

# REVISED CORRECTED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### **Inquiry into 2004–05 budget estimates**

Melbourne – 23 June 2004

#### Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr L. A. Donnellan

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Mr J. Madden, Minister for Commonwealth Games;

Mr Y. Blacher, secretary;

Ms M. Sussex, executive director; and

Ms B. Glyn, chief financial officer, Department for Victorian Communities.

**The CHAIR** — Minister, the committee would appreciate it if in the interests of time you ensure your overhead presentation does not go over 10 minutes. I will be cutting you off at 10 minutes.

**Mr MADDEN** — I would appreciate it if you could give me a warning before that so I can round off the presentation.

**Overheads shown.**

**Mr MADDEN** — The committee would appreciate that the Commonwealth Games objectives are endorsed by Parliament and are specific to the Commonwealth Games Arrangements Act, and that has been updated on a number of occasions and may well continue to be amended as we move towards games delivery in one form or another. It should be appreciated that the objectives of the planning for the games in particular is the games legacy program. That will feature as a strong theme in terms of today's presentation. The objectives of the Commonwealth Games Arrangements Act are, as I mentioned, endorsed by Parliament. These objectives drive our planning for the games. The committee members can see from the slides that we are raising the profile of the Commonwealth of Nations by celebrating values and diversity of cultures and demonstrating a high standard of safety, as well as a high standard of financial responsibility, probity and transparency.

The next slide shows the way that fits in with Department for Victorian Communities, appreciating that the Office of Commonwealth Games Coordination (OCGC) is located within the DVC. The 2006 Commonwealth Games will be the largest event ever hosted in Victoria, and we are ensuring that all Victorians have the opportunity to be part of the celebrations. The employment, training and volunteering strategy will ensure that a broad range of traditionally underrepresented groups are encouraged into games volunteering activities. The sports participation strategy will assist in increasing the level of physical activity, particularly among schoolchildren, by capitalising on the increased interest in sport generated by the games. The games cultural program will showcase the diverse cultures of the Commonwealth of Nations, as well as those within Australia, while the Victorian community strategy will encourage Victorians across the state to become involved in games events and celebrations.

Section 4 of the Commonwealth Games Arrangements Act created Melbourne 2006 as a statutory authority from October 2003. The Minister for Commonwealth Games is responsible for the act and the existing board members — 6 nominated by government, 4 by the ACGA (Australian Commonwealth Games Association) and 2 by the Commonwealth Games Federation — have all been reappointed to the new board. All the contracts, assets and liabilities, and staff were transferred to the new corporation. The close cooperation that was already established between Melbourne 2006 and the OCGC has been maintained. The executive director, Meredith Sussex, and I attend Melbourne 2006 board meetings and OCGC executives are on M2006 board committees. Regular meetings at chairman, chief executive officer and executive levels are held between government and Melbourne 2006, and the former Melbourne 2006 Commonwealth Games Pty Ltd company is in the process of being wound up. The Commonwealth Games Federation constitution, the host city contract and the Australian Commonwealth Games Association's endorsement contract spell out the government's and the organising committee's commitments for the delivery of the games. The Commonwealth Games Federation general assembly, comprising representatives from each of the commonwealth nations, must endorse key elements of the games such as the sports program and the games venues. We are also bound by the technical rules of the international sporting associations for the conduct of the sporting competitions.

Melbourne 2006 and the Office of Commonwealth Games Coordination report regularly to the Commonwealth Games Federation general assembly and the recently established coordination commission, which is part of the Commonwealth Games Federation's general assembly, on the progress of the planning of the game. A funding agreement is being negotiated with the Australian government in relation to the recognition principles applying before and during the games for the commonwealth's financial contribution towards the delivery of the games. The organisation and environment of a major multi-sport event is like no other. The committee would appreciate the enormity of it. From nothing it grows slowly at first and later exponentially as the event nears. The graph shown on the slide gives the committee an idea of the phases we pass through as the event draws closer. Each of those phases requires a vastly different mind-set and set of skills. In the past year the focus has been on the strategy and concept of operations planning for the games. As this phase is completed and endorsed, noting that each program will be operating on different time lines as required by the games master plan, operational planning commences. The priorities for the forthcoming year of Melbourne 2006 for the Office of Commonwealth Games Coordination and other government agencies in preparing for the games are listed here. A number of them are related to the legacy

items I mentioned earlier. In addition there are also a number of infrastructure priorities. A number of other elements are listed there for general interest.

**The CHAIR** — Thank you.

**Mr MADDEN** — They are all listed there. It is fairly straightforward. I am happy to answer any questions in relation to that.

**The CHAIR** — Thank you for skimming through those, we do appreciate that. I want to turn to the athletes village. If you look at page 249 of the budget paper 3 under the heading 'Timeliness' we are looking at progress of construction being reviewed quarterly. I am sure the committee is very interested in the current progress of the Commonwealth Games athletes village. Could you give us your future milestones for the 2004–05 financial year in regard to the athletes village?

**Mr MADDEN** — Appreciating the significance of the athletes village, members of the committee would be aware that — although some have chosen to support other options publicly from time to time — the 2006 Commonwealth Games village is being developed at Parkville. It is critical to the delivery of the games. The Commonwealth Games village site was handed over to the developer, Village Park Consortium, on 26 November 2003, and construction is well and truly under way. The site is 4 kilometres from the city. This development will, as a legacy, develop a new urban community in inner Melbourne. I would like to reiterate some of the features which are key to that: architect-designed houses with three, four and five-bedrooms, all with large open-plan living; homes with 6-star energy ratings, which translates into savings on energy costs and sets a new environmental benchmark; landscaped gardens and parkland including the planting of more than 1000 native trees; a network of bike paths and walking trails — a number of members of the committee here are particularly interested in those elements of the delivery of the games; easy access to the city's cultural and educational facilities and, of course, the nearby cosmopolitan restaurants and cafes; the development of neighbouring wetlands, to which the government is contributing \$5 million; and the retention and restoration of nine disused and dilapidated heritage buildings which will become a central feature of the entire development.

We have made a commitment that this will be a balanced development and will include social housing and an aged care facility as well as community recreational facilities. We are committed to providing 20 per cent of the games village development as social housing, with \$35 million set aside for this. Heritage Victoria recently listed these buildings; I welcome that and was pleased to hear it. It is a great outcome, because it endorses and validates our commitment to restoring and revitalising these buildings — \$5 million has been allocated towards the restoration and revitalisation of these buildings, and we will continue to work with Heritage Victoria. In terms of the construction — —

**The CHAIR** — The time lines.

**Mr MADDEN** — In terms of those time lines, the Village Park Consortium (VPC) undertook an early works package which comprised construction of a temporary car park, road removal and in-ground services removal — appreciating that that was quite extensive across the site, given that there was a psychiatric centre on the site. We met last year's projections in the budget papers for 2003–04 that indicated construction would commence in the second quarter of the financial year. I visited the site last week, and I can confirm that work is rapidly proceeding on the construction of a display village with seven houses set to be open for display purposes in late September, when they will officially go on sale. Last week Village Park Consortium announced that the development would be known as Parkville Gardens.

At the height of the construction period VPC expects to see construction commence on four houses each week. The construction time for a house is 111 working days, so it will certainly be a production line down there. All up there will be in the order of 150 houses, 14 townhouses and 81 apartments to be built or refurbished before the games. In addition, two houses adjoining the display village are being built to showcase them in games mode, because there is quite a significant difference between the way in which those houses will operate in games mode as opposed to long term once the games are bumped out. One display house will be fitted out with full disabled access, including stair lifts. That is being borne in mind not only in terms of the athletes but also for those who may want to purchase a house on the site and who may have a disability. Work on those particular houses should commence soon with the pouring of floor slabs. The pre-games houses are expected to be completed in January 2005. Precinct 5 along Oak Street is well advanced, with the first house slabs being poured this week. The road network is currently being

put in place with bitumen to be rolled out in late July. Not only does the village showcase those environmental initiatives, but I am pleased to advise that there is a strong commitment to minimise construction waste and divert a quantity of waste from landfill. Initiatives include ordering materials to size or in required quantities and reusing materials when possible as well as monitoring and measuring the waste. There are certainly some benchmark practices there. Waste is collected from the site and transported to a material recovery facility where it is sorted and separated for recycling.

There are a number of milestones. We have a slide which we can quickly refer to in terms of the games village. The games mode and civil works infrastructure is complete, 50 per cent of the house slabs are to be complete in the third quarter of 2004–05; 50 per cent of the houses are to be at lock-up stage in the fourth quarter, 2004–05. We have a hand-out on this so you do not have to transcribe it yourself. By quarter 1 of 2005–06, 100 per cent of houses at lock-up stage, and then quarter 2 of the 2005–06 financial year will see handover of the site to Melbourne 2006 to ensure that the village overlay is delivered appropriately and accordingly in time for the games in March 2006.

**Mr RICH-PHILLIPS** — I might take you back to your slide on the budget allocations where you outlined the break-up of the \$173 million between M2006, the village and ‘other’. Can you provide a breakdown of ‘other’ please, what the \$53.6 million is?

**Mr MADDEN** — In terms of those other departments and organisations, the Office of Commonwealth Games Coordination includes public domain, the cultural program, the legacy program et cetera — a number of those strategies or programs announced at the beginning of the presentation. The budgeted output for 2004–05 is \$24.3 million. In terms of security, that is budgeted at \$4 million, just in the 2004–05 financial year. Tourism is \$2.8 million in the 2004–05 year. Public health is \$200 000 in the 2004–05 year. There is the Victorian industry participation program, and that is \$500 000 and then a contingency of \$21.8 million. That I am informed totals \$53.6 million.

**Mr RICH-PHILLIPS** — Could you expand on what the contingency is provided for, if it is almost half that amount?

**Mr MADDEN** — I am happy to give you a relative description. In terms of the delivery of the games, the contingency is quite a significant component of the overall budget, given that while there is a budget allocation for many of the issues around the games, some of these matters are fluid and require substantial negotiation, either external from government or internal with government; and that just provides for a significant degree of contingency in the overall games budget. Each of the elements is capped, and that also relates to the ability to manage cash flows in any given year; so the contingency is predominantly for cash flows to be relied upon in certain financial years but it is also built into the overall games budget.

**Mr RICH-PHILLIPS** — That contingency is held by DVC?

**Mr MADDEN** — Yes.

**Mr RICH-PHILLIPS** — And that is the only contingency? No contingency funding went directly to M2006? It is just that one held by the department?

**Mr MADDEN** — There is an overall budget contingency. The budget that Melbourne 2006 operates on at any time works to the overall contingency held by government.

**Mr RICH-PHILLIPS** — Meaning this \$21.8 million?

**Mr MADDEN** — There is an overall games contingency. I am informed that Melbourne 2006 has a contingency and OCGC also has a contingency, and they form part of the overall games contingency.

**Mr RICH-PHILLIPS** — Can you tell us what the M2006 component will be this year, which is obviously in addition to this \$21.8 million?

**Mr MADDEN** — I can give you those figures more specifically as a breakdown if you like.

**The CHAIR** — We will send that to you on notice.

**Ms ROMANES** — My question is also on timeliness for the delivery of infrastructure projects associated with the Commonwealth Games. You have talked about the games village, but could you also provide the committee with information about the current progress of other key infrastructure projects such as the MCG and MSAC and also a forward plan of future milestones for these projects in the 2004-05 financial year?

**Mr MADDEN** — We have some slides dealing with the infrastructure projects. They will offer more clarity on those milestones so I will refer to those and hand out copies. We have talked about the athletes village in some detail, so I will not refer so much to that. There are two slides. I will work through the first one and then go to the second one. In considering the MCG redevelopment, which is the second item listed, you will appreciate that the ageing stands are on the northern side of the ground. They were and certainly are in need of redevelopment to maintain the MCG as the pre-eminent sporting venue in Australia. We are keen to ensure that the MCG remains truly the people's ground and that any redevelopment does not diminish the amenity and access for the general public. Some of the key features of the MCG redevelopment are that the sight lines will be much better in the redeveloped stands; the ground capacity will be restored to 100 000; there will be an increase in public seating; improved facilities including the food outlets, toilets, lift and escalators will be provided. There will be no exclusive or expensive premium seating; there will be no sale of naming rights to any of the stands. The MCG will be a focal point for the Commonwealth Games of 2006 as the venue for the opening and closing ceremonies and the key elements of the sports programs such as the athletics, and the redevelopment will no doubt leave a lasting legacy for both Victorians and Australians. The redevelopment will ensure the MCG remains a world-class stand not only for the public but also for the members, the sporting clubs and the athletes, while retaining its character as the people's ground.

Moving on to the construction, the redevelopment was commenced in October 2002 and significant progress has been achieved. You can see that, if you look at the MCG, on stages 1 and 2, which seem to be fully operational. All the primary structures except the last bits of the roof, the external promenade and the practice wicket, lower bowl seating with associated amenity, level 2 terrace seating are now completed, and the fit-out has also been completed on the majority of the corporate boxes in stages 1 and 2. Construction of the roof is progressing with almost 60 per cent of the metal fabric and the glass roof installed; and of the stage 3 works, excavation, retention and footings work has been completed with the work currently progressing on the slabs and the basement levels 1 and 2, and the demolition works on stage 4 have been completed and excavation work is well advanced. So certainly plenty of progress has been made there. It is not hard to see that taking place.

The Melbourne Sports and Aquatic Centre, which is further down on that list — appreciating the redevelopment of the Melbourne Sports and Aquatic Centre will include an event pool, which is an outdoor competition pool — will be roofed and will have permanent seating for 3000 with the provision to cater for up to 12 000 spectators to host major international events. That includes not only the Commonwealth Games, but the 2007 swimming championships, additional car parking, a hydrotherapy pool and the sports house. We committed to extensive community consultation for the stage 2 redevelopment and instigated an advisory process which has occurred. The finalisation of the design and tender documentation stage of the project was extended to allow further consultation with the project's key stakeholders including the City of Port Phillip. An early works package was entered into and this included the partial demolition of the old school down there, the former distance education centre, which takes up part of the precinct, and that was completed late last year. On 6 January this year the final design for stage 2 was unveiled and announced with John Holland as the builder for the facility. John Holland took possession of the site on 19 January and has certainly mobilised the site. On 12 February I approved an interim construction management plan which related to the site preparation works, including site fencing, site establishment, tree removal, initial services and site demolition works and landscaping for the stage 2 redevelopment. There is an initial set-up time, and that was completed in February 2004. This was followed by the clearing of the construction site and enabled some additional civil demolition works to proceed. Basically, to cut a long story short, stage 2 redevelopment is on schedule and will be completed in the second quarter of the 2005-06 year. The sports house, which is part of that, is adjacent to the pool area, and that will also be significant in terms of the long-term legacy.

The mountain bike course at Lysterfield Park has been announced. Members who are interested in cycling would appreciate we do not have a central mountain bike venue for mountain biking, so what tends to happen is a number of mountain bikers use parks around the place, and that can diminish some of those parks, so it is good to have a central and focused facility. That will be a world-class venue. It is in the process of proceeding, and planning announcements will be made shortly. Lysterfield Park, as you would appreciate, is 35 kilometres from the CBD. It is a popular park for recreational mountain bikers, and it will also be a great venue on that side of the city.

**The CHAIR** — Minister, if you are going to run through all of these, could you stick to time lines, please?

**Mr MADDEN** — Certainly. In terms of milestones, the concept stage is being developed. The final design is not expected to be completed until late 2004, following a public consultation process. The works will commence in late 2004. Following that, the venue will be completed in time for the staging of the mountain bike program and pre-games preparations, because it is important that the overlay and the bump-in bump-out is factored in. The tender process will be undertaken for the provision of the project elements, recognising the environmental sensitivities. The site is contained to an area which will have little environmental impact on the park, but that is also to be worked through in terms of the planning process. A pitch replacement is to be undertaken at the State Netball and Hockey Centre, and that is nominated there. We have confirmed the Melbourne International Shooting Club as a games venue. The Yarra precinct pedestrian plan has been finalised, and the pedestrian link is close to being tendered.

**Ms ROMANES** — Where is that, Minister? Northbank?

**Mr MADDEN** — Just to give an overview of the pedestrian link, it links the Birrarung Marr park to the major sports precinct, including the Melbourne Olympic Park Trust precinct and the MCG precinct as well. It is more or less a promenade. It is quite wide and quite long, and that means that people coming out of those venues around games time and also at other times beyond the games will not get caught up in traffic and have pedestrian difficulties. It is also quite handy, short term and long term, in pedestrian management through to the transport hub at Flinders Street station. During games time and also at times of other big events at the MCG people will be able to get off the public transport system in and around the Flinders Street precinct, walk through Federation Square, enjoy Birrarung Marr and any festivities taking place at games time in that area, and then move through without having to contend with the Exhibition Street extension, which is part of City Link. We are separating the pedestrians from that area. That is quite a significant long-term legacy as well as being key to the operation of the games. That link is not far from being tendered as the design is finalised. Tenders are being assessed for the upgrade of Jolimont station and the lighting in the Yarra precinct. There will be events in and around that sporting precinct and that pedestrian link late at night, and there is a need to have the lighting upgraded so that everybody feels safe in that environment in and around games time.

**Mr RICH-PHILLIPS** — I have a supplementary question on that slide. Minister, you show the MCG redevelopment as being completed in the third quarter of 2005–06. It was my understanding that it was due to be completed in November 2005, which is in the previous quarter. You will of course appreciate that, by the end of the third quarter of 2005–06, the Commonwealth Games will also be complete, so that is now a supercritical time line if you are going to complete it in the third quarter.

**Mr MADDEN** — Can you refer me to the figure? It might be a typographical error.

**Mr RICH-PHILLIPS** — I hope it is. It says the finish date for the MCG redevelopment is the third quarter 2005–06, which means somewhere between January and March 2006. I am hoping that is an error.

**Mr MADDEN** — Can you refer me to which slide it is again, because that is not right.

**Mr RICH-PHILLIPS** — So is the slide wrong, or has the project slipped?

**The CHAIR** — It could be completed in that time and still be in time for the Commonwealth Games.

**Mr MADDEN** — What you need to understand in relation to that is that that includes the relocation of the track.

**Mr RICH-PHILLIPS** — The track is included as a separate line item in this chart.

**Mr MADDEN** — The whole construction contract for the MCG development includes the delivery and the removal of the track. The benchmark for when the project will be finished is September 2005 for the grand final, so that is when the seating will be completed. There will be minor works in and around that post-September, predominantly the roof installation and any back-of-house fit-out. The track is already installed, but it will be uncovered post the Boxing Day test, because we have the Boxing Day test in that year. The repatriation of the ground itself is part of the construction contract, and that will take place immediately after the games. The overall construction contract — not the MCG delivery — will be completed in that third quarter. It is critical that that is

completed at that stage for the proper operation of the MCG and its viability in that particular year, given that that will have an impact on the AFL season in one form or another. It is also important that in that bump-out time from the MCG the tracking is taken away and relocated as quickly as possible. We would like to think we can relocate that track. It is anticipated that it will be relocated to a community that needs a new track, and we are eager to see it being pulled out without destroying it and to see it done in a timely manner so that it does not interfere with the AFL season in any great way.

**Mr RICH-PHILLIPS** — So the only work on the MCG redevelopment that will take place in the calendar year 2006 will be the finalisation of the track?

**Mr MADDEN** — It is anticipated that the predominant work on the MCG in 2006 will be on the track. It is also intended that overlay requirements will be in place in and around that time, and some of those may form part of construction works. Given there is still a fair amount of creative work being done on the opening and closing ceremonies, we would anticipate that there may well be some construction elements in one form or another as part of those ceremonies which are currently being developed.

**Mr RICH-PHILLIPS** — I will ask you about the tender process for the athletes village at Parkville, and I refer you to a matter I raised with you in the house — a report of the project planning group for the village dated 18 July 2002. There is a reference to ex gratia payments to unsuccessful tenderers at the time, and I will refresh your memory:

#### 2.2 Payment to the developer

The proponents have expended upwards of \$1 million in preparing their proposals. For large projects involving complex and lengthy tender processes it is not uncommon that payment is made to the losing bidder —

et cetera —

For a project of this scale a \$400 000 payment would be appropriate.

And the recommendation was that the project planning group agree in principle to making a payment to the losing bidder, that Warren Hodgson, Meredith, Sussex and James Cain determine the appropriate amount for the claimant and that on the agreement of an appropriate amount a briefing be prepared to the ministers for the Commonwealth Games and major projects.

**The CHAIR** — Sorry, what are you reading from?

**Mr RICH-PHILLIPS** — I am reading from the project report and agenda for the meeting of the project planning group on 18 July 2002. Minister, at the time this was raised in the house, you said you had no knowledge of the payment. I wonder if you now have knowledge of the payment and how much was agreed?

**Mr MADDEN** — I understand that no payment was made and in terms of the question, at the time I was not able to give you a clear answer. I was not able to be more elaborate in my answer on that particular occasion, but my understanding is that no payment was made to any of the other tenderers.

**Mr MERLINO** — Minister, just sticking with the athletes village for the moment, opponents of the development of the village continue to question the government about the alternatives considered for housing the athletes during the games and the associated costs. Could you clarify for the committee what other options were considered and detail the assessment of these options that led to the decision to build at Parkville, which as we have heard is now well and truly under way as detailed by you?

**Mr MADDEN** — Thank you for that question. You will appreciate that there has been a fair degree of discussion around the alternatives at various stages. A number of alternative proposals have been mentioned, but most people moved on from that position. In July 2001 the government called for expressions of interest for the games village to pre-qualified builders with Parkville nominated as the preferred site. When we came to government there was not an enormous amount of information that necessarily confirmed that as the appropriate site, other than the fact that it was in government ownership. We indicated that we were prepared to consider alternate sites if there were any, and so in terms of the submissions raised we sought expressions of interest for the games village development for alternative sites. None that were directly comparable were presented.

We established probity procedures and independent assessment teams to evaluate each of the submissions on a consistent basis against a predetermined selection criteria. Each submission was checked to identify whether each of the specific core components had been included in the cost, what legacy environmental initiatives were included and the risk allocations and other conditions attached to the proposed development. Whilst the Lend Lease proposal for Docklands appeared to offer the state a return of \$1 million, it proposed temporary accommodation and facilities in commercial shells that were not preferred by the athletes or the Commonwealth Games Federation. It did not include the cost of social housing, offered no permanent legacies for the state, committed the state to renting 50 000 square metres of office space for 20 years which we really did not need and involved the sale of the Parkville site at a value which would have required high-rise development on the site. So that was not a good option. Grocon's Jolimont rail-yard proposal was the most expensive option for the state and also raised significant concerns about whether it could be delivered in time for the games. The Urban Pacific proposal offered good architectural and urban design concepts although at a higher cost to the state, and it lacked legacy initiatives.

We accepted the assessment panel's recommendation that it enter into negotiations with Australand as its proposal represented the best value, the least cost to the state and provided strong legacies including environmental initiatives, open space and the refurbishment of heritage buildings, which I have already mentioned. An independent probity auditor certified that the expressions-of-interest assessment process fully complied with probity guidelines. Other options were considered alongside those. There were thorough investigations of alternatives for the games village site, including a review of cruise ships. It was estimated that one month's lease of three ships would incur a cost of US\$ 50 million, which is A\$80 million to A\$100 million depending on the exchange rate at the time. Additional costs would also have been incurred to upgrade Station Pier to provide adequate water, sewerage, power and roadways. A limited number of vessels could accommodate 6000 athletes and officials, and it was also considered to be a significant risk because if one of the ships became unavailable for a particular reason — which is possible given the world at the moment — it could have seriously jeopardised our ability to host the games. Importantly, that option would have left us without a lasting legacy. So it is worth considering those when anybody mentions ships in the mix.

We also considered a number of other alternatives. University accommodation was considered, but no university in the Melbourne region currently has sufficient on-site accommodation to meet the demand for 6000 beds. To fit out or retrofit the university accommodation it would have been required from early February to late April 2006 and that is the peak period for student usage, so that was quite problematic. Public housing refurbishment was also a consideration. One of the two most feasible public housing options, the Carlton high-rise estate, was considered not large enough to accommodate the games village and the proposal would have required a significant building program with serious building and planning risks. Although the North Richmond estate was considered large enough to accommodate a games village it would also have encountered building and planning risks. The fundamental reason for rejecting those options was the significant social and community impact of having to relocate up to 900 families for up to three years. The refurbishment of public housing accommodation for use as a village would have cost approximately \$220 million to \$235 million. It is worth highlighting those to again reinforce why the decision to build at Parkville was the best one, and one that will deliver social and environmental benefits for the state. I could relate other issues to reinforce that Parkville was the appropriate decision, but it might take up significant time.

**Mr RICH-PHILLIPS** — Just a quick supplementary on that, Minister; you mentioned the cruise ship option, and an estimate of US\$50 million. Was that a departmental estimate or did you engage a consultant?

**Mr MADDEN** — That figure was arrived at in a number of ways. It was done through work with Melbourne 2006 and some independent advice from a consultant.

**The CHAIR** — Thank you. Excellent.

**Mr RICH-PHILLIPS** — The matter of — —

**Mr MADDEN** — Sorry, Chair, as a matter of clarification I am not entirely sure how the supplementary question arrangement works. Is it one or two or more — —

**The CHAIR** — It can be any number to ensure that we are clear on a question that is raised. For example, with cruise ships the supplementary related to the analysis on which the figure was provided. Occasionally we have had a fascinating exploration that has gone for a considerable time on one topic or another. If the committee's



interest is enthusiastic on a particular topic we tend to explore it a bit more deeply. To Mr Rich-Phillips' question, which will not be on cruise ships or costings thereof.

**Mr RICH-PHILLIPS** — Minister, I would like to take you back to the tender process for the village and again to minutes of the project planning group and an earlier meeting of 24 June 2002, which noted — and I can provide this to you, although I think you are aware of it:

The chair noted that although the tender process delivered the outcomes the government was looking for, the costs were higher than originally envisaged on the basis of previous advice received, and that they would be significantly in excess of those envisaged by cabinet in April 2001.

Could you tell the committee what the final tender costs were for that process of choosing a village to be constructor?

**Mr MADDEN** — Could you repeat that question? I am trying to clarify which aspect you are referring to.

**Mr RICH-PHILLIPS** — What I am at seeking is the final cost of running the tender process given that the minutes of the project planning group indicated that they were 'higher than originally envisaged' and indeed 'significantly in excess of those envisaged by cabinet'.

**The CHAIR** — So you are just talking about Parkville?

**Mr RICH-PHILLIPS** — Yes, the tender process to get to Parkville.

**Mr MADDEN** — Just for my clarification, are you seeking figures in relation to the cost of the village or the cost of the tender process?

**Mr RICH-PHILLIPS** — The cost of the process.

**Mr MADDEN** — Now that I know what you are after, could you just rephrase the question again?

**Mr RICH-PHILLIPS** — This document has said that the cost of the process far exceeded the original estimate, so I am now asking what was the cost of the process.

**Mr MADDEN** — I am informed that they are not really clear in terms of the description of apparently what was agreed. I was not at any of those meetings, but my understanding is that that actually refers to the concern that the project may have been more than expensive than anticipated, as opposed to the process, which I think you are asking about.

**Mr RICH-PHILLIPS** — It says 'tender process', but I am happy to give you a look.

**Mr MADDEN** — I think the terminology is a little bit confusing because I think it was the outcome which was the concern, not so much the process itself.

**Mr RICH-PHILLIPS** — So are you saying it is about the cost of building the village?

**Mr MADDEN** — I think it was about the fact that given that the original games proposal done by the previous government indicated the expectation that the project would be delivered for basically the exchange of the land, there was concern that it would be more than that — that has been articulated in the figures — that it was not just the exchange of the land but a number of other qualifications to that. That included also putting riders on the tender in terms of the environmental initiatives, public housing and the restoration of the heritage works. They all increased the cost of delivery of the village because they were significant assets that the government will retain. I think that has been articulated in not only previous presentations to the Public Accounts and Estimates Committee but also the presentation of the figures for the village. They show that while the cost was increased and was part of the consideration of the overall games village delivery, there was an increased cost. That cost was predominantly about the investment in new government assets — the \$35 million of public housing and the \$5 million in the restoration of the heritage buildings, and a number of other retained assets which formed the tender. That is where significant cost additions occurred in terms of the overall consideration of the final figures. I think what was being said at that project meeting was that — if I have interpreted it correctly, because I was not at the meeting — the figure was probably greater than anticipated, but that figure has been clearly articulated throughout the process of announcing the village and how it would come together.

**Mr RICH-PHILLIPS** — The minute refers to the base cost that was exceeded as being one that was considered by cabinet in April 2001, so it was your government's figure that was exceeded. Does that then represent a change in policy?

**Mr MADDEN** — No, it does not represent a change in policy at all. I think there was appreciation of the extent of the public housing cost, which was going to be quite substantial. But because that is returned as an asset and because quite substantial overall revenues will be returned from the village at the end of the day, when you consider the cost in that light, the cost is not as significant as might have been first indicated at the likes of that project meeting.

**Ms GREEN** — There is reference at page 249 of budget paper 3 to a new performance measure of an audit of games venues access and completion of access plans by the fourth quarter of the 2004–05 financial year. Could you outline for the committee what action the government has taken to ensure that accessibility is achieved not only at games venues but more broadly across the games?

**Mr MADDEN** — Thank you for that question. I have a few slides on this one which I think are worth presenting. This is quite an important part of delivering the games. In terms of the overall games delivery, what will make the games different and significant in the minds of Victorians is that given that we have the luxury of the experience of hosting many major events — as opposed to many other cities that host the Commonwealth Games — there is the expectation that a major event will be not dissimilar to a previous major event. One of the challenges of the Commonwealth Games event is to make it significantly different and also to bring about a significant community and social legacy. In terms of the games, we are very pleased to have launched Equal First as a significant overriding policy and blueprint for delivering the Commonwealth Games. We may even have a few documents here that are worth handing out in relation to that title 'Equal First'. Basically that is communicating for diversity. It also encompasses a whole array of initiatives. I take great pride in the fact that these games will be accessible and inclusive for all Victorians, Australians and the commonwealth. I am certain we will live up to our reputation for being an open, inclusive and diverse state and community.

This is really an ability to make the event work more than just as legacy infrastructure, but also in terms of social legacy as well. This will also reinforce our reputation and a point of difference in terms of making the Commonwealth Games a friendly games, not because are any less competitive than any other multi-sports event but because it reflects the spirit that brings athletes together in the first place. Appreciating that the games have been developed into a celebration of shared culture, shared history and shared ideals, the games are in a sense more than sport: they are a celebration of that diversity that exists across the commonwealth of nations — different customs, different beliefs and different races.

I mentioned in Parliament only recently that in the 1930s the Commonwealth Games was one of the first international multi-sport events to properly include women and it remains the only multi-sport event to include elite athletes with a disability as part of the core sporting program. I think I mentioned that in great detail at the last Public Accounts and Estimates Committee hearing. I will not go into too much detail about that part of the program, but it is worth appreciating Equal First as an initiative. Equal First is our strategy to help remove some of the barriers in terms of getting people involved. We are communicating for diversity, and in doing that we have developed an access helpline and information in a range of formats and languages. As part of the celebration of the games we will also observed the United Nations International Day for the Elimination of Racial Discrimination, which is sometimes known as Harmony Day. We will celebrate that at the games. In terms of making the events accessible, we are making available the Companion Card as part of the overall games delivery. That is something we have taken great pride in developing and beginning to deliver. That will be part and parcel of making the events accessible. There will also be a wheelchair accessible shuttle bus from transport hubs to venues. We are conducting access audits of the venues to ensure they are as accessible as possible.

Also we are promoting inclusiveness and celebrating diversity through the Commonwealth Games. As well as the accessibility and inclusion, we are seeking to involve people from groups that are sometimes underrepresented in our community. They include people with disabilities, young people, people from culturally diverse backgrounds, senior Victorians and rural and indigenous representatives, and we seek the involvement of both men and women. We are also conducting discussion groups representing women, families and children to promote much of that. It is worth appreciating, too, that in terms of the Equal First policy, we are pleased to ensure that we will have inclusive employment, volunteering and training opportunities and the introduction of volunteer training courses to boost the involvement of underrepresented groups, given that we would expect the legacy of the games to be off the back of

the 15 000 volunteers, and that many of those volunteers would take up the opportunity — and we are eager to promote that — and continue their volunteer work in other organisations. If we can make the volunteer training programs as inclusive as practically possible through the Equal First program, that would give us a very proud legacy from the games that many of those who may be underrepresented in terms of the delivery of events and in terms of volunteering as a base across the community will not only be part and parcel of the games and its delivery, but also be part and parcel of the volunteer legacy well beyond the games and well into the future. We are particularly excited about that. There are a lot of challenges in delivering that, but the document you have in front of you, *Equal First*, I would suggest is worth not only reading, but also promoting within electoral offices and around the community to have people appreciate that the games is not just sport — it is a celebration of people — and we intend to make a significant point of difference in the delivery of the games over and above any other major international sporting event which we often have the good luxury of being involved with in this city.

**The CHAIR** — By way of supplementary, for those with hearing impairments, particularly within the MCG, are there hearing loops being put in anywhere that you may be familiar with? You may not know the answer to that, but you can take it on notice. For those who are visually impaired, is there provision to identify where there are screens that are available so that people can feel the action of the MCG but have the advantage of having big TV screens? Will there be any braille provision provided?

**Mr MADDEN** — That is part and parcel of the access audits to see how we can best deliver to those who need specific services, but also in terms of managing pedestrian issues in and around games time there will be a number of public venues with big screens, and the cultural program will be part and parcel of that as well as managing pedestrian traffic basically in numbers in and around the sport precinct, so that will also form part of the whole Equal First blueprint. In terms of the audit of venues we will consider those venues as well to ensure we can provide for the needs of those people who want to attend and may have specific needs that need to be addressed in terms of making those venues and places accessible and inclusive.

**The CHAIR** — So signs, say, around Birrarung Marr might have not only alphabet but braille?

**Mr MADDEN** — Yes. I think there is a significant opportunity to encompass that.

**The CHAIR** — We put on record our appreciation to the minister responsible for volunteers on the great initiative that you have undertaken, so we should put on record here the same thing.

**Ms GREEN** — A further supplementary, Minister. Would you care to address accessibility issues specifically in terms of ticketing arrangements?

**Mr MADDEN** — In terms of the ticketing arrangements we will have a number of formats. We are developing that. We are certainly conscious of how that will work, but in particular we will have an information line that provides an access helpline for those who need to understand how they might access ticketing or ticketing information or access information specific to their own needs. I think there is provision there for the ability to deal with that in that manner.

It is also worth highlighting, too, that there have been some initial discussions with Travellers Aid Society of Victoria. It is doing some work with the City of Melbourne at the moment that would possibly deliver I suppose you would describe it as an assistance centre or visitors centre for those who might have specific needs. The early discussions have identified locations such as Federation Square or in or around the Birrarung Marr precinct to give provision to those with specific needs, as not only an information centre in and around games time but prior to games time, and thereby we would like to think that we could also highlight to those with specific needs that they are certainly welcome and there is assistance available, and potentially attract tourists, because it is a very specific, under-considered tourism market that those with disabilities in a sense are more mobile these days and more willing to travel. If there is the right accommodation for that, that might also dovetail with the program as well and the celebration, so we think there are tremendous opportunities there in progressing not only the policy area in terms of inclusiveness and accessibility but also a significant impact in and around adding to the value of the games.

**Mr RICH-PHILLIPS** — I would like to ask you about the departmental submission to the committee. Page 3 makes a number of statements regarding the Commonwealth Games:

Another major influence on the department's estimates for 2004–05 is the changed phasing of the estimates in relation to Commonwealth Games funding. In relation to the Commonwealth Games athletes village, the project development agreement was finalised and signed with Village Park Consortium on 22 December 2003. Following extensive public consultation and negotiation of the agreement, the cash flow for the social housing component of the village development has been substantially amended from that anticipated when the whole of games budget was announced in March 2003.

It goes on:

Cash flows for some other of the Commonwealth Games asset initiatives have also been changed to reflect additional planning undertaken, and the operating budget has been increased in line with what was anticipated when the whole of games budget was announced in March 2003.

I guess what I would like to you to do is explain exactly what you mean by those statements.

**Mr MADDEN** — There are a couple of issues there that you have raised, the first one relating to the village development. Given that a substantial component of the village is the social housing and that a significant component of the social housing is being delivered in the post-games mode across the out years, the cash flow has been adjusted to reflect the changes in the cash flow relating to the social housing across the out years, and then the cash flows in relation to some of the other assets have also been adjusted — say, the Melbourne Sports and Aquatic Centre, the cash flow there has been adjusted — because in discussions with the construction company, substantial amounts of the construction have been prefabricated, so it is being built off site and shipped in.

I will give you an example of, say, concrete. If it is cast on site in situ, as it is poured on site it is basically paid for on site. If it is predominantly delivered off site, which has been an adjustment by the builder, the builder believing that it accommodates his building needs more so than the likes of the concrete pre-cast panels are being developed off site, and appreciating that a substantial component of the structural steel is also being developed off site, then when those come on to the site — in a short period of time concentrated basically rather than spread out over a long building period — then the cash flows are adjusted for that. When they are constructed on site then the cash flows are released then. We have adjusted the cash flows to reflect the construction techniques for projects, but also in relation to, as mentioned before, the staging of the housing development across the Commonwealth Games village site. So those adjustments or rephasing reflect the changing nature of the cash flows in relation to those specific infrastructure works. On the other issue that you raised, it is still within the whole-of-games budget that was announced in March 2003, so the whole-of-games budget is being worked to and adhered to.

**Mr RICH-PHILLIPS** — So far as the village social housing goes, the budget papers last year showed a cash flow of \$9 million for 2003–04, \$9 million for 2004–05, and then the balance of \$17 million beyond the out years. Are you able to provide the committee with what the revised cash flow will be in terms of annual amounts?

**Mr MADDEN** — I am happy to take that on notice.

**Mr RICH-PHILLIPS** — Likewise with MSAC?

**Mr MADDEN** — I am happy to provide you with some details in relation to the out years.

**Mr RICH-PHILLIPS** — Where the changes have been?

**Mr MADDEN** — Where the changes are, yes.

**Mr RICH-PHILLIPS** — Are MSAC and the village the only two that have changed?

**Mr MADDEN** — They are probably the predominant ones. If there are any worth bringing to your attention I am happy to provide you with that information. They are probably the most noticeable differences on the basis of the cash flow spikes accommodating the construction program.

**Mr RICH-PHILLIPS** — The other part of the statement on page 3 referred to the operating budget increasing in line with what was anticipated with the whole-of-government announcement. What does that mean?

**Mr MADDEN** — It means we are still working within the games budget, basically. While there may be adjustments in one form or another to each of those projects, either in cash flows or amounts, then it still fits well and truly within the whole-of-games budget. I said earlier that the budgets contained contingencies. Whether it is the government or Melbourne 2006, each has a respective contingency allocated to each of the components of the

budget, and each of those components are still within those respective contingencies or allowable contingencies for each of those components within the overall games delivery.

**The CHAIR** — Minister, in relation to the Commonwealth Games and tourism promotion, I understand that in the next financial year we are looking at Expo 2005 in Japan where we are going to market the Melbourne 2006 Commonwealth Games. Could you tell us a little about the cost of that project and your key performance indicators in terms of that expo?

**Mr MADDEN** — It is an interesting idea because Japan is not a commonwealth nation, as you would appreciate, but given it is an expo and a significant number of nations will be travelling to that expo, we will showcase to representatives from many Asian nations, if not from around the world, the relevance of the Commonwealth Games and heighten the profile of the event in terms of a tourism attractor. It is anticipated that we will benefit from the Commonwealth Games with a projected 50 000 interstate and 40 000 international visitors arriving for the games. A tourism marketing strategy has been developed to maximise international, interstate and intrastate attendance to the games and encourage visitors to Melbourne and also regional Victoria. Part of the strategy of the games in terms of the inclusiveness is not just the matters I mentioned before, but given there are events taking place in regional Victoria, it is also anticipated that we will get those international visitors out to the regions, after the games, before the games or even during the games, so it is about making the games for all Victorians. It is not just for respective sectors or underrepresented groups, but for all Victoria. We also want the benefits to translate into benefits for everybody across Victoria. That is why getting people out into the regions is also critical to us.

The tourism strategy will highlight not only the games, but also the other attractive elements of Melbourne and Victoria that are worth people taking into consideration. It is an integrated games tourism marketing plan which will increase the national and international brand awareness of Melbourne and Victoria, promoting regional Victoria, and we would like to think we will get on the back of that increased visitors well beyond the games. While we are still developing the specific initiatives, and it is still to go through an approval process, there are certain elements that I am happy to relate. There is a tourism marketing strategy program which will include elements of product development, industry liaison, visitor information services across Melbourne, Victoria and Australia; tourism marketing, and that will be national and international; and media and broadcast leverage — and that is a very important component.

Melbourne 2006 in partnership with Tourism Victoria will deliver programs as part of that strategy. As mentioned, part of that will include exposure at Expo 2005 in Japan, but as well there will be ongoing seasonal marketing campaigns. Tourism Victoria is working with the federal government in terms of its brand, Brand Australia, to ensure that the games-related tourism marketing plan is coordinated and rides on the back of what will take place nationally in terms of Brand Australia and is coordinated into the national markets. The activities include co-hosting and familiarisation of key travel, trade, and cooperative marketing campaigns with appropriate partners. One of the other handy things about having the games is that you get a lot of — —

**The CHAIR** — Free publicity?

**Mr MADDEN** — Yes, free publicity; it comes with the games. We have seen that with Athens. It is not necessarily the publicity you want but there is plenty of attention focused on a major event city in the lead-up to a major event. We appreciate there will be key international markets that we need to focus on. They will include the UK, New Zealand, South Africa, Malaysia, Singapore, India and Canada, some of the bigger nations but also the more developed nations. Given that India will have a special focus on Melbourne as it has successfully won the bid to host the 2010 games in Delhi, it will give us fantastic leverage into one of the most populous countries in the world with heightened interest around the Commonwealth Games. That is a big selling point to have Melbourne out there in the Indian market. That type and value of marketing will be determined on a case-by-case and cultural basis. Given that Qantas is the first official sponsor we have announced, the partnership between Qantas and the games is a reflection of the company's endorsement of the games and the value it will bring to Melbourne and Australia. At the recent tourism exchange held in Melbourne the games were strongly promoted and we would anticipate promoting the games at similar events in the future.

The Queen's baton relay also allows us to expose Melbourne to the rest of the world. I am not sure if you are aware, but the Queen's baton relay, which is not unlike the torch relay, will travel through all the commonwealth nations. That gives us an opportunity to focus on the games and promote them in the lead-up to the games. That

will take place 6 to 12 months out from the games here in Melbourne and reinforce people's appreciation of what the games can mean to them, particularly if they want to travel here and visit.

**The CHAIR** — Will the exhibition at Expo 2005 in Japan come from your budget or the tourism budget?

**Mr MADDEN** — It is from the tourism strategy budget, which is part of the whole-of-games budget. We have an allocation for tourism and that expenditure comes from that allocation.

**The CHAIR** — Do you have key performance indicators of what you would be hoping for in terms of visitors from Japan or India? Have you gone to that level of detail?

**Mr MADDEN** — We have not yet in terms of specific demographic or international representation. At the moment our indicators are still fairly broad — that is, as I mentioned, a projection of about 50 000 interstate and about 40 000 international visitors. Given the substantial amount of legwork we will do, it would not surprise me if we delivered far in excess of that, but the proof is in the pudding.

**The CHAIR** — The golf clubs will be interested in that market.

**Mr RICH-PHILLIPS** — I would like to ask you about the evolution of the games village out at Parkville from the original tender submitted by Australand-Citta — the Village Park Consortium — to the project we now have under construction. The original document that was submitted by the consortium had a net cost to government of \$42.6 million, which was to comprise contribution to social housing of \$16 million, a payment for base overlay costs of \$41.6 million and then revenue back to government under the revenue sharing agreement of \$15 million, leading to a cost to government of \$42.6 million. That project had seemingly minimal cash flow contributions to that end target. The project which is now under construction will have a net cost to government of \$85 million and will require substantial cash flow contributions over the construction life of the project. Could you outline to the committee the changes which have taken place between the original document submitted by the consortium and what the government has agreed to that has resulted in such a huge difference in the financial structure of the project?

**Mr MADDEN** — For my benefit, because it was a fairly lengthy question could you condense it a bit so that I can appreciate the specifics of your question and give you a more specific answer?

**Mr RICH-PHILLIPS** — In essence, what has changed between the tender document and what you are building now that it is costing twice as much as what was in the tender document?

**Mr MADDEN** — In terms of the village generally, you would appreciate that it has been fairly extensive. As I highlighted, there are a significant number of contributions that we are adding to the village delivery. A significant number of those came out of the village planning advisory committee process. A significant part of the amount we are contributing relates to the environmental initiatives. Appreciating that there were sensitivities about the village being sited there, that there is a need to deliver best practice in terms of the environmental investment — I have mentioned some of those things already — and that there is a significant contribution to the City of Melbourne's wetlands project, a significant amount will go to the integrated water management systems, energy initiatives, bicycle shelters, and just in terms of some of those environmental initiatives such as roof water collection for flushing toilets, low water-use landscaping, recycling of waste water, installation of AAA-rated fittings and water-efficient appliances and a high standard of treatment, retention of significant trees across the site, the six-star energy ratings, the dwellings designed and oriented for solar access and a number of other environmental initiatives which are all part and parcel of the reason for the substantial investment.

However, it is also worth appreciating that in the process there are significant revenues and returns to the government. They are part and parcel of the agreement. It is worth appreciating that in terms of those initiatives the government is getting substantial assets which it will retain, whether it be the public housing, those environmental initiatives which are part and parcel of the delivery, or the public open space. Those enduring assets are fairly substantial and it is worth appreciating that in all \$58 million is part of the net cost to government in terms of the enduring assets in the social housing and environmental initiatives. In terms of the overall figures, it is worth considering that they are initiatives by the government which in one form or another return on the investment by government. If you take into consideration the entire mix of that formula, the government will receive substantial revenues and many of those revenues are based on rates of return coming out of the development.

**Mr RICH-PHILLIPS** — I appreciate that and I recognise that it is a complex question. Is it possible for your department to give the committee a reconciliation between what was offered in the tender and what the government is now doing?

**The CHAIR** — That is what he just did.

**Mr RICH-PHILLIPS** — Not in terms of numbers he did not.

**Mr MADDEN** — I am happy to provide you with the information that we can give that there are probably commercial-in-confidence elements that relate to the developer's directive. I am happy to provide the information we can in relation to that matter. I would have to check to see what is commercially confidential and what is not, but I am happy to provide you with a further breakdown of any of those areas that you seek clarification of.

**Mr RICH-PHILLIPS** — For example, one of the things — —

**The CHAIR** — By way of clarification, do you want to identify what it is now — the specifics?

**Mr RICH-PHILLIPS** — Certainly the differences between the announced financial structure of the village project — obviously the \$144 million gross cost to government and then there are the cash flows which have been published — as to how that will be made up versus what was published in the tender put in by the consortium, which is vastly different.

**Mr MADDEN** — I think your concerns, Mr Rich-Phillips, are the way we have expressed those publicly. There is no difference in the delivery of the project or the outcome or generally the cost, but it might be the way they are expressed. We have broken that down into different elements because of, as I mentioned, the investments by government and the returns to government. Then there is a net cost to government and on occasions the breakdown of that figure — the overall figure — has been expressed differently. You may well have a component of that figure which relates to a specific element but does not take into consideration some of the other investment elements of the government which either we retain as assets or do not factor into the rates of return. I am happy to provide you with a further breakdown in relation to that.

**Mr RICH-PHILLIPS** — If I can just give you one example — —

**Mr MERLINO** — Can we move on, Chair? I think Mr Rich-Phillips has had long enough and he can return to it when it is the opposition's next turn. This is ridiculous.

**The CHAIR** — The minister has said he will give you everything.

**Mr RICH-PHILLIPS** — He has not said he will give me everything.

**The CHAIR** — He has said he will give you a detailed breakdown to enable you to identify where there are differences. The second point is I gave you the opportunity to be specific on anything in particular you wanted. We will leave it at that and go onto the next question, which is to Ms Romanes.

**Ms ROMANES** — Minister, in your Equal First strategy that you were talking about earlier, section 4 under the heading 'Connecting and celebrating our cultures' gives a commitment to incorporate a strong indigenous theme. You have also talked about a launch of a strategy to respect indigenous communities that you are intending to put forward as a key priority for 2004-05. Could you tell the committee what other action the government is taking to ensure that members of the indigenous community are involved in and benefit from the games?

**Mr MADDEN** — While Equal First reflects on many underrepresented groups and it mentions indigenous communities, there is a broader and more substantial strategy in relation to indigenous communities being involved in and around assisting in the games celebration and the event itself. We are keen to make sure that we use that for all the good reasons that it is important to do so. Currently as part of the legacy program we are developing a strategy to deliver a suite of initiatives that will ensure the games engage with indigenous Victorians — recognise, respect and celebrate indigenous communities and also showcase indigenous Victoria. The objectives of the strategy will focus on the representation of indigenous culture to ensure appropriate representation of that culture within the running of the games and games-related activities; and participation opportunities to ensure that indigenous Australians have the opportunity to participate in or have an integral role in the games —

that is also particularly important for Victorian indigenous communities because the Victorian indigenous community does have its own culture. I suppose more broadly showcased on occasions are the better known indigenous cultures of some of the more prominent Australian indigenous communities, more often those in northern Australia, but the Victorian indigenous community has its own unique indigenous culture and this is a great opportunity for not only the world but also for Victorians to celebrate and appreciate that we do have a very strong indigenous community and culture which is different from other indigenous cultures but is not thoroughly appreciated, understood or recognised. It is a great opportunity to use the games to help celebrate and profile that.

It is also about ensuring that indigenous Victorians as well as indigenous Australians have the opportunity to be integral in the games. It is great opportunity to maximise business, employment, training and volunteering opportunities and sports development, because sport is such a very strong theme in indigenous communities and a very strong link to the broader community. It is about optimising the potential of the games to provide indigenous Australians with the capacity to be more involved in sport or recreation more broadly, not only as volunteers but also as competitors and administrators, and to facilitate commonwealth-indigenous linkages, appreciating that the dynamic of the commonwealth was one where the British Empire spread across many countries where many indigenous communities exist, so it is a great opportunity to form links, to share histories and the challenges that are faced by those indigenous communities right across the commonwealth.

The strategy is being developed through an indigenous task force and a working group comprised of representatives from indigenous communities and organisations, key government agencies such as Aboriginal Affairs Victoria and the Koori Business Network and others with indigenous program responsibilities in 2006. A strategy of support, the achievement of other games legacies including the involvement of regional Victorian communities in the games promoting environmentally sustainable behaviours, inclusiveness, as we have already mentioned, and the celebration of diversity, sports participation and healthy lifestyles within communities are also very relevant themes in terms of indigenous communities. There are suggestions about the way in which this might take place in or around the Yarra pedestrian link and the Birrarung Marr area, given the cultural links to that, so there are some tremendous opportunities and we will work towards building that into the games format as we move closer to the games.

**Mr RICH-PHILLIPS** — I take you back to the bid documents for the village to provide some detail on some of the areas that I would like clarified. I raise in particular the issue of the return to government of the developments on the site. The bid document submitted by the consortium stated that in return for the state's contribution of land the Village Park Consortium proposes a 50 per cent revenue share with the state for gross revenue in excess of \$185 million. It goes on to state that its estimate is that the state's share would be in excess of \$15 million.

You have said by way of press release and certainly in the house that the state expects to collect \$58 million in revenue under whatever the final revenue-sharing agreement was. Now either the sales value estimated in the tender document was very low or the agreement proposed here is different to what you signed up to, given that you are getting \$58 million rather than \$15 million. The tender document also specified that the majority of the funding for this project would be provided through a loan facility arrangement with the Commonwealth Bank, but it is clear again from your statements in the house last year that a lot of the cash flow for this project is being provided through the state, which begs the question of where that loan that was proposed comes into place. I would like you to provide to the committee a reconciliation of these differences. You would appreciate a committee like this and indeed other tenderers would have legitimate concerns if you have gone to public tender process, you have received bids, you have accepted one of the bids and then the bid you have accepted is dramatically changed in its final form. I seek an assurance that what is here in this document is what you are now delivering and that you can explain the differences between what was proposed and what you have publicly announced.

**The CHAIR** — By way of clarification, are you asking why this state is getting \$58 million instead of \$15 million?

**Mr RICH-PHILLIPS** — I am asking what the difference is.

**The CHAIR** — I am sure the minister would love to tell us that. I thought I might have got it wrong.

**Mr MADDEN** — There are two themes there that I think you are alluding to. One is about the revenues, but the other one is the process. You are no doubt expressing concerns about the process — if it has changed, why



it has changed and how does that reflect on the tender process itself. I want to reinforce that at every point along the way of this process, because of the complex nature of it and given that the bids were always going to be slightly different, we are always conscious of probity issues throughout the entire process, and because of that a probity auditor has been involved every step of the way and endorsed the process at every turn, so rest assured there are no probity concerns in respect of any of the process. Moving to the next point that you make relating to revenues, we are a joint partner in this development and so we are sharing in the upside, but we have reduced the risks, so we have a threshold by which we will have revenues returned to us of no less than that threshold. But there is an upside. If the market moves in a particular way, if it moves up, we have the opportunity to draw more out of the project.

**Mr RICH-PHILLIPS** — So that mechanism is the same as what they proposed?

**Mr MADDEN** — Without seeing the specifics of the document you are referring to, in the vast scheme of things I do not believe much has changed, and if it has changed in any way across the process then the probity auditor has endorsed all probity requirements in relation to the process. But it is worth remembering that given that the site itself is a number of parcels or houses or units that will be sold, those thresholds change in relation to revenue. So in certain elements of the project revenues may be greater than in other aspects, depending on the mix of the sale at the end of the day. Without giving any specific formulas or ratios, my understanding — without having the detail immediately at hand — is that there is a possibility of increasing revenues on each of the components of the project if and when each of the components increase in value before their final settlement. There is an array of ways to draw greater revenue. It should also be appreciated that whilst all the houses plus a number of townhouses and units will be completed prior to the games, a substantial component of townhouses are being built along the freeway wall, and the revenue models are slightly different on each of those because of the complexity of the land arrangements. In a sense we are providing the land, and for one house there is a certain amount of land, but for a number of units the government may be providing pro rata less to the equation, so there will be a different ratio of revenues returning from those at any particular stage. I do not have those figures here, and I am not sure what I am entitled to release at any time because of their commercial nature. As has always been the case, if you require a further briefing in relation to some detail, as there may be some commercial aspects to that which prevent me from releasing that detail, I am happy for my respective shadow minister to have a further detailed briefing from the department at any time throughout the process.

**Mr MERLINO** — Minister, the committee has heard about the economic and social benefits that will be derived as a result of hosting the games. My specific question is about job growth: can you outline for the committee what actions the government has taken to ensure that job growth is generated and also that any employment opportunities created from the games deliver lasting benefits?

**Mr MADDEN** — The benefits coming out of the games are more than just about that infrastructure, more than just about community pride and more than just about celebration. One of the significant economic benefits will be employment training and volunteering opportunities, and we see that as one of the critical features of the games delivery. Employment training and volunteering will provide significant benefit to those who are involved in it.

An economic impact study for the games will be conducted and measured. A study of the projected economic impact was conducted prior to the Sydney Olympics, and that study was generally acknowledged as significantly underestimating the expected benefits of the games. There have been significant changes in the scope and the depth and breadth of activities associated with the Commonwealth Games in Melbourne in 2006 since the study was conducted. The \$2 billion economic impact included in the announcement of the government's contribution to the whole-of-games budget was based on recent similar multi-sports events. The New South Wales government estimated the economic benefit of the 2000 Sydney Olympics to be 2.5 times the total cost of the games, and Cambridge Policy Consultants estimated the economic benefits from the 2002 Manchester Commonwealth Games to be 2.4 times the total cost of the games. Bearing that in mind, with a total budget in the order of \$1.1 billion for our Commonwealth Games, the economic impact has been conservatively estimated at \$2 billion. That was an appropriate way to estimate the likely economic benefits when the games budget was announced in advance of the detailed economic assessment which we have undertaken to conduct. The process has commenced to more accurately assess the economic impact of the games, and that will be completed by the end of this month, basically, or pretty close to that. We will then get a much better feel and a much better understanding of that economic impact, given that it was sort of a rule-of-thumb assessment initially. This study will give us a more substantial understanding of that economic impact. The key factors that will be considered through the study are the direct games expenditure, the tourism expenditure and activity, the construction industry activity and the economy-wide

flow-on effects. The economic impact study will be an excellent indicator of the potential impact of the games, and it is intended that the study will be incorporated in a broader reporting framework which will provide information on the economic, environmental and social impacts of the games. What we can be sure of, though, is that hosting the games will generate significant job growth, demand for specific skills and also an unprecedented peace-time requirement for volunteers for a single event in Victoria, all of which will have an undeniable economic impact and social benefit for the state. I have already outlined the social benefits that will roll into the whole games delivery, but that, rolled in with the training, the volunteering and the job strategy will be greater than the sum of the parts.

The Commonwealth Games employment training and volunteer legacy strategy has been developed to ensure that the opportunities are delivered and that the benefits to the community are certainly maximised. The vision of the strategy is that the Commonwealth Games will open doors for Victorians that will create a legacy of new skills, new opportunities and new experiences that will build a stronger work force and a stronger volunteer sector. Some of the features that will form part of this strategy include generating new opportunities for building new skills; showcasing the capacity of the Victorian work force, and we have already seen that with the respective developments, but that will also roll into some of the other strategies I have detailed today; promoting diversity and equality; and encouraging more Victorians to volunteer. These initiatives will provide opportunities for people in regional Victoria to volunteer or to access games-related employment. That also links into the broader regional benefits that we have mentioned. We have a strong commitment to strengthening communities through supporting volunteer participation of all kinds, so it feeds into that. The strategy will provide a framework for realising significant opportunities to leverage the games by encouraging participation in community activities and supporting growth in volunteering and a recognition of volunteers.

**The CHAIR** — Summing up.

**Mr MADDEN** — Summing up, one of the major outcomes will be that somewhere between 12 000 to 15 000 volunteers will be required as part of our program. We expect the volunteers to be developed on the back of that. The skilling up of those volunteers, as opposed to just the increase of the work force for the games, will also provide increased job opportunities beyond the games. In Manchester there was pre-volunteer training that skilled up people to volunteer who may not otherwise have had the capacity to volunteer, so it creates a bit of a pathway which we think will build on our employment strategy.

**Mr RICH-PHILLIPS** — Minister, I refer you about the contingent liabilities that are outlined in the budget paper 2 in relation to Commonwealth Games projects. Can you tell the committee which of those — I am happy to run through them — will be included in the whole-of-games budget should they materialise, just so we know what is in and what is out? There are payments to the AFL for reduced seating during the grand finals; there are payments to the AFL for reduced capacity in March 2006; there is the indemnity for the MCC and the trust; then there is the indemnity for the extra expenses should the redevelopment exceed \$450 million; and I also see that there is now mention of payments with respect to public transport. If they materialise, will they be included as part of the whole-of-games budget for the Commonwealth Games?

**Mr MADDEN** — That is a rather lengthy question. You mentioned the contingent liabilities, and I have focused on that, but you might just want to repeat the last part of your question, which I think was the nub of it.

**Mr RICH-PHILLIPS** — If these materialise — —

**Mr MADDEN** — As liabilities?

**Mr RICH-PHILLIPS** — As liabilities. Will they be accounted for in the whole-of-games budget?

**The CHAIR** — In terms of ‘if’, hypotheticals tend to be ruled out of order, so if you want to make it more specific, that will be in order.

**Mr RICH-PHILLIPS** — When?

**The CHAIR** — Not when. Just say contingent liabilities.

**Mr RICH-PHILLIPS** — Some of them will arise. For example, the compensation for the AFL, where a base payment was made last year of \$5.7 million, is that included as part of the games budget?

**Mr MADDEN** — I understand what you are saying. Predominantly there are three contingent liabilities; the MCG redevelopment — and you could say that that relates to the AFL — so the MCG redevelopment-AFL; the endorsement contract and public transport issues. They are the main ones. I am happy to expand on any one of those. While they are contingent liabilities it is considered that they are all able to be managed, and we do not anticipate that there will be any great dramas with any of them. But should there be a need — which is not really believed to be the case because they are being managed soundly and included in terms of budgeting — they have all been accommodated. So we would not expect that there will be any liability in relation to those, but should that be the case then they will form part of the overall games budget.

Can I just give you a bit more detail on those? There is a grant of \$77 million towards the capital cost of the MCG redevelopment, and a guarantee of a loan facility from the Treasury Corporation of Victoria to the MCG for up to \$360 million, and indemnities to the MCG Trust and the MCC should there be insufficient trading surpluses to meet the scheduled debt servicing and repayments, or if the total project construction cost exceeds a particular figure. The Treasurer is responsible for the guarantee and the indemnity. The northern stand redevelopment has achieved its critical milestones to date and is operating within the approved budget. I understand that the MCG is travelling well in relation to the operation of the facility, so we do not believe that that is going to be a liability.

To give a bit more clarification on that, the project is a five-stage project spread across a significant time. In a sense it could have been concentrated into a shorter space of time if one had been prepared to close down the MCG, but not wanting that to be the case in anyone's mind, it is a staged project in order to ensure that the viability of the operation of the MCG and the goodwill that is part of the liability is maintained across the development. It might be different if you had closed down the business for 18 months and built the entire project and then had to open it up again because your business may not return and you may lose your corporate support. But in terms of the staging of the project, the major consideration has always been to stage it in a way that you continue to operate the business, more or less as a full house in one form or another — and we have seen that in some of the blockbuster AFL competition fixtures. So that has certainly ensured that the ground still operates as a viable entity during and after the delivery of the project.

In terms of the AFL's relationship to that, it is important to appreciate that those potential liabilities have been minimised in terms of any compensation in the years where the construction is taking place. Arrangements are in place and while the compensation has not necessarily been finalised for the year post the Commonwealth Games — the 2006 year — there is an agreement about the way that will be calculated. So primarily the critical aspect here is the method by which you might calculate compensation to the AFL at any given time, critical benchmarks in terms of capacity and the operation of the venue. The bump out of the Commonwealth Games from the MCG may or may not substantially affect the AFL season in that 2006 year. We are working with the AFL to look at the way it does its fixtures so that we can minimise any disruption to that 2006 season. So that is being significantly managed and the MCG redevelopment is being managed. I reinforce the fact that those contingent liabilities are fully budgeted for. Again with public transport the amount of compensation is subject to government negotiations, but again that is fully budgeted for in the whole budget process.

**Mr RICH-PHILLIPS** — In the whole-of-games budget?

**Mr MADDEN** — Yes. It is already for budgeted for in the budget. So there has been a budget allocation, while the finalisation still needs to be either determined or negotiated. It features in the budget so we believe they are well and truly allowed for.

**The CHAIR** — That is an expansive answer, thank you very much. That concludes the consideration of budget estimates for the portfolios of sport and recreation and Commonwealth Games. Thank you to your departmental officials who are here with us in the second session. We record our appreciation to those who are not here today but who have worked extensively on PAEC briefings, both to the secretariat and also for today's hearing. We will send a copy of the transcript to the minister and we will be sending a letter with questions that you have taken on notice, and any questions that may require further follow up.

**Mr MADDEN** — Thank you, Chair, and I thank the committee members. It is always a pleasure to come along to the Public Accounts and Estimates Committee. I thank the officers of the Parliament for the work they do and I also thank in particular the officers in sport and recreation and the Office of Commonwealth Games Coordination for providing preliminary information to the likes of yourselves, but also for the compilation of the extensive information required for myself and others for today's proceedings.

**The CHAIR** — And to Hansard.

**Committee adjourned.**