VAGO
Victorian Auditor-General's Office

Case study:

Suburban Rail Loop East – Early Works

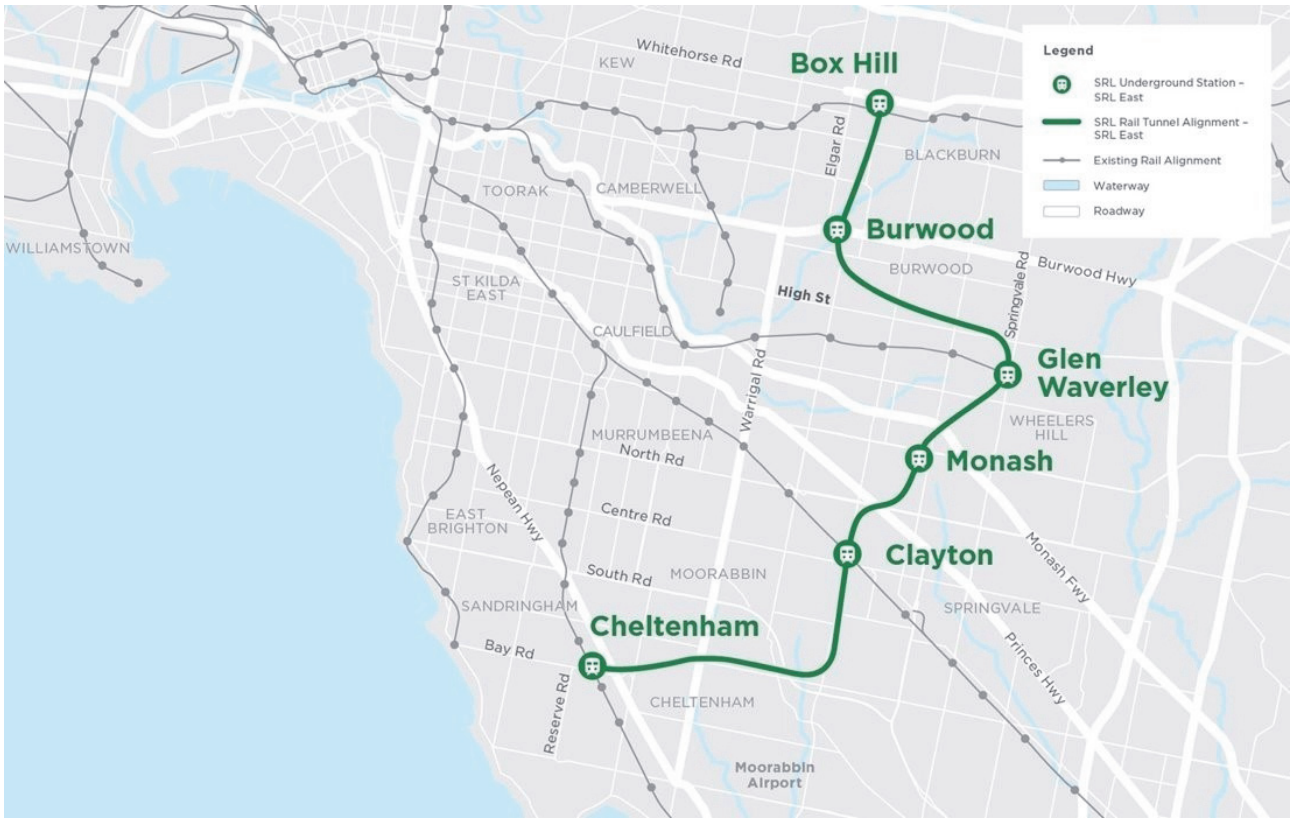
February 2025

Suburban Rail Loop East – Early Works

The Suburban Rail Loop is the government's vision for a 90-kilometre rail line that will eventually link every major train line by a new route that goes around the city, instead of through it.

This case study looks at the early works for the first stage of the Suburban Rail Loop, known as Suburban Rail Loop East, which is being constructed between Cheltenham and Box Hill.

Figure 1: SRL East station locations



Source: Suburban Rail Loop Authority (SRLA).

Key project data

2024–25 BP4 project name:	Suburban Rail Loop East – Development, Initial and Early Works
Previous reporting name:	N/A
Project lifecycle phase:	In delivery/under construction
Financial year when first disclosed:	2020-2021
Current approved cost (TEI):	• $2.5 billion – according to SRLA's survey response • $2.37 billion – according to 2024–25 BP4
Original approved cost (TEI):	$2.2 billion
Cost variance analysis:	$300 million Note: The discrepancy between BP4 and survey data is $300 million. This difference is due to an initial funding amount approved by government to plan and develop the Suburban Rail Loop. This initial amount was not specifically disclosed in Budget papers.
Expected completion date:	Quarter 3 2025–26
Original completion date:	Quarter 4 2024–25
Time variance analysis:	Delayed by 3 quarters (up to 9 months)
Responsible (BP4) entity:	Victorian Rail Track (VicTrack)
Delivery entity:	SRLA
Approval authority:	Minister for the Suburban Rail Loop

Note: BP4 is Budget Paper 4: State Capital Program. TEI stands for total estimated investment.

Figure 2: SRL site Burwood

Source: Suburban Rail Loop Authority.

Project summary

Project description and purpose

The Suburban Rail Loop is the government's vision for a 90-kilometre rail line that goes around the city instead of through it, linking every major metropolitan train service from the Frankston Line to the Werribee Line via Melbourne Airport.

The SRL has 4 key components: Suburban Rail Loop Airport, Suburban Rail Loop East, Suburban Rail Loop North and Suburban Rail Loop West. Work on Suburban Rail Loop East has started. Suburban Rail Loop Airport is funded but currently on hold. Suburban Rail Loop North and Suburban Rail Loop West are expected to be delivered at a later stage.

Suburban Rail Loop East will connect major employment, health, education and retail destinations across Melbourne's east and south-east. Construction started in June 2022, with trains expected to be running by 2035.

Suburban Rail Loop East's early works package includes:

- land purchases, land consolidation and structure demolition
- minor road upgrades
- tram works
- ground improvement works and decontamination if required
- establishing construction sites
- installing underground power supply to sites

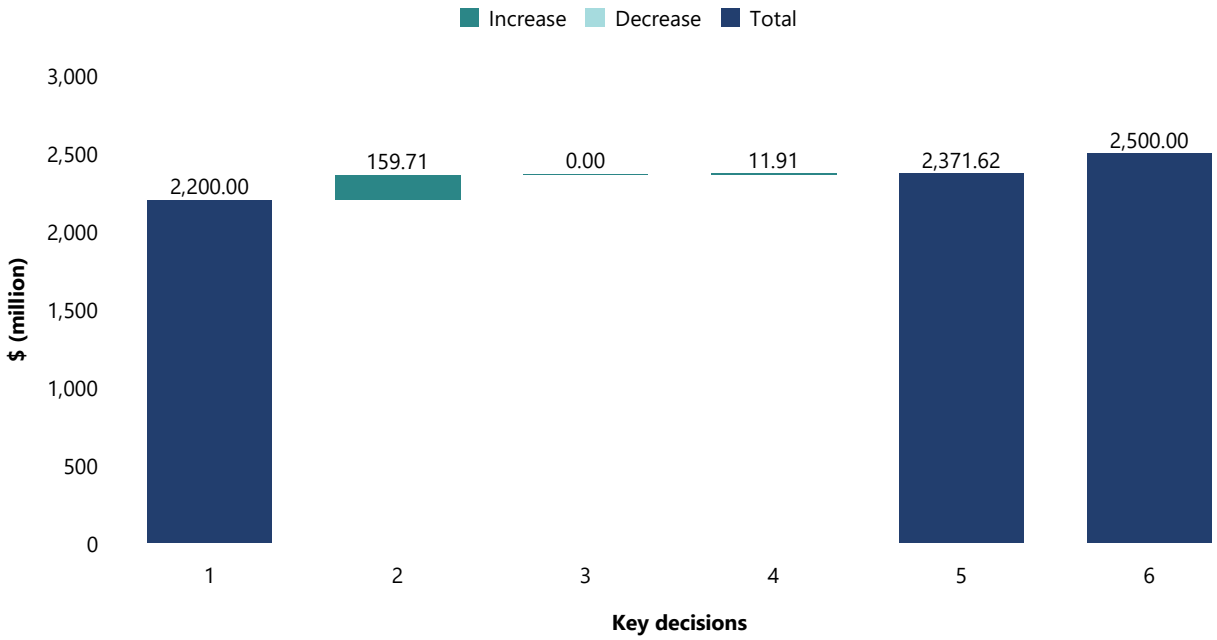
- relocating and protecting utilities, such as gas, electrical, water and telecommunication services
- constructing temporary power infrastructure
- preparing launch sites for the tunnel boring machines.

Suburban Rail Loop East's Main Works packages include:

- 2 tunnelling packages
- 6 underground stations (2 packages of 3 stations each)
- line-wide systems and operations (such as rail track technologies, trains, power to run the trains, communications systems and signals).

There is also a maintenance and stabling facility being built in Heatherton.

Figure 3: Budget changes to the Suburban Rail Loop East early works



Legend

Key decision	Date and detail
1	2020–21 (no BP4 published): original TEI
2	2021–22 BP4: TEI increase
3	2022–23 BP4: no change in TEI
4	2023–24 BP4: TEI increase due to budgeted amounts being reclassified as capital expenditure
5	2024–25 BP4: current TEI
6	2024 VAGO survey response: current TEI (includes $300 million previously approved and announced by the government for planning and development)

Source: VAGO.

Project status

Red, Amber and Green (RAG) status

The criteria we used for this RAG assessment can be found at the end of this case study.

Figure 4: Entity self-assessment compared to VAGO assessment

	Scope	Cost	Time	Benefits
Entity self-assessment	Amber	Green	Green	Green
VAGO assessment	Amber	Green	Green	Amber

Note: Entity self-assessments were made in the specific project survey. Based on the information SRLA provided and survey responses, VAGO assessed benefits as amber because benefits measurements processes are not fully developed and baseline data to measure benefits achievement is insufficent.
Source: VAGO.

Cost, time and scope performance

In 2020, the government approved $2.2 billion to fund Suburban Rail Loop East's early works package.

Within this $2.2 billion, SRLA provided VAGO with specific cost subcategories, such as:

- $657 million for land purchases (including voluntary acquisition)
- $187 million for project administration and oversight, community and stakeholder engagement and consultation, advisory and design
- $134 million for geotechnical and other specialist advice.

The TEI increased to $2.36 billion in the 2021–22 BP4, and then to $2.37 billion in the 2023–24 BP4. The 2024–25 BP4 notes the current TEI as $2.37 billion. SRLA's survey response attested in July 2024 that the TEI is $2.5 billion, which includes $300 million previously approved and announced by government for wider program planning and development.

SRLA's response to our survey states that $875 million had been spent by 30 June 2024.

SRLA uses dashboards to measure progress against contingency, cost, risk and time. The April 2024 dashboard forecasts that the Suburban Rail Loop East early works package will finish on 1 April 2026, compared to its initial 31 Oct 2025 date. The end date in the 2024–25 BP4 is listed as quarter 3 2025–26, compared to the previous year's estimated finish date of quarter 4 2024–25.

The Suburban Rail Loop East early works package is currently delayed by around 9 months. The package's estimated completion date was revised to better reflect the detailed schedule of works.

Risks and emerging pressures

The Suburban Rail Loop East early works package is currently going through a pricing reset with SRLA's contractor to factor in items that were unknown or uncertain at the time the contract was awarded. This includes unknown ground conditions and hazards and contamination at some sites, such as properties that were not comprehensively inspected due to access restrictions.

The price reset was expected to be finalised by June 2024 but is still in progress. The contractor's inability to confidently price non-contestable utilities work is also an ongoing risk.

There is a general potential risk that the emerging time variance in the IEW package could delay the main works package. SRLA told us that it is working with the managing contractor to minimise any possible impact on other packages.

A recent Gate 4 review recommended that SRLA develop clearer contingency options in case the main works are delayed or do not go ahead. SRLA has developed a detailed contingency plan for the early works package and actions to take in each construction zone if there is a delay to main works.

Non-contestable utilities works

A phrase used by the Australian electricity, gas, telecommunications or water market, which means that works can only be performed by the utility provider, with no opportunity for market competition.

Key funding stakeholders

Stakeholders

The Victorian Government is fully funding the Suburban Rail Loop East early works package.

Project benefits

Benefits

SRLA outlined some benefits from completing the Suburban Rail Loop East's early works package ahead of the main works in its funding submission. Expected benefits included reducing future delivery costs and minimising community disruption during the main works package by having a construction-ready environment in place.

Many land purchases for the overall Suburban Rail Loop East project were funded in the early works phase. SRLA told us this has several key benefits because it:

- is more cost-effective to buy land earlier, since the SRL is a multi-year project, and land values rarely decrease over time
- reduces the risk of developers buying the surrounding land for their own purposes
- demonstrates tangible progress to the community and key stakeholders.

While the Suburban Rail Loop's business and investment case outlined many medium to long-term benefits, there is no obvious benefits measurement approach in place. It is also not clear which agency will measure the expected Suburban Rail Loop benefits after project delivery.

SRLA's Gate 4 review recommended that SRLA establish a mechanism to more clearly show the relationship between the Suburban Rail Loop's scope, cost and benefits.

Governance and assurance

Governance and assurance

Every month SRLA records key risks, with corresponding mitigation measures.

SRLA also has a project execution plan outlining how Suburban Rail Loop East packages are delivered.

Governance mechanisms for the Suburban Rail Loop East early works package include:

- a governance framework and structured project change management process
- a project control group to review, approve and discuss changes to scope, time and cost
- steering committees, which include central agency representatives
- recurring meetings between the package director and SRLA divisions to address any issues
- updates to the Minister for the Suburban Rail Loop.

SRLA's internal audit area is currently reviewing the governance framework and change management process.

SRLA has completed all relevant review milestones required by the high value high risk and Gateway review processes that apply to the IEW package. These review points were specified in a project assurance plan approved by the Treasurer in September 2022.

Procurement approach

Managing contractor model

The early works package is using a managing contractor procurement model. SRLA chose this model for flexibility in managing evolving scope and multiple external stakeholders. The model was expected to reduce demand on SRLA resources and facilitate early third-party involvement.

While a managing contractor model allows for some risk transfer to the private sector, there is also some risk that the contractor cannot effectively price some elements (such as the utility works) until the full scope is known and costed by the works provider. This risk was identified in the Gate 4 review.

Better practice

Better practice and lessons learnt

The SRLA early works package has separate dashboards to measure progress against contingency, cost, risk and time.

SRLA has a memorandum of understanding (MoU) with the Victorian Infrastructure Delivery Authority to share specialist resources and staff with experience in similar projects. This MoU was used extensively while SRLA was established

For example, SRLA learned through the Metro Tunnel Project's Early Works Close-Out report that proactively working with various government agencies, councils, franchisees and service providers helped collaboration and supported the investment in appropriate resourcing.

RAG definitions

Rating	Scope	Cost	Time	Benefits
Red	Current approved project scope is at risk and requires action and a decision by the government	Project is likely to be more than 20% over its current approved budget	Project is likely to be more than 6 months behind its current approved schedule	Project benefits measurement systems are not in place and baseline and progress data for project benefits described in the business case, investment logic map (ILM) or benefit management plan (BMP) is not available
Amber	Scope risks are emerging but are being managed and no action or decision is required by the government at this point in time	Project is likely to be 11–20% over its current approved budget	Project is likely to be 4–6 months behind its approved schedule	Project benefits measurement systems are immature and baseline and progress data for project benefits described in the Business Case, ILM or BMP is unreliable
Green	Current approved project scope is clear and can be delivered within budget and schedule	Project is likely to be 0–10% over its current approved budget	Project is likely to be 0–3 months behind its current approved schedule	Project benefits measurement systems are well developed and baseline and progress data for project benefits described in the Business Case, ILM or BMP is reliable and up to date
N/A				There are no tangible or measurable benefits specified in the project's business case or objective(s)

Source: VAGO.