

Suburban Rail Loop East



ASSESSMENT FRAMEWORK STAGE



LOCATION

Melbourne, Victoria

PURPOSE OF EVALUATION

Proposal seeking funding

SECTOR

Transport

INVESTMENT THEME

High-Capacity Transport for Growing Cities

PROPONENT

Victorian Government

INDICATIVE DELIVERY TIMEFRAME

Construction start: 2022

Completion by: 2035

EVALUATION DATE

31 January 2025



CAPITAL COST

\$34,500 million

FUNDING COMMITTED/SOUGHT



Recommendations

- We recommend that the Australian Government allocates its \$2.2 billion funding commitment towards tangible elements of the Suburban Rail Loop (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.
- Before committing further funding to SRL East, we recommend that the Australian Government should receive and approve¹ at least the following additional information from the proponent:
 - an updated and detailed cost estimate for SRL East and supporting station precinct interventions
 - a comprehensive funding and financing strategy with supporting quantitative analysis that details how value capture will fund one third of SRL East's cost

¹ through the agreed process under the Federation Funding Agreement Schedule for Land Transport Infrastructure projects (2024-2029)

- analysis (including cost-benefit analysis) that demonstrates the benefits of SRL East in terms of social, economic and environmental outcomes and its contribution to the SRL program.
- If further Australian Government funding is to be committed, we recommend the Australian Government takes an active role in collaborating with the Victorian Government to support program development:
 - The Australian Government should participate on the relevant governance body that will support realising the committed funding objectives
 - We recommend the proponent develops the exit strategies discussed in the Business and Investment Case (BIC) in detail, in consultation with the Australian Government, to provide a clear pathway to successfully conclude or transition out of the project in the event it cannot be delivered at this stage or in the future.

Evaluation summary

- Infrastructure Australia has evaluated the Victorian Government's SRL East project in accordance with our Statement of Expectations, which requires us to evaluate project proposals where Australian Government funding of more than \$250 million is sought. The Australian Government has committed \$2.2 billion to SRL East, with the Victorian Government seeking Australian Government funding for one third of the project's cost estimate in total. SRL East is the first section of the SRL Program, which also includes SRL North, SRL Airport (Melbourne Airport Rail) and SRL West.
- Our evaluation has been based on the Victorian Government's BIC, which was published in 2021. The BIC presents combined analysis for two components of the SRL Program, SRL East and SRL North. The costs and benefits of the whole SRL Program, including SRL Airport and SRL West, are undefined, with the BIC stating that "SRL West will be subject to further investigation, planning and development".
- The BIC demonstrates that the combined SRL East and SRL North components have strong potential to reshape the urban form, increase access to jobs and services, and improve transport connectivity in Melbourne.
- While some new additional information has been provided to support our evaluation of SRL East, the BIC does not provide disaggregated information to understand the specific benefits of SRL East, and its contribution to the overall SRL Program. Based on the information provided, we have low confidence in the cost estimate for SRL East, presenting a major risk to the SRL East project, and the SRL Program as a whole.
- 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. It 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 suburbs². It aligns with Australian Government and Victorian Government policies and objectives, and the proposed solution has been designed to integrate with the existing transport network. However, a more rigorous options assessment for the SRL Program, and therefore SRL East, would have provided a more convincing justification for why the proposed rail solution was selected and why it is being prioritised.
- The economic appraisal in the BIC considers the SRL East and SRL North components of the SRL Program, and based on our analysis, we consider the results to be overstated. The analysis is not sufficiently detailed to allow us to understand the economic impacts of SRL East, which is the focus of this evaluation. The BIC identifies that SRL North will not be fully complete until 8-18 years after SRL East opens, meaning the full benefits of SRL East, including increased patronage, will not be realised for many years.
- The proponent's cost estimate was produced in 2020 and therefore does not reflect the design and scope definition activities that the proponent has undertaken over the last five years. Industry-wide cost escalation since 2020 presents further risk and uncertainty. Due to the uncertainty in the cost estimate, it is likely the economic case for SRL East and SRL North is overstated as any further increases to costs without extra benefits will reduce the benefit-cost ratio.
- An Environmental Effects Statement for SRL East shows that the project aims to deliver a long-term environmental benefit by enabling a mode-shift towards renewable energy powered public transport. However, the proponent's analysis states that emissions saved during operations would be less than 1% of the emissions produced during the construction phase. The proponent is currently exploring an extensive range of opportunities

² A monocentric city is characterised by a single dominant center, typically the central business district (CBD), which serves as the primary hub for economic and social activities

to mitigate construction and operations emissions through the design phase, however, based on current design and expected demand, the project is estimated to generate more emissions than it saves.

- One third of the estimated cost of SRL East (\$11.5 billion) is proposed to be funded through value capture mechanisms. While we acknowledge the role value capture can play in funding infrastructure, there is insufficient detail in the submission to provide confidence that these mechanisms can provide such a large proportion of the required funding, presenting a major risk to the project.

Project description

SRL East is the first stage of a proposed mass transit system that will serve Melbourne's middle and outer suburbs. The 26km SRL East corridor consists of a twin-tunnel, standalone line with new underground stations at Cheltenham, Clayton, Monash, Glen Waverley, Burwood and Box Hill, as well as a new stabling facility at Heatherton.

SRL East is anticipated to directly support up to 8,000 direct local jobs during construction.

[Suburban Rail Loop - Victoria's Big Build](#)

Review themes

Strategic Fit	The case for action, contribution to the achievement of stated goals, and fit with the community.
Case for change	<p>The drivers for change are demonstrated in the BIC, with the following three key problems underpinning the need for SRL (and by extension SRL East):</p> <ol style="list-style-type: none"> 1. Melbourne's monocentric urban form is constraining economic growth 2. The concentration of population growth in the inner and outer suburbs of Melbourne is contributing to inefficient infrastructure and service provision 3. Inequitable access to affordable housing, jobs and services is entrenching disadvantage. <p>SRL offers an opportunity to address these challenges, lower unsustainable growth on the urban fringe and shape the future liveability, productivity and connectivity of Melbourne. Complementary investment by government and industry will be required to reshape land use activity and distribution so that these objectives can be achieved.</p> <p>In addition to the rail and infrastructure components, the proposal has identified structure planning boundaries around each station that will be developed to stimulate investment, job growth, and economic activity, helping to address key challenges and leverage the benefits of SRL East.</p>
Alignment	<p>The proposal demonstrates strong alignment to Victoria State policy documents, in particular <i>Plan Melbourne 2017 – 2050</i>, which states an intent to "maintain a permanent urban growth boundary around Melbourne to create a more consolidated, sustainable city". However, as SRL East is expected to enhance accessibility for outer suburbs, it may encourage urban expansion as these outer areas become more liveable.</p> <p>The proposal also delivers strong alignment to the Australian Government's Infrastructure Policy Statement, as it is demonstrated to deliver improvements in productivity, public transport network resilience, equity, connectivity and reduces ongoing transport emissions, which is also consistent with the National Electric Vehicle Strategy (2023) and the Transport and Infrastructure Net Zero Roadmap and Action Plan (2023).</p> <p>The proposal also delivers strong alignment to the Australian Government's National Urban Policy (2024), specifically contributing to:</p> <ul style="list-style-type: none"> • Objective 1: No-one and no place left behind • Objective 4: Our urban areas are sustainable • Objective 5: Our urban environments and communities promote health and wellbeing • Objective 6: Our urban areas promote productivity.

Network and system integration	<p>SRL East is expected to integrate with the existing and future rail network, with potential transfer points at Cheltenham, Clayton, Glen Waverley and Box Hill. It will also utilise the same ticketing system as the broader Victorian transport network.</p> <p>SRL East has been analysed by the proponent as part of the combined analysis of the SRL East and SRL North components of the SRL Program. Based on the information available, it is not possible to determine if the project has merit on its own, although it is reasonable to assume that the benefits of SRL East will be increased following delivery of the SRL Program, or at least SRL North, although delivery of SRL North is not anticipated until 8 to 18 years after the opening of SRL East.</p>
Solution justification	<p>A strategic options assessment was undertaken for the SRL Program to determine the infrastructure solution that best responds to the identified problems. The strategic assessment applied limited consideration to other modes of transport, and it did not include quantitative information. Given the expected significant cost of the SRL Program, it is not possible to know how those costs could have been spent on other infrastructure and non-infrastructure solutions.</p> <p>A subsequent options analysis process was undertaken to determine the preferred alignment for the SRL East component of the rail solution. This process developed a long list of options, shortlisting process and a multi-criteria analysis (MCA) using inputs from detailed technical analysis and studies that considered anchor precincts, program sequencing and precinct location options to identify the preferred alignment. The rail alignment MCA aligns with the objectives of the SRL Program, however, it would have benefited from quantitative analysis to inform criteria ratings of each option. This optioneering process identified SRL East as the preferred stage of the SRL Program for initial delivery, followed by SRL North, noting SRL West was not included in the analysis.</p> <p>Following the rail alignment options analysis, two program scenarios were assessed in detail, however, these scenarios differ only in their timing for delivery of SRL North and are not independent options. Undertaking detailed analysis of at least two independent options helps increase confidence in the results, by reducing the risk of there being a superior option that was not considered in the analysis.</p> <p>While considerable qualitative justification is provided on precinct and station location selection, detailed technical analysis appears to have been completed on one SRL East option only.</p> <p>There is insufficient justification to conclude that the project is the most appropriate response to addressing the identified problems underpinning the case for change. It is possible that alternative policy or infrastructure responses - modes and/or alignments - would deliver greater value-for-money or a more cost-effective solution.</p>
Stakeholder endorsement	<p>Substantial stakeholder engagement has been and continues to be carried out for SRL East. A Communications and Stakeholder Engagement Management Framework has been developed and the SRL East Environmental Effects Statement (EES) notes that "feedback received from the community and stakeholders throughout the engagement process directly informed a range of outcomes for the Project". In particular, the EES highlights that station locations, integrated transport station design and green infrastructure design were all informed by community feedback.</p> <p>A Technical Reference Group was established for the project and met over the course of proposal development to provide feedback and advice. This group included representatives from Government, First Nations community groups and impacted Local Councils.</p> <p>More broadly, community and stakeholders have been engaged via a range of methods, including mail-outs, social and print media posts, online tools and surveys, a virtual information room, and virtual workshops. In total, 34 pop-up and drop-in information sessions were held between mid-2019 and mid-2021, with more than 12,800 face to face interactions.</p> <p>The depth of stakeholder engagement indicates there is likely sufficient buy-in from stakeholders and the community and that the project responds to their needs. However, while the BIC states value capture opportunities have been or are planned to be discussed</p>

with the community, local governments and industry, it is not clear if this engagement has informed development of value capture mechanisms. Stakeholder consideration and buy-in of the value capture mechanisms presents a risk to one of the key funding sources for the project.

Societal Impact The social, economic and environmental value of the proposal, as demonstrated by evidence-based analysis.

Quality of life

SRL East is anticipated to directly improve quality of life of Melbournians, particularly in outer and middle suburbs. It is anticipated to deliver improved living affordability through reduced transport costs for households close to the SRL East corridor and along the connecting regional rail network, encourage increased active transport and reduce road network congestion. It is expected to encourage the development of population-serving precincts, create opportunities to embed green open spaces and provide the community with more transport and housing options.

Analysis completed as part of the BIC demonstrated that approximately 20% of households located within SRL East precincts will be within the lowest income group (Income Quantile 1), demonstrating that investment in SRL East would benefit more vulnerable members of the community by providing greater housing choice and better access to public transport. Additionally, the BIC indicated that improved cyclist amenity at each of the SRL East precincts could deliver a benefit of between \$13.1 and \$16.6 million (evaluated at 4% discount rate over the 50-year appraisal period).

However, most liveability and quality of life metrics provided in the BIC are reflective of the combined SRL East and SRL North components. The proponent did not provide sufficiently disaggregated analysis of these components to allow us to determine what proportion of most quality-of-life metrics quantified in the analysis could be realised with the delivery of SRL East.

Productivity

SRL East, by providing enhanced public transport connectivity to key employment, health, education and retail precincts in Melbourne's middle suburbs, is expected to deliver substantial productivity benefits for the region.

SRL East is estimated to increase the number of jobs accessible by public transport, with the suburbs of Bayside, Manningham, Monash, Greater Dandenong, Kingston and Whitehorse all seeing the number of accessible jobs within a one hour public transport commute increase by over 100,000 with SRL East in 2036.

A productivity analysis was completed as part of the BIC for SRL East and SRL North combined, with the following key outcomes:

- These components of the SRL Program will drive businesses to locate in clusters outside of the central city – by 2056, SRL precincts are expected to be home to 545,000 jobs. Consolidation and clustering of businesses and economic activity, combined with better business-to-business connectivity will generate \$6 billion to \$9.7 billion in agglomeration benefits.
- SRL East and SRL North are anticipated to increase Victoria's Gross State Product (GSP) by \$50.8 billion in present value terms. Overall, Australia's Gross Domestic Product (GDP) will be higher by \$49.3 billion in present value terms over the evaluation period.

A portion of these productivity benefits would be expected to arise following delivery of SRL East, although this cannot be determined from the analysis in the BIC.

Environment

Extensive consideration and mitigation of the environmental impacts of SRL East delivery and operations has been incorporated into the proposal and documented in a publicly available EES. Key environmental impacts identified through the EES submission process include temporary construction impacts on noise and air quality, the temporary loss of tree canopy cover and local amenity at impacted station locations (noting a net positive outcome is expected overall), and significant GHG emissions during construction.

A GHG assessment completed for the EES submission determined that SRL East construction would result in around 1.86 million tonnes of Carbon Dioxide equivalent (CO₂e) emissions over its 13-year construction period. The proponent states an intent to use 100%

renewable energy for fleet operation, resulting in operating emissions of 337,000 tonnes of CO₂e over a 100-year operating period.

The proponent is exploring an extensive range of opportunities to mitigate emissions impacts during construction and operations. However, based on the current design and expected demand, the EES found that the combined benefit of a passenger mode-shift towards public transport and operational phase savings would be equal to less than 1% of the estimated construction stage emissions from building the Project.

The EES outlines commitments to replace double the tree canopy removed through the construction of the project, and the *Public Open Space Framework* seeks to mitigate or offset any public open space and recreational infrastructure impacts from construction of the project. Costs for vegetation offsets have been included in the cost estimate.

Sustainability

The BIC appears to have appropriately considered long-term drivers of change, with demand modelling adopting a 2056 forecast year and the impacts of alternative land use development scenarios on transport demand considered.

The economic appraisal completed for SRL East and North does not monetise embodied CO₂e impacts, which are noted in the EES to be substantial for SRL East during the construction phase. We note the BIC was developed prior to the requirement to monetise GHG emissions in proposals submitted to Infrastructure Australia for evaluation. The *Infrastructure Australia Act 2008* requires Infrastructure Australia to consider the impact of infrastructure proposals on Australia's net greenhouse gas emissions. When monetised by Infrastructure Australia using current national carbon values, the economic impact for the construction related emissions is between \$150 million to \$450 million.

The proposal includes substantial evidence for consideration and mitigation of social, economic and environmental impacts, as documented through the EES. Key commitments to sustainability made by the proponent for SRL East include:

- Rail infrastructure project elements must achieve sustainability outcomes aligned to a minimum rating of 'EXCELLENT' under the Infrastructure Sustainability Council (ISC) Infrastructure Sustainability (IS) rating tool version v1.2.
- Stations must achieve a Green Star rating of greater than or equal to 5-star, certified using the Green Building Council of Australia (GBCA) rating tool Green Star Railway Stations, applying version v1.1 or greater (EPR SGG4)
- The Operations Control Centre at the stabling facility must achieve the following concurrently: 1) A certified NABERS Energy rating of 6-star (EPR SGG5); 2) A Green Star rating of greater than or equal to 5-star, certified using the GBCA rating tool Green Star Design & As Built, applying greater than or equal to version v1.3 (EPR SGG6).

The extent of costs associated with achieving these sustainability commitments, e.g. Green Star rating for building efficiency, is unclear from the information provided by the proponent.

Resilience

SRL East is anticipated to increase the resilience of Melbourne's rail network, meaning that Melburnians will be able to more easily navigate disruptions. SRL East will provide flexibility to connect with alternative radial rail lines, which would minimise disruption for passengers. The orbital alignment also provides opportunities to improve the use of existing assets across the entire rail network.

Deliverability

The capability to deliver the proposal successfully, with risks being identified and sufficiently mitigated.

Ease of implementation

The cost estimate reports provided by the proponent, completed in 2020, presents costs for the initial and early works (\$2.2 billion), precinct interventions (\$1.77 billion), and rail and infrastructure capital costs (\$30.37 billion, P90).

It appears the rail and infrastructure capital cost estimate has applied appropriate contingency (40.8%) and adopted conservative escalation rates in accordance with guidelines at the time of estimation. However, as industry-wide escalation in construction costs over the last five years are above those used by the proponent, we would expect that

total capital costs for SRL East have increased. Operating costs are only presented at a high level and were unable to be interrogated in detail.

The proponent appears to have completed a substantial amount of transport and precinct planning work, as well as progressing project approvals, as evidenced by the EES submission. However, crucial project delivery details related to actual costs and the funding of the project were not provided to support our evaluation, reducing our confidence that the project can be delivered as planned.

Value capture and project funding and financing, two interrelated components stated in the BIC as critical for SRL East's delivery, are only discussed at a very high level. The BIC states that a final decision on the exact composition of the value capture and funding strategies to be adopted will be subject to further investigation. Additional, very high-level information has been provided to us on the funding and financing strategy for the \$11.5 billion identified to be funded via value capture. This information is insufficient to determine if these mechanisms will support one third of project funding, and when this revenue will be generated.

Considering the time value of money, any value capture revenues required after the project's delivery may need to substantially exceed \$11.5 billion in nominal terms to offset the upfront cost in real terms.

The overall delivery timeframes appear to be reasonable, with some key milestones already achieved and procurement commenced or completed for a number of packages. However, some milestones relating to procurement for certain packages have evolved, requiring a reprofile of the delivery schedule, and funding for the full project cost, has not been secured, which places significant risk to successful project delivery.

Given that construction activities for SRL East commenced in June 2022, it is likely that the design has progressed to a point where it is ready for delivery. However, further detail is required on the cost estimates and value capture mechanisms to mitigate against these substantial delivery and funding risks.

Capability & capacity

The Victorian Government and industry in Victoria are highly experienced in the delivery of major rail infrastructure projects, providing a level of confidence to deliver the proposal if sufficient resourcing is available.

The proposal would be delivered by Suburban Rail Loop Authority (SRLA), which was established in September 2019, and became a statutory authority in December 2021, governed by the *Suburban Rail Loop Act 2021*.

As acknowledged in the BIC, "given the scale of SRL and the number of major projects in the current infrastructure pipeline, there is a risk that market capacity constraints could affect SRLA's ability to deliver SRL East and SRL North, leading to delays and/or cost increases." The BIC states that SRLA is taking the following steps to manage this risk:

- undertaking a detailed market engagement process to better understand market perspectives, including any constraints and barriers to entry.
- seeking to coordinate activities with other government agencies procuring for major infrastructure projects in Victoria and interstate.

While we acknowledge recent streamlining of Victoria's infrastructure pipeline and the scheduled completion of two major infrastructure projects in 2025/26, Infrastructure Australia's 2024 Infrastructure Market Capacity Report found that several market capacity constraints continue to inhibit the ability of the sector to deliver projects on time and on budget, including skill shortages, material capacity constraints and stagnating productivity.

Project governance

SRLA, as a statutory authority, with oversight and relationship with other key Victorian Government departments (Department of Transport and Planning, Department of Treasury and Finance, Department of Premier and Cabinet, etc) provides confidence that the governance model is appropriate for successful project delivery.

The project has undergone planning and environmental assessments. The SRL East EES has been approved by the Victorian Government along with planning scheme amendments necessary for SRL East.

Construction has been separated into a number of distinct packages to encourage market

participation, manage risks and enable specialised contractors to deliver particular aspects of the project. A number of packages have already proceeded to procurement and been awarded. The packaging approach and status for SRL East includes:

- Initial and Early Works– Awarded
- Tunneling Cheltenham to Glen Waverley – Awarded – Incentivised Target Cost contract
- Tunneling Glen Waverley to Box Hill – Awarded - Incentivised Target Cost contract
- Stations Cheltenham to Glen Waverley – Under procurement – Alliance contract
- Stations Glen Waverley to Box Hill – Under procurement – Alliance contract
- Linewide (including Operations and Maintenance) – Under procurement - Tailored Alliance construction contract with franchised operations and maintenance (O&M)

Overall, the packaging and contracting approach appears appropriate and considers the current state of the construction market in Australia.

The adopted contract models involve significant risk sharing across all packages, which pushes significant construction price risk to the proponent to manage, requiring a capable and well-resourced public sector counterparty to ensure value for money outcomes are achieved from all the construction contracts.

Risk

SRL East specific project risk registers have been developed and maintained as part of the project's continuing development and delivery. Significant residual risks include changes to scope or design requirements, insufficient labour and material resource capacity and delays to achievement of key project timeframes.

Infrastructure Australia notes the lack of committed funding for delivery of SRL East from the Australian Government, and potential reliance on value capture mechanisms to bridge the gap in available funding, as a major risk to the project's successful delivery. This risk does not appear to have been identified sufficiently or mitigated through the risk register process.

A high-level funding and financing strategy has been provided by the Victorian Government, although it does not provide sufficient detail to determine if these mechanisms will support one third of project funding.

Lessons learnt

As stated in the BIC, "SRLA has undertaken an extensive review and engagement process to ensure that lessons are learned from previous projects, including in relation to identifying and managing risks. This has included consultations with the Office of Projects Victoria (OPV), Major Transport Infrastructure Authority (MTIA) and Sydney Metro, as well as engagement with a range of individuals with experience from comparable projects in jurisdictions overseas (including, for example, Crossrail in the UK and Paris Metro in France)."

A project completion review is planned to be developed to support benefits realisation, and learnings captured from the project completion review are planned to inform development of future SRL stages.

Economic appraisal results

Analysis for SRL East, including economic appraisal, has been completed by the proponent for a scenario that delivers both SRL East and SRL North. Under this combined appraisal, SRL East and SRL North are expected to deliver between \$48.5 and \$58.7 billion in economic benefits (4% discount rate, SRL North delivered in 2043, including Wider Economic Benefits (WEBs) and benefits with land use change), resulting in a Net Present Value of between \$3.0 billion - \$22.9 billion (4% discount rate) and a BCR of between 1.1 and 1.7 (4% discount rate).

We recognise that lower discount rates are often adopted for projects with a long stream of benefits expected to accrue across multiple generations, such as SRL. However, use of a 4% discount rate does not align with the majority of current national, state and territory guidelines on economic appraisal in Australia. Infrastructure Australia's guidelines require that all project proposals assess economic outcomes at a 7% discount rate, which has not been reported by the proponent.

Key observations:

The comments and observations below relate to the combined economic appraisal of SRL East and SRL North, and therefore apply to SRL East:

- The benefits monetised align with the overall benefits expected to be included for an assessment of this nature and a project of this scale, including benefits associated with land use change and WEBs.
- The economic appraisal results do not present the base case results - the economic impacts that would occur without the project. Presenting base case impacts alongside project case impacts provides transparency to clearly understand the benefits and costs of proceeding with the project.
- WEBs comprise 18% of overall economic benefits, which is high relative to other projects, however this is consistent with the agglomeration narrative underpinning the project. Additionally, WEBs have been included in the 'core' cost benefit analysis (CBA) results rather than alongside the conventional CBA results, departing from Victorian Government's and Infrastructure Australia's CBA guidelines.
- The proponent's economic analysis included a highly detailed and comprehensive treatment of uncertainty through scenario testing. The level of uncertainty analysis is appropriate considering the scale of the proposal, which included potential COVID-19 impacts.
- Best practice equity and distributional impact assessment was undertaken to illustrate and identify the groups impacted by the project.
- Vehicle operating cost savings have been monetised through use of the Australian Transport Assessment and Planning (ATAP) – PV2 (2016) guidance, as opposed to the Infrastructure Australia Assessment Framework recommended guidance of Austroads (2012). The ATAP guidance approach potentially overstates the economic benefits due to methodological issues associated with commuter traffic assumptions, which makes up a large portion of the benefits.
- Embodied emissions from construction and operations have not been monetised, which would be a disbenefit to the project outcomes.
- Option and non-use value benefits³ are included and account for around 5% of total benefits. While acknowledged as a benefit, Australian and UK guidance recognises that there is minimal evidence for its monetisation and the circumstances in which it should be applied and should be potentially treated as a sensitivity or reported 'below the line'. The justification for the inclusion of this benefit is the connection to Melbourne Airport provided by Melbourne Airport Rail, therefore it would not be a benefit for SRL East. The benefit has also been monetised using the entire population of Victoria and it is unclear if an adjustment has been made to remove users of SRL to avoid double counting. In addition, the option and non-use values were monetised using UK Department for Transport TAG guidance. Since this appraisal was undertaken, ATAP has released their own parameter values that are lower, such that this approach may overstate the benefits.
- Residual value⁴ represents around 9% of total benefits. This is higher than we have observed on other projects, although this is potentially influenced by the use of a 4% discount rate.

Based on our observations of the combined economic appraisal for SRL East and SRL North, we consider the economic outcomes in the BIC are overstated. Detailed analysis and reporting has not been provided by the proponent for the delivery of SRL East. However, addressing our observations on the economic appraisal, and adopting a contemporary cost estimate, would question if the benefits of SRL East exceed the costs.

Proposal development

A 6-stage development process has been employed in the development of SRL East, including:

- **Decision 1: Policy Objectives** *Plan Melbourne* was identified as providing the overarching policy direction for the SRL Program.
- **Decision 2: Strategic Options** After assessing a longlist of potential strategic responses, an integrated strategic response, incorporating both transport and planning / land use interventions, was identified as the preferred strategic response. Non-progressed strategic responses were not made available for the evaluation.
- **Decision 3: Corridor Options** Three broad corridors across Melbourne's inner, middle and outer suburbs were

³ Option Value is the value people place on having the choice to use something in the future, even if they don't need or plan to use it right now. Non-use Value is the value people place on something just because it exists, not because they use it.

⁴ Residual Value is the remaining value of the infrastructure asset at the end of the appraisal period.

considered for the SRL route alignment. Melbourne's middle corridor was selected as the preferred corridor option as it provides opportunities to connect more of the key Places of State Significance (including four National Employment and Innovation Clusters (NEIC), two Metropolitan Activity Centres (MAC) and multiple major Health and Education Precincts (HEP)) than the inner or outer corridors.

- **Decision 4: Anchor precincts** Key precincts to form anchor points of the SRL program alignment were identified by overlaying Places of State Significance within Plan Melbourne against their anticipated potential to deliver productivity, connectivity and liveability benefits. Key identified anchor precincts included Monash NEIC, Box Hill MAC, La Trobe NEIC, Broadmeadows MAC, Sunshine NEIC and Werribee NEIC and Melbourne Airport.
- **Decision 5: Program sequencing** The scale and complexity of SRL necessitates a sequenced approach to delivery. A program sequencing exercise was carried out which determined SRL East for initial delivery followed by SRL North. SRL West will be subject to further investigation, planning and development.
- **Decision 6: Precinct location options** Precinct location options were reviewed against assessment criteria to determine specific precinct locations, with six station locations identified as part of SRL East consisting of Cheltenham, Clayton, Monash, Glen Waverley, Burwood and Box Hill.

While outcomes and qualitative justification for each of these key decision steps has been made available for the evaluation, quantitative evidence was not made available.

A single program-wide BIC was completed in 2021, with primary focus on the preferred SRL East and SRL North option, including technical analyses, demand modelling and economic appraisal. For a program of this scale, and consistent with other major infrastructure programs, we would expect that detailed business cases (or equivalent technical analysis) for each component of the program would be produced, to present the costs and benefits specific to each project, and to demonstrate its contribution to the overall program. As part of future planning, detailed business cases for SRL North and SRL West should be prepared and submitted to the Australian Government to inform future investment decisions on those components of the SRL program.

Proposal engagement history

The Suburban Rail Loop program was listed on the Infrastructure Priority List as an Early-Stage proposal titled *Melbourne middle and outer suburban transport connectivity* in 2022 identifying the challenges associated with Melbourne's monocentric urban form and the concentration of population growth in the outer suburbs of Melbourne.

Infrastructure Australia accepted the SRL East proposal for evaluation in December 2024.

