

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2011–12

Melbourne — 10 May 2011

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

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Witnesses

Mr D. Napthine, Minister for Major Projects,

Mr H. Ronaldson, Secretary,

Mr A. Smith, Deputy Secretary, Investment and Major Projects, and

Mr J. Wiles, Acting Executive Director, Major Projects Victoria, Department of Business and Innovation.

The CHAIR — I welcome Mr Howard Ronaldson, Secretary of the Department of Business and Innovation; Mr Alf Smith, deputy secretary, investment and major projects, Department of Business and Innovation; and Mr John Wiles, acting executive director, Major Projects Victoria, Department of Business and Innovation.

Before I proceed any further let me reiterate something I said earlier to another department. Receiving the estimates questionnaire from the department during the lunch break today was not helpful to the committee's consideration of the information contained therein. The purpose of the questionnaire is to assist members of the committee in their examination during the budget estimates hearings. The time line for the return of questionnaires was in fact Thursday of last week. Let that just stand unremarked other than to say we would expect this not to occur in the future.

Without further ado, I call on the Minister for Major Projects to make a presentation of no more than 10 minutes on the major projects portfolio.

Dr NAPHTHINE — During the past 150 years Victoria has built a strong tradition of excellence in public buildings and major projects. The Baillieu government wants to continue that tradition. We come to office holding the view that public infrastructure is vital to ensure the state's growth both in Melbourne and across regional and rural Victoria. By choosing our major projects carefully we aim to secure and create jobs, stimulate investment and generate new opportunities for local business and industry. We are careful to ensure they deliver value for Victorian taxpayers.

The Melbourne Convention and Exhibition Centre, more commonly known as Jeff's Shed, is an excellent example of how strategic infrastructure can benefit the whole community. This project has been a catalyst for the redevelopment of the entire South Wharf precinct as a centre for business, tourism, retail and leisure activities. Federation Square and the Geelong waterfront development are further examples of the impact major developments can have on communities. Federation Square has become the heart of Melbourne, a gateway for tourists and a focal point for Melbourne's celebrations and events. The Geelong waterfront development was a catalyst for the revitalisation of our largest regional city.

As a government we are committed to projects like these that support the state's economic and social strategic aims. The value of combined projects currently in the feasibility planning and construction stages in the major projects portfolio is about \$2.1 billion of both public and private capital investment. Using the Master Builders Association metric, where \$1 million of construction generates \$2.9 million in economic benefits and 1.7 jobs, the major projects portfolio represents \$6 billion to the Victorian economy and more than 3500 jobs in construction-related industries.

The projects currently being managed by Major Projects Victoria also realise an important social dividend for Victoria. Beyond providing new places to work and play, these projects are vital for people's sense of identity. Victorians like to live in a state with important high-quality public buildings. They are proud of the opportunities they provide and the progress they signify.

More generally, recent figures from the Building Commission show that the Victorian construction industry is performing well. Over the financial year to February, 120 153 building permits were issued in Victoria to the value of \$26.2 billion. That is an annual increase of 9.5 per cent. According to the bureau of statistics, Victoria had the highest proportion of building approvals to the end of 2010 — 31.3 per cent, up from 28 per cent recorded in mid-2010. This was followed by New South Wales making up 22.5 per cent of the national approvals, with Queensland reporting 19.4 per cent and all the other states following. These figures indicate Victoria's strong population growth and demand for housing, and one of the key challenges facing our state.

In this year's budget the Treasurer announced funding for two projects to be managed and built by Major Projects Victoria. The first is the \$1.6 million election commitment to hold an architectural design competition for Flinders Street station. Major projects is currently working with the Department of Transport on the details of the design competition to ensure Melbourne's iconic station building can be restored and developed while fulfilling its function as Melbourne's main passenger station.

The second is the \$15 million commitment to complete the state's sports facilities project at Lakeside Oval and Albert Park. Of this, \$5.5 million will go to building an extra floor for Athletics Australia in the athletics building, something that was announced by the previous government but not provided for in the budget. A further \$7 million will principally cover additional scoping left out by the previous government. Without these

funds areas including disability discrimination act compliance, lighting, catering and function centres would not be completed and the facility would not be able to operate. An allocation of \$400 000 has been made to upgrade old and broken seats in the existing Bob Jane stand, and a further \$1.4 million is provided for recurrent funding.

Turning to our current projects, work continues in the Melbourne Park redevelopment to transform our world-class sporting precinct and ensure it remains the home of the Australian Open until 2036. In March this year I joined the Premier and Minister for Sport and Recreation to commence work on the eastern plaza facility, which will comprise 8 new indoor tennis courts, 13 outdoor courts, warm-up and warm-down facilities for athletes, an elevated plaza providing public space and an eastern entry to the Hisense Arena, multilevel underground parking for up to 1000 cars and 30 buses, an upgrade of the western entry to Hisense Arena and a pedestrian bridge over Olympic Boulevard, completing a direct pedestrian link between the MCG, Melbourne Park and AAMI Park.

In April I was able to announce the selection of NH Architecture and Populous to design a new operable roof on the Margaret Court Arena and enlarge its capacity to 7500 seats. This will provide a third covered court for the Australian Open and fantastic opportunities for other sports such as netball and basketball. These projects, as well as water saving and landscape works around the precinct, make up the \$363 million first stage of this 15 year redevelopment of the entire precinct that will give Victoria unparalleled sports and entertainment venues and further cement Melbourne's reputation as a world sporting and events capital. The Australian Open is a cornerstone of the major events program, drawing more than 600 000 people this year. More than a million people are expected to attend the two-week event by 2030. This project ensures that we provide the best facilities for tennis players and patrons.

Victoria is not just a sporting capital, we also have an international reputation for the arts and culture. Work is continuing on the refurbishment of Hamer Hall, the flagship arts venue for Victoria and a catalyst for the further redevelopment of the whole Southbank area. I visited that facility this morning, and it is fantastic to see the progress going on there.

The \$288 million Biosciences Research Centre will deliver a world-class agricultural facility to boost productivity, fight diseases and help make Victorian farmers even more competitive and sustainable. The new facility located in the La Trobe University campus at Bundoora will help protect our \$11.8 billion agricultural industry by allowing for the rapid detection and eradication of plant diseases and disease outbreaks.

Major Projects Victoria is also involved in regional projects such as the Geelong Trainshed Way office development, which comprises 13 500 square metres of new office accommodation in two buildings adjacent to Geelong train station. One building will be owned by Barwon Water and the other leased by the Assistant Treasurer to accommodate a number of state government departments and agencies.

Finally, I would like to raise a future project that Major Projects Victoria is doing significant planning for, and that is the 20-hectare E-Gate site, which is located at gate E in the Melbourne rail yard, just 2 kilometres from the CBD in West Melbourne. The state government has determined to further progress the proposal for urban development to grow the Victorian economy and generate jobs. This will be a significant population centre and a major growth opportunity for the state. It is proposed that the E-Gate initiative will be valued at approximately \$6 billion and will be developed over the next 12 to 18 years.

That brings my presentation to a close, and I would welcome questions.

The CHAIR — Thank you, Minister, for that presentation. I was so enraptured with the presentation that I barely heard a word of what you said for some short while, because it was very well put together as an informative package. It captivated me.

I am going to lead into the questions. We have about 45 minutes for questions. My question is: how have predictions concerning population growth shaped the budget for 2011–12 and the out years for the discharge of your responsibilities in the major projects portfolio?

Dr NAPHTHINE — Thank you, Chair. Clearly population growth is important for Victoria. The growth of the population of Victoria stimulates our economy and in many cases provides for increasing multicultural diversity, which adds value to the quality of life and the economy of the state. Indeed population growth has driven the economy of this state for some time.

While there is some prediction of a slowing of population growth, there is still going to be significant population growth, both in Melbourne and in regional and rural Victoria, that needs to be accommodated by our state. It needs to be accommodated in terms of local infrastructure, be it housing or associated education, health or transport infrastructure, but of course we also need to accommodate it in terms of some of our more major infrastructure to service a growing population.

In terms of particular population growth, as I referred to, one of our significant projects is E-Gate, which provides, I believe, an absolutely unique opportunity to turn what may be described as a brownfields site, very close to the centre of the CBD, into a population centre that will be second to none in the world, in terms of the range of living opportunities and the quality-of-life opportunities we can offer people who wish to live in that sort of inner city environment.

It is important that we as a government and a community offer people diversity of choice. My colleague the Minister for Planning has already foreshadowed further developments in Fishermans Bend, which again provide those opportunities for further development in an inner city area.

If I can combine my portfolios of racing and major projects, there are also opportunities, I believe, such as those being developed by the Melbourne Racing Club at Caulfield for developments in that area, which are being proceeded with through the planning process through the Glen Eira council. Racing clubs at Moonee Valley and the VRC at Flemington also have some conceptual plans for further development to cater for population growth which are worthy of consideration in consultation with the broader community.

Mr PAKULA — Thanks, Minister. I want to refer you to page 14 of budget paper 3. You actually referred to it yourself in your presentation — that is, the Flinders Street station competition. I think in October last year the then opposition leader, the now Premier, said there would be an international design competition to restore Flinders Street station to its former glory. At the time he announced that, he said that that would be a \$1 million competition. I note that now in the budget that has blown out to \$1.6 million. First of all I wonder why we are going to spend an extra \$600 000 on that, given that you cannot fund JobWatch. Also, there was a business case already under way in regards to the future uses of Flinders Street that was being undertaken by Major Projects Victoria, and I am wondering whether there have been any funds allocated to allow MPV to conclude the business case that has been under way for some time?

The CHAIR — So there are in fact two questions there. Minister, you may choose which question you answer.

Ms HENNESSY — Let's not coach the witness, Chair.

Dr NAPHTHINE — Thank you, Chair. The Flinders Street railway station complex is a 101-year-old building registered on the Victorian Heritage Register, pursuant to the Heritage Act. According to the register, the site comprises 'all the land from Swanston Street to Queensbridge Street, bounded by Flinders Street on the north and Yarra River on the south'. The station buildings are currently partly used by Metro trains for office accommodation associated with the train network, and the government is currently considering its options for the possible use of the range of administration buildings and other land in that area.

I have recently visited the site, and it is a challenging site but one that offers significant opportunities. The Premier, who you would be aware is an architect by profession, is the sort of person who can see the vision and the great opportunities — —

Mr PAKULA — Is he going to enter the competition?

Ms HENNESSY — Is he going to win the competition? I don't think he needs the dough.

Mr PAKULA — I actually think he's got enough money.

Dr NAPHTHINE — That is one thing the Premier is really good at, seeing those great opportunities for Melbourne and Victoria, and Flinders Street offers one of those great opportunities — not just the building itself, but if you go further west from the building, there is a car park, which is largely cleared land, and what was called the milk dock, where the milk supplies used to come in by train to Melbourne. So there are real opportunities to redevelop that site.

What the government committed to was a \$1 million prize pool for an architectural competition at an international level.

The additional money to which Mr Pakula refers, Chair, is the money that will be involved in preparation for that competition to make sure all the relevant documents and information are available and all the parameters that we would expect competitors to operate within are in place. For example, there may be some competitors who are interested and who may see an opportunity to perhaps take advantage of the rail facilities there and perhaps even look at building over them so we can have an operating rail with a facility over it. But we would need to put in parameters with regard to protection of the river and Southbank from overshadowing. All of those parameters must be — —

The CHAIR — And the aspect from Southbank.

Dr NAPHTHINE — Absolutely, and the aspect from Southbank. So all of those things must be protected. I am sure you would recognise that this is a great asset and a great opportunity, but it must be handled very carefully with respect to the heritage building and with respect to the other areas that are in that vicinity. It is not just simply about offering a million-dollar prize pool; it requires a fair amount of work and a fair amount of documentation to provide adequate information to the international competitors so we get the best opportunity and the best outcome for Victoria.

The CHAIR — Thank you, Minister. You do not want to ask a follow-up, do you?

Mr PAKULA — Given that the second question was not answered, maybe I do. I suppose we all have different views about whether a million-dollar prize is money well spent and whether it could be designed otherwise without a million-dollar prize but — —

Mr ANGUS — It is better than \$1.3 billion on myki.

Mr PAKULA — Yes, you have made your commitment. You won the election. The second part of the question was about the business case that was already under way, Minister, and whether there is any money allocated in the budget to allow that to be completed.

Dr NAPHTHINE — I am sure that any work that was being done by Major Projects Victoria with respect to this site will be invaluable in the parameters being set with respect to the competition and the future potential uses for that site.

Mr MORRIS — Minister, the final page of your presentation referred to E-gate, and I think you also referred to it in your response to the Chairman's first question, but can you give the committee an indication of where we are with the development of E-gate and in particular what the benefit of the project will be to Melbourne?

The CHAIR — Minister?

Dr NAPHTHINE — Thank you, Mr Morris, through you, Chair. Major Projects Victoria has been engaged to deliver a business case for the redevelopment of E-gate, which is a unique 20-hectare site owned by VicTrack in West Melbourne. It has a potential value of more than \$1 billion. The E-gate precinct is located between the North Melbourne train station and Footscray Road in West Melbourne, so it is the area between the North Melbourne train station and fundamentally the Docklands development. This would complement the rollout of northern Docklands and create a link between Docklands and West Melbourne. Indeed, links back to the North Melbourne train station would provide enormous access for all of Docklands and the E-gate development to our train system. As the last large parcel of land in the inner city without a long-term strategic plan, the site is ripe for the possibility of development and with the potential to make a significant contribution to realising the housing opportunities and future policy directions of this government.

Since completing the preliminary business case MPV has focused on the works required to prepare the E-gate site for redevelopment in the earliest possible time frame. Indeed, the government has asked Major Projects Victoria to move this project forward as fast as possible. All these projects require careful consideration and planning, but we believe this provides such a great opportunity for Victoria that we want it progressed.

The business case has so far explored a range of land-use options. The site would be used as a mixed use, transit-oriented activity centre with both residential and commercial land uses. The land development issues concerning subdivision, planning, scope, staging and development agreements are currently being analysed, and MPV is investigating the opportunities to commence a range of early works to support this infrastructure on this site. Work is also progressing to conduct a comprehensive environmental and geotechnical assessment of the site in anticipation that an environmental audit will be required prior to the development of the site.

Notionally the site could be available for redevelopment after 2014 when the BlueScope OneSteel lease on the area expires, so there is a great opportunity there and MPV is working extremely hard to make sure that we can bring this forward as quickly as possible.

Mr MORRIS — Thank you.

Mr SCOTT — Minister, I refer you to budget paper 4, page 15, and the Princes Pier restoration, stage 2, and I ask: why is no funding estimated to be expended by this project in the 2011–12 financial year yet there is \$9.729 million of remaining expenditure?

Dr NAPHTHINE — Princes Pier is one of the largest timber pile wharf structures in Australia. It served as the departure point for Australian troops in the first and second world wars and was the first place of contact for thousands of postwar immigrants. The redevelopment of Princes Pier will ensure this important part of Victoria's history is retained. Restoration of the pier will provide an additional open space on the waterfront and reduce the current public liability associated with the derelict dock structure. The redevelopment of Princes Pier includes the creation of a forest of piles at the seaward end of the pier as a heritage and sculptural centrepiece, and that has been completed; the removal of the existing deck structure, which has been completed; the reconstruction of 196 metres of pier; and the re-establishment of the gatehouse. The creation of the forest of piles, construction of 196 metres of deck and the refurbishment is expected to be completed and reopened to the public later this year.

As minister I have visited this site, and I must say I was absolutely impressed by the standard of workmanship on this significant and challenging project. However, it is important to note that in 2006 the former Deputy Premier and member for Albert Park, released a media release headed 'Bracks government facelift for Princes Pier' which said the total cost of the project would be \$14 million. In a 2007 media release the then Minister for Major Projects, Mr Theophanous, said, and I quote:

The demolition and construction of the northern deck is on track to be completed on time in 2009 ...

In 2008 Mr Thwaites resigned from Parliament. It was later revealed that there had been a massive cost blow-out and the exact cost of this project was unknown. In May 2009 the then government was forced to assign an additional \$20 million to the project, which was originally costed at \$14 million, although there was no mention of the original architect of the project, Mr Thwaites, by the then minister, Mr Pallas, in this government press release. The total cost of the project is now \$34 million — a 142 per cent blow-out of the original cost. So we have had a two-year blow out in time and a 142 per cent blow-out in cost on a project where, as I said, the workmanship is excellent; the engineers and the people who have worked on it are to be commended. But the previous government's management of that project has to be questioned.

Mr ANGUS — Minister, you referred, in your presentation, to the state sports facility project, and I note in budget paper 3 on page 129 that is referred to as well. What will the additional funding that you have allocated in the budget cover?

Dr NAPHTHINE — I thank Mr Angus, through you, Chair. The state sports facilities centre at Albert Park is a terrific addition to Melbourne's network of unbeatable sporting facilities, and I am sure it will be the breeding ground for many up-and-coming athletes, whether they be the next Steve Hooker, the next Jana Rawlinson or the next Olympic medallist from this state. It will provide a much-improved administrative office for the Victorian Institute of Sport, Athletics Australia, Athletics Victoria and Australian Little Athletics.

However, Chair, I am loath to advise you, but I must advise you, that the previous government significantly underfunded and chronically mismanaged this project, leading to significant cost blow-outs. This project was in a financial mess when we came to office, and the Minister for Sport and Recreation and I had to put a lot of work and effort into trying to put this project back onto a solid and responsible financial footing. In this budget,

as the member has said, the project will receive an additional \$15 million to fix up the mess and the black hole left by the previous government.

Mr PAKULA — Have you got to say ‘black hole’ once every presentation?

Ms HENNESSY — Black hole? Is that like the West Gate Bridge black hole — the one that was fabricated?

Mr O’BRIEN — If there were not so many, we would not have to say it so many times.

Dr NAPHTHINE — I could say ‘black hole’ a heap more times. In major projects there are a lot of black holes, and we will keep coming to them.

Ms HENNESSY — There won’t be any under your leadership, will there, Minister.

Dr NAPHTHINE — There was \$12.9 million required to complete the infrastructure of the centre. \$5.5 million to provide for athletes, principally to build an extra floor on the Athletics Australia athletics building, which was announced by the previous government but completely and utterly unfunded — announced but unfunded.

Mr O’BRIEN — They like that trick too.

Dr NAPHTHINE — There was \$7 million to principally cover additional scoping left out by the previous government. Without these funds, areas would have missed out: there would not have been DDA compliance, there would have been insufficient lighting, catering and function centres would not have been completed and the centre would have been unable to operate. An additional \$400 000 is being used to upgrade old and broken seats in the existing Bob Jane stand.

I have been there with Minister Delahunty to visit the site. This is a great opportunity for Victoria, and there has been great work done to convert the old Albert Park South Melbourne footy club grandstands — for those who have a history with the Swans at Albert Park — into working office spaces. I congratulate the engineers and the builders on that project. It is a pity that they have been hamstrung by the lack of adequate funding under the previous government, which has been remedied by this budget. The State Athletics Centre will now be fully delivered and fully funded by the Baillieu government.

Ms HENNESSY — Minister, I make reference to budget paper 4 and the table on page 15 in respect of the expenditure around Melbourne markets, noting that it is ‘to be determined’, terminology that is used 22 times in that budget paper. Also noting the Premier’s commitment on 16 August 2006 that he would not relocate the Melbourne wholesale market, my question is: what would the cost be of developing the existing site, and what would the freight implications for the port of Melbourne be if the existing Melbourne market site is not available for improved freight access to the port?

Dr NAPHTHINE — The Melbourne fruit, vegetable and flower market operates currently on a 33-hectare site on Footscray Road. There are 500 fruit and vegetable sellers, wholesalers and growers, 1200 retail businesses that operate there and 100 wholesalers in the flower market. One of the issues when it was relocated from the old Victoria market site is that while, traditionally, long hand wheelbarrows were used to transport goods, significant changes over time mean that we have gone from wheelbarrows to 800 forklifts, 200 scooters and 3000 vehicles. There are significant challenges at that site with regard to occupational health and safety.

The wholesale fruit and vegetable market is an absolutely vital part of the Victorian economy, and it is absolutely essential that we have a workable, efficient wholesale fruit and vegetable market. Over six years ago the previous government decided to relocate the fruit and vegetable market to Epping. Indeed it was 11 November 2004 — —

Ms HENNESSY — Minister, I have asked about the costs of developing the existing site. I know you would like to read your PPQ, but the question is about freight and development of the existing site.

The CHAIR — Ms Hennessy, the minister is answering your question.

Dr NAPHTHINE — For those who have a sense of history, 11 November is a significant date. It is the date Ned Kelly was hung, it is Armistice Day and it is the date that Gough Whitlam was sacked. It is also the date

the Labor Party announced that the Melbourne markets would go to Epping. Since then we have a merry-go-round of departments, ministers, failed project proposals and lack of effective consultation.

Ms HENNESSY — You are a real Tina Fey. I would really like it if you would simply answer my question.

Dr NAPTHINE — There have been massive time blow-outs and massive delays. It was supposed to be finished by 2010.

Ms HENNESSY — What is the cost of developing the existing site, and what are the freight implications?

Dr NAPTHINE — Including the payment of millions of dollars of taxpayers money under a failed PPP proposal for the Melbourne market development. There has been confusion, mismanagement, waste of taxpayers dollars, fundamentally all from the lack of leadership of the previous government.

Ms HENNESSY — So you are not moving it, and no money to develop the site.

Dr NAPTHINE — Indeed, Chair, to keep up with Mr Pakula, what we have got is a massive black hole. In 2004, \$300 million was allocated —

Ms HENNESSY — Yes, Minister, in your budget, about what your plans are — —

Dr NAPTHINE — to the Melbourne market relocation, of which \$226 million was from the government, and \$73 million was a TCV loan. In 2008–09 that cost had blown out to \$527 million. Again — —

Ms HENNESSY — Minister, this act is very last week. I would like to know what the cost is of developing the existing site.

The CHAIR — Minister, ignore the interjection and just proceed.

Dr NAPTHINE — Again, instead of increasing government input into the project, it remained at \$226 million. But now it was required for the Melbourne Market Authority to put in an extra \$51 million and the TCV loan was increased from \$73 million to \$216 million with no assessment or business case as to whether the loan could be repaid at a reasonable rate by the stallholders and operators of the Melbourne market.

Mr PAKULA — So is it staying or is it going?

Dr NAPTHINE — In December 2010 the Treasury estimated the cost blow-out of the project could go as high as \$670 million. At the same time — —

Ms HENNESSY — What does the port of Melbourne have to say about your inability to answer this question?

Dr NAPTHINE — I am coming back to your question and I am putting it into context — —

Mr PAKULA — You haven't gone anywhere near it yet.

Dr NAPTHINE — The context is that while there was a massive blow-out, massive mismanagement and massive black holes in this project under the previous Labor mismanagement — a series of incompetent ministers and a series of mismanagement — the department has done a terrific job, despite the lack of leadership and direction from the ministers in the government. The question related to what the cost would be of refurbishing the existing markets. That also would be a significant burden on the taxpayers of this state. There are significant OH and S issues on the current site. There are significant issues with regard to the asbestos roof, and there are significant issues with car parking. There would be significant costs involved if the decision was made to remain at the current site.

Mr PAKULA — So why did you promise them that they would not have to move? Why did you promise the stallholders — —

The CHAIR — Mr Pakula, the minister is answering in detail the question asked by Ms Hennessy.

Dr NAPTHINE — The question referred to comments made by the then Leader of the Opposition in 2006, before the previous state election — —

Mr PAKULA — You went to 2004 a minute ago.

Dr NAPTHINE — And before \$300 million had been allocated to Bovis Lend Lease for works on the site at Epping. What we have inherited is an absolutely monumental black hole and mismanagement by the previous Labor government. Since coming to office I have been working hard with Major Projects Victoria. I have been meeting regularly with the stakeholders in the market, and I have also been meeting with the Treasurer and with representatives from Treasury and Finance to try to find a way forward here that can give us the best outcome to provide a fruit and vegetable and flower market which is in the best interests of having a good fruit and vegetable and flower market for the users of the market — the growers, the sellers and buyers — and a fair deal for the taxpayers of this state. That is what we are doing; we are trying to get ourselves out of this God-awful mess created by the previous Labor government.

The CHAIR — Thank you, Minister. Ms Hennessy, do you have a follow-up question?

Ms HENNESSY — Yes, I do, thank you, Chair. Thank you for the Liz Lemon flourish and the set of weasel words, but I am still not quite sure I understand — —

The CHAIR — The question, please!

Ms HENNESSY — What is the cost of developing the existing site? Am I correct to assume that the implication of your answer is that you will in fact be moving the wholesale fruit and vegetable market?

Dr NAPTHINE — I do not think you want to draw any implications from anything. I think you want to wait until an announcement is made before you start jumping to conclusions and drawing — —

Ms HENNESSY — Which is why I asked the question and asked you for an answer.

The CHAIR — Through the Chair.

Dr NAPTHINE — Chair, it would be better if the members of the Labor Party just apologised for the absolute mess they left.

Ms HENNESSY — No, it would be better if the minister was actually transparent and accountable — —

Mr PAKULA — This is budget estimates where you come here to answer questions, not to ask for apologies.

Dr NAPTHINE — The way they treated the stakeholders in the Melbourne market — —

Mr PAKULA — Your job here is answer questions, not ask for apologies.

Dr NAPTHINE — Who since November 2004 have been trying to get a way forward on this project — —

Ms HENNESSY — I just do not understand why you won't answer the question, Minister.

Dr NAPTHINE — While they have had to deal with, I think, four or six ministers — —

Ms HENNESSY — Just answer the question.

Dr NAPTHINE — They have been shifted from pillar to post and the costs have blown out, the time has blown out, and we are coming in to fix the problems left by the previous Labor government.

Ms HENNESSY — Please tell the committee what you are doing.

The CHAIR — Thank you, Minister, for concluding your answer. Minister, as I indicated in relation — —

Ms HENNESSY — You would make Don Watson proud, Minister.

The CHAIR — As I indicated in relation to your presentation, I was absolutely taken with the presentation about the Melbourne Park redevelopment. I would like you to expand on the progress that is being made on the redevelopment of the Melbourne Park tennis centre.

Dr NAPHTHINE — Thank you, Chair. The redevelopment of the Melbourne Park tennis centre aims to cater for the growing popularity of the Australian Open and also to provide greater opportunities for ordinary Victorians and Melburnians to access facilities at this great site. The redevelopment will guarantee that the Australian Open remains in Victoria until at least 2036. It will place a strong emphasis on the comfort of patrons with more open space and shade, increased seating capacity, better connections to public transport and the city and easier movement into and within Melbourne and Olympic parks.

The stage 1 work is worth \$363 million. The redevelopment commenced in May 2010 and will take five years to complete. The main elements of stage 1 of the redevelopment are as follows: the eastern plaza to the east of Hisense Arena will include an elevated plaza providing direct access to the first level of the eastern concourse of Hisense Arena; improvements to Hisense Arena, including a new main east entry, additional car parking spaces; and then further to the east of Hisense Arena, eight indoor tennis courts and 13 outdoor tennis courts. They will be available not just during the Australian Open for high-performance players but throughout the year for ordinary Melburnians and Victorians to come to play tennis and for local tournaments and events. There will be a gym, changing rooms and player amenities.

The other thing I think is really important in this first stage is a pedestrian bridge connecting the eastern plaza to the rectangular stadium over Olympic Boulevard. That will provide a direct connection from the MCG across to Hisense Arena to the plaza and across to the Melbourne Rectangular Sports Stadium.

The western precinct upgrades include an upgrade to the Margaret Court arena, including an additional 1500 seats, an operable roof and a fully enclosed foyer and concourse. As I said in my presentation, having a third court of a high standard with 7500 seats and a closable roof will assist in terms of scheduling at the Melbourne open, but it will also provide a variety of other opportunities — —

Mr PAKULA — I don't think you can call it the Melbourne open just yet. We would love it.

Dr NAPHTHINE — The Australian Open at Melbourne, sorry. Of course there will be upgrades to Rod Laver Arena, including the front and back of house areas. Those people who have been to events at Rod Laver Arena will know there is a need to significantly upgrade the back of house. As I said, the design contract for the western precinct was executed with the NH Architecture and Populous design joint-venture in April 2011, and the concept design has commenced. This is a significant development. It is a development that was announced initially by the previous government, but it has been funded and delivered by this government.

Mr PAKULA — Minister, I ask you to turn to page 166 of budget paper 3 and the total output cost. I am actually just seeking to have you explain the footnote. The 2010–11 target for major projects total output cost was \$11 million, the expected outcome is in fact 106.8, and the target for 2011–12 is 123.7. The note at the bottom says that the variation reflects the impact of the initial recognition of the Kew residential development land sales: the variation between 2010–11 and 2011–12 reflects new funding for Flinders Street — and we talked about the international competition — and the impact of the additional recognition of Kew residential development land sales. Can you just explain that note and what the value to the state was or is of the Kew residential development land sales?

The CHAIR — Minister, it almost sounds like a question on notice, but you may endeavour to respond.

Mr PAKULA — Surely that is for the minister to decide, Chair!

Dr NAPHTHINE — It is a question that I will provide some information on to the best of my ability here today, but I will take on notice to provide further information with respect to the detail. My understanding is that an increase of \$95.8 million in the major projects output costs from the 2010–11 target to the 2010–11 expected outcome is made up as follows: \$93 million initial recognition of expenditure and equivalent revenue associated with the costs of goods sold — that is, land sales for the Kew residential development project. Previously the budget for costs of goods sold was not included in the budget and had resulted in a significant variance of the output over the last few years. The \$1.5 million additional allocation of corporate expenditure as a result of the machinery of government transfers. The \$0.8 million additional depreciation charge related to capital projects,

and there is \$0.5 million in additional general recurrent funding. I understand that would perhaps require a little bit of additional explanation to make it clearer, and I will provide that to you, Chair, for you to pass on to the members of the committee.

Mr O'BRIEN — Minister, I too listened to your presentation with interest, particularly in relation to the Trainshed Way development. I was wondering whether you could outline to the committee particularly how that will benefit the local community.

Dr NAPTHINE — Thank you, Mr O'Brien. Through you, Chair, the Trainshed Way development is an exciting development in regional Victoria — in this case in Geelong. I think it demonstrates that our government and Major Projects Victoria are very keen to be involved in major projects, not just in the metropolitan area but right across regional and rural Victoria. Indeed I also say in the broader sense that Major Projects Victoria is prepared to roll up its sleeves and get its hands dirty on projects that may not initially be seen as major projects but they are important major projects for many towns and communities in regional centres across the state. That is a new direction we are seeking to take.

The Trainshed Way development comprises the development of approximately 13 500 square metres of new office accommodation across two buildings. One building will be owned by Barwon Water and the other leased by the Assistant Treasurer to accommodate a member of state government departments and agencies. The development is located adjacent to the Geelong railway station, bounded by Trainshed Way, Mercer Street and Brougham Street, Geelong. It will help create an important and welcoming gateway to central Geelong and provide activation and enhanced connectivity between the Geelong CBD, the waterfront and the train station. Those people who have been to Geelong and know Geelong will know that this development will really revitalise and add significant power to that area around the Geelong train station and adjoining areas. It will help improve the delivery of government services and provide a new home for Barwon Water. The Trainshed Way development will accommodate over 700 employees, including employees from the Department of Justice, VCAT, the Department of Education and Early Childhood Development, the Department of Planning and Community Development, the EPA, the Department of Treasury and Finance and shared services and Barwon Water. Funding of approximately \$18.9 million has been allocated to the Department of Planning and Community Development for land acquisition, preparation costs and office fit-out. Barwon Water will fund the delivery of its premises by the sale of existing properties. This will be a total investment of about \$30 million, and work is well under way with this development. Chair, I have to say that there is only one caveat that I have put on this development: it is a multi-storey building and the external colours of this important development on the entry into the CBD of Geelong will be alternate floors of blue and white horizontal hoops!

Mr SCOTT — Through the Chair, I would like to ask the minister: what does the government consider to be a major project, and how do the ministerial and departmental responsibilities for large capital projects get allocated within government?

Dr NAPTHINE — There are a number of issues regarding what is considered a major project, and there have been a number of different approaches taken by previous governments. Indeed while one would have thought perhaps that projects such as the desalination plant might have been considered major projects, under the previous government a project such as the desalination plant was not deemed to be a major project.

Mr PAKULA — It was deemed to be a water project.

Dr NAPTHINE — Perhaps if it were managed by Major Projects Victoria and the previous Minister for Major Projects, we would not be in the pickle we are now in with respect to that project. Similarly, the north-south pipeline — —

Mr SCOTT — A bit of confidence in Tim, is it?

Dr NAPTHINE — The north-south pipeline was not considered to be a major project by the previous government. Again, how major projects are determined does vary.

Major Projects Victoria is the Victorian government's leading in-house project management agency and is responsible for the delivery of complex, technically challenging and unique projects of state significance. Typically Major Projects Victoria manages projects for departments and clients that do not have an established delivery capacity of their own — for example, many of the health, transport and — sorry?

Mr RONALDSON — Education.

Dr NAPHTHINE — Education projects are managed within their own departments, which have significant capital branches.

Mr PAKULA — So why is water any different?

Dr NAPHTHINE — Because typically the department of water does not have a capital branch. Perhaps if it had handed these projects to Major Projects Victoria, they would not have been an absolute millstone around the neck of taxpayers of Victoria for the next 30 to 40 years. Perhaps we would have had some much better decisions. If we want to get into a discussion of the desalination plant and that absolute white elephant, the north–south pipeline, I will happily take you down that pathway.

Mr PAKULA — It is only a white elephant because of your policy decisions.

Dr NAPHTHINE — The Premier is the decision-maker for arrangements which may, however, make an explicit decision to appoint either Major Projects Victoria or alternative project management for projects delivered by the department. The Premier or the ministers and departments apply their criteria when deciding what may fall under the major projects banner. Major Projects Victoria uses major projects governance protocol to clarify responsibilities when discussing project management and delivery of departments — for example, with regard to the projects that we are currently involved with: with respect to Trainshed Way, it involves working with Barwon Water and with the Assistant Treasurer on a range of accommodation for various government agencies; with respect to the Hamer Hall redevelopment and refurbishment, that is through the arts ministry; the sports minister is involved with the athletics centre and Melbourne Park redevelopment; and the Minister for Agriculture and Food Security is responsible for the La Trobe biosciences centre.

So there is a range of ministers who are involved in using the expertise and skills of Major Projects Victoria. At the same time, Major Projects Victoria provides broader advice, in both the public and private sectors, across a range of projects that are in the interests of Victoria and Melbourne in terms of jobs, economic growth and delivery of key infrastructure for this state.

The CHAIR — Thank you, Minister.

Mr SCOTT — I do have a follow-up question.

The CHAIR — This time I think he has the opportunity for a follow-up question.

Mr SCOTT — Just to clarify your previous answer to that question, you outlined that the Premier makes a decision on these matters based on criteria, but you did not exactly enunciate what the criteria are for making those determinations. Could you provide the committee with further information on what those criteria are?

Dr NAPHTHINE — As I say, I have answered the question with regard to the Premier's prerogative to designate certain things as major projects.

Mr SCOTT — You stated 'on criteria', and you did not enunciate on it.

Dr NAPHTHINE — What we do have in major projects is an enormous range of project development expertise in terms of engineering expertise and in terms of the finance of projects and the management of those projects, and that is utilised by the whole of government, through the Premier, to make sure we get best value for money for projects. It is a philosophy that is adopted by myself, as major projects minister, and the Baillieu government. It is a pity that a similar philosophy was not undertaken in a rigorous way by the previous government, who seemed to have —

Mr SCOTT — I just want to know about the criteria.

Dr NAPHTHINE — an absolutely haphazard approach to what was major projects.

Mr SCOTT — Minister, what are the criteria?

Dr NAPTHINE — It ignored the expertise and opportunities that Major Projects Victoria had to run the ruler over a number of projects which have now proven to be an absolute disaster for Victorians.

Mr SCOTT — I understand the political hyperbole, but there was no attempt to answer the follow-up question whatsoever.

The CHAIR — Thank you, Minister. I call on Mr Morris.

Mr MORRIS — Minister, in your presentation you referred to Hamer Hall and the Southbank cultural precinct, and I think I heard you say you were down there this morning. Can you advise the committee on the status of the works?

Dr NAPTHINE — Thank you, Mr Morris. Hamer Hall is Melbourne's biggest purpose-built concert venue, and over its 29-year history it has had no significant upgrades. It is time that it was refurbished and re-presented to the Melbourne, Victorian and world communities as a premier concert venue. The business of theatre has changed, especially in terms of technology. The audience requirements and demands have changed. For these reasons the facility needs to be updated to ensure that the venue remains an absolutely world-class facility.

The \$128.5 million stage 1 redevelopment of the overall precinct includes the interior and exterior refurbishment of Hamer Hall and its immediate environs. The project will attract more Victorians and tourists to the arts precinct and enhance the livability, connectivity and amenity of the area. The project will help to grow and develop the Victorian arts industry, enhance our arts profile and reputation, and generate a significant competitive advantage for Melbourne and Victoria.

It is expected that 218 jobs will be created during the construction. Overall, the project will include auditorium improvements and new seating for patron comfort, and there will be extraordinary technology going into this. For example, the air conditioning in that venue, which used to come down from above and was problematic — particularly in terms of the impact it had on acoustics as well as the impact it delivered in terms of air conditioning for patrons — is being replaced with air conditioning that will come from underneath the seats, which will give a significantly better outcome in terms of patron comfort but also have an enormous benefit in terms of the acoustics.

There will be foyer improvements, opening up the foyer area, and there will be opportunities to open up the area onto Southbank, opening up that whole Southbank Promenade right up to the St Kilda Road bridge so that people will be able to walk all the way down on two levels, both at the ground level and at the first floor level. There will be restaurants and bars open to the public which will flow into Hamer Hall and the rest of Southbank.

It is an absolutely outstanding facility driven by an enormous degree of technical expertise. When I was down there today the thing that struck me is that we will get a concert hall of world-class standard and deliver what I would describe as a AAA outcome. We will have significantly improved acoustics — absolutely advanced, much better acoustics. We will have significantly improved amenities for patrons, and we will have significantly improved ambience for everybody, and I particularly make mention of disability access, which was an issue under the previous construction.

In terms of back of house there is much better access for technicians and food services, so again you will have a technically much more efficient operation for patrons, you will have better and more open access and most importantly in a facility like this you will have much, much better acoustics and you will retain the absolute heritage values which Hamer Hall is famous for.

The CHAIR — Thank you, Minister. That concludes consideration of the budget estimates for the Ports, Regional Cities, Racing and Major Projects portfolios. I thank the minister and the departmental officers for their attendance. It has been a useful session. Where questions were taken on notice or where there are unasked questions, of which I have a large number, the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 21 days. Thank you to everyone for participating, especially Hansard. Thank you very much.

Committee adjourned.