

TRANSCRIPT

SELECT COMMITTEE ON THE 2026 COMMONWEALTH GAMES BID

Inquiry into the 2026 Commonwealth Games Bid

Melbourne – Friday 9 August 2024

MEMBERS

David Limbrick – Chair

Joe McCracken – Deputy Chair

Melina Bath

David Davis

Jacinta Ermacora

Michael Galea

Sarah Mansfield

Tom McIntosh

Rikkie-Lee Tyrrell

WITNESSES

Tim Ada, Secretary,

Peter Betson, Deputy Secretary, Sport and Experience Economy, and

Anthony Schinck, Executive Director, Regional Development and Outdoor Recreation, Department of Jobs, Skills, Industry and Regions.

The CHAIR: Thank you for appearing today again. We will now resume the committee's public hearings for the Inquiry into the 2026 Commonwealth Games Bid.

I will start by saying all evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your name and the organisation that you are appearing on behalf of.

Tim ADA: Good afternoon. Tim Ada, Secretary of the Department of Jobs, Skills, Industry and Regions.

Anthony SCHINCK: Good afternoon. Anthony Schinck, Executive Director for Regional Development and Outdoor Recreation.

Peter BETSON: Peter Betson, Deputy Secretary, Sport and Experience Economy.

The CHAIR: Good to see you again. I will not introduce all the committee because you know them all, but I believe we have on the line Ms Ermacora, Mr McCracken and Dr Mansfield. I welcome you to make any opening comments. Please proceed.

Tim ADA: Thanks, Chair. I do not really have any opening remarks today. I am conscious that at the last two appearances I did at some length, particularly at the first hearing, so I do not have any prepared remarks. I am happy to take any questions that you and the committee have.

The CHAIR: Excellent. Thank you very much, and thank you again for appearing. I would say that there are probably a few things that have happened since last time. Obviously, we have released the interim report and done a bit more analysis. I want to start by questioning some of the thinking around this KPMG report. Earlier today, just a few minutes ago, we met with KPMG. We have since been provided with a copy of this report. What was the thinking around commissioning KPMG to do this CGE modelling analysis?

Tim ADA: Thanks, Chair. I might ask my colleague Peter to talk to that in a little bit more detail. Peter was more involved in the business case, me less so. I think one of the things that we have said when we have been here previously is that KPMG was engaged – I think my colleague Peter did use the term 'a peer review of benefits'. Perhaps more accurately it could be described as sort of a complementary assessment of benefits using a different methodology. It was to pressure test I suppose the benefits that were being presented in the business case using a different methodology recognising that EY was principally using an input-output methodology and KPMG obviously used their CGE model. That is I suppose a summary version, Mr Limbrick. But I might ask Peter to supplement that.

The CHAIR: Sure.

Peter BETSON: When undertaking economic assessments, the preferred methodology is cost-benefit analysis and the methodology that EY employs is what they call an input-output model. Therefore it is not

uncommon in undertaking economic assessments for you to run a second model, which is a general equilibrium model that KPMG ran in this regard to undertake that complementary review of the benefits that were also included within the EY input–output modelling. It is not an uncommon thing to use a CGE model to look at the benefits and then be able to compare those to the input–output model.

The CHAIR: At what point was the business case consulted with DTF about this? Was that before this model was done?

Peter BETSON: Yes.

The CHAIR: Yes.

Peter BETSON: Prior to the draft being finalised in that late January period DTF received a copy in response to that draft business case being presented to government. DTF and DJSIR, as we call it now, agreed to undertake some changes to that business case, and one of those actions agreed was to undertake the CGE modelling for the purposes that I have described.

The CHAIR: How would you characterise DTF’s opinion of the business case?

Peter BETSON: DTF, in our process in working with them from that period in late January, agreed to make some amendments to that business case, and therefore following those changes to the business case it was then presented for final approval by government.

The CHAIR: Thank you. Was there scepticism about some of the benefits provided in the business case, because I note that one of the requests in the modelling by KPMG was to halve the health benefits and do an analysis based on half of the particular benefit. Is that because there was scepticism about some of those potential benefits?

Peter BETSON: I think the Auditor-General’s report did highlight and provide commentary on that matter. It is not uncommon for modelling to then test various assumptions, and the health benefit assumptions were tested at that time by a 50 per cent reduction, as the KPMG report states.

The CHAIR: Understood, thank you. One of the other things in this analysis was around net housing. Originally the plan was to have the private sector build the housing. Subsequently it was discovered that that was not going to be feasible, so my understanding is that the department looked for other ways to do that. According to this report and the housing modelling, essentially what would have happened is it was not actually building any new housing overall over time, but rather it was bringing it forward from future costings and bringing it forward during that Commonwealth Games period. Would that be correct? Is that why this model does not assume an overall increase in housing over time higher than what would otherwise be the case?

Peter BETSON: My recollection of reading the report is that a conservative assumption was made by KPMG, yes, in terms of housing to be brought forward, for which there is a benefit. There is a bring-forward benefit when you are bringing forward an investment that would occur in the future to today. Out of conservatism KPMG have highlighted in that report that that is the assumption that was made.

The CHAIR: Understood. One of the things pointed out by DTF in responses to questions on notice was the classification of whether this is a high-value, high-risk project or not. My understanding was that initially it was not because of lack of capital investment through housing and then at some point it would have potentially fallen under that. Wouldn’t it have fallen under it anyway because of the investments required in other infrastructure that is non housing, such as sporting facilities? Wouldn’t that have met that threshold, which I think is \$250 million?

Tim ADA: I think you are right, Mr Limbrick, that the business case was predicated on a private sector led development of the housing, and that changed soon after based on an assessment of market factors and the deliverability ahead of the games, which was obviously some years later. Standard practice is that HVHR guidelines apply to capital investments in state-owned assets.

The CHAIR: But housing would become a state-owned asset if it was –

Tim ADA: And that is obviously something that changed post the business case being written. On your question about the sporting infrastructure facilities, they were intended of course to be owned by local governments, not the state, so from an accounting perspective they would be recognised as output funding and not asset funding for that purpose.

The CHAIR: Right, so if I can just clarify that point, you are saying that it would not meet the high-value, high-risk threshold for the sporting infrastructure because the state government would not be the owner of that sporting infrastructure, it would be local government?

Tim ADA: The intention I think in the main was for local government to be either obviously augmenting existing assets that they owned or in some cases developing new assets that would be owned longer term by those local governments.

The CHAIR: Okay, understood. Thank you. Mr McCracken.

Joe McCracken: Thank you very much. Thank you also to you gentlemen for appearing today. I know I have seen some of you before, but there is obviously, as the Chair has said, a bit that has happened in the meantime. I want to draw your attention to the Commonwealth Games athletes village project brief, dated 30 May 2023, specifically page 36, where it states that the CFMMEU may need to be consulted and engaged with based on the scope of the works for major trades and labourers. The project brief also outlines on page 37 that a key performance metric of the contracts was the extent to which it effectively manages industrial relations matters. In your experience as senior public servants, is it common practice to name specific unions within a project brief?

Tim ADA: I do not have that brief in front of me, Mr McCracken, but to go to your question more generally – and I think the Auditor-General’s report did provide some commentary on this – during that period there were discussions with the building industry group, which is a collection of the four unions involved in the construction sector, that union you have just mentioned being one of them. There were discussions with that group during the period, I think, May–June–July. That was canvassed in the Auditor-General’s report. There were discussions, and they were ongoing at the time of the cancellation of the games. No agreements were entered into; in fact we were still seeking further advice about various related matters. So that is what I would say in response to your question.

Joe McCracken: Okay. Well, I know that there is clause 5.8 of the project brief, where the CFMEU by themselves are particularly mentioned. Why would that have been?

Tim ADA: Sorry, Mr McCracken, I just do not have it in front of me, and I probably need to cite the context. I am happy to take that question on notice. ‘I don’t know’ is the answer to your question, without having that here.

Joe McCracken: Okay. I am happy for you to take that on notice. I guess I am trying to understand how these sorts of things happen. I mean, who would have asked for specific unions to be named in these clauses? Who is responsible for that?

Tim ADA: I am happy to take that question on notice, Mr McCracken.

Joe McCracken: So you do not know off the top of your head.

Tim ADA: I do not know the answer to that question.

Joe McCracken: Okay. I mean, I am thinking about other unions. The AWU is another major construction union. They were not specifically named in the document. It just seems quite strange that one particular union was given precedence over another. Can you give me any idea why?

Tim ADA: I cannot, Mr McCracken. As I said, I am happy to take that question on notice. But I do know, again just to repeat myself, there were a number of discussions during that period with the building industry group, which is a collection of I think four unions. As to why that union is called out in that brief in the manner you have described, I do not know, and I do not have it in front of me, I am sorry.

David DAVIS: It will be a sweetheart deal, won’t it?

The CHAIR: Please allow the Secretary to answer.

Tim ADA: I am happy to take the question on notice.

Joe McCracken: Well, I mean, you are senior public servant. You have been around for quite a period of time. You have got a lot of experience. Don't you think that a document like that, listing those unions, sends a clear message that there is a preference for a particular union?

Tim ADA: As to why it is the only union mentioned, as I said, I am very happy to look at that and take the question on notice. The building industry group of unions approached the department to talk about the delivery of the Commonwealth Games. I understand that there was some sort of similar arrangement for the Melbourne 2006 games, and they wished to have a conversation with the department and the organising committee about possible agreements related to the delivery of not just some of the larger sporting infrastructure but all of the community sporting infrastructure projects and the village build. That conversation was underway but had not progressed, and certainly no agreements of any form were made at the time of the cancellation. I am sorry, that is all I have on that particular matter.

Joe McCracken: So do you know how much the agreements were progressed then? If you said that agreement had not been struck, do you know of the negotiations? I mean, you obviously have some understanding if you know the agreements had not been struck. What progress had been made?

Tim ADA: There were a series of discussions – I think two or three discussions. I was not personally involved in those meetings, but I understand that they did take place.

Joe McCracken: Are there any meeting notes that you have from them available or that you could get access to, which we could then have?

Tim ADA: I am happy to take that question on notice. I do not know, is the truth, if meeting notes from those engagements exist. But the department was seeking advice on whether or not an agreement would be possible or even appropriate, and that was a long way off happening at the time of the cancellation. We were still in the advice-gathering stage, to my understanding, Mr McCracken.

Joe McCracken: I am still trying to understand why the CFMEU were given preference over other unions, let alone anyone else. Don't you think that that sends a message to anyone who might be wanting to apply that you have to strike a deal with the CFMEU to get this sort of work?

Tom McIntosh: Sorry, Chair. I missed the start of this, but obviously it has already been pointed out that an answer would come. It is just that I think the coverage would be –

Joe McCracken: I think I have got the call, Tom. Thanks.

The CHAIR: Mr McIntosh, your turn will be next, thank you. Mr McCracken has the call.

Tim ADA: The only thing I would say further to your response is I am not aware of any preference being given to any of the building industry group unions. My understanding was there was a small number of conversations with the members of that group. That is my understanding.

Joe McCracken: Why was it just that group, and why wasn't it broadened out to someone that perhaps may have had experience in the private sector, as opposed to just consulting with unions?

Tim ADA: Well of course, like any construction program, you are working with a broad range of stakeholders. Obviously, we were working closely with Development Victoria, who was the delivery agent on a number of community sporting infrastructure projects and the villages, and obviously we were working more generally with a range of industry and business stakeholders. You asked me specifically about engagement with the unions, and what I have tried to do is answer your question as best I can. My understanding was that there was a small number of engagements with the building industry group of unions. My understanding is there are four of those unions – and this group, in my understanding, has been in place for many years. It is not a new grouping, and there is precedent for departments working on civil projects to engage with that group.

The CHAIR: Thank you, Mr McCracken. Mr McIntosh.

Tom McINTOSH: Thank you. I want to talk about the visitor economy. We have been discussing that since we started this inquiry, particularly when we were out visiting the regions. I was just hoping you could talk us through some of the emerging changes or trends that are occurring in the visitor economy and what that looks like.

Tim ADA: Thanks for your question. Again, I might ask Peter to add to my introductory remarks. Our visitor economy has been doing pretty well, aided by a range of factors. We have seen strong domestic tourism. International visitation has obviously been recovering from a range of factors, including disrupted travel patterns following the pandemic, but we are seeing and have seen continued growth in that particular segment of the market. We have had strong visitation to our regions, which is really encouraging, and what the department has been focused on is principally in support of Visit Victoria, which is the tourism marketing agency of the state. We have been doing a range of supply-side initiatives, working with industry and supporting businesses to build regional tourism product attractions and supporting events both in the city but also in regional Victoria. So it is a combination of the supply- and demand-side interventions that has seen the visitor economy do well. But that is not to say that there is not great competition – and there is, both domestically and from other comparative countries. Peter, did you want to add anything to that?

Peter BETSON: From a dataset of year ending March 2024, the total tourism expenditure in Victoria reached \$39.3 billion, which is up 12 per cent year on year.

Tom McINTOSH: When was that advice, sorry? As of March, was it?

Peter BETSON: As of March 2024 – up 12 per cent year on year. Regional Victoria obviously has a big part of that – \$16.9 billion – as well. As Mr Ada referred to, we have had strong growth in the visitor economy in regional Victoria since the pre-pandemic, since 2019. In the Goldfields region, for example, visitor spend is up 62 per cent from March 2019 to March 2024. In Geelong and the Bellarine it is up 80 per cent over that same period, and in Gippsland it is up 49 per cent. We have seen a strong growth as people head to regional Victoria, and Visit Victoria have done a great job in encouraging Melburnians and interstate people to visit regional Victoria. International travel is coming back, which we know is of great assistance to Melbourne's and the state's economy. What we are seeing now is also people travelling overseas, and that will lead to a stabilising of arrangements in regional Victoria, but they still are well up from the prepandemic period.

Tom McINTOSH: March is the most recent data on that, I presume.

Peter BETSON: We will have a dataset coming out shortly. March is the latest one I have available in front of me.

Tom McINTOSH: Thank you for that. I just wanted to also touch on the regional package. I want to ask you about the \$2 billion investment in housing, supporting worker accommodation, food and fibre and then all of the investment in sports and community sports infrastructure. I was just hoping you could give us a bit of an update on the community sports infrastructure side of things in particular and how that consultation with sports clubs and other stakeholders is going.

Peter BETSON: I can have a go at that, Mr Ada. Thank you. With the regional package, we have seen a number of uplifts in existing programs. Also, we have seen the first round of the Regional Community Sports Infrastructure Fund was opened in December and closed on 27 March this year. We have had a number of successful projects announced as part of that funding, so the Ballarat Aquatic & Lifestyle Centre will get \$750,000 to add accessible and sensory-friendly change rooms. We have got a number of other investments, including in the Seymour Tennis Complex and the Port Fairy skate and play precinct. A number of those activities are underway.

I think what also is important is the all-abilities space. We have just opened an all-abilities workforce and sector support program. We have also opened the strengthening regional community sport and sustainable volunteer workforce programs, so both of those elements support in particular volunteers and the workforce. It is really important for community sport to ensure that community sport services can be delivered to community and that we have a strong pipeline of volunteers and a stable workforce in the all-abilities space – really important. The grants will also support capability building for people to work and encourage people with a disability to engage in sport, which is really important for their own health and personal wellbeing.

We recently ran an information session on the volunteer program on 10 July. We had 88 attendees come along. We have done extensive consultation particularly in the all-abilities space because of the unique nature of the program. We have had sector round tables with 13 organisations, including reps from the Disability Advisory Committee. We sent out a sector survey – we had 62 responses – to understand what is important to the sector in designing those programs for them, and we also consulted with the equity and inclusion group.

In relation to the regional community sport, regional sport assemblies and Regional Sport Victoria are obviously key partners that we have worked with, consulting with Vicsport, state sporting bodies et cetera. That is in relation to the programs. In relation to the regional sport infrastructure programs, so the venues that we are working on, consultation also occurred with local governments and tenant clubs et cetera in relation to the final scoping of those projects. That consultation that occurred in scoping those late last year has led to some really good outcomes.

Tom McINTOSH: Thanks, Chair.

The CHAIR: Thank you, Mr McIntosh. Dr Mansfield.

Sarah MANSFIELD: Thank you for appearing today. I am interested in evidence you provided at previous hearings, and I think you started to address that earlier with respect to how you characterise the work that KPMG did. In those earlier hearings you were asked what work the department did to question, challenge and stress test the assumptions that underpinned the original business case. One of the responses to that was that you engaged KPMG to undertake a peer review of Ernst & Young's modelling around the benefits. Given that we have now established that that was really a supplement or a complement to that work and not necessarily a full peer review of that business case, what else can you point to that the department did to question, test or challenge the assumptions and the inputs in particular that went into that Ernst & Young business case?

Tim ADA: Thanks for the question, Dr Mansfield. Again I might ask Peter to respond to your question.

Peter BETSON: Thank you. I appreciate the opportunity the committee has provided to talk about the KPMG complementary review. As I have mentioned previously in relation to the work that was undertaken, we engaged during the business case phase DHW Ludus to provide advice – for example, in relation to the competition venues, undertaking planning – and develop budget estimates for those. During the business case process we also engaged Populous architect firm – who also had expertise, in relation to venues, in doing block planning – to assist in early design to support the work of DHW Ludus. That was complementary to the work that was done in order to land at best possible estimates for the capital expenditure program. In relation to the operating expenditure program, MI Associates was engaged to provide advice in relation to the operating budget and the build-up of the operating budget, as we have previously advised the committee.

Also, during that time from that draft stage, as I mentioned earlier, we worked with DTF on looking at improvements to the business case. One of those was to engage KPMG. Following that time, as I mentioned, we also engaged Populous to provide that extra input and advice into the process. In addition, there were some changes made between draft and final in relation to assumptions around the worst case scenario for certain benefits. In relation to those benefits of housing and sporting infrastructure, under the worst case those were also amended to zero. There was stress testing internally with colleagues and also those external experts that I have mentioned.

Sarah MANSFIELD: Okay. Just to be clear, that was all prior to a decision being made about whether to host the games, all of that work that was done?

Peter BETSON: The work I have referred to, yes. That is correct.

Sarah MANSFIELD: I guess I am curious. We heard from some academics earlier today their analysis of what went on around the decision to host the games and the case that that was based on. Their assessment was that if a student undertaking that program had produced that level of supporting evidence to justify a decision to undertake that event, they would pretty much fail the course. Even a kind of rudimentary assessment of publicly available information should have alerted anyone to the risks and quite significant complexities and challenges posed by a multi regional city games. They felt that some of the obvious oversights just did not really stack up. I guess I am wondering, with all of that expertise that you have pointed to, what do you make of

that commentary that really there were some very obvious problems with the original assumptions that were made that really should have been picked up?

Tim ADA: Thanks for the question. The one thing I would say just by way of observation is that is a view that has been reached in hindsight, obviously, with the passage of time and in understanding everything that we now know. That does not make the view wrong; I just simply offer that as an observation. The only other thing I would offer by way of introduction is that the business case was done under incredible time pressure, which is a factor that I think we have acknowledged a number of times. It was a factor in the business case not being as fulsome as it could have been. Peter, did you want to add anything to that?

Peter BETSON: I think the business case tried to balance bringing the risks to the attention of government in terms of the constraints that the business case operated under, as the Secretary mentioned, in relation to in particular the time period and the further work that was required in order to complete the analysis. I think in hindsight the department has acknowledged that the constraints around the development of the business case were definitely challenging, and in balancing the analysis that was done and the input that was done, getting the experts that we could at the time and then highlighting the risks was a prudent thing to do for a decision of government.

The CHAIR: Thank you. Thank you, Dr Mansfield. Mr Davis.

David DAVIS: Mr Ada, you have been before this committee before, and I want to pick up where Mr McCracken left off. It is the case that the document he was referring to did name the CFMEU but did not name the Australian Workers' Union. Why is that? Why leave out that large construction union?

Tim ADA: I cannot explain that, Mr Davis, in all honesty. I cannot, and I have said to Mr McCracken that –

David DAVIS: Not part of a corrupt deal by government to favour the CFMEU, who have got their tentacles all around the government?

Tim ADA: No. I am answering your question and Mr McCracken's question. I do not know why it cites that union and not others. As I said to Mr McCracken, my understanding was that we had a number of engagements with building industry group unions during that period of May, June and July.

David DAVIS: So you will come back with a specific answer on that point, is that right?

Tim ADA: Yes, that is what I have committed to.

David DAVIS: All right. Now, you have previously been before the committee and you told us that the business case did not anticipate the significant cost escalation that has been experienced in the construction sector. Is that because of the involvement of the CFMEU and others, why the escalation was not anticipated?

Tim ADA: I think I would say it is sort of a matter of fact now that escalation in the building industry has happened to a number of –

David DAVIS: But it has not been anticipated in this set of arrangements – why is that?

Tim ADA: I am trying to answer your question. There has been escalation certainly across the eastern seaboard of Australia and certainly in other jurisdictions. That is due as I understand it to a range of factors, including supply chain disruption and access to materials and labour within a tight employment market, and I think the government has also said that the infrastructure program has led to some further competition for resources.

David DAVIS: Twenty to 30 per cent increases with CFMEU involvement – is that what has driven some of this?

Tim ADA: I really cannot comment on that, Mr Davis.

David DAVIS: We will move on. Mr Yates from EY was talking about the business case here – in the same seat you are in – and said it was rushed and restricted. Why did the government so heavily restrict the ability of EY to adequately produce a business case?

Tim ADA: Again I might ask Peter if he wants to add to my comments. I would start by saying that there were a range of factors that led to a short period of exclusivity – a short period for the business case, a short period for the host contract. My understanding is, in the main, that was led by a desire – including by the Commonwealth Games Federation – to have a host in time for the Birmingham games and that there were a series of activities that were required in the lead-up to the games. That was one factor that I think led to a very compressed timeframe. I think there was also a view at the time that it was important in terms of program – in terms of having the infrastructure and the event ready by 2026 – to settle as many of the arrangements as possible so that work could commence. So those two reasons – and there were others – led to a very compressed period of time in that early 2022 period, Mr Davis.

David DAVIS: Do you think these onerous conditions ultimately caused the failure of this business case with its flawed modelling and that underpinned the ultimate cancellation?

Tim ADA: I think we have – and in fact I think I have – acknowledged here before, Mr Davis, that with more time and more ability to consult, the business case would have been a better one.

David DAVIS: Just returning to another point that was mentioned by the Chair – the issues around the high-risk, high-value arrangements – was it DTF or DJSIR that made the decision not to consider the games under the high-risk, high-value arrangements?

Tim ADA: I am not sure. Do you know that, Mr Betson, or is that something we would have to take on notice? Do you know the answer to that question?

David DAVIS: Who made that decision?

Peter BETSON: High-value, high-risk assessments and decisions are made through DTF.

David DAVIS: So they made the decision to not treat it as a high-risk, high-value –

Peter BETSON: We mentioned previously, or the Secretary mentioned previously, why high-value, high-risk applies to asset-based investments – as opposed to output-based funding for venues, for example, that will be owned and operated by councils. There are different –

David DAVIS: Over \$100 million where there is serious risk is the fundamental –

Peter BETSON: There is a grading, yes, Mr Davis, in terms of the application of high-value, high-risk. In this instance, the budget funding that was provided was output funding and not asset funding. Asset funding, for example, applies where there are state-owned assets and therefore the high-value, high-risk framework applies in that regard.

David DAVIS: Should the high-risk, high-value arrangements be rejigged? Clearly this major project – in the broad sense of the word ‘project’ – was a risky project. We look around the world; we can see that games have got into trouble.

Peter BETSON: In this case, the business delivery cases for what we call the major competition values went through a gate 2 assessment of their delivery cases, which were the individual investment cases for the venues. The current infrastructure program, Mr Davis, is going through what is called a project assurance review process, which is run by Treasury. We have independent –

David DAVIS: It is not going through high-risk, high-value?

Peter BETSON: No. Because –

David DAVIS: The current one you are talking about, yes?

Peter BETSON: The current one, yes, because they are output-based funding to local government. But what we are –

David DAVIS: What about the housing parts?

Tim ADA: That may be a question for DFFH, Mr Davis, who are leading – who is it?

Peter BETSON: And/or Treasury.

Tim ADA: That is right.

David DAVIS: You do not think they are doing high-risk, high-value though, to your knowledge?

Peter BETSON: I am not aware, Mr Davis, of that.

Tim ADA: I do not know the answer to that question.

The CHAIR: Thank you. Ms Ermacora.

Jacinta ERMACORA: Hello and good afternoon. Thanks for being here. I want to go back to, again, the \$2 billion regional package and the fact that it would support projects across the whole of the region of Victoria, not just the five main cities where the events were to occur. How will all the corners of regional Victoria benefit from the package, not just a select few?

Tim ADA: Ms Ermacora, thanks for the question. Obviously, the place-based infrastructure projects that we have just been talking about are in the main around those hub locations in regional Victoria. But the programs, of which there are many, have a statewide or a regional Victoria-wide scope, so businesses or community groups in all corners of Victoria have been eligible to apply. Indeed we have seen that in some of the programs that have been announced by the government, which demonstrates that application and interest. And successful projects are being announced in all corners of Victoria. So that would be a summary response to your question.

Jacinta ERMACORA: The areas other than the five main areas where games activities were to happen were quite pleased that they were included in the possibility of sharing in that \$2 billion fund. The council support package recipients have now been announced as well as a significant number of projects in Geelong, Ballarat, Bendigo and Latrobe. But I see that there are also around about 20 across other regional areas. Can you give me a bit of a summary on that?

Tim ADA: Sure. I might ask Mr Schinck to answer that question, Ms Ermacora.

Anthony SCHINCK: Thank you for the question. The council support package was broken into two streams. Stream one, which you are referring to, for the hub cities is a standalone package, but a contestable stream, stream two, was also put out to market in consultation with regionally located local governments right across regional Victoria. There are in fact 27 projects across the different LGAs in regional Victoria that were announced on 8 June.

Jacinta ERMACORA: So can you give a bit of a summary of some of those types of projects?

Anthony SCHINCK: Sure. Yes.

Jacinta ERMACORA: Thanks. I am pleased it is 27 and not 20.

Anthony SCHINCK: It is 27 across both streams in total, Ms Ermacora. Take out the hub cities and it is more than 20. The projects vary from a range of event support for local governments to a range of facilities and infrastructure support for regional councils to technology projects such as wi-fi enablement through to – gosh, there are a number of these. They are all projects that are designed to improve the livability of those regional councils that applied to the fund. We designed the guidelines, as a matter of interest, in consultation with the councils themselves to ensure that the fund was going to directly meet the needs of the intended objectives of the program. We have also ensured that the program has been designed in a way that is simple for the grant participants to be able to work with us on delivering those projects.

Some of the projects also include contributions to important assets like the mountain bike trail in Hepburn shire at Creswick, which is supporting a significant investment and creating around about 60 kilometres of mountain biking. Thirty-two kilometres of the mountain bike trail were in fact opened only recently.

The council support package has been important in activating the trail in terms of the project designed by Hepburn shire to work around the trail heads, the activation of the trail and attraction and visitation to the trail. They are the nature of the projects that have been approved across the state.

Jacinta ERMACORA: That is fantastic. I do not know if that is coincidental, that is not in my local community, but I am a mountain bike rider, so that does make me smile. I was aware of that project. Certainly that project and, for example, that \$100,000 for electrical upgrades to the Civic Green stage in Warrnambool and, as you mentioned, wi-fi upgrades in Moyne, particularly for Mortlake and Port Fairy, are terrific projects that would not have happened had that fund not been created to facilitate a more equitable spread of the benefits of what would have been games money. Is that correct?

Anthony SCHINCK: The objective of the program was to utilise a portion of the overall \$25 million investment to make it open to all of those rural and regional councils, all local government areas, to be able to draw down or apply to undertake projects. Many of those LGAs were intending to undertake upgrades and were intending to improve facilities to accommodate anticipated growth in visitor numbers. This is an opportunity to be able to provide projects that are fit for purpose for those local government areas, their communities and their economies.

Jacinta ERMACORA: With the mountain bike riding, that is exercise for local communities that would not have otherwise been available for them. Would you say that?

Anthony SCHINCK: The mountain bike trail at Creswick has been a project that has been a long-term aspiration of the Hepburn shire and the local community. It is now at a stage where 32 kilometres have been opened. There are portions that are also going to be available for all-abilities riders, which will be a unique opportunity.

Jacinta ERMACORA: Fantastic.

The CHAIR: Thank you, Ms Ermacora.

Jacinta ERMACORA: Thank you very much.

The CHAIR: Mr Galea.

Michael GALEA: Thank you, Chair. Thanks for coming back, Secretary and Mr Betson. It might be your first time, Mr Schinck.

Anthony SCHINCK: It is.

Michael GALEA: Welcome. Good to see you two again for not your first appearance. Secretary, I might start with you. I note that you have on behalf of the department already responded to a number of questions on notice to this committee, which is acknowledged and appreciated. In one such response to one such question on notice you described how the exclusive negotiating period between the state government and the Commonwealth Games Federation was around only six weeks and that short window was at the earnest request of the CGF itself. Secretary, to what extent, if any, did this very short negotiating period impact on the government's ability to evaluate the games?

Tim ADA: My understanding, Mr Galea, is that the period of exclusivity was a conversation between parties – certainly the CGF was one of those. As I said in response to my question to Mr Davis, the broad interest in having a host confirmed well in advance of the Birmingham games was clearly a factor. I would answer your question by saying, like I did to Mr Davis, that with more time and a greater ability to consult we would probably have prepared a business case that better estimated the cost of delivering the games and would have provided more time to pressure test the benefits. So I think that is a reasonable conclusion to draw, and it is one that I have mentioned to you previously.

Michael GALEA: Indeed. Thank you. You mentioned the Birmingham games too. That was, I am assuming, the timing that was pressuring the CGF, which put that pressure on for that short window.

Tim ADA: My understanding is the Birmingham games was in mid-2023 –

Peter BETSON: 2022.

Tim ADA: Sorry, mid-2022 – and that left a fairly truncated period for a lot of work to be done, including the state ascertaining whether or not it wished to pursue it, and then there was a period of negotiating a host contract well in advance of those games.

Michael GALEA: Thank you. One of the bigger focuses now of the inquiry, as you can imagine, in this later stage is the progress of the \$2 billion regional package. I note Ms Ermacora and others have already asked you a few questions about that and are looking forward to getting out again and seeing firsthand some of the progress that is being made. In terms of the regional tourism and events fund, I understand that the second stream is now underway. Round 1 application results should be known soon, I believe, and round 2 is already open. What sorts of projects can we expect to see funded through these current rounds and future rounds of the stream?

Tim ADA: Thanks for the question. I might ask Peter to respond to that.

Michael GALEA: Thank you.

Peter BETSON: In terms of the Enabling Tourism Fund and the regional tourism infrastructure fund, both of those applications have closed. Assessments are well progressed for the Enabling Tourism Fund, and we have just commenced those for the regional tourism infrastructure fund. I am pleased to say applications have been strong. There has been strong interest, which is great.

I might refer you to projects that have been completed under previous rounds of the Regional Tourism Investment Fund. One project is Helen and Joey's in the Yarra Valley – \$3.5 million invested through the fund for that project, a new hotel and restaurant in the Yarra Valley with 16 luxury hotel suites, a 110-seat restaurant, dining et cetera. That is a really important addition for the Yarra Valley and tourism operators in that region. It is another attraction for people come to regional Victoria. It also enables accommodation, which is really critically important and that we are targeting in particular because we know when people go to places like the Yarra Valley, encouraging them to stay overnight is important. The more bed nights we can generate, the more people spend and the more jobs are created on the back of that for regional Victorian tourism. That is one example.

Another example is the Victoria Hotel Rutherglen development, which reopened in February 2024. That project received \$500,000 through the Regional Tourism Investment Fund, and the redevelopment has created 12 new ongoing jobs and is expected to welcome more than 45,000 visitors a year. That is a significant increase on pre-COVID, so that investment has been welcomed.

There are other projects I can go to. For example, the Chelsea Australian Garden at Olinda is a \$3.8 million investment through the stimulus program. Not only does it support biodiversity and habitat creation, it also includes viewing platforms et cetera, which are really important to promoting visitation in nature, which is a real value-add. And being in Olinda, just close to Melbourne, it enables people to move quite freely.

Michael GALEA: Thank you, Mr Betson. Quite interesting, too. I guess that goes to Ms Ermacora's point about not just being concentrated on the five cities. It is good to see the outer regionals, such as Rutherglen, mentioned there but also the interface areas, such as the Yarra Valley and Dandenong Ranges, which often do get lost in that city-to-regional transition because they are in metro Melbourne but I think most people would view them as being regional, those sorts of enterprises. So that is quite good to see as well.

Just on that – and it was quite interesting, the 12 per cent year-on-year increase in Victoria's tourism economy that you were outlining to Mr McIntosh up to March this year. I am just wondering if you have any data on the regional breakdown of that, particularly region to region. And I am interested to know if you have any data comparing that with the inner regions, such as where the hub cities were, to those outer regions, such as the Great South Coast, the Mallee, the Ovens Valley – those sorts.

Peter BETSON: I can have a look for you, Mr Galea.

Michael GALEA: Thank you. It is a bit to ask on the spot. I would appreciate it if you can.

Peter BETSON: In terms of the regional breakdown of the \$39.3 billion, the regional component is \$16.9 billion, which is a significant contribution. As I mentioned earlier, you had Goldfields, Geelong and

Gippsland all up from pre COVID to March 2024, from between 49 per cent and 62 per cent, which represented a strong bounce back in terms of visitation to the regions. Sorry; I cannot find the relevant slide in front of me at the moment, Mr Galea.

Michael GALEA: No problem. If there is more information, it would be great to see that. Thank you very much for that.

The CHAIR: Thank you. Thank you, Mr Galea. I have got a couple more questions. One of the key flaws here that has been acknowledged by everyone is the short timeframe for the business case. What is not clear to me is why we agreed to the pressure from the Commonwealth Games Federation on this short timeframe. I know that they wanted to announce it at the Birmingham games, but surely they did not really have any leverage and we could have just said, 'No, we want more time.' Why did we agree to such a short timeframe?

Tim ADA: I will again ask Mr Betson to maybe add to this. One of the factors that I mentioned before was that once the government had made their decision there was interest in making sure that steps were being taken quickly to make sure, just given the relatively short run-up to 2026, that the early design and planning was underway to support the deliverability of the games. That was a factor, I understand, from early 2022, Mr Limbrick – how do you get away the pretty significant work program in the time, recognising that most events of this scale have a longer run up? So that was one factor that was at play, as I understand it. Peter, did you want to anything more to that?

Peter BETSON: You have outlined the two reasons that the business case outlined. Working backwards from the 2026 games, the lead time required to do design work and testing, the program required an auditor –

The CHAIR: But the business case comes before the final decision, though, right?

Peter BETSON: It does.

The CHAIR: So whether or not this work would actually happen is still in question at that point and therefore whether or not we want it to be announced at the Birmingham games. It seems to me that if we thought that that six-week window was too tight to actually do the work in that time, we should have said no to the Commonwealth Games Federation and we need more time before we come up with the final decision. In hindsight, isn't that what we should have done?

Tim ADA: With the benefit of hindsight, and if we were to do something again with a similar risk profile, I think it would be prudent to question how long was and is required to do the work. As we have said previously, Mr Limbrick, the business case identified a number of risks and limitations, so those were well known at the time. Again speaking with the benefit of hindsight, which is easy to do, I think a reasonable conclusion to draw is that knowing those, we would have and should have taken more time to bottom those out before a decision was made.

The CHAIR: Thank you. This just appears to me, though, with this short timeframe to do the business case – the whole idea of a business case is to decide whether or not to proceed with something, and yet the timeframe of the business case is predicated as if it is already proceeding because we wanted to announce at the Birmingham games. But surely at that point that should not have been considered. It seems like the decision was already made before the business case even started. Is that correct?

Tim ADA: It is certainly not my understanding. I have just answered your earlier question by saying that one insight that I think we can draw is that with knowing the risks and limitations that served us during that period of time and were stated in the business case there could have been pause to say, 'Look, we need more time.' Certainly that has been a reflection that we have talked about inside the organisation. Again, that is with the benefit of hindsight, but I think a very reasonable thing for you to ask is to say, 'Some of those risks and limitations were known. Why wasn't more time taken to consider them?'

The CHAIR: EY actually outlined the risks quite clearly in the matrix towards the end of the business case, and pretty much all of those eventuated in fact. So if you were making a decision based on that business case and you were looking at those risks, surely you would say, 'Well, there are some serious risks here.' It does not require hindsight to do that, it just requires looking at the business case which clearly stated those risks. They were very careful in their business case to say that there are a lot of caveats here and a lot of things that could

go wrong, and in fact they did go wrong. From memory one of the risks was that the estimates could turn out to be a lot more expensive than what they say in the business case, and they were very clear in that when they built the business case.

Tim ADA: I suppose I am sort of going over what I have just said to you. With that risk profile, certainly one of the insights that we have in the organisation over the last 12 months is to say that if you are confronted with that risk profile, that suggests you need to do some more work. Certainly we have been trying to sort of apply –

The CHAIR: But the final decision ultimately is not one made by the department, it is one made by government, right? It was made by the executive.

Tim ADA: That is right. As you know, the role of the public service is to prepare analysis and provide advice, and then obviously the decisions are taken by the elected representatives that make up the government. So that is exactly what happened.

The CHAIR: Did you make those risks very clear to the government?

Tim ADA: I think it is fair to say those risks and limitations were well known. Well, they were stated in the business case.

The CHAIR: Yes, they were.

Tim ADA: So could the public service have collectively done more to emphasise those? I think that was one of the points that the Auditor-General canvassed in his report – that maybe there was greater scope for the service to have done that.

The CHAIR: When that business case was presented to the government, was that before this EY report was commissioned?

Tim ADA: Sorry? To KPMG?

The CHAIR: Sorry. The KPMG report was commissioned.

Peter BETSON: KPMG was commissioned between the draft and the final.

Tim ADA: That is right.

Peter BETSON: So prior to the final, yes, KPMG were –

The CHAIR: Were drafts presented to the government or just the final report?

Peter BETSON: Drafts were presented through –

The CHAIR: Drafts were presented to the government as well?

Peter BETSON: Yes. There was a draft business case and a final business case.

The CHAIR: What sorts of metrics were changed between the draft and the final report? Because I do not think anyone has seen the draft report.

Peter BETSON: I can use an example, I think highlighted; I mentioned it earlier in relation to some changes. For example, under the worst case scenario the infrastructure funding and the housing program offsets were changed to zero between draft and final. There were other changes made, and they influenced the benefit–cost ratio as well between draft and final. That has been published in the Auditor-General’s report.

Tim ADA: And the Auditor-General’s report has some analysis on what shifted.

Peter BETSON: Yes, highlighted.

The CHAIR: Okay. Mr Davis, I believe, has a couple more questions.

David DAVIS: I by choice would follow on from that. The Auditor's report – I think it is a very good report, and it gets to a lot of the issues. He notes that DJSIR advised that the Minister for Tourism, Sport and Major Events supported a change in the cabinet submission from \$3.2 billion on the games to \$2.7 billion on the day the submission was due to go to cabinet. Is that correct?

Tim ADA: I think we have got some evidence to that. That was provided to the Auditor-General as part of their audit.

David DAVIS: A \$500 million cut in the document that went to cabinet – what was cut out?

Tim ADA: I do not know what led to the decision, but if you are asking about the component part difference between the higher number and the lower number, that is –

David DAVIS: \$3.2 billion to \$2.7 billion, the \$500 million slicing – was that just to present a less frightening number to cabinet?

Tim ADA: I would not want to –

David DAVIS: This is Martin Pakula, to be clear.

Tim ADA: I would not want to talk on behalf of the minister on why that decision was made. I think this was a question –

David DAVIS: It was Martin Pakula, wasn't it, at the time? And you were at Premier's?

Tim ADA: He was the minister at the time, that is right. It is not my place, Mr Davis, to provide a comment on that, but I accept that that is spelled out in the Auditor-General's report.

David DAVIS: So why was that change made, and what was the basis of it?

Michael GALEA: Chair, if I might interject here. I am not sure if it is appropriate. Private discussions between ministers and their department, especially as it relates to cabinet decisions – I think that is clearly within the realm of executive privilege.

The CHAIR: Thank you, Mr Galea. I think Mr Ada is aware of what he can and cannot talk about; he is very experienced.

David DAVIS: Was it a direction to you or a direction to the department from Mr Pakula?

Tim ADA: Probably for the reasons of executive privilege I am unable to say much more than I have except to say what is published in the Auditor-General's report – that it appears that decision was made on that day.

David DAVIS: You are not restricted from reporting an actual direction that is made by the minister.

Tim ADA: What I have said, Mr Davis – and it is published in the report – is that direction or that decision was taken by the minister and the submission was amended. That is what is set out in the report.

David DAVIS: And did the department advise differently, or DPC?

Tim ADA: I think the Auditor-General's report again summarises the way it was presented to the minister, and again it is not my place to comment or presume why that decision was taken.

The CHAIR: Could I ask a specific question, then, about the difference between the \$3.2 billion and the \$2.7 billion?

David DAVIS: It is a huge number.

The CHAIR: Yes. Is it not the case that the \$3.2 billion cost would have resulted in a cost-benefit ratio below 1, and the \$2.7 billion number would have ended up with a cost-benefit ratio which was positive?

Tim ADA: So the higher number, that is right, had a smaller BCR, and obviously the lower number had a higher one by definition. That is an accurate statement.

The CHAIR: Yes. In your view, if the \$3.2 billion number had been presented and therefore would have had a ratio below 1, it would have been unlikely that anyone would want to approve that. Is that not correct, simply because it is showing a loss?

Tim ADA: Well, I think convention would be – and I think the Auditor-General’s report sort of makes this point – that projects with a BCR less than 1 tend not be supported just because of that.

David DAVIS: So this is the original sin, in effect, on the whole process? Shoddy process, tweak the thing on the day, \$500 million sliced out, the cost–benefit ratio looks a lot better – but it is all bullshit. It is all nonsense.

Michael GALEA: I am not sure if that is the sort of language we would want here.

The CHAIR: Please do not use unparliamentary language, Mr Davis.

Tim ADA: The thing I would say is that there was an assessment of scenarios put forward. Those scenarios were well stated, and a judgement was made.

The CHAIR: I think Dr Mansfield had another question.

David DAVIS: Sorry, I had another question.

The CHAIR: You can go one more, Mr Davis. I think we still have time.

David DAVIS: I just want to return to this CFMEU issue and the 5.8 clause that we have referred to, which mentioned the CFMEU alone – gave it a leg up. Is there nothing that you can do to shed some light on why the CFMEU was given the special privilege, and can you utter the word ‘CFMEU’? I notice that in all the commentary to date you have not said that word.

Tim ADA: I do not think I have needed to, but there is no reason why I would not.

David DAVIS: Can you say it?

Michael GALEA: Is there a reason that you need him to? I think we all know who we are talking about.

David DAVIS: Yes. I think the word might have been banned by the media people.

Michael GALEA: Is this some grand political gotcha that you are trying to get for your friends outside? What is the purpose of this?

Tim ADA: As I have said before, the CFMEU is one of four unions that make up the building industry group that I have mentioned before. I have said previously, and with all due respect, Mr Davis, I do not know of the document you have referred to. I have taken the question on notice and will endeavour to come back to you if I can shed any more light on that.

David DAVIS: About the CFMEU.

Tim ADA: I heard the question.

The CHAIR: Thank you, Mr Davis. Dr Mansfield.

Sarah MANSFIELD: Thank you. I know that earlier you said that some of the issues around the tight timeline and problems with the assumptions that were made and the business case are all easier to see in hindsight. I guess I am curious about whether there are any other projects within your department where perhaps a similar approach has been taken – for example, there has been a really tight timeline for a consultant to produce a business case. Is there anything else you are aware of where this similar issue has occurred?

Tim ADA: I cannot recall something during my time as Secretary of the department, Dr Mansfield, that would fall into this category, just given the size of it. That is not to say that there are not significant projects that the department is responsible for. Indeed there are many, many projects. They do not have the same size and scale perhaps as the Commonwealth Games did. That is not to say that we have not sought to draw some insights from the experience and apply that to our work in the department. I have said previously that we are committed as an organisation to continuous improvement, and I am serious about that. But to answer your question, there is not a project that comes to mind of that scale that we have had to wrestle with as an organisation since that time.

Sarah MANSFIELD: Okay. You started to answer my next question, which was really around: what, if anything, has the department learned from their Commonwealth Games experience, and what changes have you implemented within the department as a result?

Tim ADA: It is a good question. We have spent some time as an organisation purposefully reflecting on that: obviously the committee's interim's report and the Auditor-General's report as well as our own self-reflection. I think what we have immediately tried to do in designing and progressing the commitments under the regional package is to consult deeply, and I think we have by and large done a good job of that. We have also taken steps to document and clarify central agency engagement on various things in perhaps a more thorough way. That was obviously one of the areas of commentary in the Auditor-General's report. They are just a couple of examples, Dr Mansfield, where we have been deliberately and purposefully implementing insights from that experience.

Sarah MANSFIELD: Have there been any other changes to more formal protocols, use of guidelines or anything like that?

Tim ADA: We obviously, as part of an annual budget process, adhere to all of the processes and documents. Treasury is responsible for a lot of those. Policies and business cases evolve over time. Our commitment to making sure that we are acting in a highly compliant manner with things like investment cycle guidance and business case presentation is something that we are committed to, very much so. We are not the keepers of those policies, but we are very interested in, obviously, being highly compliant. Peter, I do not know whether you want to add anything to that.

Peter BETSON: Yes. Also, the project assurance review process that we are undertaking for the venues that we are now delivering under the regional sports infrastructure program – we have initiated those, and we have commenced those. Five have been completed, and then we will be rolling through their project assurance reviews. They will be very helpful in providing us with insights about how to manage risk and how to ensure a high confidence of delivery of both the outcomes and benefits. That is an example in this circumstance where that rigour is being brought to the delivery of those projects.

I will just emphasise also Mr Ada's comments in relation to consultation in developing the regional sports infrastructure program, where consultation with – I can use the example of Bendigo Stadium – Bendigo Stadium Limited, the council and the tenant clubs including netball, basketball et cetera has led us to amendments to some of the scope to better meet community needs. Having outdoor lighting for netball is a change and an addition, I think, which the community welcomes, versus what was originally foreshadowed as the legacy project. That is an example of where the community engagement has added benefit since the projects were announced.

Sarah MANSFIELD: Great. I am also curious as to whether there has been any change in the way you use or engage or brief consultants that are used to prepare advice. For example, business cases for the department – has there been any change in the way you go about that given the problems with the business case for the Commonwealth Games?

Tim ADA: I think obviously we do on occasion engage professional services firms still, Dr Mansfield. As I have mentioned before, the guidance around various policies is important input into that process, and what we try and do is provide as much time for and build in as much sort of consultation as we can into those processes. The rather unique circumstances that were present in early 2022 – we have not seen them, but we have also made a conscious effort to make sure that realistic timeframes are being provided for the work that we are procuring.

Sarah MANSFIELD: Thank you.

The CHAIR: Thank you, Dr Mansfield. I want to follow on with a little bit of a question related to what Dr Mansfield was talking about. Stepping away from the whole Commonwealth Games thing and moving forward to the infrastructure rollout and what we are doing as part of this, you must be aware of recent media reports around corruption in government construction projects. How are you going to keep organised crime away from these projects? Or, more precisely, what is the department doing to try and stop this happening in future government projects? Because it is clearly –

David DAVIS: And the cost escalation that goes with it.

Tim ADA: I do not know whether, Peter, you want to talk to that. We obviously have engaged Development Victoria, which is a very practised delivery agent, to deliver a number of the projects in that portfolio, and then we are working closely with councils, who are the proponents for particularly those assets that they already own and there is an augmentation. I mean, probity and rigour in that process – we have got very high expectations around that, Mr Limbrick. Was there anything more you want to add?

The CHAIR: I am sure we have in the past as well, but clearly something is broken and something needs to change. I am wondering what is changing to try and stop this, because it is an ongoing problem as far as I can tell.

Peter BETSON: I think from our project perspective we have very strong governance arrangements in place with each of the hub areas and each of the projects. That includes landowners, independent chairs of project steering committees, working groups and contracts in place that have council, Development Victoria and other landowners – DEECA et cetera – around the table. The cost estimates that we have in relation to each of those projects for the sport infrastructure program – we are working to a budget of \$550 million. We are well through the concept design schematic, and we are out to market. We have had demolition contractors on site at Eureka, so we are well advanced in the design process and cost planning process. And we have partnered with Development Victoria on a number of projects in the sport portfolio over the last few years: the completion of Melbourne Park, which is a billion-dollar investment. Also, recently the State Basketball Centre was partnered with Development Victoria, which was delivered successfully. We are very mindful of our probity and our procurement processes. That is also where the project assurance review processes and those independent people sitting there and reviewing our work, which I do really appreciate – there is a value add to us – provide us –

The CHAIR: But it does appear from the media reports that organised crime has been taking advantage of some of the clauses in these procurement contracts. For example, one of the things that was reported – I do not know the detail and I do not think anyone knows the detail yet; it is still being investigated – was they were doing things through specialist labour hire agencies which were necessitated by government contracts requiring certain labour force requirements. I would assume that the department is paying very special attention to that sort of thing at the moment and making sure that when those things are in the procurement contracts you are paying very close attention to it, because it has obviously been taken advantage of by criminals.

Peter BETSON: Just where we have, for example, Local Jobs First requirements, where we are required to meet certain local content requirements, the department includes it in our –

The CHAIR: These are the things that worry me, though.

Peter BETSON: Yes. Well, we include it in our contracting arrangements, and we also go through processes throughout our governance arrangements and through Development Victoria to acquit those. Yes, we are mindful to watch evolving risks, but in terms of my role and sitting here with these projects, I have not noticed anything out of the ordinary in terms of the delivery arrangements and rollout.

Tim ADA: The thing I would say – just to summarise in response to your question, Mr Limbrick – is good governance, as Peter has talked to, is working with pre-existing partners who are good at what they do, and in many cases local governments do this regularly. Development Victoria has got a long and successful track record. As Peter said, we need to stay vigilant. We have got a commitment to probity and robust processes, and there is clearly an investigation underway that obviously is being led by another part of government. I just note that is ongoing.

The CHAIR: Yes. Anyone spending government money on construction projects must be alarmed and I imagine quite vigilant at the moment, which is why I asked the question, because I would hope that that is the case as well. I believe Mr Davis has one more question.

David DAVIS: No, I am done, I think. We are not going to get more. Mr Betson might be able to answer about the involvement of the CFMEU in all of these sporting projects that might still flow and the list that came out earlier on that we saw, which was referred to by Mr Galea. Will they have CFMEU involvement – those sporting projects?

Peter BETSON: I would have to take that on notice, Mr Davis. I am not aware of that at the moment. As I said, we are in concept design and we are in design procurement at the moment. We have not had head contractors appointed –

Michael GALEA: Would I be right to assume that lots of those projects would actually be managed by the local councils and sporting clubs, though, and not via the department? Would that be a fair assumption?

David DAVIS: Yes, many would. Will there be any requirement for the CFMEU to be involved by the department?

Tim ADA: I am not aware of any engagement related to the regional package. The projects are relatively small and dispersed. As I have said – and Mr Galea was just I think making the same point – local governments are the proponents for some of the projects and Development Victoria is the delivery proponent for those. We do not as a department –

David DAVIS: I understand that. Development Victoria has a history of preferencing the CFMEU; that is what worries me. Anything that has got Development Victoria in it seems to preference the CFMEU, so perhaps I can turn it around and ask the other way round –

Peter BETSON: Just in terms of our procurement processes, also tier 1 and tier 2, we are looking at making opportunities available in regional Victoria for smaller contractors as well, and so having a dispersed and wide variety of contractors is important. As I said, we are through design stages at the moment, so we are not at the stage where a builder has been contracted or we have commenced construction.

David DAVIS: You have listed that number of projects out and we have obviously got that list, so thank you. The numbers against it – how much is allocated to each of these projects, which was not on the list? Can you provide that, please?

Tim ADA: I think the intention, Mr Davis, is that obviously there is a global number for the 16 projects, but just to not prejudice the procurement process, the government –

The CHAIR: That would have to happen after procurement, is that right? If you were going to provide that, it would have to happen after procurement? Is that correct? So it would be possible.

Tim ADA: That is right. I think it is a point in time. One of the things we would not want to do is to say ‘Well, that’s the budget for that project’ and potentially prejudice the procurement process.

The CHAIR: So if someone comes in and says ‘Well, we’ve seen how much money they’ve got. We’ll put in a tender for that amount’ – okay, I understand that.

David DAVIS: I thereby ask three things. One is that we are provided with those numbers when it has occurred. The second thing is the list of those projects that involve Development Victoria. Can we have that list? Thirdly, can we have an assurance or not as to whether the CFMEU will be preferenced in those Development Victoria arrangements.

Michael GALEA: On a point of order, may I just ask: are you proposing that the nurses’ union and the retail union should be involved in construction projects? I have just not sure what you are actually asking for here, Mr Davis.

David DAVIS: Well, if you look at that clause 5.8, which we were referring to previously, that mentions the CFMEU only. It does not mention the Australian Workers' Union, for example. Why does it cut one union out and only provide a special arrangement –

Michael GALEA: [inaudible] where the demarcation is, which is a federal matter anyway.

The CHAIR: If it is possible to provide it, then yes.

David DAVIS: You say it is a federal matter, but it is in a state contract, so the point is that there is a preference being provided –

Michael GALEA: States do not decide union demarcation, though. That is up to the –

David DAVIS: They actually do put it in a contract and require that the tenderer actually adhere to the contract.

Michael GALEA: The Fair Work Commission has –

The CHAIR: I would prefer that we do not debate this. If it is possible to provide that, please –

David DAVIS: You may want to defend it, but I do not think you should.

Michael GALEA: I am just asking for you to be clear about what you are actually asking for.

The CHAIR: I think that brings us to the end today. Thank you very much for appearing again and providing us with more insights. You will receive a copy of the transcript for review in about a week, before it is published.

The committee will now adjourn for the day.

Committee adjourned.