

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2014–15

Melbourne — 12 May 2014

Members

Mr N. Angus

Ms J. Garrett

Mr D. Morris

Mr D. R. J. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr D. Hodgett, Minister for Major Projects,

Mr H. Ronaldson, Secretary,

Mr P. Noble, Deputy Secretary, Major Projects,

Mr T. Bamford, Executive Director, Major Projects Victoria, and

Mr J. Strilakos, Chief Finance Officer, Department of State Development, Business and Innovation.

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

The CHAIR — I welcome back the Honourable David Hodgett. We are on hearing 6, major projects. We have, from the Department of State Development, Business and Innovation, the Secretary, Mr Howard Ronaldson; the Deputy Secretary, Major Projects, Mr Peter Noble; the Executive Director of Major Projects Victoria, Mr Tim Bamford; and the Chief Finance Officer, Mr Jim Strilakos. The Minister now has an opportunity to make a brief presentation as succinctly as possible on the budget estimates for the major projects portfolio.

Overheads shown.

Mr HODGETT — There is a lot of great news going on in major projects, so I will skate through it as quickly as I can. I am happy to be guided on a bit of a wind-up, and then maybe I can come back to some of the questions. Thanks, Chair, and good afternoon to the committee. It is a great pleasure to be here today to talk about the major projects portfolio. This year Treasurer Michael O'Brien handed down a budget that commits around \$27 billion of state-shaping infrastructure, and that will create jobs, boost productivity and build a better Victoria. The funding includes landmark projects such as the Melbourne rail link, including the airport rail link; the \$8 billion to \$10 billion east–west link western section; and a host of other transformational, game-changing infrastructure projects that will drive economic growth and better connect Melbourne, the regions and Victoria to our export markets.

Today I want to tell you about our 2014–15 budget announcement, talk about the highlights of the previous year in major projects and provide a progress report on some of the state's most significant projects in the portfolio. I will start with the Melbourne Park stage 2 development. This year's budget includes funding for a number of projects, but on the eve of the Australian Open in January this year Premier Denis Napthine, the then Minister for Sport and Recreation and I announced a further \$338 million for stage 2 of the redevelopment. A further \$28 million in funding is anticipated from the commonwealth, to bring the total to \$366 million, as listed in the budget papers. Stage 2 involves three new projects: an administration and media building, and I know the media will be very interested in that, currently in procurement, with work ready to start early next year; a new footbridge over Batman Avenue from Birrarung Marr that will create a new western entrance to the precinct; and a major refurbishment of Rod Laver Arena, including a new eastern entrance. The Batman Avenue footbridge and Rod Laver refurbishment are expected to begin construction following the 2016 Australian Open.

The Ballarat West employment zone has received \$30.2 million, representing a major boost for investment and jobs in Ballarat and western Victoria. This funding, including \$5 million from the City of Ballarat, will kick-start that Ballarat West employment zone project and generate the first of an expected 9000 jobs forecast for the Ballarat region arising from the project over the next 18 to 20 years. That is great for Ballarat and great for regional and rural Victoria.

The 2014–15 budget has also allocated \$8 million over two years to progress the business planning for development along Melbourne's Richmond to Footscray rail corridor. The Napthine government has a vision to transform Melbourne by unlocking underutilised land along the rail corridor, and projects under consideration include the E-gate development, Federation Square East, the Flinders Street station redevelopment and the Richmond station precinct. Two of these projects — Federation Square East and E-gate — are well advanced in their planning, and I will provide more detail on them later in the presentation.

Work continues on the preparation of a preliminary business case for Flinders Street station, due later this year, while at Richmond station we are working with Public Transport Victoria and the department of transport to determine the implications of the government's new rail projects and redeveloping the station. Each of these projects has the potential — all of them have the potential — to deliver important public outcomes, including new jobs, increased connectivity, increased housing choices, new open space and better transport facilities. I will discuss those projects and opportunities they present in more detail later in the presentation or during questions.

One of the highlights of last year was the Flinders Street station design competition. The competition was about looking for the world's best ideas to upgrade, restore, reinvigorate and re-energise the whole Flinders Street station precinct. One hundred and eighteen design teams from around the world answered the call for bold designs and creative responses to the challenges that the station faces — respecting the past, the heritage of the building, but also bringing the station into the future. The winning design by HASSELL + Herzog & de Meuron

was praised by the competition jury for its evident sophistication and overall quality. It was a great competition, well run by the department.

Of course we had the jury's choice decision and the people's choice award. There were unbelievable figures in the two-week voting period. We had an online voting system, and in that two-week voting period we had more than 1.5 million web page views, 320 000 YouTube views and nearly 20 000 votes from more than 100 different countries around the world — an online presence, Mr Pakula, that some of us could only dream of. These are great figures. The level of public engagement was the first of its kind for an architectural design competition, setting a new standard for the industry. In terms of the next step, the government is now planning a preliminary business case for the project that will involve analysis of the winning submissions in the people's choice award and high-level merits of the remaining submissions. We have allocated funding to this year's process for this vital work.

As the Minister for Major Projects, I am responsible for Major Projects Victoria and also the Melbourne Markets relocation project. Major Projects Victoria provides project delivery services to those Victorian departments and agencies that may not have the skills in house. We have a number of projects under way — billions of dollars — but again, I will just skip through them: the Shrine of Remembrance Galleries of Remembrance, Melbourne Park stages 1 and 2, Melbourne Markets relocation, Parkville Gardens, Victorian Emergency Management Training Centre out at Craigieburn, Kew residential cottages et cetera. Projects in development are the Ballarat West employment zone and the rail corridor that I mentioned.

Just quickly, to talk about some of the figures in terms of delivering jobs and investment — using the Master Builders Association metric for the wider economic benefits of construction activity — the major projects portfolio represents \$6.38 billion in flow-on effects to the Victorian economy and around 3740 jobs in construction and related industries. So you can see that the projects being managed by MPV are also realising an important social dividend in Victoria beyond just providing new places to work and play. These projects are vital for the sense of identity and pride in our state.

I will skate past a few. Melbourne Park I can come back and talk about; I will not go over the benefits of stage 2. The Shrine of Remembrance Galleries of Remembrance is a \$45 million project. In fact, we were there last week, the Minister for Veterans' Affairs, the Premier and I, as the SS *Devanha*, a landing boat used in Gallipoli in 1915, which is on long-term loan from the Australian War Memorial and was delivered last week and put in. That project is going very well.

The \$109 million Victorian emergency management training project is a fantastic project. That project will be able to simulate real-life hazards and will provide our emergency services with some of the best training facilities in the Southern Hemisphere.

The Ballarat West employment zone I have talked about. It unlocks 623 hectares of land for industry, will create up to 9000 jobs, generate \$5 billion in economic activity in Ballarat over the next 20 years; so that \$30.2 million in this year's budget was well received.

Fed Square East — I have mentioned that 3.3 hectare site. The point I keep making about this one, Chair and committee, is you only get one chance to get this right; so it is important that we work through this. This will be an important connection from the CBD across the Yarra to the botanical gardens.

E-gate I can come back and talk about — the 20-hectare site just 2 kilometres from the city presents significant opportunities to support Melbourne's growth by creating a new inner-city precinct capable of supporting, say, 5000 dwellings and thousands of square metres of commercial space. It is a great project. Again, I do not know where you can get a 20-hectare site within 2 kilometres of a major capital city on the doorstep of a railway station.

On to the last couple of slides, Chair; I can see you are getting restless there. Melbourne Market relocation is great news. We could talk about this for another hour. Can I? Do standing orders allow an extension of time?

The CHAIR — No, not in this committee.

Mr HODGETT — The Melbourne Markets relocation project has total approved funding of \$600.7 million. That includes up to \$120 million in that funding for partial completion of the trading floor complex that has

been received. Allocations have been finalised for the flower market stands — and they would have got a great workout on Mother's Day just past — as well as fruit and vegetable stores and those wanting warehouse spaces of less than 900 square metres. That is well and truly going ahead. It is a difficult project after a chequered past, but we will get it away and get it delivered. That project is within budget and on track for opening in 2014–15.

In conclusion, the coalition government is continuing its strong major projects agenda to help support Victoria's growth. Our projects are carefully selected in order to secure and create jobs, to stimulate investment and generate new opportunities for employment, business and industry. These achievements are underpinned by our engagement with business, which provides them with information and contacts, assistance to resolve some of the issues that might come up during some of the planning, and of course enormous support from our government. We believe infrastructure projects boost the state's economy, but care must always be taken to ensure that project delivery is accountable, we get best value for money and we can be shown to deliver that value for Victorian taxpayers. A point of difference for us is we are delivering projects on time, on budget and according to specification, which is something others only dream of.

The CHAIR — Thank you, Minister. We now have just a shade under 45 minutes, until about 3.15 p.m., for questions. I will lead off again, and you may note some similarities with the previous portfolio. Would you outline to the committee the budget initiatives in the major projects portfolio which will contribute to the growth of Victorian jobs, both in the coming year and over the forward estimates period?

Mr HODGETT — Perhaps if I skim verbally over my presentation. The Melbourne Park redevelopment stage 2 project will have 1300 new construction jobs. Stage 1 is very important, delivering that Margaret Court Arena and additional capacity there. Again, as I keep saying, I do not know a sporting precinct, with the likes of the MCG, AAMI Park, Melbourne Park and Olympic Park, within walking distance from any city. It is the envy of the world. The Australian Open, for which the centre is mainly known, is still rated by the players as the best open.

You can talk to Louise Asher on major events. We talk about the grand final, cup week, fashion week and some of those events, but the Australian Open is the only event that gives us a two-week spend, and even some before and some after. It is very important to the Victorian economy. It delivers jobs, so it is important that we invest there. That stage 2 funding will secure the Australian Open in Melbourne up until 2036. Not many people know this. People talk about the works at Rod Laver Arena. We think of the precinct there as tennis and the Australian Open, but Rod Laver Arena was built in 1988 and is in the top three grossing entertainment venues in the world. It is a difficult project to deliver, because you are always bumping in and out of events, but there are 1300 new construction jobs there.

The Ballarat West employment zone I have mentioned. You are talking about a forecast of 9000 jobs to the Ballarat region, millions and billions of dollars of investment in and around the city of Ballarat for the next 20 years. It is an important project. Again, we talk about major projects and a lot of them are in and around the capital city and metropolitan Melbourne, because you have Melbourne Park, the Melbourne Markets, the shrine and training centre here, but it is great to have some rural and regional major projects as well. It delights me that we have the Ballarat West employment zone that is going to create a number of jobs up there, which is a significant advantage.

There are major advances in investment and jobs on that rail corridor project, as I mentioned, with E-gate, Flinders Street station, Fed Square East, Richmond station; they will deliver jobs and investment. I will skip through to a couple of others.

At the Shrine of Remembrance there is the Galleries of Remembrance program; \$45 million has been delivered there in time for our 100-year commemorations for Anzac Day next year. Probuild has been on site there, with Blake and his team down there; it is a terrific company doing a great job there on a very sensitive project. They have been on site since last March, so you can consider the jobs and investment that have been going on there over many months.

Again, I come back to the Victorian emergency training centre, a state-of-the-art project that is going to be a great training centre and have jobs in Craigieburn. It will be the best facility in the Southern Hemisphere. I am sure people will come from interstate and internationally to use that facility; so that is going to create jobs.

E-gate, as I have mentioned, which is 2 kilometres from the city, a 20-hectare site on the doorstep of North Melbourne railway station. Think of the jobs that will be created in residential, commercial and industrial investment out there. That project could have a school, could have a library and certainly there are the residents.

The Melbourne Markets relocation will be a first-class, state-of-the-art market. If you have been to modern markets, even if you go and have a look at the Sydney Markets, you see that they are a thriving place of commerce and business. They are not just the traditional fruit, vegetables and flowers; they are a place of business. They have got banks, and they have activities in and around the area. That will provide jobs and be very important for that region of Melbourne. I hope that answers your question.

Mr PAKULA — Minister, I want to talk about the market relocation project as well, particularly with reference to page 47 of budget paper 4. That talks about the TEI on the relocation. You originally indicated that that move was to be completed in September of this year. I think it is unclear whether or not that timetable will be met. In Supreme Court proceedings the authority has indicated the cost of delay is somewhere between \$295 000 and \$671 000 each month. In budget paper 4, page 47, at footnote (c) it is indicated that the TEI on this project was increased by \$39 million from last year's budget, and you talk about that facilitating current contracted obligations for construction works prior to the return of these funds by the Melbourne Market Authority via a debt facility. My question is: over what period is the government planning to recoup that \$39 million from the MMA?

Mr HODGETT — Mr Pakula, I will talk a bit about the markets. In terms of the precise details, so as to be accurate and thorough I will get Mr Noble to comment on it. Make no mistake, the market has been a very difficult project to deliver. It has been going on for a number of years now. At last count I think it has seen four premiers and six ministers. It has been a monumental stuff-up from day one, and without inflaming the committee, you guys committed it to us and it is another project we have had to fix, in particular the trading floor, which was constructed at half its size.

I will not labour on that because we could be here for a long time, and it is history. In terms of the timetable, there are a few minor issues that we have to finalise and we would look to get the market open probably later this year. If we do not do it in a timely manner, we will take into consideration the difficulties of forcing people to move over their peak period. If warehousing construction cannot be made in particular timing later this year, then the market will open in the new year. It will open, it will be delivered and it will be a great market. We have worked through a number of issues. You will be aware of some legal action that held up the project for ten months at enormous cost. But in terms of the debt part of the question, I might ask Mr Noble to comment on that in terms of answering over what period that would be recovered, I think the question was. Mr Noble, if you are able to shed any light on that.

Mr NOBLE — The budget included \$120 million of debt capability, largely to cover some of the cost of warehousing. The \$39 million, which has been put aside in this budget, is to deal with some of the issues of the MMA's warehouse delivery, or part A, of which 14,000 square metres has been committed and construction of that is under way. The rest is in relation to some of the issues around the trading floor and the lessor fit-out, which has commenced with Hansen Yuncken, and that goes into the rental model.

Mr PAKULA — Into the rental model?

Mr NOBLE — Yes.

Mr PAKULA — By way of a supplementary, Chair, by saying it goes into the rental model, do I take from that that additional \$39 million in this budget as against last year's will be passed on to stallholders and through them to the consumer?

Mr NOBLE — It is passed on through the stallholders' rental, yes.

Mr ANGUS — Minister, I refer you to budget paper 3, page 51, and I ask: can you explain to the committee what the government is doing to transform and develop the Richmond to Footscray rail corridor?

Mr HODGETT — The Deputy Premier recently announced funding for the development of the Richmond to Footscray rail corridor, with the Minister for State Development responsible for the development, and me, as the Minister for Major Projects, responsible for the delivery. Funding of \$8 million has been allocated over two

years to progress the development of the rail corridor and four priority projects, as I mentioned in that slide. I do not know if you want to get the slide back up to show it.

I can tell you what number slide it was, if it makes it any easier. Slide 4 I think it is. The four projects there are E-gate, Federation Square East, Flinders Street station and Richmond station. Those projects represent the opportunity for literally billions of dollars of development and thousands and thousands of jobs, creating a pipeline of potential projects that would stretch out for decades. The four projects are part of the strategy of putting government-owned land to better use and encouraging appropriate redevelopment, new housing and employment opportunities. One of the challenges here is that you have these four projects, but you have that whole corridor, so we want to have careful consideration and careful planning of that so the best bits, if you like — for want of better language — do not get picked off and developed, leaving the government holding what is remaining. We want to have a look at the development all along there.

I keep saying that you only get one opportunity to get some of these right. They do take time, but a little bit of extra time and planning is better than rushing in and perhaps ending up with something that is not the best outcome for Melbourne or the best outcome for Victoria. As I said, each of those projects offers the chance to unlock or develop underutilised land and transform the city and activate the surrounding precincts. They also have the potential to deliver important public outcomes such as new jobs, increased connectivity, increased housing, new open space and better transport facilities. In each of these projects the government is taking a considered approach to planning and is looking to deliver optimal outcomes for the state, always underwritten by value for money for Victorian taxpayers. We do not want to just handball this off for a quick outcome and then think we could have got a better outcome for Victoria.

I said before in the presentation that two of the projects, Federation Square East and E-gate, are well advanced in their planning. They are a bit ahead of the others so we are building them all up to give us choices of which ones we want to get away. Work continues on the preparation of a preliminary business case for Flinders Street station due later this year, while with Richmond station — a very important project given the transport linkages there — we are working with Public Transport Victoria and the department of transport to determine the implications of the government's new rail projects on redeveloping the station. So there will be much further work in and around those projects.

I could talk in detail about the others, and I am happy to come back and talk about E-gate. I think I have probably covered off enough in the presentation, but there might be a question on that.

Mr SCOTT — I would also like to ask a question relating to the Melbourne Wholesale Market redevelopment, which is referenced in budget paper 4, page 47. In the Supreme Court proceedings *Perfection Fresh Australia Pty Ltd and Others v. Melbourne Market Authority*, the court found that, if the Epping market is not open by the third quarter of 2014, it is highly likely the opening will be delayed until April or May 2015. Your evidence seemed to be alluding to that; it seemed to be agreeing with that. The cost of the delay would be between \$295 000 and \$671 000 per month. I just want you to confirm, because there was some ambiguity in your earlier answers, whether the market will be opening in September 2014, and if not, whether those additional costs of \$295 000 to \$671 000 would accrue per month.

Mr HODGETT — I will go back: as I was saying before, the previous Labor government designed the new Melbourne Market at Epping, and when we came to government construction was well under way. There have been a number of problems we have had to deal with there, in particular with the trading floor, which in the current market is some 13 994 square metres, but Labor designed the trading floor at Epping market to be 7456 square metres. That is confirmation that Labor are not good with numbers. The total area set aside for the stands at the new market was determined by Labor, and they planned it to be half the size of the current market. It is one of many issues, and this will be a case in the years to come of how not to do a major project. You only have to go back and work through the Auditor-General's report to see the monumental stuff-ups of this project.

In relation to the legal action, I will make a couple of comments. In May 2013 that legal action was initiated by Fresh State and eight storeholders, purporting to act on behalf of all storeholders against the Melbourne Market Authority for unconscionable conduct. The legal action resulted in a 10-month delay to the relocation, as well as costing the market community about \$9.2 million from the industry assistance package in defending the legal action. They are funds that will not be replaced.

The government has always maintained there will be no additional funds for the project to meet demands from stallholders. As savings are identified, these will be passed on via rent reductions to market lease and licence holders, and there are a number of instances where we have demonstrated a commitment to that. Where we have been able to save money, we have passed it on. On 3 October, at the request of the Wholesalers Advisory Committee, representatives of the MMA and the department of state development met with them, and suffice to say, if I can just skip forward, those matters have been resolved.

We are moving forward, which leads me to part of your question. It is correct that due to that delay and due to the significant problems in delivering this project, because of what we inherited, if we cannot get in in a timely way this year, then my personal belief is it would be unfair on the market community to force them to move or to ask them to move over a period that is difficult in their trading cycle. Hence, back to what we said in that court judgement, if we do not get in by some point later this year, my early thoughts are to perhaps move it to the new year for better timing. That is part of the cooperation of working with the market community. I do not know whether anyone else wants to make some comments in relation to the question that was asked.

Mr SCOTT — I have a supplementary question. It might be better if I direct the supplementary to Mr Noble because it is detailed.

The CHAIR — Direct it to the minister, and then it can be redirected.

Mr SCOTT — In relation to the cost of the delays that the court found of between \$295 000 and \$671 000 per month, I would just like to seek clarification. Are the costs of these delays factored into the \$39 million detailed in this is budget, or are they additional costs to that?

Mr NOBLE — The costs that were given at the time of the court case were estimates. Those costs are still being worked on in terms of what actually happens in terms of risk and other project issues in the last 12 months. Any savings, as the minister said, that we have been able to hand back to the tenants have gone in rent reductions, but the project costs in the model, including contingency, involve all of those costs. So, at this point in time, there is no identifiable overrun, but the cost of any savings that are not made the tenants will bear in rentals.

Mr O'BRIEN — I refer to budget paper 3, page 72, and you also touched on this in your presentation. Minister, can you please explain how the funding spent on the Melbourne Park redevelopment will benefit Victoria?

Mr HODGETT — Thank you for the question. The Melbourne Park redevelopment is, as I said, going to guarantee the Australian Open remains in Victoria until at least 2036 and will ensure that Melbourne Park remains a world-class sporting and entertainment precinct. I made the point before that we tend to think of the Melbourne Park tennis and sport, but Rod Laver Arena itself is in the top three grossing entertainment complexes in the world, so it is an important asset for us.

Major Projects Victoria has been engaged by Sport and Recreation Victoria and the Melbourne and Olympic Parks Trust to manage the \$366 million stage 1 works of the Melbourne Park redevelopment. Stage 1 of those early works, as I touched on before, was completed in September 2011. That was an extension to the south-west of the external concourse surrounding Rod Laver Arena, Margaret Court Arena and show court 2, including upgrades to the services and landscaping and the addition of rainwater harvesting and treatment facilities.

The development of the eastern plaza to the east of Hisense Arena was completed in December 2012, and that included an elevated plaza; providing direct access to the first level eastern concourse of Hisense Arena; improvements to Hisense Arena, including the new main east entry and additional car parking over two levels and on the ground; and a new national tennis centre, comprising 8 indoor tennis courts and 13 outdoor tennis courts, a gym, change rooms, player amenities and a pedestrian bridge connecting the eastern plaza to AAMI Park.

The western precinct upgrades, which are on target to be completed in time for the Australian Open 2015, include that Margaret Court Arena upgrade, which will be an additional 1500 seats and an operable roof. The roof was actually on this year for the Australian Open but it was not operable; it was just resting there. That will be delivered in time for the 2015 Australian Open, with an additional 1500 seats; an enclosed foyer and concourse; upgrades to Rod Laver Arena concourse, including new food and beverage facilities shared with

Margaret Court Arena; and minor concourse upgrades. It will deliver a number of associated benefits in terms of people being able to move in and around the area, and in some of the Tennis Australia facilities.

In terms of stage 2, I will quickly just touch on that. The \$338 million stage 2 construction is expected to commence in 2015 and comprises the Rod Laver Arena refurbishment, a new east-facing primary entrance, food and beverage facilities and an expanded public concourse. As I understand it, and I could be corrected, the building was built in 1988 — the bicentennial year. I think it does not necessarily meet all the modern designs in terms of earthquake, disability access and those sorts of things, so a number of works need to be done in and around there to bring it up to modern standards. The Batman Avenue Bridge is going to be a new pedestrian entrance to the precinct from the city, and there will be a connection to Birrarung Marr to provide direct access from Flinders Street and of course the new administration and media building. That will give new administration facilities for the Melbourne and Olympic Parks Trust and Tennis Australia, and it will provide temporary media and broadcast facilities for the Australian Open. It is very important that we look after our media.

Ms GARRETT — I also refer to the Melbourne wholesale market project and to the \$34 million fund to assist with the transition of the markets from Footscray to Epping. How much of that fund has been spent on legal proceedings and how much has been spent on helping stallholders transit from Footscray to Epping?

Mr HODGETT — Thank you, Ms Garrett. I will look for the figure I used before in terms of the legal costs. Legal action resulted in 10 months delay in the relocation as well as costing the market community \$9.2 million from the industry assistance package in defending the legal action — funds that will not be replaced. In terms of the industry assistance package, I am happy to quickly touch on where that has been spent. The industry assistance package — IAP — was originally \$34.2 million, and approximately \$3 million remains in that fund; \$7.5 million was used to rectify the capacity of the central cooling system after the contract for Lend Lease had been entered into; \$7.8 million was used to settle the dispute between Victoria Fresh Markets and Mirvac in 2009; \$6.6 million went to stallholders in recognition of the impact of changes in stall size on operations; and \$9.2 million went to settle the legal action that was initiated against the Melbourne Market Authority by Fresh State and eight storeholders purporting to act on behalf of storeholders in the market. The remaining funds will be allocated in consultation with the market community.

I think we said at the time that it is everyone's right to take legal action, as it is the state's right to defend legal action. I said to the market community, the ones I was dealing with, that it was always in my view going to cost a lot and cost a lot of time, which it did. We have settled that dispute. Fresh State could not be more eager now to get on with the job and move into the market, so I think we have come a long way, albeit it is disappointing that we had that time delay and the cost delay. That \$9.2 million could have stayed in the industry assistance package. I have demonstrated through a number of actions that I am happy for that to be passed back to benefit the market businesses at every opportunity we can, whether that be reduced rents, whether that be fit-out or whether that be any number of things that we can assist with.

Ms GARRETT — Do you believe that the remaining \$3 million will address the needs of the market community going forward, or will there be a significant shortfall?

Mr HODGETT — Good question. You would have to define 'needs'. With all due respect to the market community, people in business are trying to get the best possible deal for themselves and the best outcomes for themselves. I do not fault that, but people will always seek more and want more. Being responsible managers of taxpayers' money we must deliver the project within a budget within reason. There are a number of things that operators — wholesalers, growers and flower stallholders — will have to do with their businesses that you would not expect the state to pick up.

In short, I think the \$3 million remaining funds will be enough to do what we want to do. I will not be going back to the Treasurer seeking more money for this project, which as I said has been very difficult over a long period of time to deliver. But I am sure both sides of the house — as will all the businesses there — will be delighted in the outcome for the Epping community, and what it is going to deliver out there will be a state-of-the-art first-class market.

Mr ONDARCHIE — Minister, I refer to budget paper 3, page 47, which relates to the Shrine Galleries of Remembrance. It was a wonderful Anzac Day just recently with record crowds both in Melbourne and right around the state. Could you let the committee know the status of the Shrine Galleries of Remembrance project?

Mr HODGETT — Thank you for the question. I have been to the Shrine and the Galleries of Remembrance project a number of times over recent weeks and months, and in fact it is a great project — one that I think Hugh Delahunty as the then Minister for Veterans' Affairs and I turned the sod on in about March last year. It is a good project being run well by Probuild. The government has certainly made a commitment to fully fund that \$45 million Shrine Galleries of Remembrance project. The focus on the project is the redevelopment of the Shrine's undercroft space, and construction of a southern extension beneath the stairs and surrounding earth moulds will create a mirror image of the visitor centre redevelopment completed in 2003 at the front of the Shrine. The development will expand and improve facilities for exhibitions, for community research and for the delivery of school and community education groups. I do not know if I am armed with the figures today, Mr Ondarchie, but the number of visitors the Shrine has — a large part being made up of school groups — is literally staggering. I do not have the figures with me, so I will not have a guess at them today. For those who visit the Shrine, this is really delivering a first-class project.

The Shrine management down there are absolutely rapt. They have got a stall and exhibition space, but like any facility it gets a bit cramped, so there is an extension at the back, a mirror image of the front, and I think within the same funding envelope as they move into the back they will deliver some refurbishment works to the front, if that is possible, as part of the project. The new facilities will enhance the Shrine's capacity to meet that demand, as I have mentioned, and certainly the demand for the commemorative activities during the centenary of Anzac Day and the World War I commemorative period in the coming years. As I said, we were down there last Sunday — I should remember it; we nearly beat Geelong. Sorry, Chair.

Mr ONDARCHIE — You did not, though.

Mr HODGETT — We were down there last Sunday for the delivery of the display boat — the original lifeboat from the SS *Devanha* that was used at the Gallipoli landing. It is on loan from the Australian War Memorial. It has been a significant project in itself getting it in. They have had to build a tunnel, if you like — like the Batcave, it lifts up with the grass on it — and make a model of the boat to make sure they could get it in. The boat was delivered last Sunday, and the Premier, Minister Drum and I were down there for that. It will be great to get back there shortly and see that in place. I encourage people to get down to the Shrine. Some people visit often and some do not visit that often, but this is great.

Among the innovation they have done there, in the back section they have put The Ode in morse code on the walls and a picture of the world. A lot of innovation and creativity has gone into the project, and I take the opportunity to congratulate Blake and his team at Probuild. This has been a very sensitive project, as you can well imagine. Blake and his team and workforce have delivered on this first class, and I congratulate them. I have no doubt they will deliver it in time for the important commemorations next year.

Mr ONDARCHIE — Is the project running to time?

Mr HODGETT — It is running to time. Weather and different things have impacts on projects. At one stage we were expecting that it may well be delivered ahead of schedule. I think they are still waiting on some interstate orders for some stuff, so that is going to impact on time. You are always a bit reluctant to say too much when you are dependent on external factors. As I think I said in the presentation, many of these projects that we deliver are on time and on budget according to specifications, so within the same funding envelope I think they are going to have capacity to do some work at the front. If it can be delivered on time or under time, I am sure that we will do that, but the main aim is to get the project delivered by Anzac Day next year so that we can proceed with those commemorative services.

Mr PAKULA — Minister, I want to ask about Melbourne rail link. Before people jump up and down about portfolios, I will tie it to the major projects portfolio very clearly. Already there has been a lot of commentary about this project and evidence before this committee from the Treasurer about matters such as where Fishermans Bend train station is, whether Cranbourne and Pakenham go through the loop and Frankston misses Flinders Street, and the apparent disagreement between the planning minister, who said there was no business case for Fishermans Bend, and the Treasurer, who told us there was an interim business case when he appeared

before this committee on Friday. My question is related to this so-called interim business case, and it is: what input did Major Projects Victoria have into the development of that interim business case?

Mr HODGETT — Mr Pakula, I can talk about the rail project corridor, and if Mr Bamford is able to elaborate on your question, we will so as not to provide incomplete or inaccurate answers. If we cannot answer it, I am happy to take that on notice or — —

Mr PAKULA — It is really just about what involvement MPV had.

Mr HODGETT — Do not forget, I am a deliverer; MPV is a deliverer for a client. In many ways it is the best job in the world, because other departments go to Treasury and have fights over funding and get the project, and then we deliver it. As I said before, we proudly deliver them on time, on budget and according to specification. A lot of those projects are worked up, planned and argued for out of the departments. Whilst you have got major projects as such, East–West Link is a major project, but Transport builds roads and metro rail, so it is not a major project as such under the MPV portfolio.

Health builds hospitals, so Bendigo Hospital is a major project but it is not being delivered under MPV, because Health builds hospitals. Education builds schools, so Minister Dixon has a number of school projects going on at the moment or announced to go ahead, but they are not delivered as such under MPV. Even where we have something like the galleries, the Shrine or Melbourne Park, that is delivered from Sport and Recreation Victoria, Veterans Affairs or Planning or some of those departments that do not have a delivery arm. They would work up the project, cost it and have it. We would then deliver the project. In short, I guess what I am saying is your question may well be better directed to the minister who has carriage of the project, but I will ask — —

Mr PAKULA — You see, my question is about what MPV's involvement is, so I can only direct it at you and ask you to explain it.

Mr HODGETT — We are a deliverer, so I am happy to ask Mr Bamford or any of the people at the table here to elaborate on what I have said. That is probably all I can say on it. Mr Bamford?

Mr BAMFORD — Specifically, we did not have a role in the preparation of that business case.

Mr PAKULA — Thank you.

Mr HODGETT — A pleasure; succinct, factual.

Mr ANGUS — Minister, I refer you to budget paper 4, page 61, and I ask you to advise the committee: what is the government doing to provide the very best training facilities for Victoria's firefighters?

Mr HODGETT — Thanks for the question, Mr Angus. The emergency training centre I mentioned before — a \$109 million project out in Craigieburn, state of the art — is going to be fantastic. In August 2010, I think, the MFB purchased the 18.5 or 18.6-hectare site in Craigieburn on which to develop the project. It is a \$109 million significant project. When we talk to our emergency management services or our firefighters, if you like, they tell us the best form of training, bar being in a real-life situation, is simulated training. Out at the centre there are 12 props, I think they call them, which can basically simulate any emergency activity, from a cave-in of a rail tunnel to a fire on a ship or a barbecue fire on a high-rise building in inner Melbourne. There are 12 props that can simulate any sort of emergency that they will train them on. No doubt this will be one of the best — if not the best — emergency management training facilities in the Southern Hemisphere.

I think — I will stand corrected if I am wrong — other emergency services are looking to purchase land to co-locate out there and put facilities out there, so the SES and Victoria Police will take advantage of it and use the facility for various training. I have been out there a couple of times. It is in a great part of the world. It will be delivered, functional and operational, shortly. I think you will have the Premier, the Minister for Police and Emergency Services and me fighting over who opens it. It is a state-of-the-art great facility.

I am sure we will attract people from interstate and overseas who will come and look at the facility and use it, because as I said, our emergency personnel say it is the best form of training, and we want to provide that. I am not sure when Minister Wells will be before you, but this year we are putting record additional funding into the CFA and our fire services. To invest in them and give them the best training facility is very important and appreciated by them. That is not to mention the jobs in construction. Important projects like this go over a

period of time. There will be construction jobs, and there will be ongoing jobs where people actually run and manage the centre. People will be keen to get into our emergency services when they have the best training possible. I hope that has answered your questions as best I can.

Mr ANGUS — It has, thank you, Minister.

Mr SCOTT — Minister, I note your presentation made reference to Flinders Street station.

Mr HODGETT — Yep.

Mr SCOTT — And also I understand the competition winner was announced somewhere around 8 August 2013, from memory. Minister, can you confirm that there are no funds allocated in this budget or indeed in the forward estimates for the actual redevelopment of the station?

Mr HODGETT — I was just clarifying, Mr Scott. Thank you for the question. The funding in this year's budget for that rail corridor and those four projects of \$8 million over two years is to continue to work those projects up. Flinders Street station is an important one, and we went to the election to go through that design competition because we wanted to bring the best and brightest ideas from around the world. I think, as I outlined in my presentation, it was a very successful design competition. In fact I think the original station was from a design comp too. The original design of the Flinders Street station was from a competition as well.

It is a station of architectural, historical and social significance to Victoria, being the site of Australia's first railway station in 1854 and having functioned as the central hub of the Melbourne and metropolitan train system since 1866. I said at the time of the competition and I continue to say there is not a tourist shop you can go past in Melbourne that has not got a postcard of Flinders Street station or the steps there under the clocks. In fact we all used to use that as a meeting place, under the clocks at Flinders Street station. I am sure many other activities have gone on there too.

In terms of this budget, the \$8 million will continue to work up those projects. The two that are most advanced, as I mentioned earlier, are Federation Square East and E-gate. But I want to be in a position, as major projects minister, to give us choices so that when we want to go and invest in the station we are at a planning position where we can do that. So we have not allocated money to actually do the project in this budget; we have allocated money to continue the planning. As I said initially, we want to get this right. We want to protect the cultural and heritage significant parts of the building. A little bit of extra planning now is better than a rushed project that does not deliver the best outcomes for all Victorians. So I look forward to obtaining funding in a future budget to deliver this fantastic project. And thank you for the question.

Mr ONDARCHIE — Minister, I just want to touch on the Melbourne wholesale markets project in Epping. I know PAEC's own report made a statement that said:

The committee considers that the original completion date was optimistic given increasing difficulties with stakeholder opposition. Many of these factors may have been highlighted if a more thorough analysis of the project had have been carried out at the feasibility or first business case stage of the project's development.

That was something I know, as you have indicated, Minister, that you have inherited. What went wrong with the project, and why did you have to try to reconstitute it?

Mr HODGETT — You might have had a quick question, but I do not know if it will be a quick answer, Mr Ondarchie. If you really want that sort of information, it is best summed up in the Auditor-General's report, which exposed a monumental mismanagement of the whole project, cost blowouts, time delays, poor stakeholder engagement, probity concerns — the list would just go on and on. That Auditor-General's report was a scathing critique of the incompetent former government, which repeatedly proved it was incapable of delivering major projects on time or on budget. Some of the comments were that it was not properly managed and there was no proper management of the procurement process, no major project budgeting and no effective consultation with shareholders. The audit report states that the project will be more than double the original money included in the 2004 business case and it will be six years late. As I said before, I think at last count — and I will double-check — it has been through four premiers and six ministers, and I am hoping I am the one to put it away, to deliver it. It is years late, the procurement process was not demonstrably fair, the government paid more for the trading floor than it needed to.

Members interjecting.

The CHAIR — Order!

Mr HODGETT — Stakeholder management was not effective and not fully costed. A price bid by the unsuccessful tenderer was \$40 million less than the successful tenderer. I mean, that is — —

The CHAIR — Minister, the time available for the hearing has now expired.

Mr HODGETT — And improper probity management resulted. I could go and on. Whatever I have not said I am happy to take on notice, and I can probably furnish greater detail to the committee as required.

Members interjecting.

The CHAIR — Order! That concludes the hearings for the major projects portfolio. I do not believe there were any formal questions on notice, so I will skip over that. And I thank Mr Noble and Mr Bamford for their attendance.

Witnesses withdrew.