Election policy costing

Cancel the Suburban Rail Loop debt bomb

Political party	Libertarian Party
Requestor	Mr David Limbrick MP
Request date	5 May 2026
Response date	2 July 2026
Policy commencement	1 January 2027
Policy conclusion	Ongoing
Policy summary	This policy would cancel the Suburban Rail Loop (SRL) project. All project-related contracts would be terminated. The Suburban Rail Loop Authority (SRLA) would be dissolved and its employees retrenched. SRL East value capture measures would be abolished.
Budget baseline	May 2026 budget
Expiry date of this response	At the release date of the next Victorian Government budget or budget update.

Parliamentary Budget Office

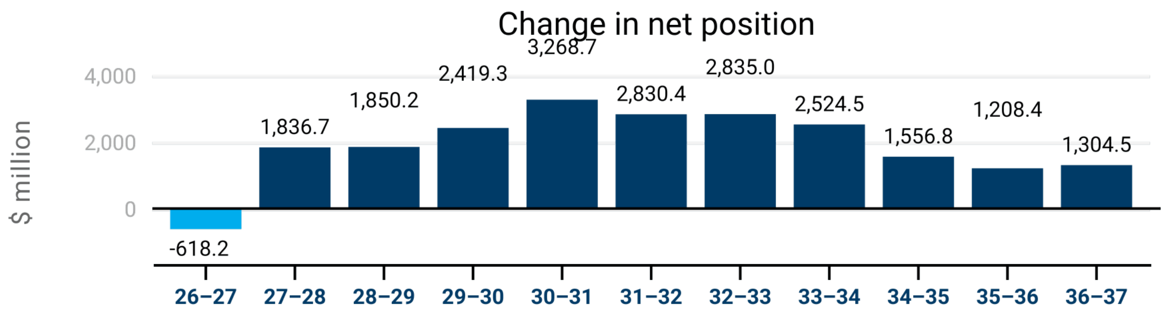
1300 615 862

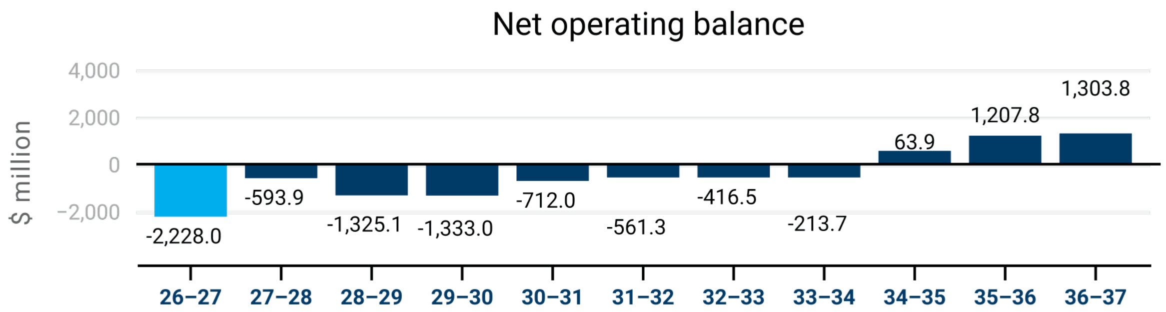
pbo.vic.gov.au

Parliament House, Spring Street
East Melbourne Victoria 3002

Our response

Budget impact





Source: Parliamentary Budget Office.

Costing overview

Short term impacts

We expect this policy to increase the state's budgeted net position by $5,488.0 million across 2026–27 to 2029–30. This reflects a:

- $10,968.0 million decrease in assets due to savings from ceasing asset works
- $404.4 million decrease in interest expenses on borrowings that would be required to fund the SRL project
- These decreases would be partially offset by a:
  - $4,698.5 million decrease in revenue from forgone Australian Government funding and forgone tax revenue
  - $1,186.0 million increase in operating expenses to provide funds to the SRLA to terminate contracts, retrench employees and pay liabilities, partially offset by savings from ceasing SRL-related activities.

Our estimate includes the SRLA paying $1,862.7 million in contract termination costs in 2026–27.

Medium term impacts

We expect this policy to increase the state's budgeted net position by $21,016.2 million across 2026–27 to 2036–37. This reflects a:

- $25,824.2 million decrease in assets due to savings from ceasing asset works
- $7,152.4 million decrease in interest expenses on borrowings that would be required to fund the SRL project
- These decreases would be partially offset by a:
  - $11,702.8 million decrease in revenue from forgone Australian Government funding, forgone tax revenue and forgone farebox revenue
  - $257.5 million increase in operating expenses to provide funds to the SRLA to terminate contracts, retrench employees and pay liabilities, partially offset by savings from ceasing SRL-related activities.

Our estimate includes the SRLA paying $1,862.7 million in contract termination costs in 2026–27.

Sensitivity and uncertainty

Construction of the SRL is ongoing and the impacts of cancelling this project would change materially depending on awarding of additional contacts or delivery of significant works. The PBO expects that this cost estimate may change materially by the next budget update.

Additionally, this cost estimate is sensitive to:

- changes in the total cost of the project including through unforeseen factors, cost overruns and escalation rates
- delays in delivery of project components against proposed timelines including on completed components
- the contract models employed by the SRLA, and contract terms and conditions
- the scale and disbursement profile of Australian Government funding
- the effectiveness of value capture measures in the SRL East precincts
- changes in behaviour related to the uptake of the passenger services
- the composition of the SRLA balance sheet at policy commencement.

To prepare this costing, we sought information from relevant public sector agencies. Their responses to date indicated that this information was confidential. On the date of this policy costing response, we were still awaiting further information from the SRLA. As such, we have relied on publicly available information to prepare this costing.

While PBO policy costings generally do not include changes in interest expenses, we have included them in this costing due to their magnitude, and to provide a most fulsome assessment of the overall budget impacts.

Context

The SRL project

With the SRL project, the Victorian Government aims to build a 90-kilometre orbital railway line connecting major Melbourne metropolitan railway lines from the Frankston line to the Werribee line, through Melbourne Airport. The Victorian Government plans to deliver the SRL in 4 main sections – SRL East, SRL North, SRL Airport and SRL West – over several decades.

Planning and initial works for the project commenced in 2019–20, with construction of SRL East commencing in 2022. The Victorian Government expects to commence passenger services on SRL East in 2035.

The Suburban Rail Loop Authority

The SRLA was established on 30 September 2019 as an administrative office in the Department of Transport. The SRLA subsequently became an independent statutory authority pursuant to the *Suburban Rail Loop Act 2021* (Vic) on 1 December 2021. The SRLA's primary objective is to plan and deliver the SRL program.

Cost estimates

In 2024, the Parliamentary Budget Office independently estimated the nominal cost to build SRL East would be $32.8 billion across 2019 to 2035. We also estimated the cost to operate SRL East would be $51.4 billion across 2035 to 2084.

The Victorian Government expects the cost to build SRL East to range between $30.0 billion and $34.5 billion.

Funding history

The Victorian Government has stated that the SRL project will be funded from 3 sources:

1. $11.5 billion from the Victorian Government.
2. $11.5 billion from the Australian Government.
3. $11.5 billion raised through value capture measures.

The Victorian Government has committed $11.8 billion in SRL funding to date, across multiple budgets:

- The 2019–20 Victorian Budget allocated $300 million for SRL planning and development.
- The 2020–21 Victorian Budget allocated $2.2 billion for initial and early works.
- The 2021–22 Victorian Budget Update allocated $9.3 billion for SRL East main works.

To date, the Australian Government has committed $6.0 billion for SRL East, across multiple budgets:

- The October 2022–23 Australian Budget allocated $2.2 billion.
- The 2026–27 Australian Budget allocated $3.8 billion over 4 years.

The Prime Minister has stated that this Australian Government funding cannot be used for any other purpose.

Value capture

In December 2025, the Victorian Government announced 5 value capture arrangements that would apply in the 6 SRL East precincts. The Victorian Government has subsequently detailed the amount of up-front state borrowing that would be repaid by each of the value capture measures over 40 years:

1. Existing and ongoing land tax revenue would repay $5.75 billion in up-front borrowing.
2. Existing and ongoing windfall gains tax revenue would repay $0.45 billion.
3. From 1 January 2027, revenue from an Infrastructure Contributions Plan levy on new property developments would repay $2.9 billion.
4. From 2035, revenue from a car parking levy on off-street car parks would repay $0.8 billion.
5. State-initiated development revenue, where the government would generate revenue by developing land that it owns, would repay $1.6 billion.

Contracts

In the 2026–27 Victorian Budget, the Victorian Government indicated that for SRL East:

- construction contracts worth $13 billion had been awarded
- contracts for the stations works packages would be finalised in 2026 and 2027
- a contract valued at $1.7 billion for operations and maintenance activities between 2035 and 2050 had been awarded.

For this policy costing, we have assumed that the SRLA would have entered into a contract for the Glen Waverley to Box Hill stations work package prior to the policy commencement date.

Policy commencement

By this policy's commencement date, we estimate that:

- terminating the Glen Waverley to Box Hill stations works package and all other current (on that date) project-related contracts would cost $1.9 billion
- after terminating the contracts, the SRLA's remaining non-financial assets would be worth $8.3 billion, of which:
  - property, plant and equipment assets valued at $2.1 billion would be retained by Victorian Government
  - construction in progress assets worth $6.2 billion would be impaired and written off, resulting in a corresponding decrease in Victoria's net worth.

We expect this policy to decrease the state's budgeted net position by $618.2 million in 2026–27. Subsequent and ongoing savings from ceasing SRL-related investment and activities supports year-on-year increases in the state's budgeted net position from 2027–28 onwards.

Our approach

Assumptions

When costing this policy, we made several assumptions. In addition to those published in our standard assumptions protocols (available at pbo.vic.gov.au/document/standardassumptions), we made the following assumptions:

1. The Victorian Government:
   a. would complete the SRL East build by 2035, and the Victorian Budget reflects this
   b. would operate a completed SRL East from 2035, and the Victorian Budget reflects this
   c. has made no commitment to build or operate SRL North, SRL Airport or SRL West.
2. Australian Government funding would be:
   a. disbursed in accordance with the Federation Funding Agreement – Infrastructure for Land Transport Infrastructure Projects (2024–2029), Budget 2026–27 funding schedule
   b. increased to $11.5 billion, as stated by the Victorian Government, with the additional $5.5 billion in funding being disbursed in equal amounts for each year between 2030–31 to 2034–35.
3. The Australian Government would not transfer SRL East funding to any other Victorian Government project.
4. For the SRL East value capture measures:
   a. consistent with our standard approach on second round economic effects, there would be no additional revenue accrued from existing and ongoing taxes
   b. additional revenue would be accrued from an Infrastructure Contributions Plan levy on new property developments, a car parking levy on liable off-street car parks and state-initiated developments on land that the government owns.
5. Funds already spent would not be recoverable.
6. From 2025–26 onwards, SRL-related expenditure would be based on the Parliamentary Budget Office's published estimates of the nominal cost to:
   a. build SRL East across 2019 to 2035
   b. operate SRL East across 2035 to 2084.
7. SRL East development, initial and early works are substantially complete.
8. There would be no expenditure on SRL East precincts prior to 2027–28.
9. For each SRL-related contract, costs would be incurred in equal amounts over the duration of the agreement.
10. The SRLA would enter into a substantive contract for the construction of SRL East stations at Glen Waverley, Burwood, and Box Hill prior to the policy commencement date.

11. The SRLA would not enter into a substantive contract for the construction of SRL East stations at Cheltenham, Clayton, and Monash prior to the policy commencement date.
12. The SRLA would terminate for convenience all project-related contracts on the policy commencement date, with the non-government parties to these contracts receiving compensation.
    a. Compensation would be reduced by the value of prepayments already made to the non-government parties.
13. The SRLA would retrench all its staff on the policy commencement date.
    a. The number and composition of SRLA employees would be unchanged from what the SRLA expect at 30 June 2026.
    b. All SRLA staff would receive full retrenchment benefits.
    c. There would be no retrenchment of the interim SRLA Chief Executive Officer, who would return to their substantive role with the Victorian Infrastructure Delivery Authority.
14. The Victorian Government would implement the dissolution of the SRLA on the policy commencement date.
    a. All payables would become due and would be paid out.
    b. All remaining borrowings would be paid back.
    c. All remaining provisions would be paid out.
    d. The government would transfer funds into the otherwise illiquid SRLA to support these activities.
    e. All construction in progress assets would be impaired and would be written off.
    f. All remaining assets would be transferred to the Department of Transport and Planning.
15. There would be no remediation of land previously used for in progress construction works.

Method

Consistent with standard costing approaches, we do not include second round economic effects. Such effects are difficult to quantify. The magnitude of such effects is highly uncertain and, in some instances, even their direction is unclear.

When costing this policy, we:

- estimated the amount and disbursement profile of Australian Government funding for the project
- estimated the amount of SRL East value capture measures revenue
- determined the cost and profile of the SRL East build
- determined the cost and profile of SRL East operations
- estimated the farebox revenue from new passenger services
- estimated the amount of actual expenditure on the project at the policy commencement date
- estimated the value of works contracted at the policy commencement date
- estimated the cost of terminating for convenience project-related contracts

- estimated the cost of retrenchment benefits for SRLA staff
- forecast the pro forma SRLA balance sheet as at the policy commencement date
- estimated the effects of the policy on the pro forma SRLA balance sheet
- estimated the amount of funds the Victorian Government would have to transfer into the SRLA to implement the policy
- estimated the value of construction in progress assets that would be impaired and written off
- estimated the value of residual SRLA assets that would be retained by the government
- calculated the net increase in expenses incurred due to this policy
- offset this by the calculated amount of revenue forgone
- calculated the decrease in non-financial asset investment from ceasing project works
- calculated the amount of funds the policy would save.

Data sources

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Attachment A – Detailed budget impacts

Year-on-year impacts

($ million)	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33	2033–34	2034–35	2035–36	2036–37
Revenue	-674.9	-786.3	-1,564.7	-1,672.6	-1,176.8	-1,219.3	-1,263.9	-1,270.9	-1,357.7	-350.1	-365.6
Expense	1,534.4	-173.2	-105.8	-69.5	-9.3	-0.9	-0.9	-30.5	-257.7	-301.1	-328.0
Interest on debt	18.7	-19.2	-133.8	-270.1	-455.5	-657.1	-846.6	-1,026.7	-1,163.9	-1,256.9	-1,341.4
Net operating balance	-2,228.0	-593.9	-1,325.1	-1,333.0	-712.0	-561.3	-416.5	-213.7	63.9	1,207.8	1,303.8
Assets	-1,609.8	-2,430.6	-3,175.3	-3,752.3	-3,980.7	-3,391.7	-3,251.5	-2,738.2	-1,492.9	-0.6	-0.6
Leases	0	0	0	0	0	0	0	0	0	0	0
Change in net position	-618.2	1,836.7	1,850.2	2,419.3	3,268.7	2,830.4	2,835.0	2,524.5	1,556.8	1,208.4	1,304.5

Cumulative impacts

($ million)	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33	2033–34	2034–35	2035–36	2036–37
Revenue	-674.9	-1,461.2	-3,025.9	-4,698.5	-5,875.3	-7,094.6	-8,358.5	-9,629.4	-10,987.2	-11,337.3	-11,702.8
Expense	1,534.4	1,361.3	1,255.5	1,186.0	1,176.7	1,175.8	1,174.9	1,144.4	886.7	585.5	257.5
Interest on debt	18.7	-0.5	-134.3	-404.4	-860.0	-1,517.1	-2,363.7	-3,390.3	-4,554.2	-5,811.0	-7,152.4
Net operating balance	-2,228.0	-2,822.0	-4,147.1	-5,480.0	-6,192.0	-6,753.3	-7,169.8	-7,383.5	-7,319.6	-6,111.8	-4,807.9
Assets	-1,609.8	-4,040.4	-7,215.7	-10,968.0	-14,948.6	-18,340.3	-21,591.8	-24,330.0	-25,822.9	-25,823.5	-25,824.2
Leases	0	0	0	0	0	0	0	0	0	0	0
Change in net position	-618.2	1,218.5	3,068.6	5,488.0	8,756.7	11,587.0	14,422.0	16,946.5	18,503.3	19,711.8	21,016.2

Notes: Figures may not sum due to rounding. Consistent with Victorian Budget, we do not consider changes in depreciation expense and non-cash adjustments. The net operating balance measures the gap between government revenue and expenses, and is an indicator of the policy's impact on operating sustainability. The net position measures the gap between government revenue and expenses, and movements in financial and non-financial assets. It is an indicator of the policy's impact on the state budget, and is more appropriate for comparing policy costings.

Source: Parliamentary Budget Office.