Appendix A:
Submissions and comments

We have consulted with the Departments of Premier and Cabinet, Treasury and Finance and Transport and Planning and the Suburban Rail Loop Authority, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

Response provided by the Secretary, Department of Premier and Cabinet and the Acting Secretary, Department of Treasury and Finance

State Government of Victoria, Australia

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East Melbourne, Victoria 3002 Australia
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BSEC-260700425

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3002

Dear Auditor-General

Thank you for inviting the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF) to respond to the Victorian Auditor General's Office (VAGO) Proposed Performance Audit Report (Report) on Delivering the Suburban Rail Loop (SRL).

DPC and DTF acknowledge the four key findings and eight recommendations outlined in the Report.

DPC and DTF do not agree with VAGO's key findings 1 and 2 and note that VAGO's detailed review is a point in time assessment. We generally support key findings 3 and 4.

Key Finding 1: *The project is unlikely to be delivered on budget or time.*

DPC and DTF note the project is currently forecast to be delivered within the approved project budget and timeline. Our view is that:

- irrespective of some package milestone being later than initially planned, the project delivery schedule includes substantial program contingency;
- the current project contingency allocations are commensurate with the stage of project delivery; and
- a number of the additional cost items identified by VAGO remain subject to future government decisions with the opportunity to mitigate cost pressures.

We consider the Suburban Rail Loop Authority (SRLA), and its contracting partners are focussed on minimising cost and complex delivery risks. SRLA has complied with independent review processes such as Gateway Reviews at key procurement milestones. SRLA is also working to identify opportunities for optimisation across the delivery program.

Key Finding 2: *The project's funding strategy is not transparent and involves significant uncertainty.*

DPC and DTF do not agree with key finding 2 and note that the SRL East Funding and Financing Strategy is clear that the project will be funded through equal one third contributions of State funding, Commonwealth funding, and borrowings supported by value capture revenue. It has also been clearly stated that up-front borrowings would be repaid by value capture initiatives. Government funding has been announced progressively, including funding allocations from both the State and Commonwealth. The value capture strategy is

Response provided by the Secretary, Department of Premier and Cabinet and the Acting Secretary, Department of Treasury and Finance, *continued*

publicly available and transparently outlines the mechanisms and associated revenue estimates.

The announced value capture framework reflects government's decision after careful consideration of options. DPC and DTF note the new public transport levy (Rail Improvement Charge) does not form part of the SRL East Funding and Financing Strategy. The government is responsible for setting and collecting a range of taxes, levies and charges and can recalibrate these levers to ensure sufficient revenue will be generated to support the Victorian budget.

DPC and DTF generally support key findings 3 and 4.

Key Finding 3: *SRLA's draft planning controls for the SRL East precincts are consistent with project objectives.*

Key Finding 4: *SRLA has a sound commercial strategy and has improved how it works with central agencies but can better manage integrity and oversight risks.*

Our departments have supported the provision of all requested information to VAGO to complete this review. However, we consider the extent of disclosure of iterative Cabinet-in-Confidence material and Commercial-in-Confidence material contained in the Report is not consistent with safeguarding the state's commercial position in negotiations and is not consistent with maintaining the confidentiality of materials provided to the state in confidence by commercial partners. As we have noted to VAGO several times during the review, we consider that disclosing this information has the potential to undermine the state's ability to achieve value for money outcomes.

No recommendations were directed to DPC. Three recommendations were directed to DTF and the attached Recommendation Action Plan outlines how DTF will acquit these recommendations.

Thank you for the opportunity to comment on the proposed report.

Yours sincerely

Chris Barrett **Secretary** **Department of Premier and Cabinet** 05/08/2026	Camille Kingston **Acting Secretary** **Department of Treasury and Finance** 05/08/2026

enc DTF Recommendation Action Plan

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Response provided by the Secretary, Department of Premier and Cabinet and the Acting Secretary, Department of Treasury and Finance, *continued*

Department of Treasury and Finance action plan to address recommendations from Delivering the Suburban Rail Loop audit report August 2026

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
3	Provide advice to government on publicly disclosing more transparent information about its funding decisions and value capture package for the project (see Section 4).	☒ Yes ☐ No ☐ In part ☐ In principle	The SRL value capture package was publicly announced in detail in December 2025, consistent with government's funding decisions. DTF will continue to advise government on disclosures associated with budget publications. As tender processes are concluded, further financial and contract information will be published consistent with government reporting and disclosure policies.	June 2027
4	Develop a strategy to address any shortfall in Australian Government funding (Section 4).	☒ Yes ☐ No ☐ In part ☐ In principle	DTF jointly with the Department of Transport and Planning (DTP) will continue to engage the Commonwealth Government on further funding commitments for SRL.	June 2027
5	Advise government on finalising the approach to achieving the new revenue targeted from state-initiated development (see Section 4).	☒ Yes ☐ No ☐ In part ☐ In principle	This recommendation is directed at both DTF and SRLA. DTF notes that SRLA is leading on the development of an approach to state-initiated development, in the context of the revised planning schemes that have recently been announced and will report back to Government.	June 2027

Response provided by the Secretary, Department of Transport and Planning

Department of Transport and Planning

GPO Box 2392
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-26-3428

Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street

Dear Mr Greaves

Victorian Auditor-General's Office - Delivering the Suburban Rail Loop - Proposed report

Thank you for your letter of 20 July 2026 inviting the Department of Transport and Planning (the Department) to respond to the *Delivering the Suburban Rail Loop* proposed report (the Report).

The Department does not agree with the Report's conclusion, particularly the findings that the project is unlikely to be delivered on budget or time, and that funding is uncertain and lacking transparency.

The Suburban Rail Loop (SRL) is one of Australia's largest and most complex infrastructure projects. As with any project of this scale, the risks identified in the Report are well understood by the Suburban Rail Loop Authority (SRLA) and the Department. Comprehensive risk management frameworks, governance processes, assurance mechanisms and contingency arrangements have been established to manage these risks.

In the Department's view, the Report frequently infers future adverse outcomes from the existence of current risks, despite evidence that those risks are being actively monitored and managed.

The project is on schedule and within budget

The Department considers that the project remains on track against its current delivery objectives and that the current forecast remains within the approved budget. Progress to date demonstrates that established planning, delivery and governance arrangements are functioning as intended. The Report does not adequately recognise the evidence supporting ongoing delivery performance.

There is adequate contingency to manage risks

The project includes contingency provisions specifically designed to address uncertainty and provide resilience. Project contingency for large-scale, complex infrastructure like SRL East is managed dynamically and varies throughout the project lifecycle to reflect evolving risks, opportunities and project maturity. The Department considers that the current level of contingency remains appropriate and sufficient for this stage of the project.

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SRLA has demonstrated its ability to deliver

SRLA has demonstrated the capability required to deliver the project and successfully manage cost and risk within budget through the recently completed Initial and Early Work package and the project's progress more broadly. SRLA has established substantial technical, commercial and project delivery expertise and operates within a robust framework of oversight, assurance and accountability. The Department considers that the Report does not adequately acknowledge the capability that has been developed within SRLA or the evidence supporting its capacity to manage the complexity of the project.

The Rail Improvement Charge is not part of the SRL Funding and Financing Strategy

Public transport fares contribute to the operations of Victoria's public transport network and are set via the Victorian Fares and Ticketing Conditions. The Rail Improvement Charge (RIC) is a policy decision of the Victorian Government intended to contribute to the funding of Victoria's broader public transport network. The Report mischaracterises the RIC as a funding mechanism for SRL when it should be understood within the context of the overall approach to funding public transport infrastructure and services.

Commonwealth funding

The Commonwealth Government has recently announced an additional $3.8 billion contribution to SRL East, increasing its total committed contribution to $6 billion. Commonwealth support continues to evolve through established intergovernmental processes. The Department considers that conclusions regarding the absence of future Commonwealth contributions to the project are premature. The Department will continue to work with the Commonwealth Government and with the Department of Treasury and Finance to progress funding discussions and support the long-term delivery of the project.

Robust governance and oversight

Strong governance arrangements are in place across the project. These arrangements include clearly defined accountabilities, independent assurance processes, regular reporting, executive and ministerial oversight, and mechanisms to identify, escalate and manage emerging risks. Collectively, these arrangements provide a robust framework for informed decision-making and effective project delivery.

The Department considers that the Report places undue reliance on speculation about future outcomes and does not sufficiently reflect current evidence. Project risks and uncertainties are expected for a project of this scale and complexity, and these risks are understood, actively managed and supported by appropriate contingency measures.

For these reasons, the Department does not agree with the Report's overall assessment and considers that the available evidence supports the conclusion that the project remains on time and on budget, is being delivered under strong governance arrangements, and has established processes to manage the risks inherent in a project of this scale.

Yours sincerely

Jeroen Weimar
Secretary

04 August 2026

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SUBURBAN RAIL LOOP

UID: BORG-1-26-3642

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

By email: [redacted]

Dear Mr Greaves

PROPOSED REPORT: DELIVERING THE SUBURBAN RAIL LOOP

Thank you for the Proposed Report: Delivering the Suburban Rail Loop (the Report) provided on 20 July 2026 to Suburban Rail Loop Authority (SRLA), which details the results of the Victorian Auditor-General's Office (VAGO) engagement.

SRLA acknowledges receipt of the Report following VAGO's 2-year investigation and SRLA's provision of more than 700 documents across the planning, fieldwork and reporting phases of the audit.

Notwithstanding this extensive investigation, VAGO's Report does not accurately reflect a point in time position of the project.

The Proposed Report's inaccuracies make it misleading: it presents indicative procurement outcomes and matters that remain subject to future decisions as if they were settled conclusions, while disregarding evidence regarding the project's performance against budget and time.

This letter sets out SRLA's reasons for rejecting Finding 1 - the assertion that the project is unlikely to be delivered on budget or on time.

1. The Project is unlikely to be delivered on budget

SRLA rejects VAGO's conclusion that SRL East is unlikely to be delivered on budget, based on the following:

i. Speculating on the outcome of in-progress procurements and pending decisions

The budget and forecast reviewed by VAGO as of December 2025 demonstrates that the project is tracking within its approved budget envelope. VAGO has not disputed this – but has instead interpreted indicative information on the outcome of the Stations works packages and still to be determined future decisions and approvals (e.g. station interchanges and Glen Waverley multi-level carpark) as proof that the budget will more likely than not, be exceeded. These additional elements have not been tested by VAGO or evidenced to the standard necessary to support such a conclusion.

Additionally, VAGO has overlooked SRLA's track record in negotiating contracts and resolving issues within the budget envelope. Managing projects of the complexity of SRL East requires an iterative and adaptive approach. Lessons learnt from other projects both within Australia and globally, and technological advances, are continuously being applied to mitigate risk and create new opportunities.

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The Report presents assumptions as established facts, creating a distorted, unbalanced narrative that is not supported by the evidence.

ii. Mis-characterising SRLA's management of the Work Package A (WPA) contract

VAGO's portrayal of the Work Package A (WPA) contract outcome reflects a misunderstanding of the contract structure and the commercial mechanisms intentionally built into it. As SRLA explained to VAGO throughout the course of the audit, the very purpose of an early works contract and the resulting WPA contract form is designed to change, increase and deal with front end uncertainty that utility services and initial latent conditions create, essentially clearing the way and derisking the future main works contracts. As the scope and extent of identified risks and "known unknowns" become clearer, established contract mechanisms are triggered and supported by the substantial contingency deliberately provided in the budget provisioning for these early works.

To characterise the operation of these contractual mechanisms as evidence of poor contract management by SRLA is wrong. More concerning is the attempt to extrapolate that flawed conclusion to suggest similar outcomes will occur across the Main Works Packages. As VAGO reports in Figure 4 on Page 8 of the Report, the potential final costs for Initial and Early Works (IEW) at December 2025 is 1% above both the 2021 Government estimate and the December 2025 SRLA budget. A May 2026 estimated cost at completion for IEW supplied to VAGO, showed the final cost was now 2% under budget. This demonstrates SRLA's ability to responsibly manage delivery outcomes within budget. Despite SRLA's performance record, VAGO concludes that more likely than not, total project budget will be exceeded.

iii. Treating out of scope costs as unfunded project costs

It is inaccurate and misleading for VAGO to report that SRLA has "unfunded and underfunded costs" for station interchanges and the Glen Waverley multi-level car park. These items represent potential future scope options, not approved project costs. It is standard practice on major infrastructure projects for optional or additional scope elements to be identified, assessed and considered separately from the approved scope until a final decision is made regarding their inclusion. Accordingly, no cost liability exists until Government determines whether these items will proceed. As a final decision on the inclusion of these scope elements remains outstanding, characterising them as "unfunded" or "underfunded costs" is premature and misrepresents the current status of the project.

iv. Asserting that SRLA's delivery approach is principally a source of risk

SRLA rejects VAGO's assertion that SRLA's delivery approach is principally a source of risk. Although VAGO notes that using fixed price contracts would have resulted in higher upfront contract prices, the Report only focuses on potential downside. The Report fails to recognise that collaborative delivery models are specifically used to manage and distribute risk more effectively on complex, integrated transport projects to manage uncertainty, align incentives, preserve flexibility, and protect value for money.

By overlooking these advantages, the Report does not provide a balanced or complete representation of the rationale for SRLA's delivery approach or the benefits it is intended to achieve.

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2

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Additionally, SRLA rejects the assertion of VAGO's commentary on Page 10 that SRLA's delivery approach means that the State carries most of the risk for rising labour and material costs. Some risks cannot be efficiently or credibly transferred to the market, particularly where the State controls or materially influences the risk, or where the risk relates to latent ground conditions, utilities, interfaces, approvals, third parties, operational integration or scope and design evolution. Attempting to transfer those risks would not eliminate State exposure, it would increase tender prices, reduce market appetite and create avoidable disputes. The correct objective is not maximum risk transfer, it is disciplined risk allocation and management, clear commercial accountability, transparent cost control, and strong governance. SRLA's delivery models achieve that balance.

The Managing Contractor, Incentivised Target Cost (ITC) and Alliance models are established delivery models for complex public infrastructure and are the State's preferred models. They are consistent with the National Alliance Contracting Guidelines and have been used across major transport programs in Victoria and other jurisdictions.

The contract models employed on SRL East provide the State with the strongest practical basis for meeting the approved scope, time, and budget parameters. They preserve delivery momentum, maintain market confidence, support integration, and protect value for money through open-book controls, incentive alignment, governance oversight and contractor financial exposure. SRLA, therefore, does not accept VAGO's characterisation of the contracting model as a weakness.

2. The Project is unlikely to be delivered on time

SRLA strongly rejects VAGO's conclusion that SRL East is unlikely to be delivered on time. The Report does not establish a sound basis for reaching such a conclusion and fails to demonstrate how the available evidence supports that assessment.

Notably, VAGO elected to rely on information that became available after fieldwork was completed when forming its view of the project's budget position. However, it did not apply the same approach when assessing schedule performance, instead disregarding post-fieldwork developments that materially informed the project's delivery outlook. This inconsistent treatment of evidence undermines the conclusion reached.

Information provided to VAGO demonstrated that, while some minor variances from the original approved schedule had occurred, these were well within the project's tolerance levels and did not alter the achievement of the 2035 completion. The evidence available at the time showed that SRL East continued to track against its delivery timeframe, with a substantial schedule contingency in place to manage and absorb such variances. Accordingly, the limited schedule movements do not provide a reasonable basis to conclude that the project is off track or unlikely to meet its approved completion date.

As further evidence supporting SRLA's position, post-fieldwork information was provided to VAGO in the form of a benchmarking analysis comparing the delivery durations of four completed rail projects across four key project stages, with the schedule contingency incorporated within the SRL East program. The project most closely comparable to SRL East is the Sydney Metro North-West Rail Link (NWRL). Like SRL East, NWRL was a greenfield corridor and introduced driverless train operations on a standalone metro network. The actual period from launch of the first tunnel boring machine to commencement of passenger services was approximately 4.9 years. By comparison, the program for SRL East allows 7.3 years with further contingency available, over the same phase of delivery.

3

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This comparison demonstrates that the SRL East schedule contains substantial contingency when benchmarked against a highly relevant and completed comparator project.

It appears VAGO did not consider this evidence in reaching its conclusion.

3. Presentation of commercial information

The Report presents a range of information that SRLA considers is not consistent with safeguarding the State's commercial position in negotiations and is not consistent with maintaining the confidentiality of materials provided to the state by commercial partners. The disclosure of this non-public commercial information risks undermining existing commercial arrangements, procurement outcomes and the State's position.

4. Inconsistent application of Post 31 December 2025 Information

Following SRLA's response to the Provisional Report on 3 June 2026, SRLA provided VAGO with a comprehensive update on the Project's status since the completion of fieldwork in December 2025. While the Proposed Report selectively references certain post-December 2025 developments, it omits other information provided by SRLA. This selective treatment of evidence results in a distorted and incomplete representation of the Project's actual position at the time the Proposed Report was prepared.

This approach is inconsistent with the principles of evidence-based auditing. VAGO cannot selectively rely on isolated post-fieldwork events that support a narrative while disregarding other relevant information that provides necessary context and a more accurate assessment of Project performance. Such an approach undermines the objectivity, fairness and integrity of the audit process.

If VAGO intends to base its conclusions solely on evidence that has been subject to its audit procedures and verification processes, then all information arising after the close of fieldwork on 31 December 2025 should be removed from the report. Alternatively, if VAGO wishes to rely on subsequent events in reaching its conclusions, then the fieldwork should be formally re-opened so that all relevant post-December 2025 evidence can be examined, tested and considered in its entirety.

There is no reasonable or defensible basis for selectively incorporating untested post-fieldwork information while denying SRLA the opportunity to present the broader body of evidence necessary to provide a complete, balanced and accurate picture of the Project's status.

Conclusion

SRLA is committed to the success of this critical project and thanks VAGO for the opportunity to comment on the Report. However, the Report has not met a threshold level of completeness or accuracy and therefore SRLA is unable to accept the associated recommendations.

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Yours sincerely

Kevin Devlin
Interim Chief Executive Officer
Suburban Rail Loop Authority
4 / 08 / 2026

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5