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MS25-000227



Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications and the Arts

To: The Hon Catherine King MP, Minister for Infrastructure, Transport, Regional Development and Local Government (for decision)

Subject: Infrastructure Investment Program - Victoria – Election Commitment - Suburban Rail Loop (SRL) East Project Approval

Critical Date: Please action by 7 February 2025

Recommendations:

1. That you **note** the information provided in the Project Assessment Report (PAR), including the risks to the Suburban Rail Loop (SRL) East project (the Project).

Noted / Please Discuss

2. That you **sign** the Project Approval Instrument No. (VPT200051109) at **Attachment A**, which is consistent with section 13 of the *National Land Transport Act 2014* (the Act). Your signature confirms you:

- a. **approve** the Project in Victoria under section 9 (1) of the Act.
- b. **agree** to the Indigenous Employment and Supplier-use target of 0.34 per cent as outlined in the PAR at **Attachment B**.
- c. **approve** the provision of Australian Government (AG) funding up to \$2.2 billion towards the delivery of the Project, to be administered by the Victorian Government under section 17 (1) of the Act.
- d. **approve** the provision of AG funding in accordance with the conditions specified within the Project Approval Instrument.

Signed / Not Signed

3. That you **note** the Infrastructure Australia (IA) draft evaluation of the Project at **Attachment C**.

Noted / Please Discuss

4. That you **agree** the proposed expenditure is considered a proper use of relevant money, in accordance with section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Noted / Please Discuss

The Hon Catherine King MP

Date:

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Comments:**Key Points:**

1. The Victorian Government has submitted a Project Proposal Report (PPR) to the department, seeking the release of \$2.2 billion in AG funding towards the delivery of this Project. At your request, the department has prioritised its evaluation of the PPR.
2. At the 2022 Federal election, the AG committed \$2.2 billion to the SRL East project. This commitment was formalised as part of the 2022-23 Federal Budget.
3. The total project cost is estimated at \$34.4 billion, with a current Victorian Government commitment of \$11.6 billion. Victoria has requested additional AG funding of \$9.3 billion and intends to use value capture to fund the remaining \$11.3 billion.
4. SRL East is the first stage of the SRL project, and is expected to deliver 26 kilometres of underground rail line from Cheltenham to Box Hill, and six underground stations at Cheltenham, Clayton, Monash, Glen Waverley, Burwood and Box Hill. Detailed project information is contained in the PAR at **Attachment B**.
5. The Project can be considered in a broader transformational context over and above the travel time savings, improved transport connectivity and congestion reduction benefits it provides. The PPR indicates that the Project is expected to transform land use in the area, increasing access to housing, and improving liveability and connectivity within the area.
6. As required for infrastructure projects where the AG contribution is \$250 million or greater, IA undertook an evaluation of the Project based on Victoria's Business and Investment Case (BIC). The IA draft evaluation is provided at **Attachment C**, noting that Victoria will be provided with an opportunity to fact check the evaluation prior to it being finalised by IA, although IA has advised this will not change the fundamental findings of the report.
7. The BIC provides a combined analysis of two of the three proposed components of the SRL program, which are SRL East and SRL North. IA concluded that the two components in totality have strong potential to reshape the urban form, increase access to jobs and services, and improve transport connectivity. IA also concluded that SRL East presents a significant opportunity to directly improve quality of life for residents in the middle and outer suburbs of Melbourne's east by increasing transport choice, connecting major employment, health, education and retail areas, and facilitating new housing. The project aims to address a long-recognised challenge of Melbourne's monocentric urban sprawl and radial transport system by supporting the distribution and growth of housing, employment and other land uses in Melbourne's middle and outer suburbs.
8. IA advised they have low confidence in the cost estimate for SRL East, and how it will be fully funded, presenting a major risk to the Project. IA has also concluded in its draft evaluation that the benefits are likely to be overstated and the costs are likely to be understated.
9. IA recommend that the AG allocates its \$2.2 billion funding commitment towards tangible elements of the SRL East project's scope, such as land acquisition and/or land development that supports additional housing opportunities, or road upgrades to improve efficiency and safety of traffic, public transport and active transport movements as enabling works around station precincts.

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s47B(a)

12. Following our assessment of both the PPR, additional information provided by Victoria and IA's assessment, the department recommends that the AG's \$2.2 billion commitment be invested in the following:

- a. \$2,006.1 million towards land acquisition across both early works and tunnelling packages, including the voluntary purchase scheme
- b. \$193.9 million for other early works, which includes:
 - i. geotechnical and development works
 - ii. upgrades to utilities

13. This investment still aligns with your intent to contribute the AG's \$2.2 billion commitment to early works, whilst also mitigating risks by:

- a. Providing a tangible output through land acquisition that can be repurposed should the project not reach completion.
- b. Investing in works that are well progressed, minimising the risk of cost escalation, as well as having potential to provide auxiliary benefits should the project not proceed. This is consistent with advice from IA.

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Financial impacts:

16. If you accept the recommendations of this submission, the Project will be administered under the *National Land Transport Act 2014*, the Federation Funding Agreement Schedule on Land Transport Infrastructure Project 2024-2024 and the current supporting Notes on Administration. This includes the department exercising its delegation to advise the Victorian Government of your decision, and agree on project milestones to facilitate payment of AG funding of \$2.2 billion.

Legal/Legislative impacts:

17. The department is satisfied that investment of \$2.2 billion in the scope items identified in point 10 above represents a proper use of relevant money in accordance with the purposes and intent of the *Public Governance, Performance and Accountability Act 2013*. Further information is provided in the value for money section of **Attachment B**.

18. An assessment of the Project against relevant legislative requirements has been completed at **Attachment D** based on information provided by the Victorian Department of Transport and Planning (DTP) and taking into account the evaluation of the project by IA.

Stakeholder Implications:

19. It is anticipated that the approval of this Project will have implications for both community and members of State and Federal Parliament who have been publicly opposed to the Project.

Consultation:

20. Consultation has been undertaken with the Victorian Government, including the Suburban Rail Loop Authority and the Department of Transport and Planning, and Infrastructure Australia.

Media Opportunities: N/A

Attachments:

Attachment A: Project Approval Instrument No. VPT200051109

Attachment B: Project Assessment Report

Attachment C: Infrastructure Australia Draft Evaluation

Attachment D: Legislative Assessment and Authority

Attachment E: SRL East Map

Cleared By: Lachlan Wood

Position: Assistant Secretary

Division: Land Transport Infrastructure

Branch: Victoria, Tasmania, and South Australia

Ph: s22(1)(a)(ii)

Mob: s22(1)(a)(ii)

Cleared Date: 31 January 2025

Contact Officer: s22(1)(a)(ii)

Position: Director

Section: Victoria Regional

Ph: s22(1)(a)(ii)

Mob: s22(1)(a)(ii)

Instructions for MPS: Nil

Do you require a signed hardcopy to be returned: No

Responsible Adviser: s22(1)(a)(ii), s22(1)(a)(ii)

PDMS Distribution List: Jim Betts, Jessica Hall, Andrew Bourne, Lachlan Wood and s22(1)(a)(ii)

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National Land Transport Act 2014
Investment Project
Approval Under Part 3 Sections 9 and 17
Approval No. VPT200051109

I, Catherine King, Minister for Infrastructure, Transport, Regional Development and Local Government:

- a) being satisfied that the project referred to below (the Project) is eligible for approval in accordance with section 10 of the *National Land Transport Act 2014* (the Act) and considering that it is appropriate to approve the Project in accordance with section 11 of the Act, approve the Project under section 9 of the Act; and
- b) approve, under section 17 of the Act, the provision of Commonwealth funding for the Project to the eligible funding recipient identified below.
- c) approve, the provision of Commonwealth funding for the Project to fund the following:
 - a. \$2,006.1 million towards land acquisition, including the voluntary purchase scheme
 - b. \$193.9 million for other early works, which will include:
 - i. Geotechnical and development works
 - ii. Upgrades to utilities

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Catherine King

Project No.	121000-22VIC-NP
Project Name	Suburban Rail Loop East
Sub-Program	Rail Investment
Project Description	SRL East is the first section of the Suburban Rail Loop (SRL), delivering twin tunnels with six underground stations at Cheltenham, Clayton, Monash, Burwood, Glen Waverley and Box Hill.
Maximum Funding Amount that the Commonwealth may Contribute	\$2,200,000,000.00
Eligible Funding Recipient	Victoria, Department of Transport

Released under the Freedom of Information Act 1982 by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts

Attachment B to Document 1 (Pages 6-23) removed in its entirety as exempt under section 47B(a) of the FOI Act.

Attachment C to Document 1 (Pages 24-33) excluded from the scope of this request in its entirety as a draft. The final version of this document is available at the following link:

<https://www.infrastructureaustralia.gov.au/projects/suburban-rail-loop-east>

Legislative Assessment and Authority

Authority	Department Response
<p>You have the authority to approve a project as an Investment Project under section 9 of the Act if you are satisfied the project is eligible for approval under section 10 and consider the project appropriate to approve under section 11 of the Act.</p>	<p>The Department is satisfied the Project is eligible for approval under section 10:</p> <ul style="list-style-type: none"> the construction of an existing or proposed railway that is in a State or relevant external Territory <p>The Department is satisfied it is appropriate to approve the Project under section 11:</p> <ul style="list-style-type: none"> the extent to which the project will improve the efficiency, integration, security or safety of transport operations
<p>You have authority to approve funding for an Investment project under section 17(1) of the Act.</p>	<p>The Department is satisfied it is appropriate to approve the Project under section 17(1):</p> <ul style="list-style-type: none"> approve the provision of Commonwealth funding for an Investment Project to the approved funding recipient
<p>In exercising your authority to approve funding you should consider if the Project is appropriate to approve under section 71 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).</p> <p>The PGPA Act defines what constitutes a proper use of public resources, whereby 'proper' is defined as efficient, effective, economical and ethical.</p>	<p>The Department is satisfied that the Project represents a proper use of relevant money in accordance with the purposes and intent of the Public Governance, Performance and Accountability Act 2013. The Project is expected to improve liveability and community accessibility for Melbourne.</p>
<p>Indigenous Participation Plan</p>	<p>The Victorian Department of Transport and Planning has proposed an Indigenous participation target of 0.34 per cent. The target represents the percentage of working age Indigenous people in the Local Government Areas of Bayside, Kingston, Monash and Whitehorse.</p>

Attachment E – Suburban Rail Loop East Map

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