



# Cancel the Debt Bomb

## SUBURBAN RAIL LOOP

Libertarian Party -  
Victorian Suburban Rail Loop Policy

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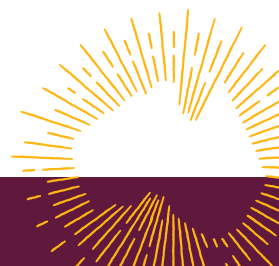
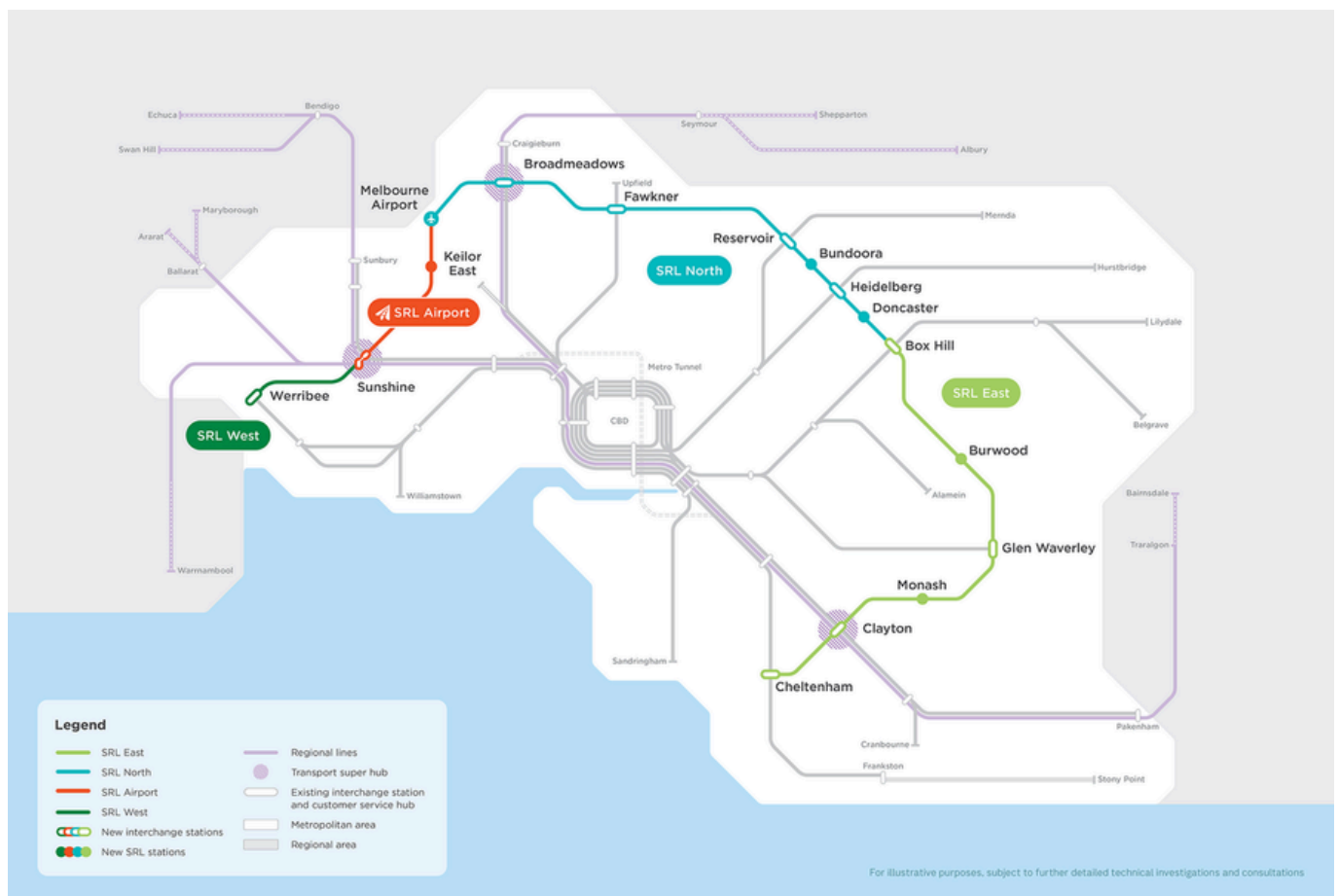
# Cancel the Suburban Rail Loop Debt Bomb

The Suburban Rail Loop (SRL) will overload Victorians for decades with a debt heading toward half-a-trillion dollars.

We can't afford it. It must be stopped.

The Libertarian Party in government will cancel the Suburban Rail Loop.

## Suburban Rail Loop map



# What we know and can speculate

## Cost

- In 2018, the original projected cost of the Suburban Rail Loop was \$50 billion.
- Today, the cost of just 2 parts alone (North and East) is now estimated at \$216 billion. Then add another \$13 billion for the Melbourne Airport Rail link.
- If the existing parts of the SRL are any guide, we can calculate another \$8 billion, for Werribee to Tullamarine , giving a current total of \$223 Billion!
- Include inflation over the next 20 plus years and the cost will likely exceed \$400 billion!

## What will we get for that money? And when will we get it?

- The East section of the SRL will take nearly a decade to build if it's on time.
- The North section won't be online for nearly 30 years IF it's on time.
- The West section, including the link to Tullamarine doesn't even have a projected start date.

A 30-year-old today will be lucky if they travel on the northern and eastern SRL by the time they are 60 or more, even if everything goes to plan - and it never does. If they live in Werribee or Tarneit they may not see it at all.

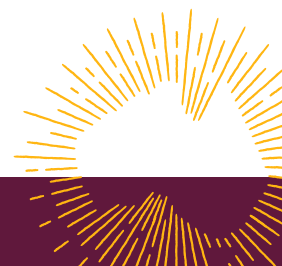
The Suburban Rail Loop, if built, is something most of us will likely never live to see.

## Debt bomb

The simple equation shows that the Suburban Rail Loop is an irresponsible debt bomb.

- Current government debt is \$167 billion set to rise to \$194 billion within 3 years.
- That's \$23,700 debt for every Victorian.
- \$23 million in interest payments EVERY DAY. \$36 billion over the next 4 years.
- By 2028 Victoria's debt burden will reach almost \$200 billion.

This debt is BEFORE the SRL debt



## **What does this mean? Higher taxes. Cost of living up even more.**

The Suburban Rail Loop is irresponsible. It's an unaffordable mortgage on the future of every Victorian. The interest payments on this atomic debt bomb mean the actual loan principal can't be paid off. Not within 50 or even 100 years.

The SRL will burden generations to come with crushing debt for a hugely expensive train line that most Victorians will not live to use! That debt will have to be paid in higher taxes. Higher taxes means higher cost of living.

And then China.

## **China and the Victorian SRL debt.**

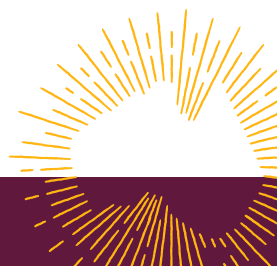
With Victoria's debt currently rated among the world's worst by international credit agencies our state government has created a massive debt problem. The government is now reliant on foreign lenders as local funders won't loan Victoria more money. It's too risky.

Victorian Premier Jacinta Allan went to China. Many analysts think that the trip was to beg for loans from Beijing!

Think about what we know in a logical manner:

- Major companies contracted to build the SRL are Chinese owned or controlled.
- The massive tunnel boring machines were bought from Chinese companies.
- The details of the SRL contracts have been kept secret from the Parliament and Victorian people.
- Without such disclosure it cannot be known if the government is paying way more for the work than needs to be paid.

Is it possible that the government have mortgaged Victoria to China for the sake of loans to stave of Victoria's debt disaster?



## CFMEU and the SRL

We know that the Suburban Rail Loop construction is 'controlled' by the corrupt and bkie gang connected, violent construction union, the CFMEU.

This raises questions that need answering:

- Are Chinese companies subcontracting with the CFMEU and CFMEU-controlled business entities through formal and informal agreements?
- Is SRL-related money flowing through CFMEU and CFMEU business entities to Labor Party and/or Labor Party associated entities?

## The \$6 billion SRL cancellation trap

The Victorian government has signed long term forward contracts for the SRL. Best advice is that to cancel these contracts will require a \$6 billion payout to the contractors. The signing of such lock-in contracts is irresponsible. It's reckless ... with our money.

But Labor has form when it comes to cancelling programs.

- When the government cancelled the Commonwealth Games Victorians were hit with almost \$600 million in compensation payments.
- When the government cancelled the East-West Link road project, the payout totalled close to \$1.2 billion.

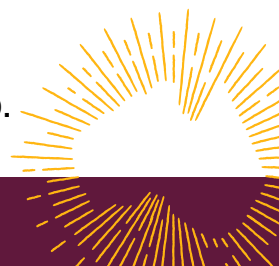
## The horrible choice

A future Victorian Government is faced with a horrible choice.

- Continue the ticking Suburban Rail Link debt bomb and drop a massive tax burden on every Victorian now,
- or
- Take the short term hit of \$6 billion in SRL contract cancellation costs and spare ourselves, our children and grandchildren from being crushed by arguably \$300 billion or more of future debt.

We're really faced with no choice at all. The SRL must be cancelled to save Victoria from catastrophe. It'll be a hard pill to swallow in the shorter term, but it will put Victoria back on the path to financial health and prosperity.

The Libertarian Party, in government, will cancel the Suburban Rail Loop.



## The international credit rating risk

The following is a discussion on the risk Victoria is facing to our credit rating with international rating agencies and foreign investors.

Because of the Victoria's massive debt plus adding likely locked in debt from the Suburban Rail Loop, Victoria's credit rating risk is extreme even in third world risk status. As international credit rating risk increases, financiers either stop lending money or massively increase the interest and charges of lending. On the basic facts and assessment above Victoria is rapidly heading toward Argentinian-style debt crisis.

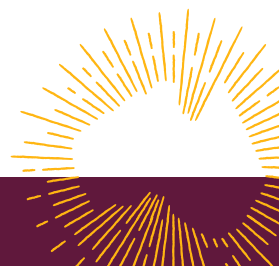
The standing of any entity in financial markets whether individual or business is based upon trust. The highest level of 'trust' of a community is vested in the reputation of its government, supported by observation of its behaviour over time. Governments preserve their reputation in the knowledge a failure to do so is reflected in the cost and terms of any financial borrowing, not only to itself but to the total community's credit standing.

Victoria has had for decades a proud standing in all financial markets, but with the Dan Andrews Government it reneged on commitments; the Commonwealth Games and the East-West road link (referred to above).

The governments of Dan Andrews and Janita Allan have entered contracts of an unprecedented scale; substantially created in secret, without Departmental engagement, incompetently costed, leading to massive additional financial burdens.

A government can live down a single organisational and financial error but the present course of the Victorian State Government in relation to the Suburban Rail Loop, has put the State in financial jeopardy. It has sought to entrench forward uncosted major contracts. These are not subject to independent bids for the work covered. The parties now have a proven record of gross mismanagement. The cancellation penalties are massive (\$6 billion) and forces Victoria to keep paying for decades to come.

This is a purposeful tactic to lock in any responsible Government of the future to the massive ongoing costs of Suburban Rail Loop.



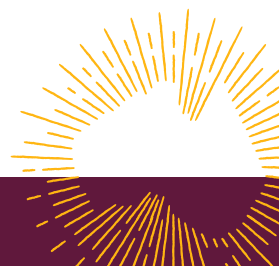
## **The international credit rating risk continued...**

A future state government has a terrible choice. Does it stick with the contracts, avoid the penalties for having the work rebid, but place the State in an impossible financial position. Alternatively, does a future government renege on the contracts and trash its reputation of fulfilling the proposed undertakings of the present Labor Victorian Parliament.

This issue is so massive, that the credit rating agencies must take into account our present financial rating as a matter of urgency. The rating agencies must be transparent as to whether the proposed forward, uncosted commitments were disclosed in the review with them around June 2025.

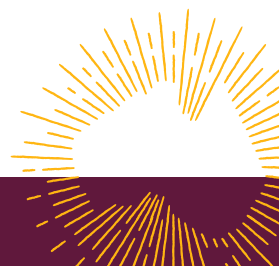
There was a hastily organised visit to New York by the State Treasurer to visit the ratings agencies a few weeks before the 'announced' future Suburban Rail Loop contracts. So, did the rating agencies approve the contracts? This would indeed be remarkable given their outstanding warnings about Victoria's financial position. The New York visit was not one of the annual scheduled review visits and it was at the Victorian Government's request to review something, but what and in what depth?

If the Credit rating agencies have not had full disclosure of the forward Suburban Rail Loop contracts and all the relevant conditions of finance and impact on state finances, then they should be recalled to do a thorough analysis immediately. If they have all the information, then upon obtaining government, the Libertarian Party will call for an immediate rating review and audit of the State's precarious position.



## Notes on costings and other issues referred to above.

- The Parliamentary Budget Office document states that \$216 billion is the cost of building and operating both the East and North components to 2084. That is a 50-year projection. There is no costing on the Western end of the project. The actual cost for the whole SRL is understated.
- The current signed contracts are to build SRL East. Government policy is to build the full three sections of the Suburban Rail Loop requiring more contracts to be entered. The current and these additional contracts will turn the Suburban Rail Loop policy into a legal debt bomb.
- The current government annual interest bill is \$9 billion on existing debt. The SRL will make it impossible to pay down any existing debt. This means that \$9 billion x 50 years is \$450 billion interest just on existing debt. Add the huge cost of the total Suburban Rail Loop and projected interest costs, this must surely push Victoria into bankruptcy status.
- John Holland, along with two other companies contracted to build three of the new stations for SRL East, are Chinese owned. Of the other two, Kellogg Brown and Root are US owned and Arup is British.
- The \$6 billion to cancel the existing contracts will produce an immediate saving on the \$33 billion cost of building the Eastern SRL section. However, massive savings come by preventing the enormous, future, locked in costs, if the full Suburban Rail Loop were built.



<https://vic.libertarians.org.au/policies>

Our Policies



  
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