities that exist for Development Victoria to ensure that land development that is on public-owned land benefits the public? Have you got examples of where this is happening?

**Ms ALLAN** — Thank you. Again that goes back to why Development Victoria was established. It was established so that we could drive the value of projects on public land in a broader sense, in that broader value-creation sense that I spoke of before. I have mentioned some of those examples of community infrastructure and education and health facilities, but the *Homes for Victorians* policy does present us with a really important opportunity to deliver more safe, secure and affordable housing. It is a feature of a lot of public commentary about how we need to support the development of further housing, and we —

**The CHAIR** — Order! Mr O'Brien until 12.39 p.m.

**Mr D. O'BRIEN** — Minister, I just heard you to refer to the value of public land, which I think is a good segue into my question which relates to your role with Development Victoria, which has responsibility for the Docklands. You would be aware that we have asked questions to the Treasurer about the gifting of waterfront land to the AFL at Docklands for use as its head office. As the minister responsible for Development Victoria, can you tell us what the terms of this concession are, for how many years the concession has been granted and what consideration will be paid by the AFL for it?

**Ms ALLAN** — Sorry, I guess I am just seeking some clarification in terms of which aspect of the major projects portfolio, because as I understand it the Treasurer would have gone through this with the committee previously. There are aspects of the arrangements that have been struck that are beyond my immediate portfolio, so if you could just clarify.

**Mr D. O'BRIEN** — Well, I can quote from Development Victoria's website:

Development Victoria is managing the development of Melbourne's Docklands ...

The 15 000 square metres of land that has been handed over to the AFL for its headquarters is within the Docklands, so I would have assumed that that would be part of Development Victoria in your portfolio, so I am seeking what the terms of that are. Yes, we asked some questions of the Treasurer and he put on record that the

government had not valued that land at all, but I am trying to find out — we did not get the opportunity to ask him — what the terms of that arrangement are and how long it is and what the concession is.

**Ms SHING** — Sorry, can I just make a point of order?

**Mr T. SMITH** — No, you can't, actually.

**Mr D. O'BRIEN** — Not unless it is about a point of order. You can't debate our question.

**The CHAIR** — Ms Shing?

**Ms SHING** — The reference to evidence from the Treasurer relates to Mr O'Brien's assertion that it was gifted. That is not in fact anywhere in the evidence from the Treasurer, so if you are going to invite the minister to comment on things, again, a direct quote from the evidence might be useful.

**Mr D. O'BRIEN** — On the point of order, Chair, whether I said that or not, my question included a question: what consideration will be paid by the AFL? So it is now up to the minister to answer whether it is gifted, whether it is a dollar, whether it is \$100 000. That is the question I am asking.

**Ms SHING** — It would have been good if that had been asked in the first instance rather than a misrepresentation of what the evidence was.

**The CHAIR** — Sure. I am happy with the question to stand. Minister?

**Ms ALLAN** — Thank you for the question. Yes, the responsibility for the development around the Docklands area does sit within the Major Projects portfolio, and so part of my challenge in answering all of your question is that I was consulted on the way on some of the aspects of the arrangements that have been struck with the AFL. But as you have heard from the Treasurer previously, in this forum and indeed others, he was the lead on behalf of the government for these matters, and so I will answer them to the best of my ability.

There has been an ongoing program of development around Docklands, as we know, that has been going on for some time, and that involves a mix of significant private investment. I am advised it is around \$12 billion of private investment that has gone on in that area at that previous time. But there is also a lot of investment in public infrastructure as well — for example, at the library, at the Ron Barassi Snr park and others. It is within that context that we need to see the arrangements that have been struck with the AFL because there needs to be some ongoing development around that precinct. I think for any of us who particularly have attended, whether it be a sporting match or other activities, around the Etihad Stadium area we know that that is a bit of a tired space and that we need to undertake some development, and the opportunity has come through those negotiations that have been led by the Treasurer to —

**Mr D. O'BRIEN** — Thank you, Minister, for the background. Can I now ask you to attempt to answer the question on what the terms of the arrangement are?

**Ms ALLAN** — Well, I was getting there, but anyway. If I remember correctly, you characterised in your question the land being handed over. I think it is an important point of clarification to make that the arrangements that have been struck with the AFL are by way of a lease. So this notion that the land is being given away, sold off, handed over, as you have described, is not correct.

**Mr D. O'BRIEN** — So how long is the lease and what is the consideration?

**Ms ALLAN** — I do not have that information. The arrangement for the lease will be for a period of time, but the lease is —

**Mr T. SMITH** — Thanks for that.

**Mr D. O'BRIEN** — Thank you. They generally are.

**Mr DIMOPOULOS** — She says she does not have that information.

**Mr T. SMITH** — She's the minister; she should know the information.

**Ms ALLAN** — Actually, I am happy to provide that. Sorry, I have just conferred with my officials and I am advised that it is for up to a 40-year arrangement that has been arranged and, as I think has been expressed before — again, if I remember correctly, by both the Premier and the Treasurer — those time lines also align with this being seen in the context of the broader package that this sits within, and I am sure you are going to endeavour to cut me off on this point —

**Mr D. O'BRIEN** — Do you have the consideration as well, Minister, what the terms of the lease are? It is 40 years, but for how much per year?

**Ms ALLAN** — It is about making sure that we can see that this lease arrangement returns value for the state and that those arrangements have been struck with the AFL in a way that at the end of the lease —

**Mr D. O'BRIEN** — Is it a dollar a year, Minister?

**Ms ALLAN** — My advice is that it is.

**Mr D. O'BRIEN** — It is a dollar a year. Thank you. Can I continue on, and the question is to the department, so whether it is Mr Bolt or Mr Hanney, perhaps: what probity processes were in place and adhered to in the \$1-a-year lease for the AFL? Is there a probity report, and if so can you make it available to the committee?

**Mr HANNEY** — Mr O'Brien, there is a term sheet that was negotiated, and that term sheet was considered by government —

**Mr D. O'BRIEN** — Sorry, a term sheet, did you say?

**Mr HANNEY** — A term sheet — in negotiations. It is worth going back just in terms of understanding the agreement with the AFL, so can I just give some context, if that is okay?

**Mr D. O'BRIEN** — Just as quickly as you can, Mr Hanney, please.

**Mr HANNEY** — Sure. If you go back to the initial proposal, the AFL approached government wanting a \$440 million redevelopment that involved Etihad Stadium. At the time there was a proposal to build a brand-new stadium and you will recall that government committed at the time to undertake a stadium strategy. In undertaking that stadium strategy, one of the proposals put forward by the AFL was their strategy to redevelop. One was put forward by other groups to build a brand-new stadium. In context, a brand-new stadium, Perth Stadium, for 60 000 people, cost about \$1.6 billion.

The term sheet that I am referring to has many parts to it. One part is the extension of the grand final, the extension of finals series. One part was the things that the AFL wanted to do to Etihad, because they had acquired under the option that they had from the start of the agreement with Etihad the option to buy it out. So they acquired the stadium. In acquiring the stadium one of the things they wanted to do and one of the things the government is doing is a master plan of the New Quay development, the location of their site.

**Mr D. O'BRIEN** — So Mr Hanney —

**Mr HANNEY** — I will get to your point. In terms of the relocation of the AFL from that site and the desire to stay within the Docklands precinct, they have got a contract, which means that ultimately they have got to buy the site at valuer-general's price. So it has not been given to them.

**Mr D. O'BRIEN** — The 15 000 square metres?

**Mr HANNEY** — No, and so that is part 2. Part 2 would be that they do not get 15 000 square metres; they get the amount, once they have presented back to government their proposal to develop that site for AFL headquarters. We are very explicit about what they cannot do, so they cannot develop it for residential purposes, they cannot develop it for serviced apartments, they cannot develop it for retail. So it is essentially AFL headquarters. They are where they currently are. They move over to that site. From the time of entering the agreement, they have four years to undertake the development of that site. If they have not undertaken the development of that site, then we have clauses —

**Mr D. O'BRIEN** — So that is four years from April — whenever it was signed?

**Mr HANNEY** — Four years from the time of the signing of the Agreement.

**Mr D. O'BRIEN** — Which has been done.

**Mr HANNEY** — I will need to just check that; I will check that and get back to you in the course of this question. Can I be really clear on this, which is: AFL headquarters and the redevelopment of the Victoria Harbour, there is master planning work being done by Development Victoria, because we know that with the integration between Victoria Harbour, Etihad and the rest of the city, there needs to be better design work and that design work is being done as we speak.

**Mr D. O'BRIEN** — Sorry, I am just conscious of time, Mr Hanney. Is the terms agreement available publicly, and can it be made available to the committee?

**Mr HANNEY** — It is a confidential agreement. It has got cabinet coverage, and it has got confidentiality agreements with the AFL.

**Mr D. O'BRIEN** — Alright. Can I go back to the question, then? Was there a probity report undertaken, and can that be made available if there was? Can I also ask whether there was a cost-benefit analysis of the whole deal undertaken by your department or Development Victoria?

**Mr HANNEY** — The benefits have been presented in a cabinet submission. In terms of the probity audit, there was a term sheet presented to government and was negotiated. I need to go back and look. In terms of the negotiation, I need to go back and look at what was negotiated between Treasury and sport and recreation. But I go back to your value question — that is, that in the redevelopment of the AFL site, profits from the redevelopment of the AFL headquartered site will be shared with government.

**Mr D. O'BRIEN** — You mean the existing site, the AFL headquarters?

**Mr HANNEY** — That is correct, yes. And the other site, I just want to qualify again, the 12 000 square metres, they do not get 12 000 square metres. They have got to come back and present plans to government, at a future point they pay V-G's price, which is highest and best use, or they can continue to lease. And I go back to V-G's price, which is if they cannot demonstrate — they may not need all of that site but the idea of keeping —

**Mr D. O'BRIEN** — So the valuer-general was involved. Was the land monitor involved as well?

**Mr HANNEY** — No. We have not got a formal price from the valuer-general on that site.

**Mr D. O'BRIEN** — They do not have that at the moment. When will that occur?

**Ms PENNICUIK** — Minister, if I could just give a bit of a preamble to the questions that I am going to ask, I am going to ask one on behalf of Ms Patten, who has had to leave. I will also have to leave after I have asked my questions just because of the different arrangements of timing. So I apologise and give you notice that I will leaving straight after that. So this is Ms Patten's question: The Development Victoria website lists Federation Square East as a current project, but it appears to have lain dormant since the change of government. Is this one of the 15 economic projects in delivery listed on page 145 of budget paper 3, or has this project actually been scrapped?

**Ms ALLAN** — The answer is no, it is not one of those 15 projects. If it would assist you, Sue, I am happy to follow up the balance of Fiona's issues separately — if that would assist you to get to the issue that you are wanting to.

**Ms PENNICUIK** — If you could take the rest of her question on notice, that would be great, thank you. One of the projects is the Parkville project, which has had a long gestation: the pre-games phase which was finished in 2006 and the post-games phase which is underway now. There has been a lot of controversy with regard to the heights of the buildings at that particular site. There will be 1000 dwellings, and 20 per cent will be dedicated to social housing. I understand now that the heights that the minister has allowed are 17 storeys, and that is an increase from the original 11. I have got a couple of questions on that. One: is there a concomitant

20 per cent increase in the number of social housing since the heights have changed, as in the number of social housing units that will be built on the site?

**Ms ALLAN** — I will answer this insofar as the responsibility is in the portfolio, because obviously issues around height limits are the responsibility of the planning minister.

**Ms PENNICUIK** — Yes, but the question is about the development under Development Victoria.

**Ms ALLAN** — Yes, that is right. As you identify, Sue, this is a piece of land that has been under development since it was used in 2006. My advice is that the next stage of work will see the delivery of 600 apartments. That includes 101 affordable housing units to be delivered by the Port Phillip Housing Association. To segue back to some earlier matters in the presentation and conversation earlier, this is a way that we are applying those affordable housing policies in the development of our land.

**Ms PENNICUIK** — Just to follow up, has that changed since the decision of the planning minister, the number of units and social housing units?

**Ms ALLAN** — Yes, I am advised up to 23 more social housing units, following the work on the planning scheme amendment.

**Ms PENNICUIK** — My next question is with regard to Kew Residential Services, which has also been on the books for a very long time, I think more than 10 years now. Could you provide an update briefly and/or on notice as to the status of that project, when it is going to come to some completion?

**Ms ALLAN** — Yes, Kew has been going on for a really long time. There has been a range of different stages in which that has gone on. I think there are seven previous stages that have involved, importantly, taking good care of the residents that were living there with an intellectual disability on the site and rehoming a number of those people also on the Kew site. I am advised — there are final stages 8 and 9 — that a heritage permit application for stage 8 had been previously submitted to Heritage Victoria in May of last year.

**Ms PENNICUIK** — Yes.

**Ms ALLAN** — Sorry, am I telling you things you already know?

**Ms PENNICUIK** — Yes, I know that.

**Ms ALLAN** — That is currently under an appeal. That is before the court, so obviously we are limited from saying more than that at this stage.

**Ms PENNICUIK** — Thank you. Minister, on page 145 of budget paper 3 where there are 15 projects — the ones that are featured on the website, I presume, are them — it talks about them being delivered in accordance with contracted cost and a number being delivered in accordance with contracted scope. Of the 15, only 10 of those are listed to be in accordance with those measures — that is, contracted cost and contracted scope. Can you provide the committee with why that would be, that only 10 of the 15 are expected to be delivered in that way?

**Ms ALLAN** — Obviously the papers do not break down which of those fall in or out of that. There is a whole range of reasons why there are variances to contracted time lines. It can go to things like we have just discussed around appeals, court processes and planning permits. So we would have to go back and interrogate each of those 15 projects in terms of which ones fall in this frame. Some have scope added to them, like the state library. Some have funds added to them as well to do more with those projects.

**Ms PENNICUIK** — Perhaps for the benefit of the committee that could be taken on notice as to which projects are the five that fall outside those performance measures.

**Ms ALLAN** — If there is more to add, we will come back to the committee.

**Mr DIMOPOULOS** — Minister, I will ask you a couple of quick questions following up in relation to Flinders Street station before handing over to Ms Shing. Well done on the progress of the upgrade of Flinders Street station. Not only is it obviously of tourist value but it is also of value to the civic pride of Melbourne.

Beyond all that it is the workhorse of the metropolitan transport system, accommodating 200 000 passengers a day. With that investment — BP4, page 136, and the additional investment on page 24 of BP3 of \$2 million — can you just give us a bit more insight into how that investment increases passenger amenity and movement around the station specifically?

**Ms ALLAN** — Thank you. As I think I may have said earlier in the presentation, Flinders Street station is at the heart of our public transport system. The redevelopment of Flinders Street station is being delivered as a major project, reflecting that there are significant historical and heritage values that need to be preserved in the building and also explored about the station being one that continues to accept many, many passengers into the future. It is one of our busiest stations — it is used by around 200 000 passengers every single day — so there is a lot that goes on in and around that precinct.

I am confident that the committee will recall from previous hearings that since 2015 we have been working on delivering the \$100 million program of works at Flinders Street station. Part of that work has been to make a range of passenger improvements. Part of those passenger improvements include a whole lot of work to improve the concourse area, declutter it and do some lighting and get better passenger information. We have also recently opened up a new entrance on platform 10, so if anyone knows that end, you can now come in across the river and access platform 10 from that end of the river. That has helped alleviate some of the congestion in the subways of Flinders Street station.

So the answer to the second part of your question around the \$2 million in this year's budget is to continue to do some further development work and design work on the eastern concourse of the Flinders Street station, because whilst there are 200 000 people who use it now, that will continue to grow into the future and particularly as we add more services and a growing population. Also too, Flinders Street station is going to be a major interchange point with the Metro Tunnel project. The Town Hall station will intersect with the Flinders Street station so we need to make sure that there is appropriate connectivity through there. So that is the work that is going on.

**Mr DIMOPOULOS** — So a power of work, Minister, as compared to the last government's drawing competition. Well done.

**Ms SHING** — Thank you very much, Minister. I would like to move, unsurprisingly, back into the regions and to talk about regional projects and the investment in infrastructure through the major projects portfolio that will decentralise our employment bases throughout the state and also enable jobs to be created in a number of places. You indicated in your presentation references to the Ballarat GovHub, Geelong, the Ballarat West employment zone and to the Latrobe Valley GovHub and the city deal for Geelong as well.

I would like to get some further information by reference to BP3, page 27, and also the initiatives that are listed in the 'State capital program' in the context of what they will do about it. How is this intended to not just meet the challenges of growing populations but ensure better equity of opportunity in employment and quality of life for communities across the state?

**Ms ALLAN** — Thank you for those observations, Harriet. The work that we are doing in the portfolio obviously extends to the regions and you have listed a whole range of projects.

**Ms SHING** — People say we are 'Melbourne Labor', and one of the things that it is always useful to do is to take it back to the regions and talk about what is happening there.

**Ms ALLAN** — That is right. There is a whole range of projects that are being undertaken by Development Victoria or Development Victoria in partnership with other government bodies and agencies that are about supporting economic growth and development. For example, the Ballarat West employment zone is a terrific example of how we are doing work there that is helping to create jobs in that part of Ballarat.

Also too there are other civic projects that are being undertaken in the regions, and a good example is the Geelong Performing Arts Centre project, and you identified that in my presentation I referred to the Geelong Convention and Exhibition Centre as well. It is also important to note that these projects in the regions are also creating jobs during the construction phase.

So this brings me to the work that we have been doing on GovHubs in regional areas, and the budget provides for \$16 million to develop a GovHub in Bendigo. If the committee will forgive me for being a little bit parochial for a moment —

**Ms SHING** — We all have our moments, Minister, we all have our moments.

**Ms ALLAN** — This is a great project and there has been a significant amount of work that has been undertaken through Development Victoria, through Regional Development Victoria with the City of Greater Bendigo and with key government departments that are located in the City of Greater Bendigo such as DELWP, our own department. It has created an opportunity to bring together into the heart of the Bendigo CBD up to 1000 people. This includes city staff and includes government staff under one roof. It is consolidating workers who are currently spread across seven sites in central Bendigo, so there are so many benefits to this. It is a construction project. Our \$16 million is anticipated to leverage potentially around \$80 million to \$90 million worth of investment in a new building in the heart of Bendigo, so that will bring significant construction jobs during that phase of construction. It is bringing together people under one roof, and there is also the capacity to add to that with 100 additional jobs as well.

**Ms SHING** — Is that a template that could be used more broadly around GovHubs? I mean I know we have got one in the Latrobe Valley as well, but more broadly as decentralisation occurs, is this model something which has application across the regions as the population continues to grow?

**Ms ALLAN** — I personally think so and certainly the experiences that we have drawn down on at Ballarat and in the Latrobe Valley help validate that approach because the next part of the benefits that I was going to speak to are for the general public, who will be able to access services — whether they are government services across a range of different departments or in this case in Bendigo, council services — that will be all under the one roof. So it will be a much better interface for members of the public to come in and pay their rates, sort out their planning approvals with the planning department and talk to the economic department about job opportunities. So it is bringing all of that activity into one place.

Then the other benefit of the Bendigo GovHub in particular to the wider Bendigo community is it is bringing, as I said, 1000 people in. Some of these people are already in the CBD but there is also a significant number of these people who are coming in from outside of the CBD of Bendigo into the CBD. And this is going to also bring more people, who will come in and shop in the retail area in the CBD, who will have lunch, who will undertake activities in the CBD. This will help unlock a broader revitalisation program in the heart of the Bendigo CBD that has been worked on particularly by the city.

**Ms SHING** — What about the interface between the private sector and government? So we have got DV working alongside I think RDV, alongside the private sector, around multiparty approaches to delivering these hubs. How can that be streamlined to cut delays and maximise the speed and efficiency at which these hubs can be delivered?

**Ms ALLAN** — Our investment will help unlock private sector investment, that is the funding, and also our offer as a tenant as well is going to be significantly attractive to the private sector. So then, in terms of streamlining the delivery, it will be incumbent upon all of us involved in this project, like we endeavour to do with all of our projects, to deliver them on time and on budget and where we can exceed those time frames, because this is going to bring many people into the Bendigo CBD and create lots of jobs during the process and have some significant longer term benefits.

**Ms SHING** — And it is the case that the more we do, the better we get at it, is that a fair assertion?

**Ms ALLAN** — Yes, and there are a lot of similarities between the Bendigo GovHub model and the one in the Latrobe Valley, for which a developer has already been appointed, as you would be aware.

**Ms SHING** — That is to the Morwell site, yes.

**Ms ALLAN** — The site has been confirmed and work is going well on that.

**Mr D. O'BRIEN** — I just want to go back, Mr Hanney, to clarify some things. With respect to the AFL deal at Docklands, you said from the point of agreement, the signing of the lease, the AFL has four years to come

back with a proposal for development at the site, which you said is actually 12 000 square metres at Docklands; is that correct?

**Mr HANNEY** — Just to qualify, up to 12 000 square metres. Just again some context, Development Victoria has been tasked with undertaking a master plan of the film studios site. The AFL needs to come back to government. So within four years of the deed, of the agreement, they must commence construction. So just going back, Mr O'Brien, to be clear, whether or not it is 1000 square metres or 4000 square metres, the amount of land is subject to them coming back with a development proposal. The trigger for this is a term sheet that was negotiated, which had many parts to it, which included content for the MCG, which included the redevelopment of Etihad Stadium.

Minister Eren can speak more to the redevelopment of Etihad Stadium and what the upgrades of that are, but there are also two master plans being undertaken. One which is the Victoria Harbour site, where the AFL headquarters and the Channel 7 site are, and the wharf is over the road. So it is at a very early stage of design works. The same with the master plan. So to answer your question about the value of the site, they will pay valuer-general's price. They will pay highest and best use.

**Mr D. O'BRIEN** — They will pay what? Sorry, what was that last bit?

**Mr HANNEY** — It is highest and best.

**Ms ALLAN** — That is standard.

**Mr HANNEY** — And this is a standard approach to any land that is sold. So they pay highest and best use, which is V-G's price. And we cannot give you a valuation because we do not know whether or not it is some of that site or all of that site, at which time we will seek formal V-G valuation of the site.

**Mr D. O'BRIEN** — Pardon me, I do not quite follow. When you say what the AFL will pay, we have already established that they will pay —

**Ms ALLAN** — No. It is leased at the moment. This is: should the land ever be sold —

**Mr D. O'BRIEN** — After the end of the lease?

**Ms ALLAN** — The question of: if and when the land gets sold, these are the arrangements Justin is referring to.

**Mr D. O'BRIEN** — But at the moment we do not know how much land is even involved. Is there a cap on how much land? You said it could be 1000 or it could be 4000 square metres. Is there a cap on how much land is involved?

**Mr HANNEY** — It could be up to 12 000sq metres. But if I again can be clear, Mr O'Brien, we do not know that amount. We know what they cannot do, so it has got to be for AFL purposes, but we are quite clear that they cannot come back in with a proposal to do residential, they cannot come back in with a proposal to do retail. So we are clear on what it can and cannot be used for.

**Mr D. O'BRIEN** — I stand to be corrected, but I thought the Treasurer made it clear that it was a 40-year lease and would always remain Crown land, but are we now saying that it may be up to the AFL to on-sell the land at the end of the 40-year lease?

**Mr HANNEY** — The AFL have the option to buy the land at valuer-general's price.

**Mr D. O'BRIEN** — At the end of the 40-year lease.

**Mr HANNEY** — Which is standard practice with Development Victoria, which is the standard practice for acquiring sites, it is the standard practice for — pick another. If a tertiary institution wants to buy a site, they buy it at valuer-general's price.

**Mr D. O'BRIEN** — And that is yet to be seen, depending on what they come back to the government with?

**Mr HANNEY** — Correct.

**Mr D. O'BRIEN** — Thank you, I will hand over to Mr Smith.

**Mr T. SMITH** — I too want to ask about Development Victoria, particularly the new chair, Mr MacKenzie, who has a long history of being appointed to public bodies by the Labor Party.

You can sigh all you like; it is a perfectly legitimate question.

**Ms SHING** — I was breathing, Mr Smith. You are getting a little paranoid.

**Mr T. SMITH** — Not after this morning, I'm not.

Mr MacKenzie's recent appointment as the person to undertake federal Labor's election costings would probably be a clear conflict of interest, given certain infrastructure projects will likely have both federal and state financial and governance inputs. Is it appropriate for Mr MacKenzie to be undertaking —

**Ms SHING** — On a point of order, Chair, Mr Smith is asking for an opinion again. 'Is it appropriate?' is asking for an opinion.

**The CHAIR** — I think, Mr Smith, you are asking for an opinion.

**Mr T. SMITH** — No.

**The CHAIR** — Sorry, Mr Smith, 'Is it appropriate' —

**Mr T. SMITH** — All right, I will be more direct. Given that Mr MacKenzie is now undertaking to do federal Labor's election costings, do you remain confident in Mr MacKenzie's ability to undertake this role given that potential conflict of interest?

**The CHAIR** — Again, I am just trying to work out, in terms of what Mr MacKenzie may or may not do in his own time, separate to being the chair of Development Victoria, I am not quite sure how that relates to —

**Mr T. SMITH** — He is a public official. He sits under the minister's portfolio. He is undertaking to do a pro bono role for the federal Labor Party.

**Ms SHING** — Why don't you ask whether the public sector code of conduct applies to Mr MacKenzie in his work? Why don't you start with that and then expand upon it from there.

**The CHAIR** — Order! Ms Shing! If there is a question to the minister about her confidence in the competence of Mr MacKenzie as the chair of Development Victoria, I think that is a fair and reasonable question to ask. If you are asking though in relation to what he does with —

**Mr T. SMITH** — I am asking about his role as the chair of Development Victoria.

**Mr DIMOPOULOS** — On the point of order, Chair, Ms Shing's point is entirely valid. The question could be: is he subject to the code of conduct?

**The CHAIR** — I am happy for a question to be asked, Mr Smith, in relation to Mr MacKenzie's capacity as the chair of DV.

**Mr T. SMITH** — Isn't it a fact that whether Development Victoria undertakes any of the projects or not, the head of the state government's development arm is compromised by an effective secondment to the federal Labor opposition?

**Ms SHING** — On a point of order, Chair, on relevance again.

**Mr D. O'BRIEN** — It is extraordinarily relevant. The guy is the chairman of a government board!

**Ms SHING** — You did this in year one of PAEC, where you asked about officials who were members of a party. You did this in year two in relation to —

**Members interjecting.**

**Ms SHING** — You have done it in year three and now in year four. Again it comes back to context and relevance, and you have failed four years in a row.

**Mr D. O'BRIEN** — He is chairman of a government board!

**Mr T. SMITH** — Can I ask the question: yes or no, Chair?

**The CHAIR** — Sorry, can you ask that question again?

**Mr T. SMITH** — Can I ask my question: yes or no?

**The CHAIR** — I am happy for you to ask the question in relation to Mr MacKenzie as it relates to his chairmanship of DV, but if you are relating it to what work he might be doing with the federal opposition, again I am not sure the relevance of this to the budget process.

**Mr T. SMITH** — I am asking how that impacts on his role as the chair of this entity that sits within this minister's portfolio.

**The CHAIR** — The hour's late. That is fine. I will let the question stand.

**Ms ALLAN** — I am supremely confident that Mr MacKenzie can discharge his duties as the chair of Development Victoria under all the appropriate requirements of probity and integrity. Mr MacKenzie has a fine reputation. He has chaired a number of public and private bodies. He is well served to be the chair of Development Victoria, given he has previously chaired Mirvac Group and a range of other bodies. In anticipation of where you might be going next, yes, Mr MacKenzie did raise with me his potential involvement with the costings arrangements you have described, and there are appropriate declarations that will be made through the usual processes that govern all boards, and those arrangements will be put in place. I think part of your question is a little bit hypothetical given we do not know what projects a Bill Shorten-led government may be doing here in Victoria.

**Mr T. SMITH** — So you can absolutely guarantee to this committee that no intellectual property or resources or any other publicly funded people or other issues will be used by Mr MacKenzie to support the federal Labor opposition?

**Ms ALLAN** — I can give that guarantee, yes. He is a man of the highest integrity and quality, which is why we appointed him to the board.

**The CHAIR** — I would like to thank the witnesses for their attendance: the Minister for Major Projects, Mr Bolt, Mr Hanney, Mr Wilson, Mr Carrick, Mr Armstrong and Ms Skandarajah. Minister, congratulations. I understand this is your 12th appearance before PAEC. I think the only person who is in front of you would be Lindsay Thompson in terms of the number of appearances before PAEC. It is a worthy title. The committee will follow-up on any questions taken on notice in writing. The written response will be provided within 10 business days of that request.

**Witnesses withdrew.**