

— Opinion

Australian taxpayers bailing out Victoria's Suburban Rail Loop chaos

When the Albanese government is the project's anchor tenant, it signals that federal Labor will bail out Victoria, no matter how indebted it becomes.

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Looking at Australia's current crop of politicians, you would be foolish to take any of them at their word.

A good example is federal Labor, which campaigned in two elections (2022 and 2025) that there would be no funding for Victoria's Suburban Rail Loop

[\[https://www.afr.com/politics/federal/federal-labor-signals-billions-more-for-suburban-rail-loop-20251113-p5nf2h\]](https://www.afr.com/politics/federal/federal-labor-signals-billions-more-for-suburban-rail-loop-20251113-p5nf2h) (SRL) without independent sign-off of the business case for the project by Infrastructure Australia.



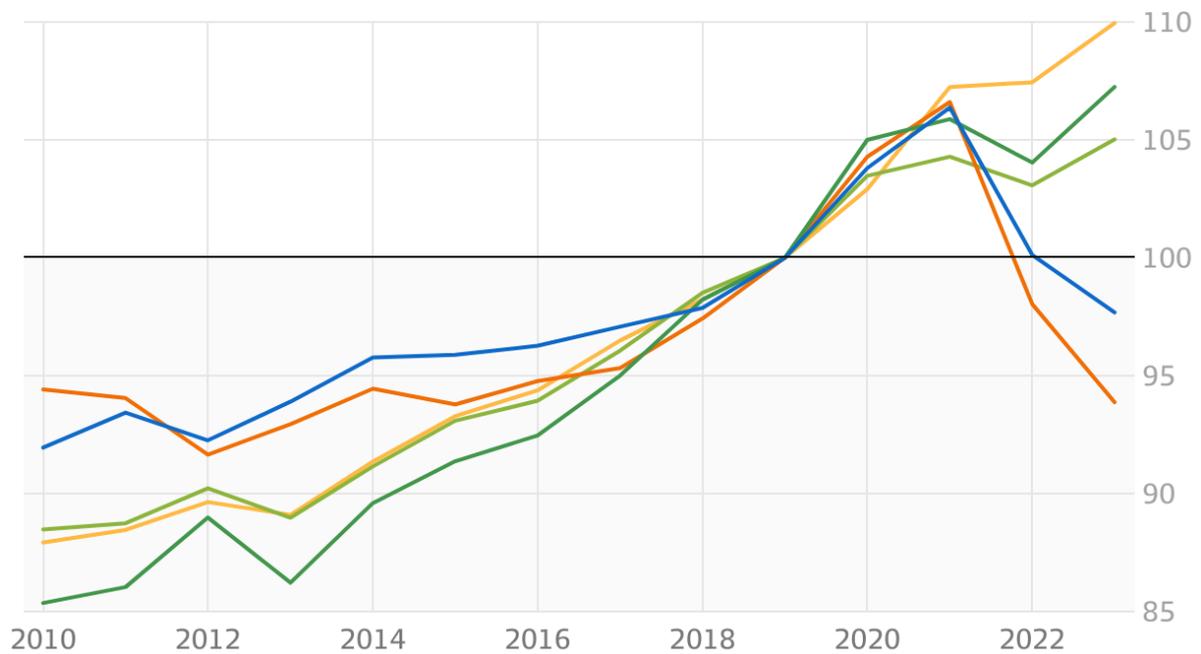
When the SRL is finished, it will be the most expensive project in the nation's history, costing \$300 billion to \$400 billion in 2025 dollars.

Before the run-up to the last election in March 2025, there were “crickets” from the ALP on supporting SRL. Indeed, it was the last thing they wanted to talk about in Victoria, and for good reason.

Victoria has experienced a huge decline in per capita living standards since the global financial crisis. This is relative to the rest of Australia and most of the OECD economies. This decline is not an accident. It is due to extreme short-termism and shortcuts in policy setting.

Household disposable income (index)

— Victoria — Rest of Australia — OECD — G7 — US



Source: Macroportfolio, OECD, ABS

The state now has massive public debt approaching 250 per cent of state revenues.

Worse, government policy seems to be calibrated to always benefit a construction Ponzi scheme. This is an alliance between state Labor and key unions (CFMEU), all ably supported by related superannuation funds and institutional surrogates across the building industry (now including foreign state-owned banks and construction companies).

We now also know, thanks to the investigative journalism of Nick McKenzie and David Marin-Guzman at *The Australian Financial Review*, that there are serious allegations of corruption and criminality [<https://www.afr.com/work-and-careers/workplace/john-holland-ends-secret-cfmeu-side-deals-20251112-p5netf>] in Victoria’s so-called “Big Build” infrastructure projects, which are now being investigated.

Considering this deep malaise, Sunday's last announcement by Prime Minister Anthony Albanese of additional funding for the SRL (Victoria has asked for a further \$9.5 billion) was surprising. This follows the initial contribution of \$2 billion made by the federal government after the 2022 election. The new funding will be included in the May 2026 budget.

The PM's SRL announcement came hot on the heels of last week's U-turn by Federal Infrastructure Minister Catherine King. King had previously expressed grave concerns about the Albanese government's vague plans to partly fund the project through value capture. But she is now apparently a spruiker for the project's first stage, known as SRL East (a 26-kilometre orbital rail line that will run from Cheltenham to Box Hill).

According to King: "This is a project that is happening ...It actually means you can connect across and around the city in a different way. But what it also will do is make new hubs for housing, for commercial, industry, as well as really changing the way people live in the city."

King's portfolio includes the independent expert advisory agency Infrastructure Australia, which has criticised the project's alleged benefits as "overstated". At the same time, the Australian National Audit Office has flagged concerns with the business case.

Neither agency has publicly acknowledged receiving updates to the SRL business plan that would alter these assessments.

Meanwhile, Victoria's own Parliamentary Budget Office says the SRL East will only return around 50 cents for each dollar spent on it. So, it will be a loss-maker for future generations of taxpayers and a deadweight loss for the national economy in terms of growth and productivity.

So, what inspired federal Labor's U-turn on the SRL? One theory is that federal Labor has been told by its all-powerful industrial stakeholders to get it done now. This is to head off the SRL project's major contractors getting nervous and delaying the build for a few months.

By signing on to the SRL, the Albanese government has chalked up a new low for Australian governance and economic management.

The major contractors are aware that a plethora of sovereign risks surrounds the subterranean tunnelling task. This relates to drilling through the polluted industrial sand belt and water table of south-east Melbourne. So, they need an indemnity or a major project underwriter. They know the SRL project is a political football. They know that the state government is broke and has “trust” issues, to put it nicely.

Delays now will put the entire project schedule at risk. Initial works are supposed to finish in 2025, borers are meant to arrive in December, and tunnelling is supposed to begin in 2026. But unless the subterranean work begins on schedule, the entire project could still grind to a sudden halt. This could occur through cross-party opposition in the federal and/or state parliament.

So, pre-commitment now by the Albanese government heads off this risk and leaves the federal government as the project’s anchor tenant. That signals to all and sundry that federal Labor will bail out Victoria, no matter how much funding is needed, or how indebted it becomes.

Sadly, that action may pre-commit future federal governments into backing the entire project over four stages and 99 kilometres, in the same way the state’s premier is trying to get the borers in place before the next state election – so the project is past the point of no return.

When the SRL is finished, it will be the most expensive project in the nation’s history, costing \$300 billion to \$400 billion in 2025 dollars – much more expensive than the original Snowy Mountains Scheme or the Collins-class submarine. At least those projects were for national public goods and genuinely needed, whereas the SRL is a just a Victorian boondoggle.

What should the rest of Australia take from the Victorianisation of the Albanese government and Australian economic policy?

Well, they should abhor the stench of it when they see what has become of Victoria.

This sends a perverse signal. State governments should now originate one or more “Big Build” projects themselves. These should benefit their existing political elites and include backing from foreign state-owned banks. They should develop the projects away from the prying eyes of the public, say in a major accounting firm. They should run the projects using public corporations, so there is no direct ministerial accountability. For good measure, you could staff these agencies with former political operatives. Does this sound familiar?

By signing on to the SRL, the Albanese government has chalked up a new low for Australian governance and economic management. It has effectively provided an indemnity for the full SRL project.

Let's be clear about what that means. All Australian taxpayers must now bail out Victoria for its shady government and dodgy major projects industry for decades.

Stephen Anthony is a director of Macroeconomics Advisory and an adjunct professor at the University of Canberra. He lives in an area that would be affected by Melbourne's proposed Suburban Rail Loop. While this is not a conflict of interest, we disclose this information to readers.

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