



PARLIAMENT OF AUSTRALIA • THE SENATE
SENATOR THE HON. BRIDGET MCKENZIE
Shadow Minister for Infrastructure, Transport and Regional Development
Leader of the Nationals in the Senate
Senator for Victoria

22 December 2023

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Via email: ag1@anao.gov.au

Dear Mr Hehir,

I write to request you give consideration to undertaking a general performance audit under section 18 of the *Auditor-General Act 1997* to apply an examination of the basis on which the Commonwealth Government, advised by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, has made decisions to progress with providing \$2.2 billion towards the Melbourne Suburban Rail Loop project.

The Victorian Government has commenced works on the first stage of the project, Suburban Rail Loop East, despite the project not being funded. Currently, for this \$35 billion section, there are commitments only for \$11 billion from the Victorian Government and \$2.2 billion from the Commonwealth. Neither government has been clear about the means by which up to \$20 billion would be obtained from value capture to fund the project.

The Victorian Government is seeking a further \$9 billion commitment from the Commonwealth. By commencing construction with the support of the Australian Government, there is a very high financial risk exposure to future Commonwealth governments of being required to make additional contributions to finalise delivery of the project in order not to void initial investments.

On Monday 4 December 2023 the ABC 7.30 Report broadcast a report highly critical of the Suburban Rail Loop projects, its significant costs and limited relative benefits. The report raised concerns the project costs could blow out to \$200 billion. Institutions such as the Grattan Institute and respected economists such as Chris Richardson recommended the Commonwealth and Victorian governments abandon the project.

On 30 November 2023 the Victorian Auditor General's Office issued the *Major Projects Performance Reporting 2023* report, which was critical of the Suburban Rail Loop (East) project. The report provided amber assessment of the project, with early development works assessed as likely to be 4 to 6 months behind its approved schedule, and the main works program likely to be 11 to 20 per cent over its current approved budget (up to \$7 billion additional cost).

On Wednesday 6 December 2023 the Victorian Ombudsman released its report into *Alleged politicisation of the public sector: Investigation of a matter referred from the Legislative Council on 9 February 2022 – Part 2*. This report found the Suburban Rail Loop project was initially developed "at odds with core aspects of the Westminster

tradition”, and that as a result of secrecy by the Government, key parts of the Victorian public service “were unable to perform their customary role of providing frank, impartial and timely advice about a policy with significant and far-reaching consequences for Victoria’s infrastructure pipeline and future State budgets”.

Further, the Ombudsman found the secretary of the Victorian transport department “was not informed of the proposal until days before its public announcement” and the Department “would have been unlikely to endorse such a high-cost solution for low-density Melbourne”. Infrastructure Victoria was “blindsided” by the Government’s announcement of the project. Importantly, the first ever statewide 30-year infrastructure strategy produced by Infrastructure Victoria did not identify a need for an orbital rail project such as the Suburban Rail Loop.

The Albanese Government has exempted the Suburban Rail Loop project from examination by the Independent Strategic Review of the Infrastructure Investment Program, which reported in August 2023. The Government also defeated a proposal in the Senate to amend the *Infrastructure Australia Act 2008* to require the agency conduct an inquiry into the Suburban Rail Loop project.

As identified above, the Suburban Rail Loop project represents a significant financial risk to the Commonwealth Government and Australian taxpayers (as well as to the Victorian public). An August 2022 advice from the Victorian Parliamentary Budget Office estimated building and operating the Suburban Rail Loop would cost more than \$200 billion by mid-2084.

Given the critical assessments made of this project by the independent accountability agencies of the Victorian Parliament, I ask you to consider undertaking a general performance audit under section 18 of the *Auditor-General Act 1997* into the \$2.2 billion Australian Government commitment to the Suburban Rail Loop project.

Thank you for your consideration of this important matter.

Yours sincerely,



Senator the Hon. Bridget McKenzie