

# TRANSCRIPT

## STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

### Inquiry into infrastructure projects

Melbourne — 20 April 2016

#### Members

Mr Joshua Morris — Chair

Mr Khalil Eideh — Deputy Chair

Mr Nazih Elasmr

Mr Bernie Finn

Ms Colleen Hartland

Mr Craig Ondarchie

Ms Gayle Tierney

#### Staff

Secretary: Dr Christopher Gribbin

#### Witness

Mr Michel Masson, CEO, Infrastructure Victoria.

**The CHAIR** — Good morning. I declare open the Standing Committee on the Economy and Infrastructure public hearing and welcome all those who are present here this morning. I will begin by explaining that the committee is hearing evidence today in relation to the infrastructure inquiry, and the evidence today is being recorded. This hearing is to inform the second of at least six reports into the infrastructure projects, and witnesses present may well be invited to attend future hearings as the inquiry continues. All evidence today is protected by parliamentary privilege; therefore you are protected for what you say in here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege.

I will begin by welcoming our first witness this morning. If you might introduce yourself and the capacity in which you are here this morning, I will then invite you to begin to make 5 minutes of opening statements. Then we will move on to some questions from the committee. Over to you.

**Mr MASSON** — Thank you very much, Chair. My name is Michel Masson, and I am the inaugural CEO of Infrastructure Victoria. I thought that I would start on this first meeting, hopefully of more to come, with this committee as we progress along our journey to develop our 30-year infrastructure strategy. I thought I would start by doing a very short presentation to provide a little bit of a context behind Infrastructure Victoria. I believe you have a copy of this presentation —

**The CHAIR** — We do.

**Mr MASSON** — which I like to keep very short, because I am not really a PowerPoint person. Let me start by introducing what Infrastructure Victoria does. We have been created to provide three services. The first one is to develop the 30-year infrastructure strategy, which will be tabled to Parliament at the end of the year, and this is naturally the key focus of this year.

The second one is to provide independent and transparent advice to the government as directed and as requested. As of today we have not been requested to provide advice yet, but you have got to keep in mind that we were created in October 2015, so we are still in the infancy of developing ourselves.

The third one is to undertake research on infrastructure-related matters. One of the very first things that we are working on, for instance, is revisiting the methodologies around the benefit-cost analysis with a focus on social and environmental benefits in monetary terms, which the other jurisdictions — like Infrastructure Australia and Infrastructure New South Wales — are very interested in to see us taking the lead on this in order to provide some standards.

I think it is important also to define what we are not here for, and that is a very important one. We are at the strategy planning phase, which means that we are not here to develop business cases. We certainly do not do anything in respect of procurement or delivery of management of projects. We provide recommendations and advice to the government, and the government decides on what they want to do. Also to keep in mind, the moment that we table our strategy at year end, the government has got 12 months to respond with a five-year implementation plan on that strategy, so this report is really the first iteration of more things to come.

I thought I would also take the opportunity to highlight a couple of fundamental guidelines and principles which underline everything that we do, especially in going about the development of the strategy. First and foremost we are very keen to have depth and breadth of consultation, and I cherish this opportunity to present to you today. As part of the engagement we recognise that what can make the difference with this strategy is by ensuring that we consult with the public, with government at large — with the local government, very important — key stakeholders, private sector, academics all throughout our process so that ultimately what we table at year end presents the voice of the Victorians.

It is also very important to keep in mind that when we consider infrastructure, which really covers nine sectors — it is not just transport; we cover energy, education, justice, environment, information technology, so we cover those nine sectors, which is pretty big — we do not focus primarily on building new things. We believe that when it comes to infrastructure it is about optimising the existing assets that we currently have, with two specific focuses. One is on information technology — we cannot predict the next 30 years without looking at technology and what it will bring in infrastructure as delivering a service. The second thing is around asset management. It is one thing to know how many new schools need to be built in the next 30 years; it is equally important to ensure that the way the existing schools are being maintained enables them to continue to deliver the service during those next 30 years.

Clearly we will also look at promoting responsible funding and financing. We do recognise that the government has a role to play in deciding, especially in the financing side. But we equally recognise that in order to nurture and enhance the debate around how we will fund the short, medium and long-term pipeline of recommendations that we will table at your end, we will have to look — and we want to have a role to play — at innovative ways of finding new funding sources. Infrastructure Victoria definitely has a role to play in that.

So where are we at the moment? I will finish on that before opening the Q&A. We are right in the middle of two phases, one of which we finished recently, which is a foundation paper. What we did in that phase was to focus first and foremost on the problems that we wanted to focus on. Recognising that it is very easy to jump onto the solutions — ‘Where is my bridge?’, ‘Where is my rail line?’ — we wanted to say, ‘Let’s pause and let’s actually look at what are the problems that we are going to focus on’ before moving to the second phase, the one we will enter from mid-May, which is that now that we have defined what we want to do, to focus on the population growth, to enhance workforce participation.

So we have defined 10 of those strategic objectives, which with extensive consultation we are actually going to deliver tomorrow, publicly, for a reference. For those strategic objectives we have defined some challenges that we want to tackle — clearly challenges around climate change, around enhancing and preserving our natural environment, around improving access to jobs in rural and regional areas and how to tackle the challenge of infrastructure in low-growth and negative-growth regions. So for those we are definitely going to now look at the various options, with some pretty extensive consultation, including two citizen juries which will take place in metropolitan Melbourne and another in Shepparton to echo the voice of regional Victoria.

That will lead up to the draft strategy, which will be tabled in September. That will again give rise to another set of consultations in order to give access to the final strategy, which will be tabled in December. So it is a fascinating journey that we have embarked upon with the team, and we are certainly looking forward to keeping this committee up to date all throughout the journey.

**The CHAIR** — Excellent. Thank you, Mr Masson. We might move into some questions now from the committee, and I might kick off with one. Thank you very much for your presentation clarifying the role of the relatively new organisation, Infrastructure Victoria. My first question relates to the level crossing removal project. I am just wondering: has Infrastructure Victoria been involved in the vetting or prioritisation of any of those projects to this point?

**Mr MASSON** — No. At the moment Infrastructure Victoria is focusing on developing the 30-year strategy. It has not been requested by the government to provide any advice on existing projects like the level crossings, like the western distributor or the Metro rail tunnel. We do take those as a base case within our strategy, but we are focusing on the future and certainly have not given any consideration or been asked to provide any advice on those.

**The CHAIR** — Thank you. That has certainly clarified my next question, which was whether or not IV has been involved in the Melbourne Metro, western distributor — none of those projects IV has been involved in?

**Mr MASSON** — No.

**The CHAIR** — So to follow on that then, IV has not been involved in any discussions around whether or not sky rail or tracks under road should be a priority with the level crossing removals?

**Mr MASSON** — Correct. We have not been involved at all in these discussions.

**The CHAIR** — Indeed. With regard to a second container port for Victoria, is that a project that is on Infrastructure Victoria’s radar — a view of if, where and when a second container port for Victoria will be required, where it might be located and the like?

**Mr MASSON** — The government has made public that at one point in time they will request Infrastructure Victoria to provide advice on the second port. We have not received any request as yet, but we certainly stand ready to start working on that advice as soon as the government provides us with a letter of reference.

**The CHAIR** — Thank you.

**Ms TIERNEY** — I am particularly interested in the citizens jury model. Can you give us more details about how that works. Who sits on the jury? I note that you mention Shepparton being the location for regional voices to be heard, but how will that actually work in terms of regional voices across country Victoria coming together?

**Mr MASSON** — The citizens jury has been used already in Victoria and in other states. The City of Melbourne, for instance, used it with the same not-for-profit organisation which we are using — we are using newDemocracy. So the way the citizens jury work is that 12 000 letters are being sent randomly to people within the greater Shepparton area and within metropolitan Melbourne in order to encourage expressions of interest to be part of that citizens jury. Out of those 12 000 we probably received between 4 and 5 per cent of people who said they were interested in being part of that citizens jury. We then went through a second round of selection among this subset in order to get a good representation of the census and the society in order to have a citizens jury of 43 people in Melbourne and 43 people in Shepparton. When it comes to Shepparton we have actually looked at greater Shepparton, so it is really 100 kilometres all across Shepparton, which actually includes a little bit of Bendigo.

These citizens juries will work like court juries. They will be able to call on any evidence, on any expert that they want, during the six meetings that they will have. They will meet for six Saturdays, and they will look at our options. They will look at our methodology to prioritise these options, and at the end of this process they will come up with some recommendations which we will look at and include in our draft strategy.

What this citizens jury aims to do is to really provide an opportunity for the people to give their views on what are the future projects that they want to see for the good of Victoria. We do recognise that we are Infrastructure Victoria, not Infrastructure Melbourne, so there was a very strong emphasis on regional Victoria. We are not only representing regional Victoria through the citizens jury. We have done some workshops and briefings in Sale, in Ballarat, in Geelong.

What we recognise from the first round of consultations is that we need to pay even more attention to rural and regional Victoria. For instance, we very quickly reacted to this feedback and created a local government reference group, which comprises all of the peak bodies together with six municipalities — you will have Greater Dandenong, Bendigo, Moyne — and that will enable you to constantly have that impact on what regional Victoria has to say and how they can make a difference in the process of doing the strategy.

**Ms TIERNEY** — The other thing that I was particularly interested in is that you mentioned that you were doing some groundbreaking work on the social merits and the environmental merits of projects, which is broader than anything that Infrastructure Australia has done or indeed the New South Wales jurisdiction. Can you give us a little bit more information on what sort of work is being done and by whom?

**Mr MASSON** — One of the reasons why we decided to look at the social and environmental benefits — and I will have to take your question on notice in order to provide some further technical response, which I admit I do not have available with me right now — is that we have identified that a lot of people were working on the value capture, for instance. A lot of people were working on network effects, but few were actually working on a social and environmental one within the context of the BCA. This is the reason we started working on that, with the hope of providing a recommendation later on this year, and that will also be very important in feeding into our work on the triple bottom line assessment that we are doing in challenging the various options leading to the strategy.

**Ms HARTLAND** — I was particularly interested to talk about infrastructure around schools and hospitals and whether that is part of your brief to look at the way the state actually allocates those facilities. Currently it is a bit of a mystery, especially around schools, as to which area needs a school and when it is going to be allocated. It is not a very transparent process. It is the same problem with hospitals. Often, unfortunately, hospitals seem to be promised in the last weeks of election campaigns rather than where the actual need is. Is that something that you will be looking at?

**Mr MASSON** — We will be looking at this — not in a great level of detail, because we have to recognise that the depth and the breadth of what we cover is huge. Having said that, we have clearly health and education squarely on the infrastructure that we wish to look at, and we are going to tackle specifically your question from two angles. One, in looking at answering the question: how do we look at the challenges of infrastructure in low-growth or negative-growth areas, especially in regional Victoria? Schools — police stations — will clearly

be one area that we will be looking at, again always with this view of how do we optimise what we currently have? We have done a lot of work with the department of health and plan to engage all throughout our consultation also with the private sector and the health care in that aspect in order to enrich our approach on health care and aged care in exactly that same vein — to say how do we make sure that we identify what is to be changed in the future in reflecting having the right assets where the demand and the needs clearly are.

The last way to answer your question is on the asset management component, which I mentioned. We have commissioned an infrastructure capability assessment, which provides a good first baseline as to where we are, and we are working on that to project the next 30 years. We are very keen to ensure that in respect of education and health we look at these components with specific business cases, which you will see within our report, in order to really question whether the asset management and schools are actually fit for purpose in the future.

**Ms HARTLAND** — To follow on, how does that fit in with our incredibly sprawling outer suburbs? There is a new suburb literally being built every week and yet there is no infrastructure for these estates. I am dealing with a couple of areas in the outer west where primary schools, high schools — no land has been allocated for these, and people are getting very concerned about where their children will go to school. So that allowance for these huge numbers of houses to be built but no infrastructure. Is that something that Infrastructure Victoria will also look at?

**Mr MASSON** — We will definitely be looking at this aspect. In fact one very strong piece of feedback we received during the first round of consultation was the importance of having Infrastructure Victoria lead on the integration between land use planning and infrastructure planning, to such an extent that we have actually made it one of our fundamental guiding principles. So we will definitely be looking at this all throughout our strategy by engaging and consulting heavily with the Metropolitan Planning Authority, for instance, which becomes a key stakeholder in our work, to ensure that the infrastructure strategy that we table actually makes sense in respect of the land use planning. What we will not achieve during that first phase of consultation and report we definitely will continue to work on in 2017, because we do recognise that that integration between land use planning and infrastructure planning is absolutely fundamental.

**Mr FINN** — Mr Masson, thank you very much for your time this morning; it is very much appreciated. I am just wondering if you can tell the committee if your organisation's opinion or advice was sought on the scrapping of the east–west link.

**Mr MASSON** — Infrastructure Victoria has not been involved at all into this decision. We consider whatever decision has been taken as an element of the past and we are looking into the future. We are in the early stage of looking at the various options that we will table mid-May for consultation as just ideas and options; they are not recommendations. It is fair to say that at this stage we will be totally agnostic as to what is needed in the future in order to respond to the needs that we have identified. So it is too early to speculate as to what will be in that options paper, but the underlying principle is that we are totally agnostic about decisions which were made in the past and we will only look at evidence in order to provide the catalogue of options which we think need to be considered and certainly discussed in the future.

**Mr FINN** — So losing 1.1 billion on a contract, or destroying a contract for 1.1 billion, is not within your ambit? That is not something that you are concerned about at all because it is in the past?

**Mr MASSON** — It is not something that we are considering in the future and in the preparation of the strategy.

**Mr FINN** — Fair enough. We have a couple of fairly decent-sized infrastructure projects that are on the table at the moment and I understand in fact are going ahead — it depends on who you are talking to — one being the western distributor and the other being the Metro rail project. I understand from what you have said to us today that you were not consulted or you did not offer any advice on either of those projects?

**Mr MASSON** — Infrastructure Victoria was created in October 2015, which is too recent to have been included in the discussions for those two specific projects. The government has not asked Infrastructure Victoria to provide any advice on these projects and we can only act on requests for advice, which come from the government. We do in the planning of our strategy take these projects as a base case, and again are clearly focusing on the future, taking those as an assumption.

**Mr FINN** — Infrastructure Victoria was formed in October last year. The western distributor, as I understand it, has been agreed to now by the government just last week. Why, given that you have been around for some six months or so, were you not consulted or did you not offer advice on the western distributor before a decision was made by the government?

**Mr MASSON** — Like I said, we can only provide advice on requests which we receive from the government, and we have not received any of those requests. Hence why Infrastructure Victoria has not expressed any views on the western distributor.

**Mr FINN** — That is an interesting point. So what you are saying is that you cannot offer any advice unless the government asks for it. Is that what you are telling us?

**Mr MASSON** — Correct. As per the Parliament's act, we can only provide advice as requested by the government.

**Mr FINN** — How does that fit in with your mission statement of being an independent body to advise on infrastructure if you are dependent upon the government to ask for advice? Clearly if a government has a project which they think is not going to go down too well with Infrastructure Victoria, they just will not ask you. That would sort of undermine the entire reason for your existence, would it not?

**Mr MASSON** — It is definitely not up to me to comment on this. We act in accordance with the Parliament's act which created Infrastructure Victoria, and we will definitely stand ready to respond to any advice which we receive — as per the governance of the Parliament's act — from the government.

**Mr FINN** — So let me get this straight. You mentioned earlier that any future port, you have not been asked for advice from the government at this point.

**Ms TIERNEY** — That was not what he said.

**Mr FINN** — That is why I am asking. I am asking the question: is that what he said, have I got that right? Do I have that right, that you have not been asked by the government for any advice on any future port in Victoria?

**Mr MASSON** — The government has made public that at one point in time they would request Infrastructure Victoria to provide advice on the second port. What I can say is that as of today we have not received any letter of a reference from the government asking us to start working on this.

**Mr FINN** — Right, okay. So we have a situation where the \$1.1 billion that was lost on the east–west link contract being shredded — that is not something that you would concern yourself with because that predates your existence as a body. And the two major infrastructure projects at the moment, western distributor and the Metro, are also projects that you would not be offering advice on because you have not been asked by the government. Could you just confirm that for us, that that is where we are?

**Mr MASSON** — I started this presentation by being very clear on what Infrastructure Victoria was created for. So we are focusing on developing the 30-year infrastructure strategy which will be tabled in Parliament in December, and that focuses on the next 30 years and the next 30 years only.

**Mr FINN** — But when does that 30 years begin?

**Mr MASSON** — It starts from now, taking into consideration the current projects, based upon the decisions which have already been made and of which we have not been part, which we take as a base case and an assumption to build on for the future. The second thing is that we provide advice to the government when requested by the government, and what I said is that as of today we have not been asked for any advice. We know that at one point in time we will be consulted for the second port. This has not come up yet. And the third thing that we are doing is to undertake research, and I have already explained what we are doing as a benefit-cost analysis. This is the remit of what Infrastructure Victoria is currently working on.

**Mr FINN** — So even if the government were to go ahead or to propose a project which you clearly thought was not in the best interests of Victoria, you would not be in a position to put your hand up and say, 'That is wrong, don't do it', unless you were asked.

**Mr MASSON** — Correct.

**Mr FINN** — Thank you.

**The CHAIR** — Just a couple of other questions if I could, Mr Masson. With regard to Shepparton as the location for effectively the regional focus of Infrastructure Victoria, can you tell me: how was Shepparton chosen as the location for the regional focus?

**Mr MASSON** — You can imagine that selecting one city, because we could not conduct a citizen jury in every single regional city, as much as we would have wanted. So the selection of the city was a difficult choice. One of the reasons why we decided to choose Shepparton was because of its geographic location and the recognition that it is sitting squarely in the food bowl of Victoria — that is, a very important user of infrastructure, touching the water security, the agriculture, the climate change, the freight, including passenger trains. So there were quite a few reasons why, when we looked at the various reasons why to choose a city, we went for Shepparton.

**The CHAIR** — So that was a decision of Infrastructure Victoria rather than a decision of government?

**Mr MASSON** — Absolutely.

**The CHAIR** — Okay.

**Mr MASSON** — Absolutely. We were totally free to choose wherever we were going to select.

**The CHAIR** — So, just to clarify, the fact that Shepparton is the only electorate with an Independent member did not play any role in the decision to choose Shepparton?

**Mr MASSON** — Not to my understanding.

**The CHAIR** — Fabulous, very good. Thank you. With future level crossing removals that are to occur into the future after the first process that you have gone through has been completed, would you expect Infrastructure Victoria would be consulted with the prioritisation of future level crossing removals?

**Mr MASSON** — I cannot speculate on what sort of advice we will be requested to give to the government, so I cannot answer that question until we receive the letters of reference from the government.

**The CHAIR** — So just to clarify, it will be up to the government as to whether or not they will be prioritised by Infrastructure Victoria.

**Mr MASSON** — Correct.

**The CHAIR** — I am interested with regard to the appraisal period for the future benefit of particular projects. I note that infrastructure Australia uses a 30-year period that is used when analysing the benefit of a particular project. However, the current government has used a 50-year appraisal period for projects like the western distributor and the Melbourne Metro project. I am wondering if you might be able to provide some clarity on what effect having a longer or a shorter period for benefit analysis of a particular project may have on the view of that project.

**Mr MASSON** — The selection of the duration chosen for a specific project probably responds to a certain methodology. I have to say that I am not cognisant of this methodology in detail in order to be able to bring a quality response to that question.

**The CHAIR** — Would you mind taking that question on notice and provide some information on that?

**Mr MASSON** — Yes.

**The CHAIR** — That would be very much appreciated, thank you. Further questions, Ms Tierney or Ms Hartland?

**Ms HARTLAND** — Just a couple of quick ones on notice. I am particularly interested in your citizens jury process, so if you would be able to supply to the committee any report that is being written on that — how you

did it, how you chose people. I think it is a really interesting model, so I would just like a bit more information about that.

**Mr MASSON** — Okay.

**Ms HARTLAND** — Also, clearly once the report is finished and tabled in December, I think it would be really good for you to have a return visit to this committee early in the new year if that would be possible, Chair?

**The CHAIR** — Sorry, my apologies.

**Ms HARTLAND** — I was saying that I thought after the report is tabled it would be a good idea to have Michel back to actually talk us through the process. I think that would be very helpful. I think what you are doing sounds really interesting.

**The CHAIR** — I concur.

**Ms HARTLAND** — It is about time we had some proper planning for infrastructure.

**Mr MASSON** — Thank you. Let me also invite you to feel free to invite me to come back all throughout the process. Once we are going to release the options paper there will be some very interesting debate, and then there is the draft strategy. So I am definitely very happy and willing to come back and inform you at any point in time.

**Mr FINN** — Just one last one. It is a little bit out of my area but I will raise it anyway, and that is the discussion and the publicity of recent days, particularly yesterday, about the South Yarra station and, as I understand it, the difficulties that is providing for Metro or for the government. Will Infrastructure Victoria take that upon itself to examine?

**Mr MASSON** — No.

**Mr FINN** — Thank you.

**The CHAIR** — Thank you, Mr Masson. We look forward to hearing from you at future hearings. Thank you for your time today.

**Mr MASSON** — Thank you very much.

**Witness withdrew.**