

# TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Budget Estimates 2019–20 (Priority Precincts)

Melbourne—Tuesday, 11 June 2019

#### MEMBERS

Mr Philip Dalidakis—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

Ms Bridget Vallenge



**WITNESSES**

Mr Gavin Jennings, Minister for Priority Precincts,

Mr Simon Phemister, Secretary,

Mr Alex Kamenev, Deputy Secretary, Department of Jobs, Precincts and Regions; and

Ms Angela Skandarajah, Chief Executive, Development Victoria.

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee.

On behalf of the Parliament, the committee is conducting this inquiry into the 2019–20 Budget Estimates. Its aim is to scrutinise public administration and finance to improve outcomes for the Victorian community—at least it is for our side. The committee will now begin consideration of the portfolio of priority precincts.

I welcome the Minister for Priority Precincts, the Honourable Gavin Jennings, Leader of the Government in the Legislative Council, and officers from the department. I thank you for appearing before the committee today, and we are missing a minister. This is going to be awkward.

**Mr RIORDAN:** Chair, your head has been down, reading so busily you have failed to notice.

**The CHAIR:** Mr Wells, I would be delighted for you to sit as the minister at the table, being a wonderful St Kilda supporter and co-chair of the parliamentary friendship group with the St Kilda Football Club. Mr Wells, too, has not taken up that offer. We are still waiting on a minister.

**Mr D O'BRIEN:** What is going on in the government? There must be something interesting happening.

**The CHAIR:** Obviously the minister has more time for his presentation than he needed.

**Mr RIORDAN:** He thought there might be another sitting day tomorrow perhaps, Chair.

**The CHAIR:** Just don't be like that, Mr O'Brien.

**Mr D O'BRIEN:** I didn't say anything. It wasn't me, Chair. It wasn't me. It was my colleague.

**The CHAIR:** You are throwing your colleague the Deputy Chair under the proverbial.

**Mr D O'BRIEN:** I endorse his comment.

**The CHAIR:** All right, let me read this, and we will see whether we can have a minister by the time I finish.

All evidence given is protected by the Parliamentary Committees Act. This means that it attracts parliamentary privilege and is protected from judicial review. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Minister, I invite you to make a brief opening statement or presentation of no more than 5 minutes to take you through to 10.37. This will be followed by questions from the committee, always interesting, sometimes insightful. Over to you, Minister.

**Mr JENNINGS:** Thank you, Chair. My apologies to PAEC. I blew my nose and then actually had a bit of a dizzy fit. I have been fighting off a cold. I am a man. That just means I am a little bit inadequate. But I am okay.

**Mr RIORDAN:** No gender stereotyping, please, Minister.

**Mr JENNINGS:** Oh, okay, sorry.

**Mr RIORDAN:** It makes some of us feel uncomfortable.

**The CHAIR:** For the record, man flu is a serious affliction. Continue on, Minister.

**Mr JENNINGS:** Okay, thank you.

**Visual presentation.**

**Mr JENNINGS:** This aspect of my responsibility is a recent responsibility from the last election. The government took the opportunity to gather some of our thinking in relation to the way in which we get precincts away. I commented on a number of these features in the last presentation. If we actually see what are the demands on the Victorian community and the Victorian economy and our infrastructure needs in the future, how do we best design our infill in urban design and the configuration of housing, job opportunities and efficient transport connections, minimising transport needs across the city to try to have vibrant communities in which there is a lot of economic activity and housing that is provided. The precincts portfolio is the way in which we can bring that together.

If you actually think about it, in the next 30 years or so 8 million people will be living in metropolitan Melbourne. We will need another 1.5 million jobs. We will need another over 1.5 million homes. We need a transport network which will cater for 10 million trips a day. We want to make sure that we have 70 per cent of new dwellings, according to *Plan Melbourne*, within established areas rather than on the fringe of metropolitan Melbourne, increasing our footprint of the shape of the metropolitan area. The priority precincts that have been identified in the first instance but may be augmented later include Parkville, Fishermans Bend, Sunshine, Arden and the Richmond to Docklands corridor as well as the national employment and innovations clusters.

Just to run through them very, very quickly, currently there are 49 000 people employed in Parkville, the centre of our institutions for education and medical research. We are actually wanting to add somewhere in the order of 10 000 new jobs within the next 10 years to 12 years, and that will drive \$14 billion worth of private investment in that precinct.

The Richmond to Docklands corridor, as anyone will actually understand who lives in this community, is one of the prime precincts on a global scale in relation to the coincidence of sporting, cultural, artistic and entertainment precincts within a parkland setting—a wonderful opportunity for us to make sure that we use appropriately and develop appropriately to protect those values.

Fishermans Bend is something that we will need to dedicate a lot of work to, again, in terms of an urban infill project—485 hectares. On a world scale that is very large in a developed economy and a developed city for a redevelopment opportunity. We want 80 000 residents and 80 000 workers to be located there, and we have allocated some money to get further planning away and to start some consideration of the way in which those precincts, the five precincts within Fishermans Bend, can get away.

Arden is on the north-west side of the city, where there is currently a station box that is actually in the middle of a beautiful worksite that has been the mounting yard for the metropolitan rail tunnel. From that location it has gone west and now it is heading east before it actually comes underneath the city. But eventually by the time that rail line is completed and the station box comes up out of the ground—

**The CHAIR:** Minister, I do apologise in interrupting your presentation.

**Mr JENNINGS:** Too quick? Too slow?

**The CHAIR:** Well, it just gives me an opportunity to have the time until 10.44. Minister, we have the Minister for Suburban Development appearing before us later on. Can you clarify for me the differences in your role as Minister for Priority Precincts as distinct from the minister responsible for suburban development?

**Mr JENNINGS:** Okay. The simplest way to do it is in fact—and my apologies for being too slow and tardy in relation to my presentation—if you actually think about my responsibility through the prism of top six priority precincts, plus the national employment and innovation clusters, which by and large are very similar to what is the juxtaposition of the train connections across the Suburban Rail Loop. So if you actually think about where they are likely to be located, they are around university precincts and industry clusters that actually occur around university precincts—not exclusively so, but some. So it is tightly defined by the geography and the development opportunities around those locations to try to get a density of development that is around transport connections that play key economic institutional connections between, as I say, educational institutes, capacity,

the appropriate degree of industry development that actually occurs and the community amenity, and to see those as templates, exemplars, for actually how you get projects away.

The Minister for Suburban Development considers broader aspects across the range of catchments being associated with the government's thinking about suburban partnerships. Quite often this is actually thought of as the interface needs of growing communities, where in fact we think about the balance between where people have actually settled in suburban areas. Where infrastructure has not caught up, there needs to be support for community development that actually occurs. There need to be opportunities for the community to come together more broadly in those catchments and discuss what their priorities may be—again, more broadly, larger catchments, more diverse communities that actually come together and share their aspiration—and the government responds to those priorities over a broader catchment.

**The CHAIR:** So what are the potential issues for them not getting the priority precincts right in relation to other developments. I know that the committee spoke to you in your previous portfolio about the Suburban Rail Loop, and obviously the Suburban Rail Loop will have a significant role in a range of areas; of course infrastructure development is one. But certainly budget paper 3, page 68, table 1.13, looks at the establishment of priority precincts as a portfolio, so I guess, if I come back to it, I am interested in the role that the precincts can play in the development and the delivery of the Suburban Rail Loop.

**Mr JENNINGS:** Thank you. So ultimately at the end of the day, with what I described in my first slide presentation—8 million people, one and a half million more jobs, one and a half million more houses that we need—unless we do that with a degree of wisdom, there are going to be incredible pressures on all parts of the community. So the idea of trying to co-locate housing and jobs to minimise against transport and the tyranny of distance in relation to moving between where you live and where you work—the better. As a discipline, we are trying to drive what will inevitably be a higher density than what actually otherwise occurs on the suburban fringe, for instance. But you have to do it in a way which actually addresses sustainability questions. You have to do it in a way which actually satisfies community amenity. You cannot necessarily create great caverns in the sky around the metropolitan area that are undesirable places to live. That was a risk in relation to some proposals that pre-existed our government, and we are wanting to make sure that that does not occur. We are wanting to make sure we get that balance right. If we get it right, what that will mean is that the densities and the pressures on other communities will not be as great as they otherwise would be.

**The CHAIR:** If I can be a little bit selfish and talk to you about an area within my electorate of Southern Metropolitan Region—and continuing with the same PAEC budget paper reference number—can you give us an update in relation to the Fishermans Bend precinct and how we can make sure that that precinct is developed properly with both community and other uses in mind which may have been missing from previous planning around Fishermans Bend?

**Mr JENNINGS:** Thank you for that. Unsurprisingly what had actually happened before the current government had come into office in 2014 was a rezoning that actually occurred during the life of the Baillieu-Napthine government that gave huge windfall profits to developers who actually accumulated parcels of land without any precinct planning or community planning that was actually associated with it—so basically almost, if you consider it, 485 hectares of, in theory, open-slab development without necessarily any overlay about how those spaces should relate to each other, what type of development was appropriate apart from skyscrapers being developed in an opportunistic fashion, when do schools arrive, how does parkland get protected, how do you create transport links, how do you actually try to get the appropriate investment between educational institutions and industry to actually get a nice synergy between those things—

**The CHAIR:** Minister, I will look to you to finish that answer on notice.

**Mr D O'BRIEN:** Minister, just going to the Chair's question about suburban development and what your role is in everything, can you just confirm to us, is it the fact that you are the only minister who is on all 13 cabinet subcommittees?

**The CHAIR:** That is why he looks so tired. He is the busiest man.

**Mr D O'BRIEN:** Is it the fact that you actually are the man that runs Victoria?

**Mr JENNINGS:** I am definitely not the person who runs Victoria, but I am on every cabinet committee, yes.

**Mr D O'BRIEN:** Right, thank you. With respect to the precincts, you have given us the presentation at the start, which lists a number of them, and I note none of them at all are outside Melbourne. Is there a definitive list, and if there is, is it published where and what the priority precincts are?

**Mr JENNINGS:** That is the list.

**Mr D O'BRIEN:** This is the list?

**Mr JENNINGS:** The list that I have actually shared with you in that slide presentation is the list on the basis of the priority precincts and the national employment clusters that I have outlined, which include the five plus the Dandenong national employment cluster: Fishermans Bend, La Trobe, Monash, Parkville, Sunshine and Werribee.

**Mr D O'BRIEN:** So you did not get to the Development Victoria projects, which was at the back.

**Mr JENNINGS:** Yes.

**Mr D O'BRIEN:** So they are not part of the precincts?

**Mr JENNINGS:** They may if they occur within a precinct. The Development Victoria aspect effectively is also part of my responsibility in terms of its work, whether in dealings with major projects or the projects that it is associated with, either the planning or the execution of property development that it is associated with, and that occurs across the state. Indeed in that context there are a number of regional activities, whether they be the Ballarat GovHub, the Ballarat West employment zone, the Geelong Performing Arts Centre, Junction Place Wodonga, that are things that I am associated with through Development Victoria.

**Mr D O'BRIEN:** The usual Labor government ones—Geelong, Ballarat and Bendigo, pretty much. But, Minister, there are five priority precincts plus the national employment innovation centre; is that correct?

**Mr JENNINGS:** Yes.

**Mr D O'BRIEN:** Righto. You talked before about densification. Does the identification of these priority precincts give an automatic green light for high densification of these areas?

**Mr JENNINGS:** No, they definitely do not.

**Mr D O'BRIEN:** Do all the usual planning rules apply?

**Mr JENNINGS:** Yes. Well, certainly the planning rules apply. Let us go back to the basics of *Plan Melbourne*. *Plan Melbourne* is the framework that the government will—

**Mr D O'BRIEN:** I understand all that, Minister.

**Mr JENNINGS:** I am just letting you know.

**Mr D O'BRIEN:** I am just looking in respect to the priority precincts.

**Mr JENNINGS:** *Plan Melbourne* is the template of what is anticipated to occur in Melbourne over the next 30 years. What we are actually saying is there will need to be consideration of the impact upon the Suburban Rail Loop whether in fact that eases some pressure or adds to the pressure. But ultimately at the end of the day our intention is that quality planning and amenity outcomes for communities will be an overarching priority of our interest in getting these precincts away.

**Mr D O'BRIEN:** You mentioned the Suburban Rail Loop. You have identified along that corridor priority precincts of Cheltenham, Clayton, Clayton, Monash, Glen Waverley, Burwood, Box Hill, Doncaster,

Heidelberg, Bundoora, Reservoir, Fawkner, Broadmeadows, Tullamarine, Sunshine, Werribee. Are they all going to be the subject of a forced high densification program?

**Mr JENNINGS:** No, there is nothing that will be part of a forced intensification.

**Mr D O'BRIEN:** I think you talked about trying to avoid great—I am not sure if you said cabins or caverns—in the sky.

**Mr JENNINGS:** 'Cabins in the sky' was actually a backhander to what your planning minister had actually achieved or was intending to deliver at Fishermans Bend. So I just basically gave—

**Mr D O'BRIEN:** What I am asking is: will there be great cabins in the sky in those areas that I just listed, and will local councils and local communities still get their say in the planning process?

**Mr JENNINGS:** Of course local communities will always be an important consideration about how that precinct should develop, and of course there need to be planning controls, and of course we actually have to get the balance right between the density and what is appropriate in locations that do not have adverse effect upon the balance of community life and public amenity.

**Mr D O'BRIEN:** So who will be the responsible authority in these precincts, including the suburban rail link?

**Mr JENNINGS:** In terms of the appropriate authority—

**Mr D O'BRIEN:** I mean in a planning sense, the responsible authority. Will it still be local councils?

**Mr JENNINGS:** In a planning sense there is no desire, there is no intent and there is no policy that has been designed to change the way in which the planning scheme works and the structure of planning decisions.

**Mr D O'BRIEN:** Okay. Minister, with respect to the Suburban Rail Loop, it refers to the need for value-capture opportunities as part of the funding of a project. That is in the actual documents. So what proportion of the final cost of construction will be in value capture, and will there be ongoing charges on businesses and homes in the areas of this loop development?

**Mr JENNINGS:** The way in which a value-capture mechanism, value creation, is actually assessed is something that the government is thinking about very seriously in the name of trying to work out what is the added value that is created if you get this mix right in terms of the desirability of businesses to settle there.

**Mr D O'BRIEN:** Can you give me a proportion, Minister? Sorry, I know you are running out of time.

**Mr JENNINGS:** No, there is no set figure in relation to the proportion, although there would be an expectation that value-capture mechanisms will be a feature of the way in which this project gets funded, but that has not been determined.

**The CHAIR:** And now they will be a feature of your question on notice.

**Mr D O'BRIEN:** I just have some more I will place on notice as well.

**The CHAIR:** My pleasure. Over to you, Mr Hibbins. Bring us home.

**Mr HIBBINS:** Thank you, Minister, and your team for you appearing today. I do want to continue on with the Suburban Rail Loop plan; I am actually quite fascinated in it. Correct me if I am wrong, it is the biggest public transport project in Australia, it was developed by Development Victoria, an agency, with seemingly no knowledge from the then department of transport?

**Mr JENNINGS:** In fact earlier on I was about to actually talk about that, but I was actually cut off—I do not know if it was time or by design—so I was not able to actually explain why Development Victoria is an appropriate agency to consider this matter. But we have got to the heart of it now. Ultimately at the end of the

day this project does two fundamental things. It does make for orbital travel around the city and making a connection between every single linear, lateral train line.

**Mr HIBBINS:** Can I just clarify, so we can clarify the department—

**Mr JENNINGS:** You asked a question. Do you want the answer, or do you not?

**Mr HIBBINS:** Can I just clarify? The then department of transport—

**Mr JENNINGS:** Yes, but—

**Mr HIBBINS:** Can I just clarify and confirm that the then department of transport was actually unaware of the project until it was announced?

**The CHAIR:** Can I just slightly interrupt? I have given you a bit of leeway there, Mr Hibbins, but the Minister for Transport Infrastructure will be appearing before us tomorrow, so if you are able to draw a nexus between this question and Priority Precincts, then I am delighted—

**Mr HIBBINS:** Development Victoria.

**The CHAIR:** Yes, I am delighted for that to stand, but the minister is not responsible to Development Victoria.

**Mr D O'BRIEN:** He just said he was.

**Mr HIBBINS:** The chairperson for Development Victoria is sitting right here.

**The CHAIR:** Sure, but the project itself is the responsibility of the Minister for Transport Infrastructure; I am happy for Minister Jennings to correct me. But in terms of the questions that I raised about the rail loop, it was directly in response to Priority Precincts, which is a clear distinction from asking about—

**Mr HIBBINS:** Yes, and this project was developed by Development Victoria.

**The CHAIR:** If the minister wishes to take the question on notice or answer it, he is welcome to, but I do not believe that the nexus is there in relation to Priority Precincts.

**Mr HIBBINS:** I beg to differ. They developed the whole project with seemingly the absence of the knowledge of the department of transport.

**Mr JENNINGS:** In fact I have been really keen to answer this question on about three occasions now, but you have stopped me. I was pivoting between what it does as a transport project and what it does about the shape of the city and how development occurs. And that is equally as important, if not more important, than the transport connection. There are a number of people who actually think about this project as only linking up train lines; it does not just link up train lines. It fundamentally changes the way in which the city will be structured in years to come, and that is the reason why that was a matter that was appropriate to be considered in that context.

**Mr HIBBINS:** In complete absence of input from the department of transport.

**Mr JENNINGS:** Not in complete absence, no. In fact there was knowledge of the control of this matter, but you are ignoring what I have just said to you, and you tried to deny me from saying what I have just said to you.

**Mr HIBBINS:** No, you are explaining why; I am asking what. I think we have confirmed what, and you are explaining why. Just following up on some other points as well—and I say this without a value judgement—to make this project stack up it is going to require intensive or more development around the station sites. That is a fact. Is that a fact?

**Mr JENNINGS:** The project will stack up for transport reasons. In fact it stacks up far beyond it in relation to what we have just been talking about. It stacks up as a commuter will be able to make sense of this project. A

commuter will be able to use the transport system, but in terms of the coincidence of economic activity, housing opportunity and job creation that will come through these precincts, it will stack up.

**Mr HIBBINS:** I feel like you have just given a complete opposite answer to the one that I just asked previously.

**Mr JENNINGS:** Maybe if you listened rather than interrupted, then you actually may have seen the continuity. Go back and read what I have said.

**Mr HIBBINS:** I am asking questions about your project. I am lobbing up underarms and you are treating them like bouncers. So you are saying it now stacks up as a transport project on its own; you are not saying it is going to require more intensive development around the station areas, or you are saying it is a coincidence.

**Mr JENNINGS:** No, it is a benefit. It is a clear benefit that in fact it makes great sense to people in relation to an alignment between where they live, where they work and where investment occurs. It is a benefit. It is a benefit as a transport connection because in fact commuters will actually understand the benefit of their travelling experience.

**Mr HIBBINS:** Let me ask: what is Development Victoria's role now in terms of the Suburban Rail Loop?

**Mr JENNINGS:** Development Victoria now is part of a collective effort across government to actually assess many of the issues that we have actually teased out. How do you make sense of the way in which those precincts should be delivered? What is the value that could be afforded certain development profiles or who may invest there? How do you actually guarantee that there is affordable housing in these precincts? That range of activities continues to be the interest of Development Victoria.

**Mr HIBBINS:** Thank you. Can I go to the performance measures in terms of the Priority Precincts portfolio, and it is in relation to the delivery of financial obligations for departmental public-private partnership projects. Are they in relation to the priority precincts or are they in relation to what Development Victoria is doing?

**Mr JENNINGS:** They are in relation to what Development Victoria does.

**Mr HIBBINS:** Okay. In terms of delivery of financial obligations, is that from the government to the PPP, like the payment from the government, or is it the other way around?

**Mr JENNINGS:** The four PPP projects that this relates to are the Royal Melbourne Showgrounds development, the Biosciences Research Centre, the Melbourne Convention Centre development and the Melbourne Exhibition Centre expansion. The measure of the 85 per cent of financial obligations for departmental PPPs relates to the contractual quarterly service payments to the concessionaires.

**Mr HIBBINS:** So why is it only 85 per cent? Why isn't it 100 per cent?

**Mr JENNINGS:** Ultimately at the end of the day it requires two parts. Ultimately it is giving a bill and then paying it—

**The CHAIR:** It requires you to take it on notice. That is what it requires you to do as we finish the Priority Precincts part of hearings today. Thank you very much for appearing again before the committee.

The committee will follow-up on any questions taken on notice in writing and responses will be required within 10 working days of the committee's request. The committee will now take a short 5-minute break before beginning consideration of the final portfolio for the minister before us in Aboriginal Affairs. I declare this hearing adjourned.

**Witnesses withdrew.**