

# **TRANSCRIPT**

## **SELECT COMMITTEE ON THE 2026 COMMONWEALTH GAMES BID**

### **Inquiry into the 2026 Commonwealth Games Bid**

Melbourne – Friday 13 October 2023

#### **MEMBERS**

David Limbrick – Chair

Joe McCracken – Deputy Chair

Melina Bath

David Davis

Jacinta Ermacora

Michael Galea

Sarah Mansfield

Tom McIntosh

Rikkie-Lee Tyrrell

**WITNESSES**

David Martine, Secretary,

Kate O'Sullivan, Acting Deputy Secretary, Commercial, and

Heidi Meehan, Acting Executive Director, Budget and Finance, Department of Treasury and Finance.

**The CHAIR:** 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. 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 names and the organisation that you are appearing on behalf of.

**David MARTINE:** David Martine, Secretary, Department of Treasury and Finance.

**Heidi MEEHAN:** Heidi Meehan, Acting Executive Director, Department of Treasury and Finance.

**Kate O'SULLIVAN:** Kate O'Sullivan, Acting Deputy Secretary, commercial division, Department of Treasury and Finance.

**The CHAIR:** Thank you. I will just briefly introduce the committee. I am David Limbrick, the Chair, South-Eastern Metro Region.

**Rikkie-Lee TYRRELL:** Rikkie-Lee Tyrrell, Member for Northern Victoria Region.

**Melina BATH:** Good morning. Melina Bath, Eastern Victoria.

**David DAVIS:** David Davis.

**Michael GALEA:** Morning. Michael Galea, South-Eastern Metropolitan Region.

**Tom McINTOSH:** Morning. Tom McIntosh, Eastern Victoria Region.

**Sarah MANSFIELD:** Sarah Mansfield, Western Victoria Region.

**Joe McCRACKEN:** Joe McCracken, Western Victoria Region.

**Jacinta ERMACORA:** Jacinta Ermacora, Western Victoria Region. Hello.

**The CHAIR:** Thank you. We welcome your opening comments and ask that they please be kept to a maximum of around 10 minutes to ensure we have time for questions. Thank you very much.

**David MARTINE:** Thank you for the opportunity to appear today at the inquiry into the 2026 Commonwealth Games. The Department of Treasury and Finance's role in relation to the 2026 Commonwealth Games included reviewing financial and budget impacts and providing advice to the Treasurer on the operating budget, infrastructure delivery and procurement options. Between January and June 2022 this work was handled within our existing structure; however, from July 2022 we established a small separate team within the department to manage this work.

The department also participated in a range of governance groups, including an interdepartmental committee comprised of departmental secretaries and several working groups. The Department of Treasury and Finance became aware of the state's interest in hosting the 2026 Commonwealth Games in December 2021. The

preparation of the bid and costings for the business case were undertaken by the then Department of Jobs, Precincts and Regions and consultants engaged by the department. DTF first received a draft business case on 20 January 2022 and a further draft with cost estimates on 25 January 2022. DTF provided advice to the government on hosting the Commonwealth Games on 31 January based on a submission which included the draft business case.

On 7 March 2022 DTF received a subsequent draft submission, which included a top-down budget costing based on the 2018 Gold Coast event but escalated for inflation and to account for some of the estimated extra costs of the regional multi-hub delivery model for Victoria 2026. DTF provided advice to the government on this submission, and on 10 March 2022 the government approved a budget of \$2.6 billion. This provided the basis for the estimates included in the 2022–23 budget released by the Treasurer in May 2022. Throughout the second half of 2022 DTF provided advice to the government on a range of delivery issues under consideration, including the sports program and competition venues, including options on scope and locations.

By April 2023 DTF became aware of potential escalating costs in the aggregate budget. On 5 April this year a submission was brought forward which sought approval of a revised gross budget of \$4.5 billion. This budget was not approved by the government, and the Office of the Commonwealth Games was asked to investigate cost reduction options and bring these back for government consideration in mid June 2023. These cost reduction options were to be cognisant that the games were to remain fully regional, with a focus on reducing village costs and savings in other items. At that stage delivery risks were emerging, including labour shortages in the regions and the difficulty of recruiting and retaining a workforce to assist with the delivery of the games, particularly in security and hospitality sectors, significant accommodation shortages in the regions and the need for village dwellings to be operationally complete in less than 2½ years. Further analysis was provided by the Office of the Commonwealth Games in early June 2023, and on 13 June DTF advised the Department of Premier and Cabinet that we were not supporting the submission as drafted, given the increasing costs to \$4.2 billion from the original budget along with additional costs for policing and transport. DTF prepared advice to the government on 14 June 2023, but the submission was not formally considered at the time.

In early July 2023 DTF were provided with an updated draft submission from the Office of the Commonwealth Games, which included over \$2 billion in costed risks in addition to the proposed budget of \$4.2 billion plus additional policing and transport costs. DTF noted that if the costed risks as advised by the Office of the Commonwealth Games were to eventuate, this would result in a gross budget cost of between \$6 billion and \$7 billion. DTF's advice at the time was to not support the submission, given the significant increase in costs. I was advised on the afternoon of 13 July 2023 that the government was considering alternative options, including the option to withdraw from hosting the Commonwealth Games, and that this would be discussed at ERC on 14 July. Further discussions by ERC occurred on 15 July, and cabinet made the final decision to withdraw from the Commonwealth Games on 17 July 2023. DTF was not involved in providing advice to the government on withdrawing from the Commonwealth Games or negotiating the settlement deed to end the host contract. This work was led by the Department of Premier and Cabinet. Thank you again for the opportunity to appear before the committee. We are happy to take questions.

**The CHAIR:** Thank you for appearing today. My first question is about the original business case that was developed and the decision made to go ahead with the games. Did DTF have any involvement with the construction of that business case?

**David MARTINE:** Not in the development of the business case. As I mentioned in my opening statement, we received what I would call pretty much the final draft of the business case in late January 2022. We were not involved in shaping the business case, but we obviously looked at it and then provided our advice to the government through the Treasurer on the business case when it was ultimately considered.

**The CHAIR:** And what was your view on the business case and the quality of it?

**David MARTINE:** As you would see with the business case that was released publicly, it is quite a detailed document. It is quite a complex cost–benefit analysis to undertake, because you have got both the cost and benefit side, and the benefit side is a complex thing to look at because you are trying to assess benefits in different stages of the work and activity that is undertaken. Some of those benefits are very much long-term benefits, and some of them are more short term. So the business case tries to bring all that together. With all cost–benefit analysis that is undertaken, there is always a matter of making assumptions, and particularly with

those long-term benefits you really need to work out how they are discounted back to present-value numbers et cetera. But it was certainly quite a detailed bit of work that was undertaken by the consultants.

**The CHAIR:** Were you asked by the government for your views on the business case – on whether it was viable or whether the methodologies used for the costs and benefits were robust?

**David MARTINE:** Through that period of late January when we received the draft business case that was considered by government, we certainly provided our advice to the Treasurer and to government on not just the outcome of the business case and what that meant but also other issues that were relevant as well. It formed part of our advice to government at the time, absolutely.

**The CHAIR:** One of the things that we have discovered during the inquiry, which seems pretty obvious, is that the complexity of this model of delivery of the games was what blew out the costs ultimately. Did you express any concerns to the government about the complexity of this model and the risks involved there?

**David MARTINE:** Well, as the business case notes, at the time it was put together by the consultants it was effectively a desktop analysis, because at that point they had not had the opportunity to go and do the detailed work in engaging with regions, local councils and those sorts of things. So as is indicated in the business case, it very much takes the costings of the 2018 Gold Coast Commonwealth Games as the start point and then adjusts them obviously for inflation over time and other cost pressures, and they did make an allowance for the differences and complexities in there in dispersing the model across a region versus hosting it in one location. So that is how the business case was constructed by EY at the time.

**The CHAIR:** And do you think that using the Gold Coast games as a baseline, considering that the way they were delivered on the Gold Coast was completely different to what we were planning to do, was a valid baseline comparison to use?

**David MARTINE:** Well, I think it was a useful start point. I guess the real question becomes the adjustments that the consultants then made to reflect the different delivery model, which is acknowledged in the report. But also I think they acknowledged that it was very much a desktop review at that stage.

**The CHAIR:** It was a desktop review and there were lots and lots of caveats on it. I think the consultants were well aware that it needed more work to go out and actually do those costings. Yet the decision was made based on this business case, wasn't it?

**David MARTINE:** Certainly the business case informed the government's decision, absolutely, in that period. They made the final decision in March 2022, so the business case was certainly part of the input to that.

**The CHAIR:** In hindsight, would you have provided different advice to the government, knowing what you know now?

**David MARTINE:** Well, that is a pretty tricky sort of question, because if at the time the business case in early 2022 said that the costs were going to be \$6 billion to \$7 billion, then it would have been a very different business case.

**The CHAIR:** But I mean the government was presented a business case that had caveats everywhere. It was based on a model which was nothing like the delivery model that we were going to use. In my view, some of these benefits were spurious at best – like these expected health savings, which made up a very large proportion of the expected benefits. Now, we have already heard evidence that this is a standard way of doing this, but do you think that these benefits that they were claiming were legitimate and were going to hold up? We are not going to get those benefits now, presumably, so those people that were going to get healthy from getting excited about sport are not going to get those health benefits now. Does this seem like a realistic thing?

**David MARTINE:** Well, when you look at the benefits side of the Commonwealth Games, I would sort of break it down into the three categories. You have got the benefits that come from the activity between now and the planned hosting of the games, which are the ones that are probably the easiest to identify and articulate – you know, the jobs created, the investment in the economy for construction – and then you have got the benefits through the period of hosting the Commonwealth Games, which are largely driven by tourism, interstate, international. They are reasonably well understood and can be more easily measured. The more

difficult ones are certainly the long-term legacy benefits, of which the avoided health costs are one along with legacy benefits from housing and those sorts of things. They are by their nature harder to identify and measure, but just because they are harder to identify does not mean they should not be part of the consideration of policy. I mean, at the moment we have an early intervention investment framework, where there are budget initiatives each year that are not too dissimilar. They are about investing money now to deliver long-term benefits, often in the social policy areas, and I think in the most recent budget there was a section that sort of summarised those at a bit under \$700 million. Those benefits – yes, they are harder to identify, and often they relate to avoided costs at some point in the future, which are certainly a bit harder to measure.

**The CHAIR:** Normally, does someone get held accountable for actually realising these benefits? Because I know from my history in the private sector, if you put in a return on investment case, someone has got to be held accountable for actually returning that investment. So if we have got avoided health costs, is someone actually going to be held accountable for these things?

**David MARTINE:** No, it is a good point. It is something that the Auditor-General in a number of his reports often talks about – benefits realisation – and it is an important point. Through those early conversations that would have been held through the course of last calendar year, there were conversations about benefits realisation, because it is an important point. That work obviously needed to have been done through the progression of the Commonwealth Games work, absolutely.

**The CHAIR:** All right, thank you. I believe I am out of time. I will go to Mr McCracken.

**Joe McCracken:** Thanks very much, everyone. I just want to ask first up: in preparation for today's hearings, have you had any discussions with the Premier's private office, a minister or a ministerial office or any anyone external to your department at all?

**David MARTINE:** I have spoken to the Department of Premier and Cabinet. I have not spoken to the Premier's office, and I have had some brief discussions with the Treasurer's office. The Treasurer knows where I am today because I meet him every day and we have discussions, so he knows that I am appearing in front of the committee today.

**Joe McCracken:** What were those discussions?

**David MARTINE:** The conversation with the Department of Premier and Cabinet related to the issues that the secretary of that department made on Monday in his opening statement, which related to the questions of executive privilege, and beyond that my very brief, cursory discussions with the Treasurer and the Treasurer's office were more about I am appearing in front of the committee this Friday.

**Joe McCracken:** Okay, thank you for that. I appreciate that. Did anyone else want to comment as well?

**David MARTINE:** Well, neither Kate nor Heidi have had in fact any discussions with either.

**Joe McCracken:** Okay. I just wanted to make sure for the record, that is all. That is fine, thank you. In relation to the Commonwealth Games bid, the delivery and the cancellation, did you brief the Treasurer or the Assistant Treasurer anytime between 2021 and 2023, period, about the cancellation of the bid and that sort of stuff for the Commonwealth Games?

**David MARTINE:** We certainly were briefing the Treasurer multiple times through that period on the Commonwealth Games, but as I indicated in my opening statement, we were not part of the more recent consideration about the cancellation of the Commonwealth Games. That was work led by the Department of Premier and Cabinet.

**Joe McCracken:** Can you provide a list of the times that you did brief the Treasurer or the Deputy Treasurer during that period of time?

**David MARTINE:** Happy to take that on notice.

**Joe McCracken:** And were there any briefings given to any other ministers outside of the Treasurer or the Assistant Treasurer, or just those two?

**David MARTINE:** No, there was not. We only briefed the Treasurer. In fact from memory the Assistant Treasurer we did not brief specifically on the Commonwealth Games, although as a member of the expenditure review committee, which is a subcommittee of cabinet – he is a member of that – he would see the briefing that we provide that committee. But there were no specific briefings to him as a minister and no briefings from my department to any other minister, other than the Treasurer.

**Joe McCracken:** Do you have any minutes or notes of those meetings at all?

**David MARTINE:** Are you talking about the expenditure review committee?

**Joe McCracken:** The ones you had with the Treasurer – the briefings you had with the Treasurer.

**David MARTINE:** As I indicated earlier, I meet the Treasurer every day, so we just talk about what is happening for the week, what the key issues are. Certainly in the lead-up to ERC meetings it is standard practice, similar to cabinet meetings, that we undertake an oral briefing for the Treasurer. So I am sure through that period, to the extent that an issue was appearing at ERC or at cabinet, we would have in the days leading up to that meeting had an oral briefing.

**Joe McCracken:** Are you able to provide the committee with a list of the briefings that you had with the Treasurer regarding the Commonwealth Games?

**David MARTINE:** Happy to take that on notice.

**Joe McCracken:** Okay. In addition to formal briefs, did the department provide any information to the Treasurer, Assistant Treasurer or maybe their offices as well? That could have been informally or it could have been via email.

**David MARTINE:** I would probably have to take that on notice. It is not unusual on any issue, and the Commonwealth Games is no exception, that we provide our formal briefing in the form of a brief to the Treasurer, or in this case a brief to the expenditure review committee. But it is not unusual in these instances, where there might be follow-up questions from an adviser in the Treasurer's office about a particular matter, that we would respond to them. That might often be via email, or it might be via a discussion that either I or someone else in the department might have with one of the advisers on an issue that they have raised.

**Joe McCracken:** Are you able to provide us with a copy of those briefings that you have given?

**David MARTINE:** Happy to take that one on notice. Most of the briefings, certainly the written briefings, were essentially our briefings to the Treasurer as part of a member of the expenditure review committee. Now, I am happy to go back and check whether there were other briefings through the period from early 2022 to more recently.

**Joe McCracken:** That would be good. If all encompassing, that would be fine. Thank you. I would appreciate both ERC and other ones as well: any correspondence, emails, that sort of thing – informal, formal.

**David MARTINE:** Okay. I am happy to take that on notice.

**Michael GALEA:** Chair, on a point of order, I believe this has been addressed, but I believe that ERC documents are very explicitly covered by executive privilege.

**The CHAIR:** On the point of order, as stated previously, it is not up to members to determine whether or not that is covered by privilege. I will allow Mr Martine to make that determination based on how he understands it.

**Joe McCracken:** Am I right to keep going, Chair?

**The CHAIR:** Yes, certainly.

**Joe McCracken:** Thank you. So who at DTF was part of the Commonwealth Games interdepartmental committee?

**David MARTINE:** That was me. So it was essentially an IDC of interdepartmental secretaries. It was jointly chaired by the Secretary of DPC and the Secretary of the then Department of Jobs, Precincts and Regions, and I was a member of that committee.

**Joe McCracken:** And what was the frequency of the meetings? Did they meet weekly, fortnightly, monthly?

**David MARTINE:** Now you are testing my memory. It certainly varied, depending on at what stage of the cycle we are talking about. I would need to go back and take that on notice. They were not weekly through the course of last calendar year. I think from memory there was obviously some activity early last calendar year, in the early part of 2022. They probably would have met less frequently in the second half of 2022.

**Joe McCracken:** Are you able to provide the committee with a copy of the agendas and minutes taken from those meetings?

**David MARTINE:** That is probably a question better directed to the Department of Premier and Cabinet, because they were the co-chairs of the IDC. I am happy to take it on notice and consult with them about providing that material.

**Joe McCracken:** You would obviously have copies of them, so they would be very helpful.

**David MARTINE:** Happy to take that on notice.

**Joe McCracken:** Okay. So as Secretary, were you briefed on any of the outcomes of those meetings at all, and what happened from there?

**David MARTINE:** Sorry, what do you mean by the – I mean, I was present. I attended pretty much most of those meetings unless I was unavailable.

**Joe McCracken:** Sorry, I will rephrase: what was your remit after those meetings? Who did you brief afterwards?

**David MARTINE:** Often, while I was a member of the committee, you would normally have one or two other members of your department attending those meetings as well. Most of the meetings were done on Teams. I cannot remember exactly who would have been there in the background in those meetings, but I am pretty sure that there were other DTF staff involved. Then obviously if there were major issues that came up in the IDC, I would be talking to the people responsible in my department for progressing those issues or giving them the information that they needed on any briefing that we were working on.

**The CHAIR:** Unfortunately we have run out of time, Mr McCracken. I will go to Mr Galea.

**Michael GALEA:** Thank you, Chair. Thank you, Mr Martine and officials, for joining us this morning. Mr Martine, I would like to start by going over the role of DTF a bit more broadly as well. As you are probably aware, we heard from the Department of Premier and Cabinet and the Department of Jobs, Skills, Industry and Regions at our hearing on Monday. As with DPC, the Department of Treasury and Finance obviously has a relatively unique role as opposed to other policy- or ministerial-based departments. Can you outline the role of DTF as it relates to policies and decision-making in government more generally?

**David MARTINE:** Thanks for your question. The Department of Treasury and Finance is a central agency, and one of our key roles is to advise the government through the Treasurer on all of the policy and other issues that are under consideration. So it is not unusual for the focus of our work to look at a proposal being brought forward or a submission going to cabinet or one of the subcommittees and for offices in the departments to do an assessment of those proposals, not just from a financial point of view but also from a policy point of view. Then we brief the Treasurer – who is a member, obviously, of cabinet, and a member of pretty much most of the cabinet subcommittees – on pretty much everything that is going forward for consideration. So there are large parts of my department where that is what they are doing each week.

**Michael GALEA:** Thank you. And I guess connected with that, the way in which you provide advice to government would be quite different from the way that another department would do that. Is that fair to say?

**David MARTINE:** It is probably fair to say. We obviously are trying to take a broader perspective. As I mentioned, it is not just about financial issues. They are obviously important for us, because we manage the aggregate budget, but it is also important that we focus on the policy aspects of things as well: is it sensible policy or not? So we are trying to weigh up all of that in putting together the advice that we provide, and sometimes that is challenging because you are trying to weigh up good policy, but it may be too expensive, so you are sort of weighing up those trade-offs.

**Michael GALEA:** Thank you. Specifically in relation to the advice that, I believe you said, on 13 June you provided regarding costs with the games, what were some of the key considerations that factored into that advice, if you are able to disclose that, particularly as it relates to the viability of that cost–benefit analysis?

**David MARTINE:** Well, certainly at that point, as I indicated in my opening statement, the budget had increased to around \$4.5 billion, excluding some other costs which were being managed by other parts of the public sector, particularly policing and transport. The \$4.5 billion was essentially the Office of the Commonwealth Games's ask at that point, which at that point was a significant increase from the original consideration of \$2.6 billion. As I indicated in my opening statement, it was at that point that we were taking the view that we were not going to support the revised budget at that level. That was not just taking into account the original business case but also an aggregate budget point of view. As I mentioned earlier, part of our job is to be cognisant of the aggregate budget. At that point we formed the view that we were not in a position to recommend approval of a revised budget at that level.

**Michael GALEA:** You referenced the Office of the Commonwealth Games there. We heard from their former chair on Monday as well, and he discussed some of the issues, specifically I think the language was about levers you could or could not pull, and obviously a lever that you could not pull was the delivery time frame. With an event like the Commonwealth Games there is a very, very clear, set deadline. From your knowledge of the situation, is that a fair assessment – basically, that the deadline itself of the games presented a unique budgetary challenge that you might not have for other sorts of large government expenditure?

**David MARTINE:** I think it does. Effectively, there was a lot of activity and construction and other activity that needed to be done over 2½ years. You were effectively dealing with an absolutely fixed deadline. So there is a big difference, I think, between a fixed deadline where it has to be 100 per cent operational versus just a government commitment, where it is not unusual for a government to say, 'By a certain date something will be open.' You know, it might be a new school or something. So that put, I think, a lot of pressure on both delivery and also costs, because you were operating and trying to deliver to that particular point. It was definitely a concern raised by the Office of the Commonwealth Games through that period. You know, they were becoming quite worried about the delivery aspects of it.

**Michael GALEA:** Yes. Thank you. In terms of the regional model that we have also spoken about this morning with Visit Victoria, did the Department of Treasury and Finance have any input into that decision-making process?

**David MARTINE:** Not particularly – in a sense that was determined at that up-front stage. I mean, we obviously, as I indicated in my opening statement, provided advice to government in that early phase of 2022, but the original business case was very much written around the regional model, and that was what the proposition was, which was presented to government in early 2022 for a decision.

**Michael GALEA:** You also said that the business case took a lot of, for want of a better word, evidence or learnings from the Gold Coast games and added a set amount of inflation and other factors to that, as well as what obviously then needed to be added to make it relevant for a different proposal. In making those decisions and in estimating those inflation figures, how does the department go about the process?

**David MARTINE:** Well, we were not involved in the actual development of the business case or even shaping the business case. As I indicated earlier, we saw what I would describe as sort of the final draft in late January 2022. We obviously looked at the business case and made an assessment as best we could on the overall costs and the overall benefits, but in terms of the exact variables that the consultants used in terms of adjustment, I would need to go back and have a detailed look at the business case.



**Michael GALEA:** Sure. I believe you did make this fairly clear as well in your opening statement, but just to clarify, the Department of Treasury and Finance did not play a role in the cancellation process or the post-cancellation process of the games. Is that a fair assessment?

**David MARTINE:** Yes, that is correct.

**Michael GALEA:** Yes. Thank you. Thank you, Chair.

**The CHAIR:** Thank you, Mr Galea. Mr Davis.

**David DAVIS:** Mr Martine, thank you for your evidence, and I just want to pick up something coming out of that evidence there. Late January, on 25 January you got the further draft of the initial business case. Did Treasury support that?

**David MARTINE:** The business case was considered by government in late January 2022. We provided advice to the relevant cabinet subcommittee at the time.

**David DAVIS:** And that was to support it or not to support it?

**David MARTINE:** I am happy to take that on notice because our advice to the expenditure review committee is essentially part of cabinet deliberations, so I am happy to take it on notice and consult with government on the release of that advice.

**David DAVIS:** When doing that, it must have been patently obvious to everyone at that early point that the police and especially transport, given a distributed games, were not in the costings.

**David MARTINE:** Well, if you actually look at the original business case that has been released there were provisions made for security and transport.

**David DAVIS:** But not adequate, obviously.

**David MARTINE:** Well, obviously at the end of where we are now. But there were provisions made. In a sense, if you take the Gold Coast Commonwealth Games as your start point, they clearly spent money on policing and transport, and it is really a question of the extent to which the consultants made the adjustments to that.

**David DAVIS:** So just moving to the March 2023 period when the revised estimates of holding the games came in at \$4.5 billion – Secretary Moule in evidence to this committee said this – I ask: what role did DTF take in the then review of these costs? Did you comment on those costs, the \$4.5 billion number?

**David MARTINE:** Yes. We looked at the latest budget and the costs that had been provided by the Office of the Commonwealth Games. We did an assessment of them, and we provided the advice at the time.

**David DAVIS:** Just to be specific, what dates did you assess it?

**David MARTINE:** I would need to –

**David DAVIS:** If you could come back with a precise time line, we would like –

**David MARTINE:** Well, in my own opening statement –

**David DAVIS:** You did give some dates.

**David MARTINE:** Yes, I made reference to, from memory – now, are you talking about the April period?

**David DAVIS:** Yes.

**David MARTINE:** The 5th of April. In my opening statement it was 5 April 2023 where we received a submission with the revised budget of \$4.5 billion.

**David DAVIS:** Were you involved in that assessment, in putting that together that altered bid?

**David MARTINE:** We were not involved in putting the proposal together or the proposed budget. That came from the Office of the Commonwealth Games. We were certainly involved in looking at it and forming a view and what we thought about it.

**David DAVIS:** Your view at that time was against – ‘no’.

**David MARTINE:** Yes. In that period, given the increase that we were looking at, \$4.5 billion, we were not looking to support.

**David DAVIS:** Did DTF brief or raise any concerns to the Treasurer on that? You raised that with him directly or the Assistant Treasurer?

**David MARTINE:** Well, it was the Treasurer who was the lead on this. We would not have been briefing the Assistant Treasurer. Certainly the Treasurer would have been receiving the briefings we prepared for the expenditure review committee discussions.

**David DAVIS:** And what date was that?

**David MARTINE:** As I mentioned in my opening statement, we received the submission on 5 April that had the proposed revised budget of \$4.5 billion. That was not approved at the time, and the Office of the Commonwealth Games were asked to go away and come back with some lower cost options, which they did in the June period.

**David DAVIS:** Did DTF do any risk assessment weighting at that time?

**David MARTINE:** Well, at that point the \$4.5 billion did not really pick up a range of other risks that were starting to emerge, and the costing of those risks appeared more in the later submission, which was around that latish June into July period.

**David DAVIS:** Can I ask if you were aware of the Victoria 2026 chair letter of 4 April?

**David MARTINE:** No.

**David DAVIS:** No. And I want to also ask, the OC gave evidence to this committee on Monday – the organising committee – that the board determined that a robust and detailed budget was necessary for the entire three-year period, ensuring there was no progressive rebudgeting or continual reassessment. Mr Weimar gave evidence that the OC’s final budget was \$1.626 billion in May. Did DTF agree with that budget?

**David MARTINE:** I would need to double-check. One of the important points to remember, though, is their budget was just a component of the overall, so –

**David DAVIS:** But that is a key component.

**David MARTINE:** Yes, so their \$1.6 billion would have been a component of the \$4.5 billion, for example. So the Office of the Commonwealth Games was the part of the public sector responsible for bringing all of the costs together. The organising committee’s component – I just cannot honestly remember whether it was \$1.6 billion or not – would have been part of that \$4.5 billion.

**David DAVIS:** And perhaps when you come back you could tell us whether there was a risk escalation put in that too. That would be helpful. The other point is, when the one-page Commonwealth Games cost blowout document – this one, which the Chair might want to hand over to Mr Martine; I am sure you are familiar with it.

**David MARTINE:** That is the one that was publicly released?

**David DAVIS:** Released by government.

**The CHAIR:** This is public.

**David DAVIS:** Yes, it is a public document. Did DTF prepare that document?

**David MARTINE:** No, we did not. We did see it before it was released. I think from memory we received a copy of it from the Department of Premier and Cabinet.

**David DAVIS:** It says on it that you reviewed it and DPC reviewed it too.

**David MARTINE:** Yes.

**David DAVIS:** Did you support it?

**David MARTINE:** The figures on the right-hand column, the July estimates, reflect our full understanding of the latest numbers, so effectively at that point you were looking at roughly about \$4.9 billion plus the cost pressures.

**David DAVIS:** Did you know that DTF was going to be listed on that document?

**David MARTINE:** Yes. We saw this whole document. I in fact remember seeing this whole document, including the footnote down the bottom.

**David DAVIS:** And were you aware that the Office of the Commonwealth Games had no knowledge of these additional cost pressures?

**David MARTINE:** The \$2 billion of additional cost pressures was information that came from advice that I am pretty sure came from them. Certainly the \$2 billion was not a number that we had put together. We reviewed it, as noted in the footnote of the document, along with the Premier's department.

**David DAVIS:** And just going back to your initial statement – and there are some dates in that – perhaps the key question is: on what date did DTF begin investigating the additional cost pressures? Was it April?

**David MARTINE:** In the April period the figures that we were given were the \$4.5 billion, then the Office of the Commonwealth Games was asked to come back with some lower cost options. In about that June period the number was \$4.2 billion, but that did not include policing and some transport costs. The \$2 billion emerged more in the July 2023 period.

**David DAVIS:** So what date did you get to the \$6.8 billion?

**The CHAIR:** Sorry, Mr Davis. I think we have run out of time. We will go to Mr McIntosh.

**Tom McINTOSH:** Hi. Morning, David, Kate and Heidi. Thanks for all attending. Predominantly this committee is made up of regional members of Parliament, and a key driver around the regional games was economic investment and ongoing, sustainable economic activity in the regions. Just for some context there are a few things that I want to go through, but I was wondering if to start off, given that over 1.6 million Victorians are in the regions, you can talk about the inputs of Victoria's economic activity to the economy that come out of regional Victoria. Obviously agriculture might not come straight to mind, and then I want to just go into some other more specific factors around the regional package and whatnot. Could you just start by giving us the context of where it sits within the state's economy as best you can at short notice.

**David MARTINE:** Well, it is certainly an important part of the state's economy. As you mentioned, agriculture is obviously an important part, and a lot of trade and investment is related to what is happening in the regions. At the moment the regional economy is pretty strong. Obviously in Victoria as a whole we are facing a number of challenges, particularly as interest rates are rising and we are dealing with inflation, but when you look at some of the key metrics, such as unemployment in the regions compared with Victoria as a whole, it is a good indicator of strength at the moment of the regional economy. You know, we have got unemployment at 2.7 per cent. Victoria as a whole is actually incredibly low at 3.5 per cent. The economic activity in the regions – I have not got the exact split out in front of me in terms of its contribution, but it is an important part of the Victorian economy. One of the strengths of the Victorian economy is that it is quite a diverse economy, which is what you really want. You do not want an economy dependent on a particular sector. You know, there is quite a bit of risk involved in that. We are actually quite a diverse economy here in Victoria.

**Tom McINTOSH:** Those unemployment levels, comparatively over the last 30 years, would be as low as they have been –

**David MARTINE:** Absolutely.

**Tom McINTOSH:** by a magnitude of 2 to 3.

**David MARTINE:** Yes. I mean, unemployment of 2.7 per cent in the regions is incredibly low, and even Victoria as a whole at 3.5 per cent is incredibly low. There was a lot of expectation with rising interest rates and the impact on economic activity and consumption that we would all see unemployment rising, and it has been quite stubborn in its movement. You know, we have been within the band of 3.5 to 4 per cent for some time now, and it sort of bubbles around a bit month by month. Now, that does raise challenges of course, because with that tight labour market we are facing some labour shortages. That is relevant for some of the concerns that were emerging in relation to the Commonwealth Games, because the delivery that was required in the regions for that 2½-year period was not only significant but the labour shortages in the regions were quite strong, particularly in the construction sector. The unemployment rate in the construction sector actually sits at about 1.7 to 1.8 per cent, compared to the average of 3.5 per cent in Victoria, so that is actually a sector that is under a lot of pressure. You see that every day with a lot of the discussions. That was obviously, coming back to the Commonwealth Games, one of the concerns that we were seeing with some of the risks that were emerging – you had such a tight labour market in the regions and a lot of activity required to be delivered by a set date.

**Tom McINTOSH:** It is a conversation that I regularly have – I am glad you raised that – about some of the unique challenges we have at the moment, which I briefly touched on the other day. In the regions in the 90s we saw the removal of infrastructure and the removal of government services, and the issues that we face now are quite different to when you had people leaving the regions, communities shrinking and that sort of thing. Whereas now we have a demand for more housing and a demand to fill jobs, and unemployment is an issue. But that is where I think the investment in infrastructure, particularly if we are looking to – I raised agriculture before – have those towns and that infrastructure to enable that economic productivity to feed into the state, is really important. That is why I want to come to the regional package. It is looking at housing and it is looking at supporting tourism in a way that is ensuring that workers have housing. A lot of businesses will say, ‘We need the housing for our workers to keep up with the tourism demand’, because the tourism demand is absolutely massive and as Melbourne grows so too does that economic inflow into the regions coming out of Melbourne. So if you could just talk through that \$2 billion package, that would be great.

**David MARTINE:** Well, an important element of the package is around housing. That is a big challenge in the regions. If you look at the data, the stock of housing in the regions has been pretty flat over the last 12 months to September of this year and new dwelling investment has fallen, not just in the regions but across metropolitan Melbourne as well. A key element of the regional package that was announced by the government is around new housing in the regions – the \$1 billion Regional Housing Fund to deliver 1300 new homes in the regions. That is an important element, along with different commitments around new sporting infrastructure, similar to some of the commitments that were made through the Commonwealth Games process. But certainly about half of the \$2 billion commitment relates to housing – to try and address that challenge in the regions, because it is a challenge. As I said, the housing stock over the 12 months to September 2023 has hardly moved in the regions. So we are not getting that sort of growth, and given population growth, which has really kicked back since COVID, it has become an important issue to deal with.

**Tom McINTOSH:** You would see that demand for housing continuing into the foreseeable future?

**David MARTINE:** Absolutely. It is also a challenge obviously here in metropolitan Melbourne as well. It is a national challenge. With the strong population growth nationally, it is a major priority for, I think, all governments, including the Commonwealth – what we can do to increase the supply of housing across the whole spectrum, including social and affordable housing as well.

**Tom McINTOSH:** Definitely. We talked about construction, but the service economy needs workers, and governments cannot just take their hands off the wheel or eyes off the ball with that. We have got to ensure that that workforce is there, particularly as we have got retiring populations. That is again something I note in my region, Eastern Victoria. Just two days ago I was having conversations about what a lot of those members of the population want in looking at their communities’ forward plans, and it is to be able to age in place with the

services, whether that is living at home or whether that is in aged care or not. A big part of that is the housing for workers to be able to support those people. Sorry, am I –

**The CHAIR:** Yes, we have just about run out of time, unless you want to provide a short response to that.

**David MARTINE:** No. I do not disagree with some of those comments.

**The CHAIR:** Okay. Thank you, Mr McIntosh. I will go to Dr Mansfield.

**Sarah MANSFIELD:** Thank you. Thank you for your presentation today. I am just wanting to go back to the original business case. You said you became aware that there was interest in hosting the games around December 2021. Was that what you said?

**David MARTINE:** That is correct.

**Sarah MANSFIELD:** There was a business case being prepared over that sort of December–January period. Did your department have any input into the development of the business case?

**David MARTINE:** No. We received, as I mentioned, what I would call a final draft on 20 January and another version –

**Sarah MANSFIELD:** So you did not provide any advice about parameters that should be considered, looking at the business case?

**David MARTINE:** Not up to that point, no.

**Sarah MANSFIELD:** Not before then. So when you saw that business case, you said that you provided some advice. Did you provide advice about the need to adjust for inflation or was that just an observation? I did not quite catch that in your opening presentation.

**David MARTINE:** No. In the business case – and they articulated this in the actual document, their methodology – they sort of took Gold Coast as a bit of a benchmark –

**Sarah MANSFIELD:** Gold Coast and adjusted for inflation.

**David MARTINE:** and then adjusted for inflation over the period from 2018 to 2026.

**Sarah MANSFIELD:** Did you make any assessment of the adequacy of that adjustment?

**David MARTINE:** Our assessment fed through to our advice to the expenditure review committee. It would have been late January 2022. At that point we obviously would have identified different issues with respect to the business case, but it was very much around looking at the aggregate. You can see in the document that was released several weeks ago that at that point the budget was sitting there at about \$2.6 billion. There were benefits articulated. As I mentioned earlier, in response to, I think, the Chair's question, the benefits sort of fell into those three categories of the more immediate, the ones through the games and then those longer term ones, which are a bit harder to articulate.

**Sarah MANSFIELD:** So you said you would have provided advice around aspects of the business case.

**David MARTINE:** It would have formed part of our overall advice to the government at that point about the next steps of consideration.

**Sarah MANSFIELD:** So, for example, in that business case one of the issues that seemed to stand out a bit was that when it came to the costs associated with the village housing, in their best case it was going to be 20 per cent cheaper than it cost them to build the villages for the Gold Coast and in the worst case it was going to cost about the same, and that is despite eight years passing, and it was going to be built in multiple different regional hubs. Did that stand out to you as a potential problem in the business case?

**David MARTINE:** It depends a bit on the actual delivery model, and the villages is actually one of those pressure points. You can see in the table that was released by the government – the July estimates compared with the original business case – there is a big differential, huge differential. And part of that is driven by – the

very compressed time frame meant that some of the earlier views about how you would deliver those, particularly involving more of the private sector, meant that with that compressed time frame, the only way to meet the time lines would be government doing a lot more of the construction itself. So a lot of that increase was really driven by – the compression of the time line meant what may have been desired in early 2022 of more of a private sector approach was just not going to work.

**Sarah MANSFIELD:** But that time line was known at that point. You were already operating on a fairly compressed time line when that business case was developed. So it is just curious to me, given the role of your department in oversight of public money and the significant public expenditure that was going to be involved and the risk in taking on something like the Commonwealth Games – I guess I am just curious about how rigorous your department's assessment was of that business case and your involvement in testing that, challenging it, challenging the assumptions and limitations when some of them stand out. Obviously with the benefit of hindsight, they look really obvious, but just looking at that initial costing, it does seem pretty curious that that did not raise alarm bells for your department.

**David MARTINE:** Certainly. I mean, we always give detailed, rigorous advice. Once again it depends on the actual delivery model that was viewed at the time. On all risks, you have got the two factors, which are likelihood and consequence. So in fact with most issues that get dealt with, there is always some risk, and it is really a question of, 'Are the likelihood and the consequence going to change over time?' And this is a classic case where over a period of time both the likelihood and then the consequence, as we started seeing in April of this year, changed significantly, where we had moved from a budget of \$2.6 billion to a budget in the middle of this year at around \$4.5 billion. So the consequence of some of the risks really started to materialise in a way where we got to the point where we were no longer comfortable in approving a budget of \$4.5 billion.

**Sarah MANSFIELD:** Major events like Olympics and Commonwealth Games have a reputation for blowing out in terms of their costs, so again I am just curious, with an event of this nature, why perhaps the department did not have a bit more involvement at that early stage to really, I guess, get a more confident baseline on which to make the pitch or even make a decision about whether to go ahead with hosting the games.

**David MARTINE:** In that period between, let us call it, 20 January through to government making the actual decision to proceed, which was in March, we were heavily involved in analysing what was being presented, forming our views and briefing government. So there was a lot of work happening in the department in that period. But it is not an unusual thing for the department not to be involved in the early development of an actual proposal. As I think I might have confirmed with you, we first became aware of the work on this proposal in December of 2021.

**Sarah MANSFIELD:** Okay. So given that you were sort of heavily involved at that point, where you were working through the business case and arriving at the decision to make a bid for the games, you were satisfied with the costings that had been arrived at?

**David MARTINE:** I am satisfied that we provided good advice to the government at the time about what all this meant and what we thought they should do with respect to the decisions they were making through that period, which included a period where there was a heads of agreement that was signed with the federation, all the way through to the ultimate decision in, it would have been, March of 2022.

**Sarah MANSFIELD:** Okay. And did you provide advice to PAEC?

**The CHAIR:** Dr Mansfield, I believe you have run out of time. I will go to Ms Ermacora.

**Jacinta ERMACORA:** Thank you, Chair. Thank you very much for attending today, and thank you for your contribution. I just want to take you back to the broader economic context and also acknowledge that your department is a coordinating department, so to speak, rather than a functional department, and so the level of detail and the things that you need to consider, I am assuming, are different to the functional side of things. In terms of the economic conditions that were at play in June 2023 or earlier that influenced that kind of context that decisions are made in, I am interested in your description of the Victorian economy at that time but also the regional economies, because they are often quite different and often not reported.

**David MARTINE:** Look, thanks for your question. Hopefully my department is considered as functional rather than dysfunctional, but I think an important point, though, is we do not consider ourselves as a coordinating department. We are a central agency, but a lot of the work we do is not so much coordinating across government, it is very much providing advice to the government of the day on proposals that have been brought forward for consideration, trying to take more of a whole-of-government type of view.

Coming into the substance of your question about the Victorian economy, how it was looking around that sort of June 2023 period, the way I would probably describe it is that the Victorian economy at the moment is not too bad, but we are facing, obviously, challenges. If you look at economic growth in the June quarter, which has now been released by the ABS, economic growth was at 0.7 per cent for the quarter here in Victoria, which is not too bad, you know, despite the 12 interest rate increases by the Reserve Bank. So in an aggregate sense the Victorian economy is not growing too badly. As I indicated earlier to some of the questions, our labour market is very strong. Unemployment in Victoria to August of this year was sitting at 3.5 per cent. In the regions it is only 2.5 per cent. That is a great outcome from an employment point of view but does raise challenges obviously with labour shortages and skill shortages in some sectors. We are seeing, not surprisingly, a drop-off in consumption spending. Household consumption spending in real terms is falling and fell in the June quarter. As I said, that is not surprising given the interest rate rises. In effect that is what the RBA is trying to achieve.

Inflation is starting to come down. That is obviously the big challenge for us. I am just trying to remember – 5.6 per cent I think was the last Melbourne inflation number that has been released by ABS, so it is starting to come down. That is probably the biggest challenge that we are facing from an economic point of view. Clearly the Reserve Bank is trying to navigate that tricky path of bringing down inflation in a way that does not send the country or a particular state into recession. Our economic forecast in the budget released in May was not forecasting a recession. We are not at the moment seeing anything through the data that would suggest that is where we are heading, either at a state level or nationally. Things are still looking pretty strong, but obviously a lot will depend on the stickiness of what is happening on inflation and how quickly that can get back to within the RBA band, and that is going to be important because that will determine to what extent they decide to make further rate rises – because we are starting to get to that pressure point with household savings, which we have seen starting to drop since they built substantially through COVID. So I would say overall our economy is not operating too badly, and that is a similar story in the regions. As I have mentioned a few times, the regional unemployment rate is incredibly low – 2.7 per cent is an incredibly low unemployment rate, and in fact when you break that down there are some regions within that where the unemployment rate is actually lower than 2.7 per cent. That is our average across the regions.

**Jacinta ERMACORA:** Thank you. Yes, I think that is restricting economic growth in some regions, along with some other phenomena. I am just wondering if you are able to describe the difference between the economy in 2021 and the economy now. I guess we have had interest rates, but we have also had construction and post COVID, national and international procurement challenges. Can you describe the difference between 2021 and now?

**David MARTINE:** I think the main difference really relates to what we are seeing through the labour market, and that was probably very difficult to forecast and predict, because logic would suggest to you that through a period of 12 rate increases by the Reserve Bank, you would see a quicker movement in some of the key variables, like the unemployment rate. And that is not just here in Victoria, we see that nationally as well. Most treasuries around the country have been forecasting higher employment rates, and we are constantly reducing our forecasts for that.

If I can just sort of summarise the key difference, I think one of the key differences is the extent to which that has really created some labour shortages, particularly in some sectors, that were probably not as foreseen back in early 2021. We are seeing quite a bit of that in the construction sector. I think I mentioned earlier that the unemployment rate in construction is actually sitting quite a bit lower than the 3.5 per cent. It is around sort of the 1.7 or 1.8 rate at the moment. So that is a key difference in the challenges I think we are facing now compared with how things may have been looking in early 2021.

**Jacinta ERMACORA:** I was just wondering if that is partly caused by the termination of foreign students coming in during COVID and then the stopping of migration, so the growth in population kind of almost went the other way – or the availability of workers – and that then started to play out.

**David MARTINE:** Yes, well, certainly we –

**The CHAIR:** If you could keep your answer brief, please. We have just run out of time. Thank you.

**David MARTINE:** Yes, I will be very quick. Certainly through the COVID years nationally we experienced minimal overseas migration coming into the country. So while the growth rate has picked up, because we missed that stock for a couple of years, effectively our forecasts for population levels are now going to be much lower than they were nationally over quite a period of time. It would take quite a bit of growth to catch up to where we would have otherwise been if COVID had not impacted on national borders.

**Jacinta ERMACORA:** Yes.

**The CHAIR:** Thank you, Ms Ermacora. Ms Bath.

**Melina BATH:** Thank you very much. I would like to do a bit of a mopping-up exercise. There have been a lot of comments and statistics. I would like to go back to when Mr Davis was talking about the one-pager provided by the government with a total figure of \$6.865 billion – the government's final figure. On what date did you – DTF – arrive at this figure? What date was it arrived at, and did you discuss the figures with the Treasurer or Assistant Treasurer?

**David MARTINE:** If I just refer back to my opening statement, it was early July 2023.

**Melina BATH:** Could you provide an actual date?

**David MARTINE:** I will take that on notice.

**Melina BATH:** You can do that. Thank you. I appreciate that.

**David MARTINE:** But it was early July 2023 that we received an updated draft submission from the Office of the Commonwealth Games, which included \$2 billion in costed risks in addition to the proposed budget of \$4.2 billion plus additional police and transport. The way to interpret that column in this document is effectively the \$4.2 billion was the proposed budget at that time from the Office of the Commonwealth Games. If you then add the latest costings on policing and transport, that takes you to roughly \$4.9 billion. Then you have got the \$2 billion additional cost pressures, which then takes you to the \$6.9 billion. All of that was covered off in our briefing at the time back in July of this year.

**Melina BATH:** Okay. And you will provide that specific date for us at some stage.

**David MARTINE:** Yes, I am happy to –

**Melina BATH:** Look back in the calendar.

**David MARTINE:** take that on notice. The briefing we prepared for ERC at the time effectively included those three components: the \$4.2 billion, the additional policing and transport costs and at that point the proposal or submission that had come forward articulated also the \$2 billion of additional cost risks. That is where effectively those numbers come from in that document that has been released publicly.

**Melina BATH:** Sure. Thank you for that response. I feel like there is a disconnect because throughout my scribbled notes on your conversation today you talk about the OCG has provided draft increase in costs – drafts around those. On Monday when we heard from the OCG, he said:

I am not aware of the number \$6.85 billion. I am aware that that has been published, but that is not a number that I had awareness of.

Given Mr Garner's statement, do you agree that the attribution – the designation – of this large figure is unexplained in its entirety? It seems like it is misleading, to me.

**David MARTINE:** I do not think the –

**Melina BATH:** Where could that figure come from – the actual finite figure?

**David DAVIS:** Why 100 per cent?



**Melina BATH:** Yes.

**David MARTINE:** As I mentioned, the \$6.9 billion is made up of those three components. The \$4.2 billion relates to the July 2023 figure that comes from the Office of the Commonwealth Games. The policing and transport costs are figures that come from other parts of the public sector, so VicPol and Department of Transport and Planning. That is roughly worth about \$0.7 billion. Then you have got the additional cost pressures. As I mentioned in my opening statement, we received the updated draft submission from the Office of the Commonwealth Games, which included the \$4.2 billion plus a whole range of additional cost pressures, which added to the \$2 billion. So the \$6.9 billion is effectively just the sum of those three numbers.

**Melina BATH:** I understand that, but on what basis did the DTF – did you – conclude that there is a 100 per cent uplift?

**David MARTINE:** On the –

**Melina BATH:** On these figures.

**David DAVIS:** 100 per cent risk.

**Melina BATH:** Yes, this 100 per cent risk of uplift, so you have gone to the maximum.

**David MARTINE:** That is just stating the fact that there are \$2 billion of cost pressures that have been identified. Now, obviously there is a question, like any cost pressure. As I was mentioning in one of my earlier answers, when you think about risk, you have got to think about likelihood and consequence. So the consequence is \$2 billion, what is the likelihood? Is it 100 per cent?

**David DAVIS:** You said it was.

**David MARTINE:** Sorry?

**David DAVIS:** You said it was.

**Melina BATH:** That is my understanding, that you said the likelihood was 100 per cent uplift.

**David MARTINE:** Well, what we have said is that you have got the \$4.2 billion plus the policing and transport. Two billion dollars of risks have been identified and have been costed, and we included that in our advice to government. If we took the view that these costs were not going to eventuate, then we would not have briefed government that way, so clearly, by definition, we are saying that these are real, costed risks that need to be taken into account in making an informed decision.

**Melina BATH:** And when did you advise the government? Do you know what date you advised the government of exactly what you have just said now?

**David MARTINE:** I would need to – it would have been in the context of the meeting of, I think, the 14th, but I am happy to take that on notice.

**Melina BATH:** Thank you. I will just move on to another question, and it relates to the lawyers – the external lawyers being employed to dissolve this situation. When were you informed about external lawyers being called in to cancel the games?

**David MARTINE:** As I indicated in my opening statement, I was advised on the afternoon of 13 July, which was the day before ERC was meeting, that government was considering alternative options, including cancelling the games. I attended that meeting, as I normally attend cabinet subcommittees, with the Treasurer. It would have been in the context of that discussion that I would have been aware of legal advice being sought. My department was not involved in –

**Melina BATH:** The decision-making, per se?

**David MARTINE:** In that consideration of the legal aspects of withdrawing from the games. That would have been the first time that we became aware of the engagement of external lawyers.

**Melina BATH:** Okay. And in relation to the cancellation costs, the now \$380 million and climbing cancellation costs, did the DTF – did you – brief on that contract of the cancellation costs?

**David MARTINE:** We were not directly involved in the discussions with the federation, because that was being led by the Department of Premier and Cabinet, largely over in London face to face, and then –

**David DAVIS:** That was obviously a material risk.

**David MARTINE:** Sorry?

**David DAVIS:** The cancellation costs were part of the equation.

**David MARTINE:** Once government made a decision to cancel, there was always then the question of what is the cost –

**David DAVIS:** Were those costs included?

**The CHAIR:** You are running out of time.

**Melina BATH:** Really?

**The CHAIR:** Yes.

**Melina BATH:** That is terrible. I have got so many more questions. I will put them on notice, Chair.

**The CHAIR:** Thank you, Ms Bath. Ms Tyrrell.

**Rikkie-Lee TYRRELL:** Thank you, Chair. In regard to the questionnaire that the committee handed you and that you submitted, on pages 2 and 5 of the questionnaire that you handed in you identified that the Treasury funded five extra department staff to review delivery options and financial impacts and provide advice to the government. Can you detail the delivery options that these staff reviewed?

**David MARTINE:** Thanks for your question. As I think I indicated in my opening statement, for the first probably half of the last calendar year, the work that we undertook on the Commonwealth Games and advising government was within our normal structures. Then we set up a sort of separate team that was focusing mostly on the Commonwealth Games. They were doing a few other bits and pieces. The advice on delivery options was not – perhaps trying to interpret your question – about delivery options with respect to ‘Do we do it in the regions or metropolitan Melbourne?’ and those sorts of things. It was really about the delivery of the necessary venues and infrastructure around the delivery on the housing. So we were, as part of what we normally do, considering proposals that were being brought forward with respect to venue upgrades, with respect to athlete villages, and like all capital projects, we were doing assessments and providing advice on those particular aspects.

**Rikkie-Lee TYRRELL:** You just said that they advised on a few other things. Alternative advice, was it?

**David MARTINE:** Oh, no. My Commonwealth Games team – there were only I think five of them, and it was headed up by Heidi – were largely just doing Commonwealth Games, but from time to time, particularly probably in the second half of last year, there would be some other things that they would be doing as well for the department not related to the Commonwealth Games.

**Rikkie-Lee TYRRELL:** Okay, thank you. Did any of these five department staff – sorry, I already hit that one; I should have crossed that out. Hang on, no, I did not. Did any of these five department staff provide advice for alternative arrangements or to cancel the games?

**David MARTINE:** No.

**Rikkie-Lee TYRRELL:** No?

**David MARTINE:** No. Our most recent advice, as I outlined in my opening statement, was the July 2023 advice, which was in response to a proposed budget that was significant. And our advice was do not support. So

we were not involved in the process of consideration of cancellation. That was being led by the Department of Premier and Cabinet.

**Rikkie-Lee TYRRELL:** Thank you. One more question. The questionnaire states that these staff are still employed. Where are they now? What are they doing now?

**David MARTINE:** Well, one is next to me.

**Rikkie-Lee TYRRELL:** Hello.

**David MARTINE:** So all five – I think that is correct, Heidi – just came from other parts of the department, and they have just been absorbed back into other parts of the department. We are a very busy department – there is a lot happening. They have just been absorbed back into doing other bits of work, whether it is on the budget or in another division.

**Rikkie-Lee TYRRELL:** So they morphed and evolved into the workforce?

**David MARTINE:** Yes.

**Rikkie-Lee TYRRELL:** All right. Thank you very much.

**The CHAIR:** We have got a couple of minutes left. I had a question – the big question, I suppose. What is your best estimate of how much money overall would have been wasted on this bid?

**David MARTINE:** The advice that we have at the moment is actual costs to the end of August, I think it is, are sitting at about \$175 million – so actual costs incurred. I am not going to suggest that will be the final number, but that is where it sat at the end of August, so there is probably some more costs being incurred at the moment.

**The CHAIR:** There was the legal and contractual –

**David MARTINE:** And then there is obviously the \$380 million that the government has announced.

**The CHAIR:** So overall, what is that – \$560 million or something, roughly?

**David MARTINE:** If you add the two, yes.

**The CHAIR:** Are there other costs that would not have been disclosed that you are aware of?

**David MARTINE:** Not that I am aware of. The \$175 million I am talking about is largely the core costs from OCG, et cetera. As you have probably seen in a number of questionnaire responses, there are little costs here and there. For example, there is my cost of about a million in total. That is not part of the \$175 million. So there will be some other little costs here and there. But from a rough order of magnitude I think that is probably about right, so there is probably a bit to be added to the \$175 million to pick up sort of September and a bit now, but I would not have thought it would be materially much more. And then you have obviously got the \$380 million, and that is roughly it.

**The CHAIR:** It is also my understanding that the Auditor-General is looking at this as well, so your department would be working with them at the moment, and they would be –

**David MARTINE:** Yes, so they have asked lots of questions and we have provided lots of information. They are working on their audit. They have publicly announced it, and I think the terms of reference – they have presumably disclosed as well.

**The CHAIR:** Yes. Okay, thank you. I think Ms Bath – oh, Mr Davis, and then I think Mr Galea had one too.

**David DAVIS:** I have one question. Just going back to the chart and the 100 per cent risk uplift, has that been applied to any other government project? Are you aware of any other government project that that has been applied to, in developing costs?

**David MARTINE:** It depends on what you mean by 100 per cent uplift. What basically that table identifies is, as articulated in the footnote, the Office of the Commonwealth Games has identified significant additional cost pressures that have been reviewed, and they amount to approximately \$2 billion.

**David DAVIS:** But Treasury basically said these are going to be realised. That is what you said.

**David MARTINE:** We would not have briefed the government if we thought these were cost pressures that were just not going to eventuate.

**David DAVIS:** Or were unlikely to eventuate.

**David MARTINE:** If we thought they were unlikely, we would not have put them in our briefing. Absolutely.

**David DAVIS:** So my question is: do you have another example of where a 100 per cent risk has been counted in these sorts of figures and released in a table?

**David MARTINE:** I would need to –

**David DAVIS:** I cannot think of one, but there might be one.

**David MARTINE:** Often in large infrastructure projects you are setting aside actually quite a large contingency in the costing that actually gets announced.

**David DAVIS:** There was no contingency in this.

**David MARTINE:** There is some contingency. You will see towards the bottom, just above the cost pressures, there is \$450 million. But a capital project contingency can actually be quite significant in terms of being embedded in the actual costing.

**David DAVIS:** But you cannot give me another example?

**David MARTINE:** This is a different kind of context. This is really saying that on top of the budget being sought there are cost pressures of another couple of billion.

**David DAVIS:** Why aren't the 'accommodation shortfalls in the regions increasing' – that is a quote – not already captured by the organising committee and the Office of the Commonwealth Games in their rebudgeting – rebudgeting the OC described as 'robust and detailed' in their submission? Jeroen Weimar said in testimony that Allen Garner and he 'worked very closely on understanding our cost pressures, our cost plans'. I am just trying to understand this. They say that figure is robust but an escalator is applied.

**David MARTINE:** Yes, so if you are looking at the table, you have got things like athletes villages covered towards the top. What they are talking about down the bottom in terms of accommodation shortfalls in the regions, additional cost pressures, largely relates to the fact that, particularly during that two-week period when you are hosting the games, there are a lot of volunteers and officials et cetera that are necessary to actually run a games. It became evident that, particularly the way the current housing market is working –

**David DAVIS:** They were very confident about those costs though. They had done a lot of work on those.

**David MARTINE:** But you have got a general shortfall across the regions in terms of accommodation.

**David DAVIS:** But they had already done that work, and then it is just like a multiplier that you are applying.

**David MARTINE:** Well, it is basically picking up that pressure on the lack of accommodation that has been emerging in the regions.

**David DAVIS:** Which they tell us they had robustly costed.

**David MARTINE:** Their costings up here include the athletes villages et cetera, but what they had identified as part of the \$2 billion was additional accommodation pressures relating to the ability of officials

and volunteers et cetera. If you have got a regional model and they are day to day doing the athletics in Ballarat et cetera, they need to be housed somewhere, and the pressure point was becoming quite significant in terms of where they would need to be accommodated, so some accommodation would be required.

**David DAVIS:** No other project. If you have got one, please come back with an example.

**The CHAIR:** Mr Galea.

**Michael GALEA:** Thank you. I just wanted to ask one thing in relation to the budget papers, which showed the \$2.6 billion being outlined for the Commonwealth Games. I note that they were marked as ‘output funding’ rather than ‘asset funding’. Could you explain why?

**David MARTINE:** The \$2.6 billion which would have been in the 2022–23 budget, and you will find it in budget paper 3, you are quite correct: it appeared as ‘output funding’ in the output funding table. That is essentially because the expenditure with respect to any of the infrastructure components at that time effectively related to infrastructure owned by other forms of government. For example, if we are investing in some physical upgrades to infrastructure we own, that sits on our balance sheet, then that is classed as asset expenditure, not output. But a lot of these venues are owned by local council, so when we are investing in their asset, that is basically a grant expense from us. So it is output, because the enhanced asset technically sits on the local government balance sheet. That is essentially what drives that difference.

**Michael GALEA:** Thank you. Thank you, Chair.

**The CHAIR:** Thank you. That concludes this session. Thank you all for appearing today. You will receive a copy of the transcript for review in about a week, before it is published on the website.

**Witnesses withdrew.**