

Video transcript: Quality of major transport infrastructure project business cases



Audit objective

In this audit, we looked at whether business cases for major transport infrastructure projects support informed investment decisions.

Who we examined

We examined the Department of Premier and Cabinet, Department of Treasury and Finance (or DTF), Department of Transport (or DoT), Major Transport Infrastructure Authority (or MTIA) and Suburban Rail Loop Authority (or SRLA).

What we examined

We looked at the business cases for 4 major transport infrastructure projects against DTF's Investment Lifecycle and High Value High Risk (or ILHVHR) guidelines.

The projects are:

- The Suburban Rail Loop or SRL
- Melbourne Airport Rail or MAR
- Barwon Heads Road Upgrade and
- the Mickleham Road Upgrade.

What we concluded

Although agencies' business case development and oversight processes are usually consistent with DTF and agency requirements, the business cases for 3 of the 4 projects do not support fully informed investment decisions.

This is because the business cases lacked sufficient analysis of alternative options and the business cases were not finalised until after the government had made significant financial commitments to them.

Without a comprehensive business case, decision-makers do not know whether these investments will maximise benefits to Victorian communities.

Why this audit is important

The unprecedented scale of investment in major transport infrastructure projects and its impact on the state's debt burden underline the importance that government decisions on these investments are well informed.

A comprehensive business case that precedes investment decisions is commonly accepted to be better practice.

Background

We audited the 4 business cases against DTF's well-established guidelines. These guidelines outline critical steps, methods and questions that agencies should follow to comprehensively inform government decisions about whether to proceed with an investment. Fully addressing the guidelines is more important for larger, more complex and costly projects.

Business case processes

DoT and agency processes to manage, oversight and quality assure the 4 business cases were largely consistent with DTF and agency-specific requirements.

However, while DTF provided ongoing input to agencies and advice to the Treasurer on all 4 business cases, it has not fully applied the High Value High Risk major project assurance framework to the SRL and MAR project business cases, because it is yet to complete the required deliverability assessment on them.

Business case content

The options analysis in the business cases for the SRL, MAR and Barwon Heads Road Upgrade projects was too narrow.

Agencies relied on high-level early assessments of potential strategic interventions and options to narrow their subsequent analysis of both SRL and MAR, which is not consistent with guidance.

In addition, the economic analysis for SRL and MAR was not consistent with DTF and other relevant guidance, creating a material risk that the business cases for these projects overstate their economic value.

Business case timelines

DoT and relevant agencies developed the SRL, MAR and Barwon Heads Road Upgrade business cases between 2018 and 2021 and gave regular advice to central agencies and the government to inform progressive decision-making on the projects.

However, they did not give the government complete business cases in time to inform key decisions on investment commitments and project solutions for these 3 projects.

What we recommended

We made 6 recommendations to DTF, DoT, MTIA and SRLA about:

- improving the Investment Lifecycle and High Value High Risk guidelines
- providing government a business case for the entire SRL program of investments
- disclosing the justification for, and impacts of, departures from DTF's guidance in any published MAR business case.

More information

To find out more, or to read our full report, go to audit.vic.gov.au

To access the complete video, please go to <https://youtu.be/gus6MyDiZEg>