

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects

Melbourne — 20 March 2012

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

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr J. Betts, Secretary, Department of Transport, and

Mr G. Liddle, Chief Executive, VicRoads.

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

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the inquiry into effective decision making for the successful delivery of significant infrastructure projects. On behalf of the committee I welcome Mr Jim Betts, Secretary of the Department of Transport, and Mr Gary Liddle, chief executive of VicRoads. Members of Parliament, departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the secretary, can approach the table during the hearing to provide information to the secretary by leave of me as chair. Written communication to witnesses can only be provided via officers of the PAEC secretariat.

Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. May I remind TV camera operators to remain focused only on the person speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited. As previously advised to witnesses here today, I am pleased to announce that these hearings are being webcast live on the Parliament's website.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act. It attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. This committee has determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of the hearing. Verified transcripts will be placed on the committee's website within 14 days.

Following a presentation by the secretary, committee members will ask questions relating to the inquiry. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off, and before inviting the secretary to give a brief presentation of no more than 4 minutes, if he so desires, I wish to go to a procedural issue.

The committee wrote to the secretary of the department on 22 December with a questionnaire that has been directed to all relevant departments. As yet that questionnaire has not been returned. I note that the questionnaire requested that it be returned by 29 February, a period of more than two months. I note further that there were follow-up telephone calls to the department on 9 March, 14 March and 19 March and that the secretary was emailed yesterday, and still we have had no response. Could the secretary advise what has happened in terms of the response to the questionnaire?

Mr BETTS — I apologise, chair. I was unaware of the work that was going on to prepare the answers to the questionnaire. I received it on Friday. It will be with you very shortly, and I am happy to come back and give further evidence, if that would be helpful, in light of the questionnaire responses. I will make sure that the response is framed in such a way that we are able to pick up any questions that Gary or I have to take on notice today so it can be of maximum value to the committee.

The CHAIR — Thank you for your straightforward response, but I have to indicate on behalf of the committee that this is, frankly, not good enough. As I have outlined, there have been numerous attempts to ensure that the committee could be properly briefed before your appearance here today. I think, on any measure, the committee has bent over backwards to assist your department in ensuring that it complied with the requirement of the Parliament for this committee, on behalf of the Parliament, to be able to examine your department. Therefore the result is that the committee is less than satisfactorily briefed, which therefore will limit our capacity to conduct this hearing. Furthermore, it will mean that you will have to return at another time, so I am glad that you understand that. Before I go any further, I will give you as secretary the opportunity to make some opening remarks.

Mr BETTS — Thank you, chair, and I will keep it brief. I am grateful for the opportunity to give evidence to the committee this morning. As you noted, chair, I am joined by Gary Liddle, the chief executive of VicRoads. As I understand it the committee is interested in exploring ways of ensuring that Victorian agencies have effective decision-making processes in place as they plan and deliver major infrastructure projects. The transport portfolio clearly has a major role to play in this area. For instance, we are currently delivering the regional rail link project, which is the largest public transport project in Australia and which is three-quarters funded by the commonwealth government. Over the last couple of decades, major projects in the transport area have included CityLink, regional fast rail, the redevelopment of Southern Cross station, the channel deepening project and the M1 upgrade, among many others. Each of those projects has had its own characteristics, and each has been the subject of extensive post-implementation review by the Auditor-General, with valuable lessons learnt.

The transport portfolio, in concert with our colleagues in the Department of Planning and Community Development, also has a key planning role, and Victoria's submission to Infrastructure Australia last November saw commonwealth funding for a range of planning activities for projects such as the Melbourne Metro and a new east-west road connection along the lines contemplated in the 2008 Eddington report.

Planning and delivering major infrastructure projects is a complex business. The structure, processes, personnel, culture and skills of an organisation need to be right if the right projects are to be delivered in the right way, and whilst much of the public's focus tends to be on projects which are in their delivery phase, many of the success factors, if you like, lie in up-front planning. Gary and I are happy to take questions from the committee.

The CHAIR — Thank you for that brief statement. Essentially the committee is interested in a range of issues to do with effective delivery of infrastructure projects, but a particular emphasis for the committee is on appropriate skill sets. I am particularly interested at the outset to enter into a discussion with you about the way in which the department undertakes the analysis of requisite skills and the competencies required to deliver ongoing projects. Given that, as the Auditor-General advised in his submission to the committee, I think your department is responsible for about 38 per cent of the spend, we need to have confidence in terms of the ongoing development of the overall skill set. Would you like to talk about how that is assessed and, further, what it is that the department does to develop skills from within as well as recruiting externally.

Mr BETTS — Yes, I am happy to talk about that, chair. You need a very wide range of skills in order to be able to deliver projects effectively and also to develop projects. I would emphasise the point I made in my opening remarks, that a lot of the success factors are at the front end, and it is in those early stages of planning and business case development where a lot of really quality thinking has to go in and a quality resource has to be applied. Otherwise you can end up with projects which are not adequately thought through later on, which is problematic.

The Department of Treasury and Finance's submission to the committee listed a wide range of different skills that you need — planning and engineering, architecture, land management, et cetera. It is a pretty wide range of skills, and that is not to mention pure project management in its own right, which I would regard as a skill that stands on its own.

How do we go about marshalling those resources? Certainly the history of the Department of Transport, or the Department of Infrastructure as it then was, shows that over the last 10 years it has been about building up that capability. I think it is fair to say that in the early part of the last decade we were lacking in capability, which has been identified by the Auditor-General. We have put a lot of measures in place to attempt to correct that. Obviously we have recruited in a very targeted way to ensure that we get those skills in house so that we are not exclusively or mainly reliant on consultants for our input. We have also developed a whole series of programs to support that.

We have a project management framework which pretty much guides everything we do. This is a comprehensively documented framework that includes skills development, training packages and so on. We have a community of practice in the department where people who have project expertise come together. We have established mentoring programs, and we are about to launch an initiative called our Q register, which enables people from the department to list their skills, qualifications and experience so if we are looking around to build up a team to do a particular piece of planning or project delivery, people are able to nominate on the

basis of their skills and capabilities. That means we can juggle our internal resources to make sure that we mobilise quickly.

I mentioned the way in which the department has gone through a process of improving its project capability over the last few years. VicRoads has always had a strong baseload of capital expenditure. Many people, including Gary Liddle himself, have come through the ranks of VicRoads on the basis of having direct project experience, whereas to a certain extent 10 years ago people in the Department of Transport were relearning how to build rail projects after a period in which there had not been a great deal of investment in the prior 20 years. So the VicRoads journey is a little bit different, but I might hand over to Gary to talk about some of the key touch points for them.

Mr LIDDLE — Some things are very similar to what Jim talked about at the Department of Transport. As part of our system of supporting people we have a procurement toolkit. That is an online toolkit that supports people through the process so that they can actually look for what they need to help them out in their everyday tasks. We also do capability assessments. Every year people go through a capability assessment plan, and if they are wanting to move into, say, management of a bridge project rather than a road project, we ensure that they have the technical training to enable them to do that, so there is a match between their capability development plans and the technical training that is available.

Whilst we have always captured learnings from projects so that the next projects can build on those learnings, we are just now starting to trial social tools like Yammer, where immediately people have a learning they can put it on a social network and share that learning across all our major project areas. That means that people are not just dependent anymore on having guidelines that are updated perhaps every year; they are actually sharing learnings as they experience them. So we are trying to do some different things as well.

The CHAIR — Dealing with the emphasis in both the Department of Transport and VicRoads in relation to internal versus external skill sets, I am assuming that because of the consistency of work for VicRoads, which is fairly foreseeable, the capacity exists to predominantly develop resources internally — that is, to recruit and maintain a significant skill set internally — that you do not use a lot of external resources and that that is the preference. Do you have a benchmark for the sort of ratio of external versus internal skills?

Mr LIDDLE — Chair, the answer is we do not have a benchmark, but certainly over a long period of time, because of that reasonable certainty in funding, the majority of our project management expertise has been developed in house. We see that as a real strength in the sense that you can actually apply the learnings from one project and that person can then take them on to the next project, rather than people coming in and out of the organisation and those learnings being lost. So it is very much our preference to have the majority of our project management resources in house.

I am a strong believer that capability is about systems, people and culture, and again I think having that sort of in-house resource means that you can actually get that balance between those three things to ensure that you have the capability you need.

The CHAIR — Mr Betts, would you like to make a remark about transport?

Mr BETTS — Yes, certainly; I agree with that. In recent times, whilst I talked about the fact that we have been on a learning curve since the early part of the last decade, the stream of projects that we have had in terms of railways has meant that we have been able to maintain our in-house capability and strengthen it over time. For instance, going from the regional fast rail project, where we learnt a lot, we then developed an in-house capability to deliver rail projects, which stood us in reasonably good stead when projects such as the Clifton Hill rail duplication came along — and the metro west signalling project and indeed the South Morang and Sunbury projects. That has also formed the basis for the systems, and in many cases the people who now populate the Regional Rail Link Authority, which is delivering that \$4.3 billion investment.

There is no substitute, it seems to me, for learning on the job, and that means retaining your project capability and your project experience so that as far as possible it can be transferred from one job to the next. You will always need to manage the ebbs and flows, and you do that by putting people on fixed-term contracts, which means they are part of the public sector and you are not just buying the services of a consulting house. Using fixed-term contracts means you can manage the levels of resources you need depending on the project load you have at any given time.

The CHAIR — Again — I am assuming, as Mr Liddle expressed — you do not have a benchmark in terms of that ratio, but it is just a case-by-case circumstance; is it?

Mr BETTS — Yes. There is no fixed benchmark, but buying in capability from outside can be very expensive, and we do not have an unconstrained budget environment, so as far as possible we would like to use in-house resources and develop corporate memory and bench through that.

Mr PAKULA — Secretary, we heard from Treasury this morning about HVHR. Mr Hehir was talking about how Treasury will have more involvement at various points. It sounded like Gateway plus, but he talked specifically about contract variations and going to tender et cetera. I made the point that my recollection from certain large transport projects was that Treasury had that role in any case. He said, ‘Yes, but now we’re trying to devolve that down to some smaller projects’. In terms of its impact on your department, is it a major change, is it a minor change or is it no change at all in terms of the interaction between Treasury and DOT?

Mr BETTS — It is relatively early days for high value, high risk, and there is always the need to juggle on the one hand the appropriate level of central agency — particularly DTF — scrutiny of major chunks of public money being spent and ensuring that everything is as it should be in terms of procurement and so on against the need to ensure that there is appropriate identification of accountability by the delivery agency and that processes are as efficient as they can be. We certainly have a much more formalised process now for engaging with DTF at those key points along the way, but you are right to say it is not a revolutionary change in the sense that for major projects we have often had in the past senior DTF representatives on steering committees and so on. But this does lock in a more formal process where you do get formal approvals coming back. So far I have to say it has worked reasonably efficiently from our point of view, but it crystallises and maybe takes to a new level, as you say, a relationship which already existed to a certain extent.

Mr MORRIS — I note that the department supports the portfolios of public transport, roads and ports, and I want to express my concern at the lack of a submission. I am certainly less than impressed with that. The department, given the nature of the task they undertake, is clearly a major infrastructure provider in this state. I am less than impressed particularly in the light of a series of findings from both the Auditor-General and the Ombudsman. The February 2012 report of the Auditor-General says:

The Department of Transport ... has not successfully dealt with all of the challenges it has faced over the past decade.

Its report in June last year, *Management of Major Road Projects*, says:

The major areas of weakness were in the way VicRoads forecast traffic and the estimated benefits of road projects affecting congested parts of the road system. VicRoads had not adequately assessed the traffic induced by these improvements.

On the Peninsula Link project it says:

LMA did not adequately inform decision-makers about whether the Peninsula Link project should proceed, and how it should be procured.

...

There were ... weaknesses in ... LMA informed procurement decisions ...

and it goes on. The Auditor-General found the department, as befits their responsibility for ticketing policy issues, should have had a representative on the board of the TTA. Clearly there have been some issues. That is in the past. The committee is concerned about the future, and that is the work we are doing, but we cannot do our work without a proper submission and the opportunity to consider, with appropriate references, to other sources the department’s views. I am encouraged by the verbal evidence that I have heard today. It sounds like we may be heading in the right direction, but I do not propose to ask any questions relating to the reference today. I do certainly expect, chair, as you have indicated, that the secretary will appear again, but I do want to ask: does the secretary agree that the department has displayed an attitude of contempt for this committee and for the Parliament from which this reference emanates?

Mr BETTS — That was never the intention. I have apologised, and I apologise again for the absence of a submission. Certainly I have always attempted to engage very constructively with this committee and provide it with as much information as I can. That submission will be with you very shortly, and I have already offered to come back and give further evidence at your wish.

In terms of the Auditor-General's reports that you mention — and I think each of them is a good report, and I have said that to the Auditor-General on each occasion — you will note that almost without exception the department, or the relevant transport agency, has accepted the recommendations of the Auditor-General. The recent report on planning around rail services had some good pointers in it, and I think it was an accurate description of where the department found itself seven or eight years ago in responding to a very rapid increase in public transport patronage. I note that the Auditor-General also makes it very clear that the department has in the last four years significantly improved its capability there, and it was good to see that acknowledged by the A-G.

Mr MORRIS — I will look forward to the submission, chair.

Ms HENNESSY — Secretary, I was interested in your comments where you recognise the importance of having in-house resources and building up a sense of corporate memory. That certainly corroborates evidence given to us by many other agencies but particularly Engineers Australia. I am interested, however, to understand how the sustainable government initiative was going to impact upon the department and specifically what roles will be affected?

Mr BETTS — Our approach to the sustainable government initiative at the moment is subject to discussions that will take place between the Department of Treasury and Finance and the Australian Taxation Office about the nature of voluntary departure packages, which will be a component to that.

When we look at our attrition rates over recent years, they have generally been between 5 per cent and 10 per cent — that is, people voluntarily deciding that they wish to go off and do other things. We also have people who have been working on fixed-term contracts. There is no rule that says that fixed-term contracts cannot be renewed, but in sensible business management you would ask the question as a contract comes up for renewal whether it needs to be renewed. And the balance would be taken care of through voluntary departure packages.

It is worth saying though, in the context of this committee's terms of reference and its focus particularly on capital delivery, that many of the roles, for instance in the regional rail link, which is our biggest project, are all based around fixed-term contracts and are funded out of the capital allocations from the state government and the commonwealth government. Those roles are not affected by the sustainable government initiative, which is primarily about ongoing operating budget and running costs as opposed to positions which are funded out of capital.

Ms HENNESSY — A supplementary question: thank you for the explanation, but again given the emphasis was on corporate memory and ensuring that we have in-house skills — which is evidence that is consistently being given to this committee — is critical in order to build a public sector capability of delivering infrastructure projects, I am also interested in your view as to how important is an infrastructure pipeline for the purposes of ensuring that Victoria has these types of skills and capabilities.

Mr BETTS — It is always helpful to have an infrastructure pipeline, and we are helped by the fact that, for instance, the rail regional rail link project has another four years to run. Clearly the budget situation at state level and at commonwealth level is highly constrained at the moment. During that time we are delivering the regional rail link, but we are also planning for when the commonwealth government returns to surplus and hopefully the budget situation in Victoria becomes less constrained. We want to use that time to plan effectively and harness the resources of people who have recent experience of delivering practical projects so that they can feed their experience and their expertise into the front-end development of business cases.

You will have seen in the submission that Victoria put to Infrastructure Australia in November there is a lot of planning work involved in that, and we are very keen, even if people — who have previously been out working on a project like South Morang or Sunbury electrification, and those projects are coming to a conclusion and have been successfully managed — are not out on building sites, they are contributing their expertise and their knowledge to the business case development and that they can follow those projects through to the point where they are funded and being delivered. We try to find ways of harnessing that recent relevant experience, even if it is in a planning context as opposed to a capital project delivery context.

Mr ANGUS — In relation to some of your introductory comments regarding skill sets — and we have had a fair bit of emphasis on that so far in this hearing — your comments fleshed out what you are currently up to and how that is progressing. My question is in relation to the specific issue of engineering skills, and I would be

interested in your comments in relation to your observations regarding any potential or actual shortages of engineering skills that you have experienced, or indeed any other key trades where you have experienced shortages given the very demanding type of work that your department is delivering.

Mr BETTS — Yes, there has been a lot of talk about shortages of engineering skills, and no doubt they are real in some sectors. If you had asked me a year ago, I would have said I was quite concerned about our ability to attract and retain high-quality engineers. In fact we find ourselves at the moment in a situation where it is relatively easy to attract those resources right now. The market, notwithstanding the flood recovery and so on, has enabled us, for instance, to generate very intense competition between the construction firms bidding for transport contracts, which has stood us in fairly good stead. The market is not perhaps as tight as we thought it might be.

The public sector inevitably struggles to compete in some ways around pure remuneration in its efforts to retain and attract people with particular skills, but there are other things that we can offer. We can offer interesting work, we can offer job flexibility, and that kind of thing. Our experience in recent times, particularly as we have built up a project team around the Regional Rail Link Authority, is that we have been reasonably successful in attracting engineering skills generally. There is always, from a rail point of view, a particular premium around specialist disciplines like signalling and those other disciplines and skills that we will want to protect during the coming period. I will hand over to Gary to give a VicRoads' perspective.

Mr LIDDLE — Just to add to that, VicRoads has, for the last 15 years now, had a very regular graduate recruitment program. The numbers of those graduates vary year on year, but this year we took on 29 engineering graduates, and that has been as high as perhaps 50 at various times over the last 15 years. This year we still had hundreds of people applying for those jobs, so there are still people very interested in working in engineering in the public sector. I agree with Jim's point that we do not compete on salaries, but we do compete on the development of the individuals, on the flexibility and working arrangements and the like, and the value of that development of our engineers is reflected in, if you go outside into the consulting and contracting industry, how many people there are out there who started with VicRoads. That development of engineers within the organisation is still a very valued resource in the broader community, and we have seen no indication as yet that we are getting a lot fewer applications for engineering opportunities at the organisation.

Mr ANGUS — In relation to that, and you have touched on salaries and so on, are your retention rates basically reasonable?

Mr LIDDLE — In our graduate program over the last 15 years, at the end of 10 years we still had around 60 per cent of those graduates with us. At the end of three years it is up in the high 70 per cent, so we still have a very high retention rate with our graduates, and I think it is that they see that there are opportunities for development within the organisation.

The CHAIR — Before I pass to Mr Scott, I want to follow up the comment about the market. Is that a reflection — that is, that you not having difficulty recruiting — of a downturn in the skills requirement of the private sector essentially? Is that what you are inferring?

Mr BETTS — I think a lot of private sector firms based in Victoria have been very keen to compete for business here, partly because there have not been a whole lot of very big jobs out there and elsewhere on the eastern seaboard. That has meant that the market generally has been highly competitive from our point of view, which means we get good prices for our jobs at the moment, but it also means that there are people out there who look for the relative security that goes with public sector employment as well, and we too have been able to introduce a rail engineering graduate program. It is a much smaller one than VicRoads has, but that has been a success from our point of view.

Mr LIDDLE — Can I just add to that? We should also say that we have graduates who work between the organisations. We have, I think, one or two graduates working with DOT at the moment, so there is a sharing of resources.

Mr BETTS — That is just not a sharing of graduates — we have about a dozen of Gary's team working on the regional rail link project, so you have really high-quality project managers coming out of VicRoads. We try to take a whole-of-portfolio view on how we deploy those resources and enable people to move around the portfolio and get different experience. The skills required to deliver a greenfield road project are very different

from the skills required to deliver a brownfield rail project, but there are opportunities for us to broaden people's experience.

Mr SCOTT — I will just follow up, if I could, Ms Hennessy's line of questioning just to seek some clarification regarding the treatment of those. I understand the issues around the regional rail link and the fact it is considered to be federal government infrastructure, but for smaller and more ongoing infrastructure projects, are those who are working in project management or as engineers within those projects considered as part of the service delivery and therefore quarantined from any job cuts, or are they considered other departmental staff who therefore would not be quarantined?

Mr BETTS — When we talk about being excluded from job cuts, you mean have we deprived them of eligibility in relation to voluntary departure packages? There would also be the opportunity to go off and do something else with their lives. It is whether we provide them with a financial incentive to do that. It varies. It depends on the nature of qualification that the person has. If there are really prized skills that we want to retain, then we need to say that those people would not be eligible for VDPs. But this is all subject to discussions with the ATO at the moment. My objective is to make sure we maintain an in-house capability through all of this which means that we will not lose the corporate memory we have built up in recent times.

Mr SCOTT — Just to follow up — —

The CHAIR — Thank you, Mr Scott — just bear in mind the terms of reference for this inquiry. If you want to ask the sorts of questions — —

Mr SCOTT — It was relating to skills.

Ms HENNESSY — On the one hand you are saying everything is wonderful; on the other hand we are sacking them all.

The CHAIR — They are the sort of questions you want to ask in a better place in another forum.

Mr PAKULA — Chair, on that — —

The CHAIR — I am not going to have a debate.

Mr PAKULA — Well — —

The CHAIR — I have given Mr Scott some advice. He is going to ask a supplementary question.

Mr PAKULA — Can I take a point of order, Chair?

The CHAIR — If you like.

Mr PAKULA — I would suggest to you that the question of whether or not the skills we are talking about in this inquiry will or will not be retained by the department as a consequence of the SGI or anything else is entirely apposite to the terms of reference of this committee. He is not asking the question in regards to anything other than whether or not those skills will continue to be maintained, as you have outlined on numerous occasions in public hearings and privately.

The CHAIR — Thanks for your comment; I will take it as a comment. I note that the question which Mr Scott asked and the supplementary question which is likely to follow is a supplementary to Ms Hennessy's questions, which were about the government's policy in regard to sustainability. It is a little bit off point, but Mr Scott is to proceed.

Mr SCOTT — With all due respect, Chair, it was a reference to retaining skills within the department, to be frank. That was the context within which it was raised. I regard that is a perfectly legitimate form of questioning.

The CHAIR — Then ask the question.

Mr SCOTT — Just in terms of retaining skills within the department, I am just querying in what way does that relate to discussions to the ATO, to just clarify that point?

Mr BETTS — We have the ability to identify subcategories of staff who will not be eligible for voluntary departure packages. We determine which subcategories of staff would be excluded from eligibility on the basis in part of the function they perform and in part on the basis of the skills they have. That sets up a series of ground rules for voluntary departure packages. The attractiveness of voluntary departure packages depends upon the treatment which is given to them by the Australian Taxation Office. We are in discussions with the ATO about the rules we are setting up. We will get an answer back in due course from it. But within the sustainable government initiative there is the capability to ring fence certain skill sets of the kinds you are talking about and say they will not be eligible for VDPs.

Mr O'BRIEN — I just wanted to take up something that was asked of you by the Deputy Chair, who referred to any changes in operations under the high-value, high-risk initiative. He took you specifically to some downstream projects and smaller projects and the impact on contractors. What he did not take you to is another aspect of Mr Hehir's evidence in relation to decisions to proceed with projects that have occurred prior to business cases being conducted. In evidence Mr Hehir effectively said that whilst there was an implicit requirement, that is now explicit. He also said if you do not have a rigorous business case before you go ahead with the project, you will only get what you want by chance, in a subsequent analysis.

Secondly, we heard from the Auditor-General who spoke about a problem, which was not stated in his submission, about retrofitting projects to announcements. He specifically spoke in relation to budgetary issues where the type of project that may be sought under an Alliance, PPP or the amount of the budget is contained in that announcement. When I asked him to give examples, one of his officers, I think it was Mr O'Connor, specifically referred to examples in the road project which I think is in the Auditor-General's report headed *Management of Major Road Projects of June 2011*.

I was wondering in relation to your evidence, given we do not have a submission at this stage, whether you accept these two phenomena as causing a problem partly in relation to the Auditor-General's comments in his report about Victoria now being close to \$2 billion in known project overruns that specifically relate to the transport and VicRoads portfolios. Can you make any comments in relation to those problems that have occurred and how you believe they will be addressed under the high-value, high-risk initiative?

Mr BETTS — I cannot remember a project in the transport portfolio which proceeded to delivery in the absence of a business case. That has been a discipline we have followed pretty scrupulously, certainly since I have been the secretary. It is, as you say, a standard requirement under high-value, high-risk that a proper business case be put together. I did not quite understand the point the Auditor-General was making about media releases, because I was not here, but it is certainly my view, and I think I said this in my opening remarks and I have said it in other public forums, that it is always worth the investment to put in the effort to get the business case right to fully understand the problem you are trying to solve through a project, the options which are available to you in terms of solving the problem, to understand the scope and the risk and to make that up-front investment, because that is the surest way of insuring yourself against the probability of schedule blow-outs or cost blow-outs later on. To the extent that that is supported by high-value, high-risk and other processes which have existed for some time, like gateway, those are a very valuable part of proper governance and proper discipline around project development and project delivery.

The CHAIR — Could I just clarify the point that you were not clear about?

Mr BETTS — Sure.

The CHAIR — The Auditor-General gave evidence, which I have heard him give before, in relation to government making an announcement and the business case being developed subsequently. His point was that it is not quite the right order. That is just some information.

Mr BETTS — It would always be helpful if the government could find ways of not announcing things — any government I am talking about — in terms of precision around cost and precision around schedule until a lot of work has been done in house and a full business case has been developed.

Mr LIDDLE — Just to add to what Jim said, in addition to those external things, within VicRoads there is an internal process we go through before it gets to that stage. It is called the project review committee, and it is effectively a peer review of projects, so even before they get to the stage of being submitted as formal business cases there is an internal review process where the senior people in the organisation review the bona fides of the

projects that are being considered. There is a sort of a step before we get to that formal submission of a business case within the organisation.

Mr BETTS — We have a process within the department called ‘end to end’ which, as it suggests, is not simply about looking at a business case when it is under development. It starts at the front end developing overall strategy — metropolitan planning strategy or the Victorian transport plan or whatever it might be — all the way through: the business case development, procurement, through to once the project has been completed an assessment of the benefits of that project and whether they were realised, which is an important point that the Auditor-General has previously picked up. Through that end-to-end process we not only follow a project through its entire life cycle from conception through to after completion but it enables us to spot linkages between projects and make sure we manage them in an appropriately programmatic way.

Mr O’BRIEN — Thank you for those answers. Another submission we received from Engineers Australia in infrastructure planning refers to a number of suggestions. I am not sure if you have seen it but it refers to the need for integration of infrastructure planning and urban planning as well as integration of infrastructure plans across infrastructure types. I should say that some of you may know that I used to work both for VicRoads — I put that on record — and against VicRoads in a number of compulsory acquisitions and reservations

Ms HENNESSY — Good story, Mr O’Brien.

Mr O’BRIEN — In relation to the issue of longer term planning or infrastructure planning, has there been perhaps an acceptance that there is a need for longer term planning and better coordination across the whole of government of infrastructure planning beyond what has been previously occurring?

Mr BETTS — Absolutely. My strong view is that transport planning and land use planning are the same thing; they are not just closely related. You cannot plan your transport system unless you understand where people are going to live and where people are going to work because that determines their demand for travel and therefore the stresses they place on the transport system and therefore where you need to target your investment dollars. Similarly, you can much more readily shape a sustainable urban form by providing high-quality transport infrastructure early in the piece. We have seen this with EastLink, and we are also going to see it with the regional rail link through that growth area in the west. Rising to that challenge of making sure that transport planning and land use planning are conceived of as the same thing, I and my colleagues at the Department of Planning and Community Development — and I understand you will be hearing evidence from Andrew Tongue, my colleague from the DPCD tomorrow — have been working extraordinarily closely particularly over the last three and a half to four years to ensure that our transport thinking and our land use planning are very closely aligned. The government has committed to producing a metropolitan planning strategy during the first half of next year, and that will be very much joint work between the two departments but also drawing in input from VicRoads, the Port of Melbourne Corporation and everybody in the transport portfolio. The point you make is an absolutely essential one.

The CHAIR — I am interested, going back to the issue of the competencies both at an individual level and at an organisational level, in what, if any, requirement or standards there are in respect to certification of the organisations or indeed of individual professionals in the organisations.

Mr LIDDLE — We do not mandate a project management certification as part of our management of projects. Our approach over a long period of time has been to employ engineers from a variety of backgrounds, mostly civil but some electrical engineers as well now, and to develop those project management skills within the organisation. That does not lead to a certification as such but certainly we have linkages with Engineers Australia so that people can achieve their various statuses within Engineers Australia as part of their development at VicRoads. In our case it is not so much about certified outcomes in terms of a qualification but very much developing engineers that we take on as graduates and giving them the internal training to develop their skills as project managers. Certainly in the technical space we have a very rigorous outline of what we expect their technical capabilities to be in things like pavements or bridges or whatever and the training process they go through to develop those skills as well. But there is no certification as such.

The CHAIR — Okay. What about DOT?

Mr BETTS — DOT has three main project management training courses — project management basics, applied project management, diploma of project management — and with the diploma of project management

people have the opportunity to receive a diploma from the Australian Institute of Management as well. Like Gary said, there is not a formal requirement for certification but to give people, in the context of attracting and retaining people, the opportunity to get formal qualifications — that is an attraction factor. We have developed quite a suite of things which we will describe in our submission to make that part of the value offer that we put out there to people.

The CHAIR — Thank you, and a final question from the Deputy Chair.

Mr PAKULA — Just in a general sense, can you give us an idea of what kind of impact the mining boom has had both on the difficulty of retaining skills and on project delivery costs more generally?

Mr BETTS — I will ask Gary to answer this as well. From my point of view, the biggest job we have, as I have mentioned on several occasions, is the regional rail link job. You would not see any adverse impact on that from the mining boom. In fact you could argue that teams bidding for work on the regional rail link are worried that their parent companies are going to ship them out to the Pilbara if they do not win work here in Victoria, so that is a positive from our point of view.

Mr LIDDLE — I think from VicRoads's point of view we have not seen much movement out of the organisation as a result of the mining boom. I think we have lost one senior person to a consultant organisation in the recent past, but working here in Victoria. Certainly the industry is saying that there are people who are getting to go to the mining boom — and often travelling there week on week — but certainly not within our organisation. I guess anecdotally we are hearing that some sectors of industry are suffering as a result.

The CHAIR — Thank you. We are out of time, so that concludes the hearing for the Department of Transport. I thank the secretary and the chief executive officer of VicRoads for their attendance. It was useful, although we got off to a rocky start.

Could you follow up on your offer to provide the questionnaire response. We will certainly be writing to you more specifically as well at a later date. We look forward to your attendance again at a further hearing. In relation to the work that the committee is undertaking, there will be specifically an additional set of hearings later in the year on term of reference (d):

... whether particular significant infrastructure projects have been developed and implemented in a manner which aligns with the public interest and maximises transparency and accountability for the life cycle of the project'.

We will be looking at case study issues around that.

I would be grateful if you could respond promptly to the commitments that have been given today. Thank you. That concludes the hearing.

Witnesses withdrew.