



APPROVAL OF V/LINE PASSENGER PTY LTD PROPOSED FORMS AND COST ALLOCATION POLICY PURSUANT TO SECTIONS 2.6 AND 5.2 OF THE ACCOUNT KEEPING RULES

V/Line Passenger Pty Ltd (**V/Line**) is a rail access provider under the *Rail Corporations Act 1997 (RCA)*. It has been the manager of the Victorian country rail network since 4 May 2007, when the Victorian Government completed its acquisition of the network from Pacific National.

V/Line's current Access Arrangement has been in place since 24 April 2007, when the Commission agreed to substitute V/Line as the access provider under the binding access arrangement previously applying to Pacific National (Victoria) Limited (**Pacific National**).

Certain obligations of V/Line under the Account Keeping Rules (**AK Rules**) have remained outstanding including:

- the requirement in section 2.6 of the AK Rules that an access provider must prepare and submit to the Commission for approval proposed forms for it to use in the preparation and keeping of the statements required under sections 2.3, 2.4 and 2.5 of the AK Rules with respect to:
 - (i) financial statements,
 - (ii) the cost allocation statement,
 - (iii) the statement of the maintenance and capital works costs in respect of access activities, and
 - (iv) information about the source of revenues that the access provider derives from its access activities.
- the requirement in section 5 of the AK Rules that an access provider must prepare and submit to the Commission for approval a proposed cost allocation policy that explains the methodology and states the principles governing cost allocation between:
 - (i) the access activities business unit and other business units,
 - (ii) access activities and other activities of the access activities business unit,
 - (iii) rail and terminal access services,
 - (iv) freight and passenger rail services, and
 - (v) freight services pricing zones.

In the Access Arrangement substituted to V/Line on 24 April 2007, clause 6.1.c provides that the cost allocation policy, once approved by the Commission, will be annexed to the Access Arrangement in Appendix 7.

To address the requirements in the AK Rules, V/Line submitted to the Commission on 11 December 2007:

- ‘V/Line Regulatory Accounts’ as its proposed accounting forms required under section 2.6 of the AK Rules, and

- ‘V/Line Regulatory Account Keeping Policy’ as its proposed cost allocation policy for the purposes of section 5 of the AK Rules.

The Commission considers that the proposed V/Line Regulatory Accounts and V/Line Regulatory Account Keeping Policy satisfactorily address all of the applicable requirements of the AK Rules. For this reason, the Commission, pursuant to sections 5.2 and 2.6 of the AK Rules, approves the V/Line Regulatory Accounts at Annexure 1 and V/Line Regulatory Account Keeping Policy at Annexure 2.

DATED: 20 February 2008