

# ANNUAL REPORT

2022 – 2023





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## **Acknowledgement of Country**

V/Line proudly acknowledges Victoria's First Nations peoples and their ongoing strength in practising the world's oldest living culture. We acknowledge the Traditional Owners of the lands and waters on which we live and work and pay our respects to their Elders past and present.

We commit to continued listening, learning and working in partnership to create simple, safe, connected journeys and recognise the traditional trade routes and ceremonial paths, which allowed our First Nations people to easily connect across this land.

We recognise the cultural significance of these paths and routes and acknowledge that some of the transport networks and assets we use today follow these traditional routes.

We are genuinely committed to advancing Aboriginal self-determination and supporting Aboriginal communities, we recognise the importance of strengthening our ongoing relationships with First Peoples, and that self-determination is driven by the Aboriginal community.

# Responsible Body's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present V/Line Corporation's Annual Report for the year ending 30 June 2023.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Matt Carrick', with a long, sweeping underline that extends to the right.

**Matt Carrick**  
Chief Executive Officer  
V/Line Corporation  
25 September 2023

# SECTION 1:

## YEAR IN REVIEW



# Purpose, Vision, Values

## **Purpose**

To provide safe, connected and reliable journeys for all Victorians.

## **Vision**

A modern, high performing railway and coach service as part of an inclusive, integrated and sustainable Victorian transport system.

## **Values**

V/Line operates according to Victorian public sector values, which are:

- Responsiveness
- Integrity
- Impartiality
- Accountability
- Respect
- Leadership
- Human rights

# Chief Executive Officer's Report



At V/Line, we believe that connecting regional communities through safe, reliable and accessible transport is vital to ensuring Victoria and its regions thrive.

During 2022-23, we were proud to continue to provide our essential service to the Victorian community and welcome a significant number of passengers back to our network following several COVID-19 affected years. In particular, the introduction of the regional fare cap, which has aligned regional fares with metropolitan fares, has driven strong growth in patronage and led to substantial savings for our passengers.

Significant planning and coordination underpinned the introduction of the fare cap, with V/Line working in close partnership with the Department of Transport and Planning and other industry stakeholders on its successful implementation.

Patronage results since the fare cap was introduced have been consistently strong, with more than 420,000 passenger trips in the first week alone – marking the busiest week on the network since before the pandemic. For an organisation that is passionate about connecting the state, it has been wonderful to see the strong uptake of V/Line services.

To ensure we respond to demand and provide the best possible service to our passengers, during 2022-23 we continued to focus on modernising our network with significant progress made on a number of important upgrades which will support V/Line's sustainable growth.

This included managing the delivery of over \$200 million in improvements across the network as part of the Victorian Government's *Big Build*, in collaboration with our project partners, particularly the Major Transport Infrastructure Authority and their delivery teams including Rail Projects Victoria and the Level Crossing Removal Project.

Some of the key project highlights from the year include:

- operating modern VLocity trains on the Shepparton Line for the first time
- enabling the introduction of a fifth weekday service to and from Warrnambool, meaning passengers from the growing communities west of Geelong now benefit from an additional 10 services a week
- introducing two additional services to and from Echuca each weekday, tripling the number of services on the line. The upgrade also resulted in journey time savings and delivered two new stations at Huntly and Raywood, 10 level crossing signalling upgrades and significant track works
- delivering an additional platform, track works and underpass at Morwell Station, a newly constructed overpass at Traralgon Station, construction of an additional platform and track works at Bunyip Station, and construction of an additional platform at Longwarry Station
- removal of the level crossing at Mt Derrimut Road, Deer Park, easing delays for approximately 23,000 vehicles that pass through the crossing every day. The nearby level crossings at Fitzgerald Road and Robinsons Road were also removed. As a result, the Ballarat and Geelong lines are

now level crossing free between Deer Park and the city, ensuring a safer and more reliable service for V/Line’s passengers. In April 2023, the relocated and rebuilt Deer Park Station opened, with works to finalise the build continuing until the end of 2023

- commencing the South Dynon Upgrade Stage 1 project, which will unlock additional capacity and improve reliability for passengers in regional communities.

These significant upgrades have necessitated the delivery of an unprecedented level of timetable change to enable additional services to be delivered across the network.

In addition to those already outlined, key timetable changes included the introduction of:

- a new timetable on the Albury Line to realise journey time savings following the introduction of VLocity trains
- a weekend shuttle service between Maryborough and Ballarat
- 31 extended services each week on the Geelong Line between South Geelong and Waurin Ponds stations.

In another major milestone during the year, the 100th locally built VLocity train entered service in August 2022. In total, a further nine new modern three-car VLocity trains were added to V/Line’s growing VLocity fleet, providing fast and comfortable journeys across Victoria’s regional rail network. We look forward to welcoming further VLocity trains to our fleet in the years ahead.

V/Line also delivered a significant maintenance program, with crews completing \$171.9 million in Routine Maintenance and \$170.5 million in Major Periodic Maintenance renewals across the passenger and freight rail network. The scale of works undertaken, makes the 2022-23 financial year one of the biggest and busiest years on record for V/Line crews.

These works are essential for the ongoing upkeep of the rail network, ensuring trains can continue to operate safely and reliably, while boosting rail freight helps remove truck movements from Victorian roads.

The safety of our people, our passengers and the communities we serve continues to be V/Line’s number one priority. During 2022-23, we adapted our approach to managing the risks associated with COVID-19, ensuring the ongoing safe operation of our essential service. We also saw pleasing improvements in a number of other areas including a decrease in V/Line’s Signals Passed at Danger, a critical safety indicator. We will continue to build on these improvements in the year ahead.

Providing transport services to people with accessibility needs also remains a key priority for V/Line. During the year, V/Line implemented a number of new initiatives to improve the accessibility of our service including:

- the opening of a new Travellers Aid Australia service at Ballarat Station
- the launch of the Hidden Disabilities Sunflower Program
- the trial of V/Line operated accessibility compliant shuttle buses during disruptions.

I would like to particularly acknowledge the Department of Transport and Planning's Chief Accessibility Advocate, Tricia Malowney and V/Line's Accessibility Reference Group for working in partnership with us to continue to improve inclusion for people with disabilities in our organisation and on our network.

We remain committed to a safe and inclusive workplace in which our people have opportunities to develop and feel empowered to be their best. In 2022-23, we continued to increase our proportion of women in V/Line's workforce as well as women in leadership positions, and we will continue to strive for greater equality in the years to come.

Our commitment to having a workforce which is representative of the communities we serve remains our goal, and the delivery of our action plans aligned to our six priority areas including Aboriginal and Torres Strait Islander people, gender, culturally and linguistically diverse, LGBTIQ+ and people with disabilities continued over the last 12 months.

Our commitment to championing community-driven initiatives that strengthen community safety, connection and wellbeing, economic development and diversity and inclusion also remains strong. Over the last 12 months, we worked hard to strengthen our existing community partnerships and explored new opportunities that will see V/Line continue to invest in partnerships which have a meaningful impact on the Victorian community.

Lastly, I would like to reflect on V/Line's response to the devastating flood events in 2022. The floods caused severe and widespread damage to rail and road networks, with a large number of passenger rail, coach and freight services altered or suspended.

I am immensely proud of the way teams from across the organisation pulled together throughout this period to provide support to each other, our passengers and the community.

With the majority of our workforce either living, working or with close ties to flood-affected areas, our ability to respond so rapidly and efficiently is truly a testament to the extraordinary commitment of our people.

It has been a momentous year for V/Line. I would like to acknowledge our staff, Advisory Board, Audit and Risk Committee, Procurement Oversight Committee and the dedicated leadership of my Executive Leadership Team.

I am grateful for the continued support of our people who have contributed to the outstanding accomplishments outlined in this report.

The year ahead promises to be one of growth for V/Line and I am excited about what our team will achieve together for our organisation and the people of Victoria.

A handwritten signature in black ink, appearing to read 'Matt Carrick', with a long, sweeping underline that extends across the width of the signature.

Matt Carrick, *Chief Executive Officer*



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# Manner of Establishment and Responsible Ministers

This is the Annual Report of V/Line Corporation (V/Line).

V/Line is governed by the *Transport Integration Act 2010*, which sets out its objectives and functions. V/Line operates as a not-for-profit corporation. During 2022-23, V/Line was responsible to the Victorian Minister for Public Transport (the Minister) and the Victorian Treasurer.

This report provides a summary of our key activities and financial performance for the period 1 July 2022 to 30 June 2023.

## Department of Transport and Planning

V/Line is part of Victoria's transport and planning portfolio, led by the Department of Transport and Planning (DTP).

DTP delivers an integrated approach to Victoria's transport and planning system to support inclusive, prosperous, and sustainable community outcomes. DTP enables more liveable communities across Victoria through the realisation of local economic and community opportunities.

DTP serves five Ministers and a Parliamentary Secretary and unites transport, planning, precincts, land use, property, building and heritage to support our vision of thriving places, connected communities for all Victorians.

V/Line and its initiatives are key contributors to the transport and planning portfolio.

## V/Line Corporation

V/Line was established as a statutory corporation in 2003 and continues under the Transport Integration Act. On 14 October 2008, V/Line was declared a state business corporation pursuant to the *State Owned Enterprises Act 1992*.

Effective 1 July 2021, V/Line ceased to be a state business corporation under the State Owned Enterprises Act and under a Transport Restructuring Order (as defined in the Transport Integration Act) became a statutory authority, with the Chief Executive Officer becoming the sole member of V/Line. Matt Carrick was appointed Chief Executive Officer commencing 12 July 2021.

No shares are held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.

# Nature and Range of Services Provided

## V/Line's Role

V/Line is an operating statutory authority as part of Victoria's integrated transport portfolio, delivering services under a Service Level Agreement (SLA) with Head, Transport for Victoria.

V/Line's role is:

- an accredited operator of passenger services including rail and coach
- a freight access provider
- a maintainer of railway infrastructure and rolling stock
- a key contributor towards Victoria's large infrastructure projects
- a supporter of tourist and heritage rail operations.

## About V/Line – Service Provided

V/Line has provided public transport services to regional Victoria for over 40 years.

We operate passenger rail services between Melbourne and:

- Geelong and Warrnambool
- Ballarat, Maryborough and Ararat
- Bendigo, Swan Hill and Echuca
- Seymour, Shepparton and Albury
- Traralgon, Sale and Bairnsdale.

Each week, V/Line schedules more than 2,200 rail services between Melbourne and regional centres. Our coaches provide more than 1,500 connecting services with our rail network.

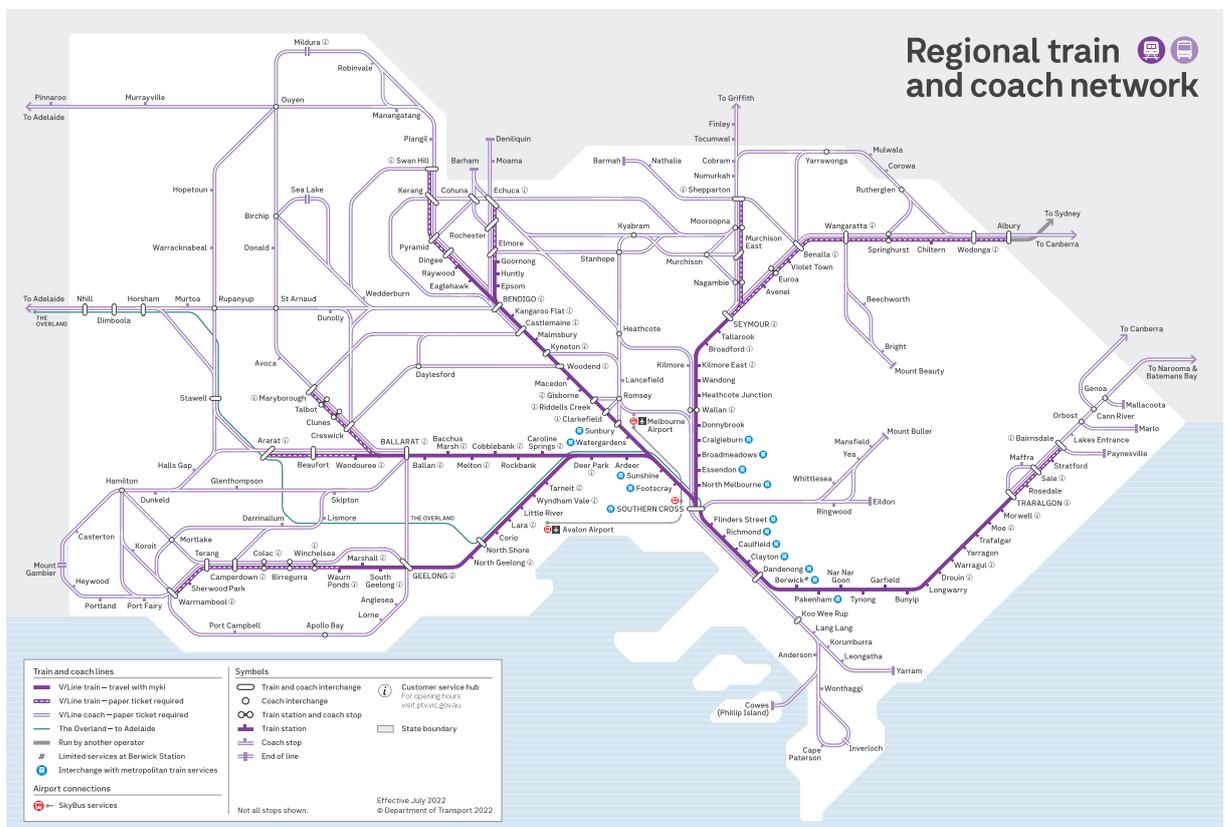
We provide a multi-modal integrated transport system serving regional Victorian communities, while also providing interstate connections to South Australia, New South Wales and the Australian Capital Territory.

Private sector operators provide all V/Line-branded coach services under the management of V/Line.

V/Line also maintains over 3,556 kilometres of rail track used by passenger and freight rail operators.

V/Line is a major employer with a workforce of 2,706 people as at 30 June 2023 including many who live and work in regional Victoria.

# Passenger Network Map



# Patronage

In 2022-23, V/Line experienced increased patronage following the introduction of the regional fare cap along with the easing of COVID-19 restrictions.

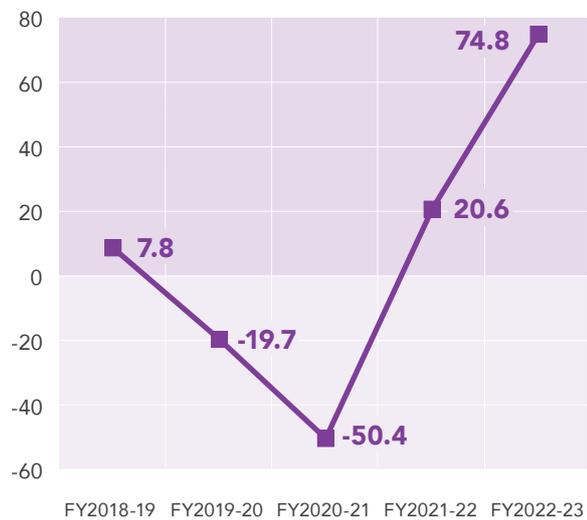
During this time, Victorians returned to the office in greater numbers and also embraced the return of live arts, sports and entertainment events.

As a result, the regional public transport network experienced changes in passenger travel habits, including:

- significant daily (Monday to Friday) and time of travel variability due to the continued availability of flexible working conditions
- increased discretionary travel periods with high demand between the peaks, off-peak (before and after peaks – usually special event driven and Public Holidays) and weekend services, often exceeding pre-COVID-19 patronage levels
- increased demand for special services following the return of major events in Melbourne and regional Victoria, with a number of high-profile concerts and more traditional events such as AFL games, Avalon Airshow and the Melbourne International Flower and Garden Show attracting record crowds, with many attendees using V/Line as their primary transport mode.

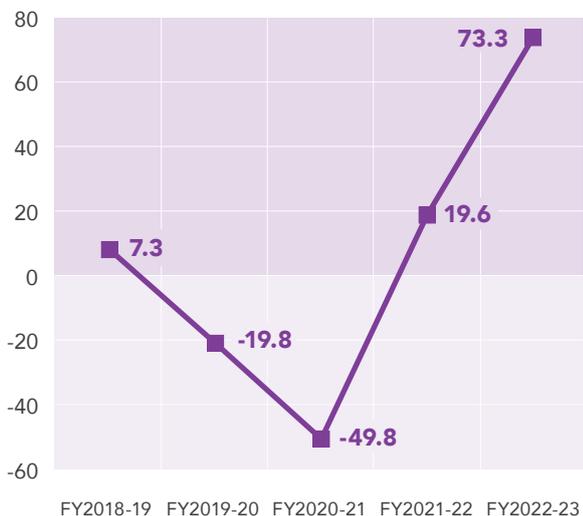
## Train Passenger Trips

% change



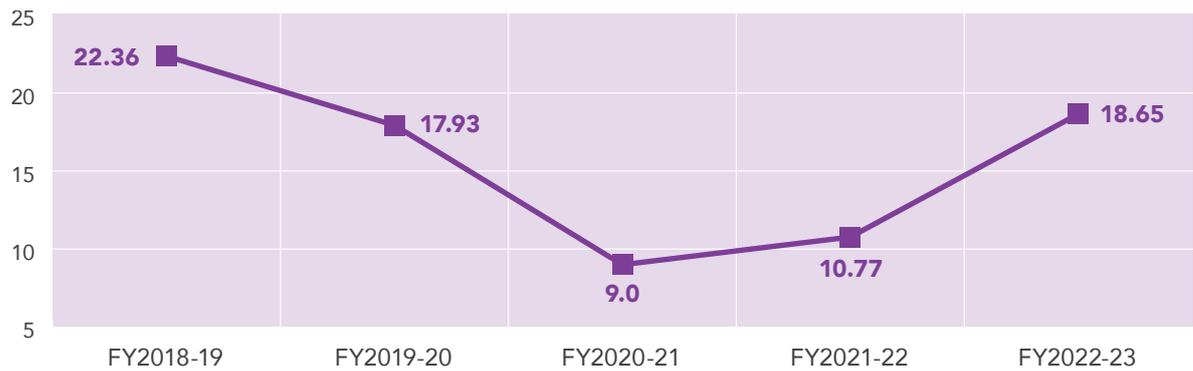
## Train and Coach Passenger Trips

% change



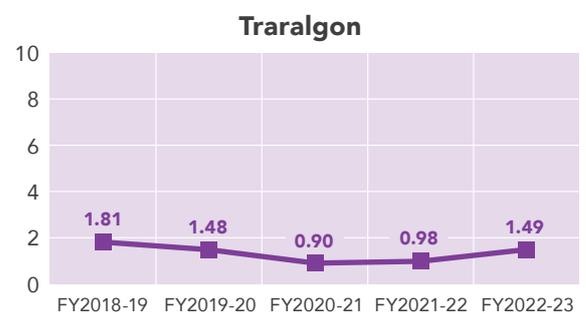
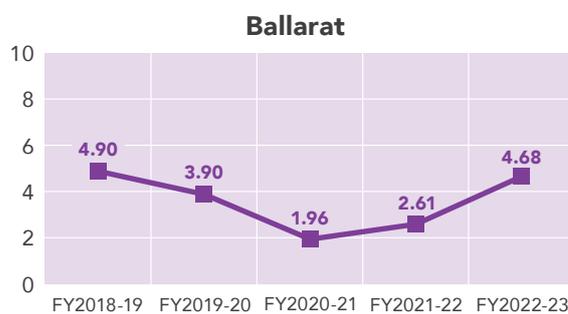
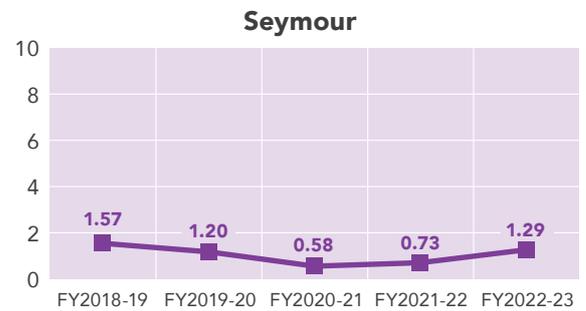
## Train and Coach Patronage

Millions



## Rail Patronage by Line

Millions



Note: Between FY2019-20 and FY2022-23 patronage was variably impacted by COVID-19, with the largest impact occurring during periods of travel restrictions.

# Performance Overview

## Facts And Figures

	2022-23	2021-22
Total customer trips (rail and coach)	18,652,422	10,764,516
Rail passenger trips	17,665,211	10,107,072
Coach passenger trips	987,211	657,444

### STATIONS

	2022-23	2021-22
Total number of stations*	98	96

\* This total includes stations on the regional network, including Mildura and those on the ARTC Albury Line together with metropolitan stations that have regional platforms and/or regional staff.

### CUSTOMERS

	2022-23	2021-22
Customer Experience Index – trains	78.5	Note+
Customer Experience Index – coaches	75.6	Note+
Number of customer information enquiries	345,969	107,125
Number of feedback cases	10,884	6,498
Compulsory compensation paid to passengers for V/Line not meeting on-time targets (complimentary ticket value)	\$8,107	\$6,804
Ticket sales/farebox revenue	\$68.3 million	\$42.5 million

+ Reporting mechanism change; the Customer Satisfaction Monitor methodology used between 1 July 2021 and 28 February 2022 resulted in 79.8 for rail and 82.8 for coaches. Customer Experience Index methodology used from 1 March 2022 to 30 June 2022 resulted in satisfaction scores of 80.1 for rail and 76.2 for coaches.

### FINANCE

	2022-23	2021-22
Total revenue and income from transactions	\$1.25 billion	\$1.17 billion
Total expenses from transactions	\$1.28 billion	\$1.19 billion
Earnings before interest, tax, depreciation and amortisation (EBITDA)#	\$18.3 million	\$45.7 million
Net result after tax##	\$(23.4) million	\$2.1 million

# Excludes significant non-cash and non-recurring items.

## Includes realised gains/losses on financial instruments and discounting movement in leave provisions.

### EMPLOYEES

	2022-23	2021-22
Full-time staff	2,503	2,316
Total staff	2,706	2,491

## Facts And Figures

2022-23

2021-22

### FLEET

VLocity carriages	318	291
Locomotives	33	33
Loco-hauled carriages	110	133
Sprinters (single unit)	21	21

### HEALTH, SAFETY AND ENVIRONMENT

Serious Injury Frequency Rate (SIFR) = Lost Time Injury (LTI) and Medically Treated Injury (MTI) per million hours worked	20.95	14.82
Signals passed at danger (SPAD) per million km (Human Factors + Technical) – Forecast: 2.50	3.13	3.43
Signals passed at danger (SPAD) per million km (Human Factors only) – Forecast: 1.40	1.33	1.43
Emissions intensity – tonnes per 1000 passenger kilometre (tCO <sub>2</sub> -e/1000 Pass km)	0.13 <sup>†</sup>	0.24

<sup>†</sup> Emission results are based on the most current data available at the time of reporting.

### SERVICE DELIVERY

Reliability overall (commuter and long-distance services, average monthly performance) – Target: 96 per cent	96.3	92.7 <sup>^</sup>
Reliability – commuter (per cent)	96.1	92.8
Reliability – long-distance (per cent)	97.4	92.4
Punctuality overall (commuter and long-distance services, average monthly performance) – Target: 92 per cent	89.1	92.8
Punctuality – commuter <sup>1</sup> (per cent)	89.6	93.0
Punctuality – long-distance <sup>2</sup> (per cent)	86.4	91.4
Number of services – commuter	87,987	86,704
Number of services – long-distance	14,279	13,051

<sup>^</sup> 2021-22 overall reliability outcome was impacted by significant driver shortages in September 2021 as a result of COVID-19 infection and isolation requirements. Overall reliability outcome excluding this shortage was 95.9 per cent.

<sup>1</sup> On time to five minutes and 59 seconds.

<sup>2</sup> On time to 10 minutes and 59 seconds.

# Performance Reporting (Non-Financial) Achievements, operational performance and key initiatives

## Delivering our services

During 2022-23, V/Line continued to provide a safe, reliable and passenger-focused service, while responding to significant changes and challenges within our operating environment, including:

- operationalisation of a large number of new assets and infrastructure including the introduction of VLocity trains to Shepparton; new stations at Huntly and Raywood; the relocation and rebuilding of Deer Park Station; new stabling facilities at Shepparton and Waurin Ponds; new Warrnambool Line signalling and Boorcan Loop; and 15 carpark upgrades
- a number of major weather events, including the major Victorian flooding event which began in October 2022
- introduction of the regional fare cap
- increasing scale, volume and complexity of major capital works.

## Operational performance

V/Line delivered a punctuality result of 89.1 per cent and a reliability result of 96.3 per cent during 2022-23.

The reliability result exceeded the 96 per cent reliability target and increased almost 3.6 per cent compared with the same period last financial year.

Monthly punctuality mostly ranged between 89 and 92 per cent since 1 July 2022, with some of the main reasons for delayed services including trespassers, major weather events, ill and unruly passengers, and delays in shared sections of the network.

The past 12 months saw a significant period of construction and improvement works take place across the regional network as major projects and upgrades continued to progress. This meant temporary timetable changes were required at times but importantly, performance improvements have already been achieved through the Geelong Line Upgrade, North East Line Upgrade, Shepparton Line Upgrade, and delivery of more locally made VLocity trains. These improvements build on the success of the 2021 Ballarat Line Upgrade timetable change, which significantly improved Ballarat corridor performance.

Despite the disruption to services at times, V/Line consistently recorded strong performance results during the AM peak and AM off-peak, while weekend performance was also consistently strong.

A key focus for improving punctuality was centred around reducing the impacts of trespassers and unruly passengers, train faults, temporary speed restrictions and delays in the shared sections of the network.

Under the leadership of a dedicated Network Performance team, V/Line continues to improve operational processes related to on-time departures and management of the busy Southern Cross Station terminal during peak periods.

Improvement initiatives, commenced in 2022-23 as part of the Enterprise Performance Improvement Plan, will continue into 2023-24. The Plan seeks to drive continuous and sustainable improvement to V/Line operations, reducing complexity for frontline staff and enhancing customer experience.

### **Flood Response**

In October 2022, following sustained heavy rainfall, Victoria experienced one of the most devastating flood events in recent memory.

The most significant rainfall occurred in the north and north-east of the state. The Goulburn, Murray and Campaspe River catchments experienced record-level flooding, inundating several regional townships including Shepparton, Rochester and Echuca. This caused severe and widespread damage to rail and road networks.

V/Line's incident and consequence management plans and teams were immediately activated to collaboratively partner with emergency services and state response agencies to prioritise and ensure the safety of employees, passengers and communities.

A large number of passenger rail, coach and freight services were altered or suspended, with the Echuca, Swan Hill and Albury rail lines partially or fully closed until flooding levels subsided and repairs could be undertaken.

V/Line commenced asset inspections and repairs as soon as safe access was available. Until rail services were restored, alternative and V/Line branded coach services were progressively reinstated as roads reopened.

Rail services were restored to Shepparton on 31 October 2022 (concurrently with introducing VLOCITY trains to this corridor for the first time), Echuca on 4 November 2022 and Swan Hill on 12 November 2022 – a significant achievement given the scale of the flooding and infrastructure damage.

### **Regional fare cap**

From 31 March 2023, the Victorian Government capped regional fares to align with metropolitan fares.

This government policy provides significant savings to passengers across the regional public transport network.

To support the anticipated increased patronage, V/Line developed a phased service adjustment plan that allowed V/Line to respond to changes in patronage.

The first weekend following the introduction of the fare cap coincided with the Formula 1 Australian Grand Prix, record AFL crowds and the Melbourne International Flower and Garden Show. More than 420,000 passenger trips were undertaken in the first week – marking the busiest week on the network since before COVID-19.

V/Line continues to closely monitor patronage from week-to-week and make adjustments across the network to improve passenger experience, including adding extra services for special events.

V/Line operated an additional 315 special services with around 52,000 boardings from 31 March 2023 until 30 June 2023.

### Supporting major network occupations

During 2022-23, major network occupations impacted every line across the regional transport network.

V/Line worked collaboratively with industry stakeholders to facilitate occupations and support passengers during disruptive periods.

Throughout 2022-23, V/Line successfully operationalised over 30 projects, including several Regional Rail Revival (RRR) projects as part of the Victorian Government's *Big Build*, with major milestones including:

- Shepparton Line moving to full VLocity train operations
- delivering a fifth weekday return service between Warrnambool and Melbourne through the Warrnambool Line Upgrade
- new stations at Huntly and Raywood
- relocation and rebuilding of Deer Park Station
- new stabling facilities at Albury, Shepparton and Waurn Ponds
- extension works to the Sunshine Station platform, providing capacity for nine-car VLocity trains
- three major level crossing removals
- 15 carpark upgrades.

Five public timetables were introduced in 2022-23 and four internal timetable changes undertaken to support these projects.

Following the commissioning of the new rail bridge at Mt Derrimut Road, Deer Park, V/Line facilitated its largest ever training event, which familiarised 355 drivers with the new infrastructure within a short timeframe. The training program was completed successfully, with service delivery commenced on-time for passengers.

### Strengthening safety on the network

V/Line has a zero-tolerance approach towards unruly behaviour, trespass and other anti-social behaviour.

To increase passenger safety and comfort, new Authorised Officer (AO) depots were established at Bendigo and Warragul stations, with eight AOs based at these stations, increasing the overall AO team to 30. V/Line's AOs can be deployed anywhere across Victoria as needed.

The AO teams support frontline staff in providing customer service assistance to passengers during both planned and unplanned disruptions. The AO teams also work together with Protective Service Officers and Victoria Police on targeted campaigns and patrols.

V/Line undertook a number of other activities during the year to improve safety and security including:

- participating in targeted operations with Transit Police and sharing information to target hotspots
- coordinating a security workshop with coach operators in conjunction with Victoria Police, covering topics such as ongoing safety and security initiatives, effective de-escalation techniques, the importance of incident reporting protocols, and legal requirements and expectations when managing anti-social behaviour
- ongoing support for our people to better understand how to manage and report any safety incidents, including V/Line's welfare check process.

### Customer experience

V/Line rail services recorded strong customer satisfaction results for much of the 2022-23 year, with a final Customer Experience Index score of 78.5.

As a result of small sample sizes across the coach surveys (generally less than 20 passengers per month), coach scores fluctuated with V/Line recording a Customer Experience Index of 75.6 for coach services for 2022-23.

V/Line implemented an enterprise-wide Customer Experience Strategy in 2022-23. The Strategy guides customer improvement initiatives, providing clear visibility of objectives, expectations and outlining the role of each area of V/Line in improving the customer experience.

V/Line's Customer Experience Strategy includes a strong focus on listening to passengers and using this feedback to improve our service.

During the year, V/Line:

- undertook a comprehensive market segmentation survey
- worked in partnership with DTP to increase participation in coach surveys
- established the 'Voice of the Customer' program which provides a direct communication and feedback channel between our customers and V/Line employees
- continued to consult with people with disabilities through our Accessibility Reference Group.

### Improving the accessibility of our network

Providing transport services to people with accessibility needs is a priority for V/Line.

V/Line implemented a number of new initiatives to improve the accessibility of our service including:

- establishment of a mini-bus trial, with the provision of three accessibility compliant shuttle buses (operated by V/Line employees) that can be deployed during disruptions when alternative options cannot be provided
- opening of a new Travellers Aid Australia service at Ballarat Station in April 2023, making it easier for passengers of all abilities to connect with the many transport options within the station precinct
- the launch of the Hidden Disabilities Sunflower Program which helps ensure passengers feel confident when travelling on the V/Line network. Passengers with a hidden disability can choose to pick up a complimentary sunflower lanyard or a pin from key locations on the V/Line network. The sunflower discreetly indicates they may need additional support, help or a little more time.

### Improving our processes and systems

V/Line continues to progress its Workforce Management project, with the completion of phase one and commencement of phase two of the project. The project is designed to support V/Line to transition to new rostering software, which will significantly enhance our rostering capability.

## Managing our Assets

The Network Development, Assets and Maintenance group delivered a number of key upgrades and improvements across the regional network in the past 12 months, including:

- the rollout of the 100th VLocity train into service
- the implementation of new timetables with more services for our passengers
- the growth of vital rail freight.

V/Line also delivered a significant maintenance program, with crews completing \$171.9 million in Routine Maintenance (RM) and \$170.5 million in Major Periodic Maintenance (MPM) renewals across the passenger and freight rail network.

### Maintenance and renewal works

The 2022-23 financial year represented one of the biggest and busiest years on record for V/Line crews.

Across the network, as part of V/Line's Annual Works Program (AWP), more than 200,000 sleepers were replaced, as well as tracks improved, platforms extended, culverts installed and shelters refurbished.

These works are essential for the ongoing upkeep of the rail network, ensuring trains can continue to operate safely and reliably.

As part of a more than \$40 million package of works, crews completed an extensive sleeper replacement and track improvement program, including:

- renewing 52,506 sleepers between Sunbury and Bendigo East
- installing 45,000 concrete sleepers between Ballarat and Trawalla
- installing 3,000 sleepers between Pakenham and Traralgon
- removing 3,200 joints, replacing 6,400 sleepers and laying 5.6 kilometres of new rail between Dunolly and Inglewood
- installing 17,000 sleepers and upgrading axle loads between Gheringhap and Ballarat.

Work started and progressed on delivering a new modern signalling system to control trains between Craigieburn and Seymour. The new signalling system will introduce an automated, electronic fail-safe system which will enable trains to run closer together, helping to recover from disruptions and any time lost on a journey.

Other important works completed across the network included:

- pit renewal work and other upgrades at Ballarat Station and the surrounding rail precinct
- maintenance works on the tracks servicing V/Line platforms at Southern Cross Station
- upgrade works at Little River Station on the Geelong Line, in close consultation with Heritage Victoria, to improve accessibility
- restoration of a platform shelter at Kangaroo Flat Station, after fire destroyed the heritage-listed structure in 2019
- restoration and repair work on the historic Manangatang platform
- reconditioning work on 27 kilometres of track between Donnybrook and Seymour
- drainage works in and around the Geelong Tunnel, as well as Nar Nar Goon and Tynong stations on the Gippsland Line
- level crossing upgrades to improve safety
- improvement works at Ballarat Yard, Tourello Loop and Ararat Junction.

A three-year supply chain management improvement plan provided better control of bulk purchases and asset inventory control, delivering \$6 million in savings to date.

The plan assists in providing certainty in a volatile global supply chain market by securing vital equipment and materials for V/Line's AWP, as well as key upgrades and projects being delivered across the network.

V/Line also successfully retained its ISO 55001 Asset Management Standard certification during 2022-23.

## Fleet

In a major milestone, the 100th locally built VLocity train entered service in August 2022, one of nine new modern three-car VLocity trains added to V/Line's growing broad gauge VLocity fleet, providing fast and comfortable journeys across Victoria's regional rail network.

All VLocity trains were manufactured by Alstom in Dandenong, Victoria, with the new trains progressively rolled out during the year.

VLocity trains replaced locomotive-hauled trains (classic fleet rolling stock) on the Shepparton Line in October 2022, delivering a new timetable, and more modern and reliable services for passengers.

Other VLocity trains underwent refurbishments to improve interiors and exteriors. This included improved seat upholstery and the installation of new carpet, accessibility improvements and installation of hearing augmentation.

Classic fleet rolling stock underwent regular inspections and maintenance to help reduce the risk of train faults.

The first stage of major upgrades to the South Dynon train maintenance facility commenced in 2022-23, which will unlock additional capacity and help improve reliability of services. The second stage of the project is funded in the 2023-24 Victorian State Budget and will further boost the facility's capacity and capability over the coming years to support the growth of the network.

## New timetables, more services

To realise government investment into regional rail, and give passengers more choice on when they travel, V/Line made several changes to its timetable.

Key highlights in 2022-23 included:

- the introduction of a new timetable on the Albury Line to realise journey time savings following the introduction of VLocity trains
- commencement of VLocity trains on the Shepparton Line for the first time
- introduction of a fifth weekday return service on the Warrnambool Line
- introduction of two extra weekday services on the Echuca Line, stopping at Huntly and Goornong stations
- commencement of a weekend shuttle service between Maryborough and Ballarat
- introduction of 31 extended services each week on the Geelong Line between South Geelong and Waurun Ponds stations.

## Supporting Victoria's Big Build and key projects

V/Line's Projects group is responsible for developing and delivering project-related change and improvements across the regional rail network.

The Projects team coordinates, integrates and drives major projects and programs in a safe, collaborative and innovative manner, enabling V/Line to contribute to the improvement and modernisation of Victoria's regional transport service.

The team of more than 350 project professionals supports Victoria's *Big Build*, partnering with the state to deliver significant programs, including:

- the Regional Rail Revival program
- the Level Crossing Removal Program (LXRP)
- the Metro Tunnel Project
- the West Gate Tunnel Project
- other capacity-enabling projects across the regional network.

## Our Projects

The Projects team managed the delivery of over \$200 million in improvements across the network in 2022-23.

V/Line works closely with agencies that form part of the Major Transport Infrastructure Authority to support and deliver projects that fall under Victoria's *Big Build*. This includes Rail Projects Victoria who is responsible for the delivery of the Victorian and Australian Government's investment of more than \$4 billion into the RRR program to upgrade every passenger train line across regional Victoria.

V/Line is contracted to deliver several key projects that comprise the program and works closely with interface teams to oversee the staged delivery of other upgrades and improvements.

V/Line also works with LXP to help remove dangerous and congested level crossings across Victoria.

### Shepparton Line Upgrade

Significant works have been taking place on the Shepparton Line over the past 12 months as part of the Shepparton Line Upgrade. When complete, this important upgrade will deliver more frequent and reliable services to Victoria's sixth largest city.

With Stage 1 of the project already completed, significant progress was made on Stage 2 during the year, including:

- station upgrades and platform extensions to accommodate longer VLocity trains at Mooroopna, Murchison East and Nagambie stations
- fast-tracking the extended passing loop at Murchison East to enable VLocity and freight trains to pass each other
- the upgrade of train detection technology at 59 level crossings between Donnybrook and Shepparton.

These important upgrades have allowed modern VLocity trains to operate on the Shepparton Line for the first time. Commencing 31 October 2022, all services on the Shepparton Line are now delivered by VLocity trains.

Expanded stabling to house and fuel VLocity trains is another key element of the project. A new stabling facility at Shepparton was built in April 2023, with 475 crew members working more than 37,800 hours to complete complex signalling work and safety testing to integrate the new infrastructure into the existing network.

As part of Stage 3 track improvement works, 5,564 sleepers were replaced between O'Connors Road, Mangalore and Morgans Lane, Tabilk, along with more than 11 kilometres of tamping and re-ballasting undertaken.

Specialist signalling design work is continuing to progress on the transformational third stage of the project, which will enable nine daily return services to operate between Shepparton and Melbourne.

### Warrnambool Line Upgrade

Significant progress was made on the Warrnambool Line Upgrade over the last 12 months.

When complete, this important upgrade will improve safety and reliability, and allow modern VLocity trains to travel on the Warrnambool Line for the first time.

The completion of the first stage of the Warrnambool Line Upgrade took place in early December 2022, enabling the introduction of a fifth weekday service to and from Warrnambool. Passengers from the growing communities west of Geelong now benefit from an additional 10 new services a week.

Stage 1 upgrades delivered:

- a centrally-operated train control system to monitor train locations and movements, helping improve safety and reliability on the line
- 127 kilometres of new signalling cable
- 106 location boxes containing critical signalling equipment
- 26 axle counters to help detect whether a train is on a certain section of the track and activate level crossings
- 61 new signals.

The second stage of the project has progressed with the second half of the main line between Waurn Ponds and Warrnambool completed, including axle counter installations at over 50 level crossings along the line. This has allowed for increased capacity for a second freight path each day.

An integral part of the system that went live in 2022-23 is the Boorcan Loop – a 1.8-kilometre-long crossing loop built using 2,000 sleepers and approximately three kilometres of rail.

In May 2023, 31 extra extended services every week were added thanks to new train stabling facilities in Waurn Ponds. The new stabling yard includes six tracks to house VLocity trains overnight and delivers much-needed train storage to support more extended services on Victoria's busiest regional train line.

### **Bendigo and Echuca Line Upgrade**

Work continued to progress during the year on the Bendigo and Echuca Line Upgrade.

Two additional services were introduced to and from Echuca each weekday as part of a new timetable, tripling the number of services on the line.

The Bendigo and Echuca Line Upgrade has also allowed trains to and from Echuca to run faster, with track upgrades increasing the maximum train speed between Epsom and Goornong from 80km/h to 130km/h, saving passengers up to five minutes on their journeys, since June 2023.

### **Bendigo Metro 3 Project**

Two new stations were delivered at Huntly and Raywood as part of the Bendigo Metro 3 project. Huntly and Raywood stations were opened in July 2022 with community members celebrating the official return of services.

Huntly Station opened almost a year ahead of its original scheduled completion date of mid-2023, while trains began travelling to and from Raywood almost six months ahead of the targeted completion date.

### **Signalling Works**

10 level crossings between Bendigo and Eaglehawk were upgraded as part of the overall package of signalling works. Intermittent periods of works took place from February 2022 until December 2022, lasting up to 10 days in each location along the rail corridor.

### **Track Stage 2 Works**

Significant track upgrade works took place in May and June 2023 between Goornong and Echuca including ballast lifts and renewals, tie renewals, 14,500 sleepers being replaced, geometry improvements across 60 kilometres of track, culvert replacements and track drainage maintenance.

Eight level crossing upgrades were also completed with axle counter approach sections extended for line speed changes and improved track resetting functions.

### **Gippsland Line Upgrade**

The Gippsland Line Upgrade will deliver more frequent and reliable train services to the growing communities of Gippsland.

To date, the project has delivered:

- construction of an additional platform, track works and underpass at Morwell Station
- a newly constructed overpass at Traralgon Station
- construction of an additional platform and track works at Bunyip Station
- construction of an additional platform at Longwarry Station.

Signalling and track works are ongoing along the Gippsland Line. This will allow for upgraded safer level crossings and extra services during off-peak hours between Traralgon and Melbourne.

### **Mt Derrimut Road Level Crossing Removal Project**

The level crossing at Mt Derrimut Road, Deer Park, was removed in April 2023 easing delays for approximately 23,000 vehicles that pass through the crossing every day.

The nearby level crossing at Fitzgerald Road, Ardeer, was removed in July 2022 and the level crossing at Robinsons Road, Deer Park, was removed in September 2022. As a result, the Ballarat and Geelong lines are now level crossing free between Deer Park and the city, ensuring a safer and more reliable service for V/Line's passengers on these lines.

In April 2023, the relocated and rebuilt Deer Park Station opened and trains were commissioned onto a new viaduct structure. Works are ongoing and will be completed in late 2023, delivering an air-conditioned waiting room, 150 new and upgraded car parks, a multi-bay bus interchange and pick-up/drop-off zones.

### **Car Parks for Commuters program**

The Victorian Government's Car Parks for Commuters program is building new and upgraded car parks at metro and regional train stations throughout Victoria, to make it easier for commuters to catch the train.

The program also delivers improved accessibility, CCTV and lighting as well as more bicycle parking facilities at key locations.

Car park upgrades were completed in late 2022 at Tarneit, Nar Nar Goon, Drouin and Caroline Springs stations, with stage one upgrades also completed at Wyndham Vale Station.

An offset car park at Tarneit Station with 213 parking bays was created in May 2023 to compensate for the loss of car parking spaces due to the construction of a new eight bus bay interchange.

### **South Dynon Upgrade Stage 1**

V/Line's South Dynon train maintenance facility is being upgraded to unlock additional capacity and improve reliability for passengers in regional communities.

Stage 1 of the upgrade was awarded on 1 September 2022, with the first major occupation in June 2023. The 14-day occupation implemented the majority of the stabling and yard scope, allowing for more VLocity train stabling.

The project also delivered an upgrade to the train maintenance facility road 9 in April 2023, which then paved the way for upgrades to train maintenance facility roads 1 to 4. This will enable these roads to cater for VLocity trains and is expected to be completed by November 2023.

The Victorian Government provided an additional \$322 million for Stage 2 upgrades of the South Dynon train maintenance facility as part of the 2023-24 Victorian State Budget.

The works will deliver additional heavy maintenance roads and train wash capacity to maintain more V/Line trains at the same time, while supporting up to 180 construction jobs at the peak of works, as well as additional ongoing maintenance jobs at the facility when complete.

Stage 2 South Dynon project works will be progressively delivered between 2023 and 2025.

## Freight

During 2022-23, V/Line bolstered efforts to improve the efficiency and reliability of freight access and movements to deliver significant benefits for regional economies, grain growers and communities near the Ports of Melbourne, Geelong and Portland.

Boosting rail freight helps remove truck movements from Victorian roads, reduces carbon emissions, and increases efficiency for miners, farmers, freight operators and exporters.

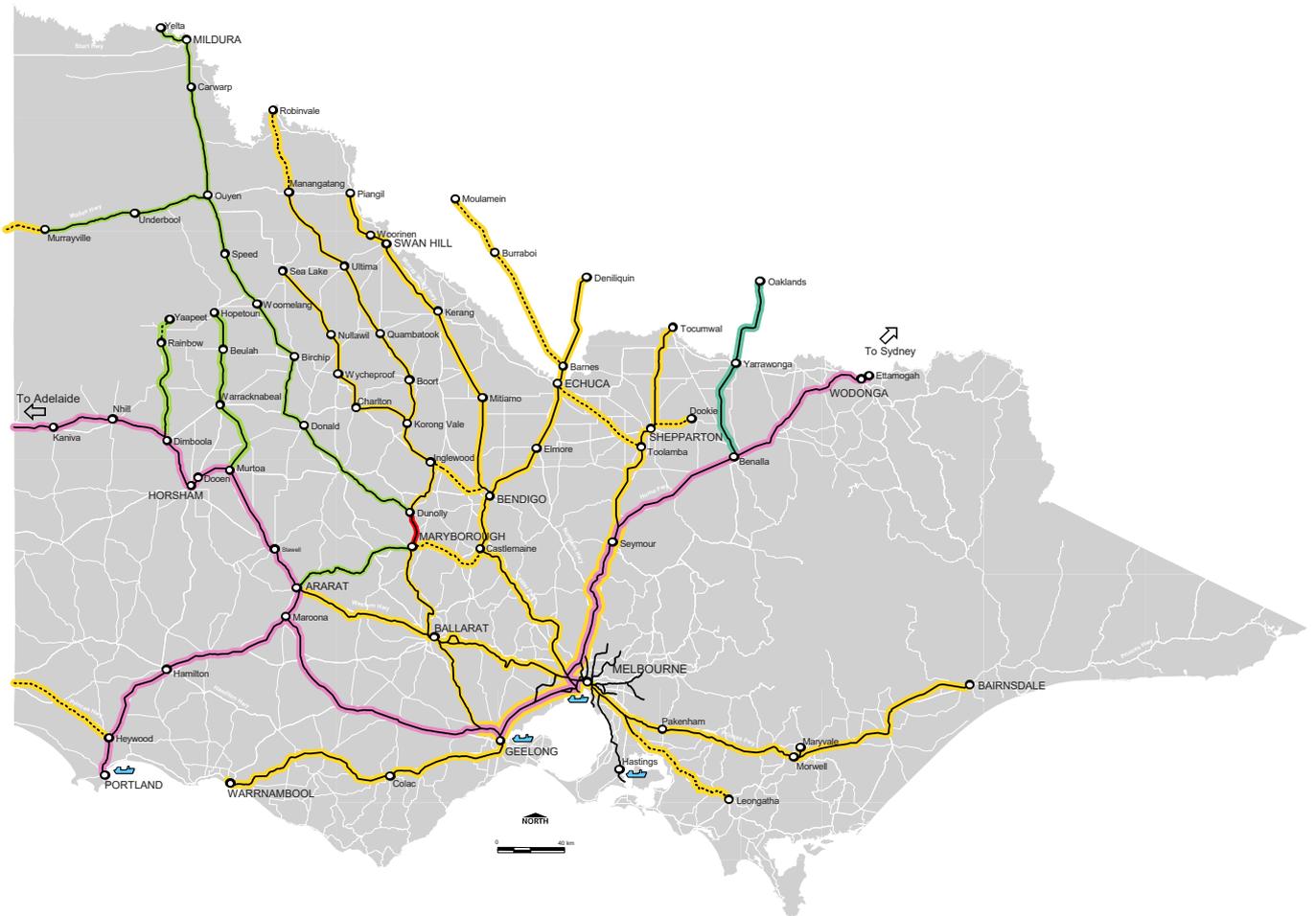
Over the past 12 months, Victoria's freight sector transported more than 1.135 billion gross tonne kilometres of goods and undertook a total of 14,359 freight trips on the regional rail network. In addition:

- \$1.7 billion in goods were carried in intermodal trains across the network, with each train carrying an average of \$2.28 million of goods for each 800m-long intermodal train, the equivalent of 55 semi-trailer trips per train
- 989,000 tonnes of grain valued at \$594 million was carried in bulk trains at an average of \$1.32 million per 650m-long train, the equivalent of 50 semi-trailer trips per train.

Other important works to increase rail freight on the broad-gauge network included:

- lifting of axle loads from 19 tonnes to 20 tonnes at Tocumwal, Piangil and Woorinen grain terminals, meaning six of 18 broad-gauge terminals are now 20 tonne axle-load capable
- formation of a Grain Rail Improvements Plan Working Group to focus on investments and operational excellence, including grain system performance, longer trains and improved cycle times, and double grain volumes from one-million to two-million tonnes per annum (160,000 tonnes per month)
- boosting efforts to mitigate disruptions to industry by working closely with freight customers and other key stakeholders.

# Victorian Rail Network Map



**ARTC - Interstate Network**

- Standard Gauge - Interstate Infrastructure Lease
- Standard Gauge - Branch Line Infrastructure Agreement

**V/Line - Regional Infrastructure Lease**

- Broad Gauge
- Dual Gauge
- Standard Gauge

- Railway
- Railway out of service
- Port

## Community partnerships

V/Line recognises the importance of championing community-driven initiatives that strengthen community safety, connection and wellbeing, economic development and diversity and inclusion.

During the previous 12 months, V/Line worked to strengthen our existing community partnerships and explored new opportunities that will see V/Line continue to invest in partnerships which have a meaningful impact on the Victorian community.

V/Line is a major partner of AFL Victoria, having supported the V/Line Cup and V/Line Umpire Academies since 2003, as well as the Youth Girls competition since 2016. The V/Line Cup is an opportunity for regional youth to play at the highest competitive level in football and is often a stepping-stone to a professional career. For the second time in 2022, around 600 of the best young footballers from across regional Victoria converged on Shepparton for the 73rd edition of the V/Line Cup. V/Line is proud of the significant benefits the tournament delivers to regional communities, including the focus on supporting participants to learn valuable life skills.

In 2022-23, V/Line continued its long-standing partnership with the Doxa Youth Foundation. V/Line has supported the Foundation since its inception, providing free travel for disadvantaged and low-socio-economic schools to attend Doxa camps in Malmsbury and Melbourne. Both organisations have continued to work together to identify opportunities to add value to Doxa's programs, including identifying volunteering opportunities for V/Line staff. A new partnership agreement was signed in June 2023, to guide partnership activities between 2023 and 2026.

V/Line also supported the Beacon Foundation's work readiness program with educational sessions targeting years 9-12 students in low-socio-economic areas across regional Victoria. The sessions are designed to prepare and motivate students for a successful transition from education to employment and offer V/Line staff opportunities to mentor and develop young people. With V/Line's support over the last 12 months, Beacon ran educational sessions across six schools and reached over 150 students. V/Line is proud to have partnered with Beacon on these valuable programs since 2013.

Celebrating V/Line's history, in partnership with the communities we serve, remains an ongoing focus, with two significant milestones celebrated in the past 12 months.

In October, V/Line celebrated 160 years since rail first came to Bendigo in 1862 with a community and stakeholder event. V/Line also celebrated Seymour Station's 150th anniversary with a morning tea, bringing together the Seymour Station team and local community to celebrate.

The Stationeers program continued to provide beautification activities at 27 V/Line railway stations during the year, in partnership with Keep Australia Beautiful Victoria (KABV). V/Line has supported the volunteer program since 2005, working closely with KABV to provide garden supplies and volunteer gardeners to ensure stations are well maintained. Tree planting days at Warragul and Melton stations brought community members, volunteers and V/Line staff together to beautify the station precincts. V/Line also continues to support KABV with recruitment of diverse working groups, as part of efforts to engage the broader regional community.

Further station improvement projects include V/Line's support of DTP's Transporting Arts Program, with the first artwork installed at Wyndham Vale Station in May 2023. Designed by local artist Yu-Fang Chi, the artwork titled 'Flourish' seeks to celebrate the unique environment, ecosystem, heritage and contextual history of the site.

V/Line's long-standing partnership with Travellers Aid Australia has continued to strengthen, with the introduction of a Connection Assistance Service at Ballarat Station in April 2023. Travellers Aid Australia volunteers help passengers with their travel needs within the station precinct, in addition to services provided at Southern Cross, Flinders Street and Seymour stations.

V/Line also worked with Travellers Aid Australia to provide interchange support to passengers during planned disruptions, with buggy services operated by volunteers at Sunbury Station during a major disruption on the Bendigo corridor.

V/Line's partnership with Travellers Aid Australia enables support for training, travel support and promotional activities. Through ongoing sponsorship support, V/Line is recognised as a Principal Partner of Travellers Aid Australia volunteers.

V/Line once again participated as a major transport partner of the 2023 Pride season, including the Midsumma Carnival and Pride March, and as a sponsor and participant in the Chillout Festival in Daylesford. V/Line displayed supporting messaging at regional stations for Wear it Purple Day and continued to run the V/Line Pride Train across the network in support of LGBTIQ+ regional communities.

V/Line also continued to support a number of arts and cultural organisations during the year including:

- Castlemaine State Festival, helping connect communities in regional Victoria with access to the arts and increasing visitation to the region from Melbourne and interstate
- National Gallery of Victoria, supporting exhibitions such as *Alexander McQueen: Mind, Mythos, Muse* and *Pierre Bonnard: Designed by India Mahdavi*
- Melbourne Museum's *Gandel Gondwana Garden* and *the Fantastic Beasts: The Wonder of Nature* exhibition.

These events provide a significant economic benefit to the state and V/Line is proud to play a role, particularly in promoting public transport usage to and from these events.

# Performance Reporting – Financial

## V/Line Corporation five year financial summary (\$'000)

Five year financial summary	2022-23	2021-22	2020-21	2019-20	2018-19
Income from government	1,161,404	1,106,393	974,355	845,419	749,942
Total revenue and income from transactions	1,249,764	1,173,518	1,024,991	950,768	931,822
Total expenses from transactions	1,274,830	1,186,852	998,249	931,469	962,053
EBITDA <sup>#</sup>	18,262	45,708	49,981	40,296	(8,884)
Net result for the period after tax	(23,378)	2,119	20,512	14,345	(30,355)
Net cash flow from operating activities	(14,396)	53,843	52,836	36,673	(41,675)
Total assets	365,019	394,575	375,562	302,953	210,268
Total liabilities	313,829	306,158	295,778	252,333	176,920

# Excludes significant non-cash and non-recurring items.

Income from government increased in 2022-23 by \$55.0 million with higher funding to support core infrastructure maintenance works and for the delivery and facilitation of major transport projects which are enabling upgrades to the regional rail network. Government funding also included support for the introduction of the fare cap from 31 March 2023, timetable service increases and the operationalisation of new VLocity fleet.

Total revenue and income from transactions increased by \$76.3 million in 2022-23 with the higher income from government and growth in farebox revenue of \$25.8 million as patronage rebounded strongly in 2022-23 after the disruption to travel patterns driven by COVID-19 in the prior year. The growth in farebox revenue was lessened by the fare cap, however this impact was offset by increased government funding.

The EBITDA generated in 2022-23 of \$18.3 million reflects a positive outcome in terms of cash and budget management for the year. The result includes the benefit of efficiencies gained from a range of procurement and operational improvement activities undertaken across the organisation. The favourable EBITDA generated by V/Line is being used to fund activities and initiatives to support customer and operational outcomes.

While EBITDA for the financial year was favourable, the net result for the period after tax of \$(23.4) million was impacted by the non-cash charges associated with depreciation, changes in employee leave balances, impairments

associated with the disposal of the classic fleet as they are replaced by new VLocity trains and income tax charges.

The net cash outflows from operating activities of \$(14.4) million in 2022-23 reflect working capital outflows associated with inventory spend on essential long lead time items for maintenance works in 2023-24 and timing of the recovery of project outflows.

Total assets are below the prior year with the reduction in the fair value of fuel hedges held at 30 June 2023, depreciation charges and disposal of some classic fleet.

## Disclosure of grants and transfer payments

V/Line has not provided financial assistance via grants and/or transfer payments to any companies or organisations during 2022-23.

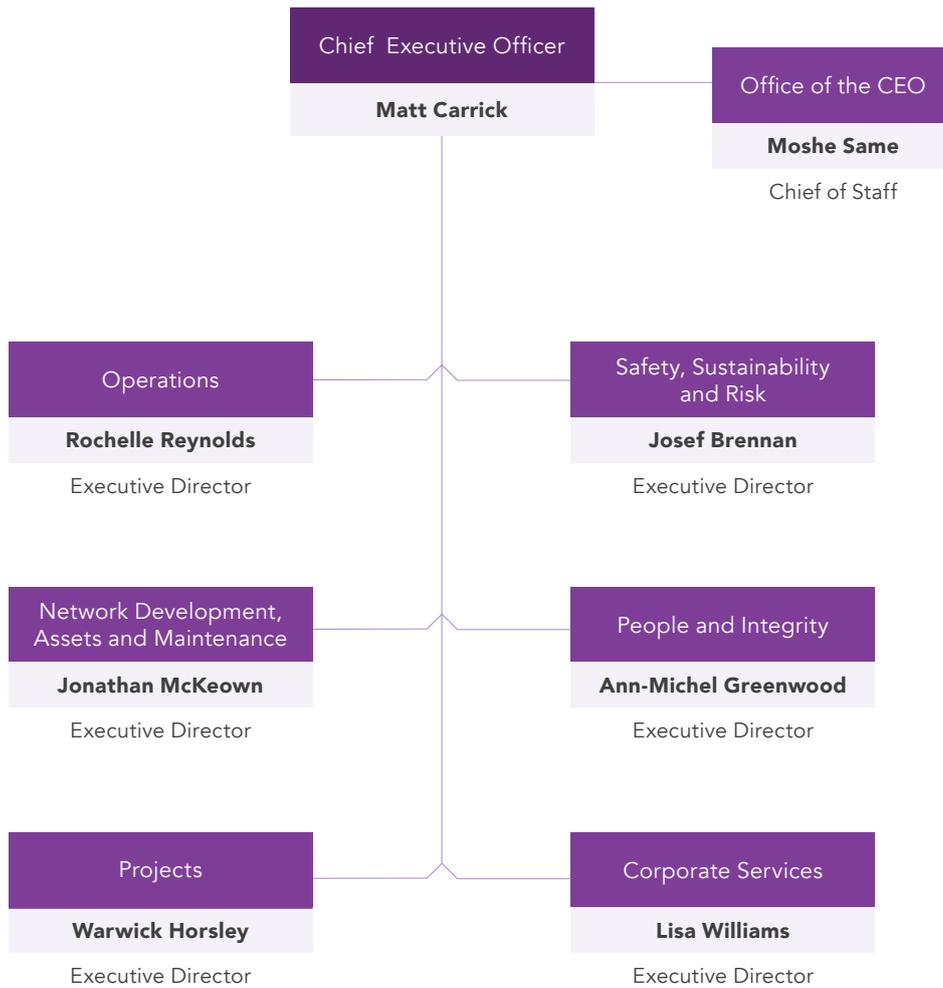
# SECTION 2:

## GOVERNANCE AND ORGANISATIONAL STRUCTURE



# Organisation structure and corporate governance arrangements

Leadership team as at 30 June 2023



## Leadership groups

**Operations:** delivers a user-centred experience for all customers, delivering safe, reliable and punctual rail and coach passenger services that connect Melbourne to peri-urban and regional Victoria. The Operations team covers the entirety of the delivery supply chain and works as one to ensure our customers get to where they want to go.

**Network Development, Assets and Maintenance (NDAM):** cares for today's assets and infrastructure, and plans for future network renewals and growth. NDAM works closely with internal and external stakeholders to shape the regional public transport and rail freight network of the future. Key activities undertaken include timetable modelling and optimisation, oversight of asset lifecycle management for fleet and network infrastructure, enabling safe and efficient operation of the network.

**Projects:** coordinates, integrates and drives major projects and programs in a safe, collaborative, innovative and engaging manner, enabling V/Line to be a modern and connected regional service for Victorians. The team supports Victoria's *Big Build*, partnering with the state to deliver significant programs such as the Regional Rail Revival Program, the Level Crossing Removal Program, the Metro Tunnel Project, the West Gate Tunnel Project, and other capacity enabling projects across the regional network.

**Safety, Sustainability and Risk:** enables V/Line to identify, manage and continuously improve its risk profile; safeguards V/Line's 'licence to operate' through compliant, systematic and verifiable processes; ensures the ongoing health, quality application and compliance of V/Line's management systems; and is the custodian for relevant key systems and processes.

**People and Integrity (P&I):** partners with teams from across V/Line to shape and deliver an exceptional employee experience. With a focus on every aspect of the employee journey, P&I supports V/Line to maintain a skilled and engaged workforce, attract and retain talent, foster a diverse and positive workplace culture, drive employee engagement and ensure our organisation is aware of integrity requirements. Core strategic advisory and support services including people services, payroll, talent, capability, diversity, inclusion and wellness, training and workplace relations.

**Corporate Services:** provides a range of specialist, strategic enabling support services, policies and systems including finance and accounting, information technology and information management, delivery of transformation and reform projects, and enterprise project oversight, corporate strategy, business planning and reporting, strategic management of the comprehensive SLA relationship with DTP, procurement and supplier engagement, and legal and contractual advice.

**Office of the CEO** with responsibility for Corporate Affairs, including policy and stakeholder relations, community and partnerships, ministerial and departmental liaison, media management, disruption communications and corporate communications.

## Advisory Board membership and roles

The V/Line Advisory Board (the Advisory Board) was established by the Minister as an advisory body to the Chief Executive Officer of V/Line.

The main responsibilities of the Advisory Board are to ensure V/Line:

- is aligned to the government’s transport agenda and priorities
- delivers sustained and improved performance of passenger services and a rail freight network
- maintains a heightened focus on safety, risk management, and fraud and integrity.

As at 30 June 2023, the Advisory Board comprised the following independent members:

- Howard Ronaldson, Chair
- Karen Cain
- Margaret O’Rourke
- Tom Sargant (reappointed 17 July 2023).

## Audit and Risk Committee membership and roles

The V/Line Audit and Risk Committee (the Committee) was established by the Chief Executive Officer, in compliance with the Standing Directions 2018 under the Financial Management Act 1994, as an independent body to provide oversight of V/Line’s financial and performance reporting, risk oversight and management, systems of internal controls and compliance with relevant laws and policies.

The purpose of the Committee is to be an independent body to:

- review and assess the effectiveness of V/Line’s systems and controls for financial management, performance and sustainability, including risk management
- oversee financial reporting and performance reporting

- oversee the internal and external audit activities
- review and monitor compliance with legal and regulatory obligations, in particular with the Financial Management Act
- oversee and monitor V/Line’s risk management systems and framework
- oversee and monitor systems of internal control
- oversee and monitor V/Line’s application of the Asset Management Accountability Framework.

The Committee supports V/Line’s Accountable Officer to discharge their responsibilities under the Financial Management Act 1994, Transport Integration Act 2010 and Public Administration Act 2004.

The Committee provides a mechanism to escalate issues and provide independent advice to the Accountable Officer to ensure responsibilities are fulfilled.

As at 30 June 2023, the Committee comprised the following independent members:

- Mark Toohey, Chair
- Rachel Thomson
- Sharon Copeland-Smith
- Tom Sargant.

### Other Reporting

During 2022-23, V/Line insured all Advisory Board, Committee members and officers of V/Line against certain liabilities incurred by them in that capacity. Advisory Board and Committee members of V/Line are entitled to full access to information required to discharge their responsibilities, including access to senior management and to documents held by V/Line. Advisory Board and Committee members could obtain independent professional advice on matters arising from carrying out their duties.

# Health and safety

V/Line's number one priority is the safety of our people, passengers and the communities we serve.

V/Line's Destination Zero program aspires to achieve zero harm to people, property and the environment. It ensures a continuing focus on meeting our obligations under the *Occupational Health and Safety Act 2004 (OH&S Act)*, *Rail Safety National Law* and environmental legislation, ensuring safety is core to everything we do.

## COVID-19

V/Line continues to adapt its approach to managing the risks associated with COVID-19, ensuring the ongoing safe operation of our essential service.

We have a number of COVID-19 business continuity measures in place and continue to assess the risks associated with COVID-19.

Our COVIDSafe plan remains current, with risk assessments and updates completed as needed.

## Safety

The Safety, Sustainability & Risk team continues to focus on "Critical Risk" and managing V/Line's key areas of operational and people safety.

V/Line continued to work collaboratively with the Office of the National Rail Safety Regulator to thoroughly test our Safety Management System during several surveillance inspections and audits. All identified issues were actioned and closed within agreed timeframes.

V/Line also continued to work proactively with WorkSafe to ensure OHS obligations are met and to resolve all workplace matters. All identified issues were actioned and closed within agreed timeframes.

Level crossing safety is a critical risk area and a key focus for V/Line.

Ongoing work to reduce the number of level crossing incidents included:

- the continual upgrade of crossings from passive ('stop' sign only) to active (activated 'booms and barriers' on approach of train)
- the installation of axle counters in locations that are subject to train detection faults
- vegetation removal
- improved sighting at crossing locations across the state
- introduction of risk-based measures, such as temporary speed restrictions for trains, have also been applied at individual crossings where sighting distances are not able to be improved.

There were four level crossing incidents over the past 12 months, with one of those at a passive crossing.

During 2022-23, three high risk level crossings were removed: Mt Derrimut Road, Deer Park, Robinsons Road, Deer Park and Fitzgerald Road, Ardeer.

V/Line continues to reduce the number of passive non-activated level crossings on the network. At the end of 2022-23, there were 52 passive level crossings on the passenger network – down from 105 in November 2017.

Pleasingly, there was a decrease in V/Line’s Signals Passed at Danger (SPAD) rate over the past 12 months. This measure is a critical safety indicator and in 2022-23, the human factor SPAD rate was 1.33 incidents per million kilometres, compared with 1.43 per million kilometres the previous financial year – an industry leading result. The majority of Human Factor SPADs fell into the low potential category. The current rate still places V/Line among Australia’s best performing rail operators in managing SPADs.

April 2023, V/Line successfully installed a Train Protection Warning System at several key signals in the Southern Cross Station area. The new system significantly reduces the risk of high risk SPADs in and around our main terminal.

V/Line’s OHS Serious Injury Frequency Rate (SIFR) was 20.95 over the past 12 months against a forecast of 15. This increase reflects the return of patronage to close to pre-COVID-19 levels, however, the rate is trending favourably from 2019-20 SIFR of 26.65. An injury prevention management plan will be developed to reduce injuries to staff.

## HSE Indicator Performance

The two safety lag performance indicators used at V/Line are:

- SIFR for personal injury (per million workhours)
- SPAD for rail safety (per million kilometres travelled) (Human Factors + Technical).

<b>Serious Injury Frequency Rate (SIFR)</b>	2022-23	2021-22	2020-21
Measure	Actual	Actual	Actual
SIFR	20.95	14.82	16.2
SIFR Forecast	15	20	21
SIFR Variance	+5.95	-5.18	-4.8
SIFR per cent Variance to Forecast	39.6	-25.90	-22.86

<b>Signals Passed at Danger (SPAD) (Human Factors + Technical)</b>	2022-23	2021-22	2020-21
Measure	Actual	Actual	Actual
SPAD	3.13	3.43	2.99
SPAD Forecast	2.5	2.5	2.8
SPAD Variance	+0.63	0.93	0.19
SPAD per cent Variance to Forecast	+25.2	+37.2	+6.79

## Hazards and Incidents per 100 FTE

The total number of 'Hazards Reported' increased over the year, reflecting the return of patronage following COVID-19. Logged hazards are tracked and reported monthly to all relevant stakeholders, including employee elected health and safety representatives, to ensure all potential hazards are addressed.

The number of claims lodged for the 2022-23 financial year for injuries (not including seven

hearing loss claims) was 113. While this is an increase of 23 claims on the previous year, the total number of claims is still less than our last pre-COVID-19 result of 126 claims in 2019-20.

The main time loss claims were psychological injuries (48 per cent), back injuries (11 per cent), hand/fingers and wrist injuries (10 per cent), knee injuries (nine per cent), shoulder injuries (eight per cent) and ankle injuries (six per cent).

### Hazards Reported

Year	Per 100 FTE
2022-23	12.39
2021-22	9.54
2020-21	10.58

### Incidents Reported

Year	Per 100 FTE
2022-23	427
2021-22	411
2020-21	367

Note: Previous years were impacted by COVID-19.

### WorkCover – Personal Injury Lost Time Claims

	# time loss standard claims	Full-time equivalent (FTE)	Per 100 staff	Average cost per claim
2022-23	65	2,623.1	2.48	\$69,417
2021-22	63	2,421.1	2.60	\$47,690
2020-21	68	2,277.3	2.98	\$89,216



# SECTION 3:

## WORKFORCE DATA



# Our People

V/Line employed a workforce of 2,706 compared with 2,491 in 2021-22 and 2,338 in 2020-21.

## Public sector values and employment and conduct principles

The Victorian Public Sector Commission (VPSC) was established in 2014 to maintain and advocate for professionalism and integrity within the public sector, and strengthen public sector efficiency, effectiveness and capability to meet existing and emerging needs, and deliver high quality services.

V/Line's policies and practices are consistent with the VPSC's employment standards and provide for fair treatment for its people, opportunities for learning and growth and early resolution of workplace issues. V/Line appoints staff on the principles of merit and equity, ensuring applicants are assessed and evaluated fairly and without discrimination on the technical capabilities, role accountabilities and experience required for the role. V/Line advises its employees on how to avoid conflicts of interest, how to respond to offers of gifts and benefits, and how it manages misconduct.

## Integrity

At V/Line, integrity is a shared responsibility and a key value and priority for the organisation.

During 2022-23, V/Line continued to focus on fostering the highest possible standard of integrity and conduct by:

- continuing to educate our people on the integrity processes embedded in V/Line's policies and procedures

- expanding coverage of V/Line's Speak Up service, ensuring V/Line employees can report employee misconduct or safety issues, as well as integrity issues, to a single, central point of contact.

## Recruit and retain the right people

In 2022-23, V/Line placed 584 roles with 50 per cent of these due to internal mobility. Increased recruitment across all areas of the organisation included newly created roles as well as steady growth in operational delivery roles to support expanding service delivery across the regional network.

### Drivers

V/Line has completed five train driver traineeship intakes over the past 12 months, with a total of 45 new trainees. We continue to receive high interest for our trainee driver internships, with over 5,500 applications from our most recent campaign in February.

## Develop and engage our people

V/Line remains committed to developing the capability of our people.

During 2022-23, V/Line continued to deliver learning and training through a combination of remote and on-site opportunities.

As a Registered Training Organisation, V/Line delivers best-in-industry, nationally recognised learning for frontline employees.

In 2022-23, V/Line employees completed the following qualifications:

- Certificate IV Train Driving (Driver): 42
- Certificate III Rail Customer Service (Conductor): 43
- Certificate II Rail Infrastructure (Way Maintainer): 36
- Track Inspector: 10
- Certificate III Rail Infrastructure: five
- Safeworking: 57
- Certificate IV in Electrical Rail Signalling: 10
- Diploma in Railway Signalling Systems: 9

Current active V/Line enrolments in the following qualifications:

- Certificate IV Train Driving (Driver): 67
- Certificate III Rail Customer Service (Conductor): 137
- Certificate II Rail Infrastructure (Way Maintainer): 1
- Track Inspector: 7
- Certificate III Rail Infrastructure: 0
- Certificate IV Electrical Rail signalling: 38
- Diploma in Railway Signalling Systems: 33
- Safeworking: 25

A key highlight during 2022-23 was V/Line conducting its first in-house signal maintenance training course. V/Line awarded eight graduates with their Certificate IV Electrical – Rail Signalling in an official ceremony held at Wendouree Depot. These graduates are now applying their skills in signalling roles across Bendigo, Ballarat and Geelong.

Towards the end of the financial year, the first cohort of V/Line's in-house Diploma of Rail Signalling Systems also graduated. The course is unique in Australia, with the graduating class comprised of staff from both V/Line and Metro Trains Melbourne. The graduates spent the previous 30 months training in the planning, development and implementation of railway signalling systems. An official ceremony celebrating their achievement will be held in the first quarter of 2023-24.

In 2022-23, V/Line launched two new mandatory online learning modules for all employees: *Preventing Sexual Harassment* and *Acceptable Internet Use*.

V/Line has a partnership with the Australian Institute of Management to support the professional development of established and emerging leaders. During the year, 100 leaders undertook courses such as the Mini MBA, People Leadership, Change Management and Agile Project Management.

LinkedIn Learning has continued to provide supplementary learning opportunities for V/Line, as part of a continued focus on providing contemporary solutions. V/Line staff undertook courses on topics ranging from Excel and Power BI to Leadership and Strategic Thinking. In 2022-23, a total of 417 employees completed 444 courses and viewed more than 13,496 videos across 853 hours.

### **Diversity and inclusion**

V/Line is committed to creating and sustaining an inclusive workplace culture where our people are safe, diverse, valued and high performing.

V/Line acknowledges the unique and varied challenges experienced by diverse communities and focuses its inclusion activities on six priority areas:

- Aboriginal and Torres Strait Islander peoples
- women
- culturally and linguistically diverse (CALD) people
- generational
- lesbian, gay, bisexual, transgender, intersex and queer+ people (LGBTIQ+)
- people with disabilities.

Each focus area is supported with an individual action plan and underpinned by training, including ensuring all new frontline employees and people leaders complete training on diversity and inclusion.

Our training course aims to increase participants' understanding of inclusion and diversity dimensions, including gender, age, people with disabilities, LGBTIQ+, Aboriginal and Torres Strait Islander peoples and cultural diversity.

Cultural competence training also explores unconscious bias to challenge individually held underlying beliefs, expectations and attitudes towards others.

### Diversity Councils

V/Line's Diversity Councils, which bring together passionate diversity and inclusion volunteers from across the organisation, play an important role in driving awareness and education.

Key events on the diversity and inclusion calendar during 2022-23 included:

- International Day of People with Disability
- International Women's Day
- Harmony Day
- National Reconciliation Week
- National Aborigines' and Islanders' Day Observance Committee (NAIDOC) Week
- International Day Against Homophobia, Biphobia, Intersexism and Transphobia (IDAHOBIT)
- Chillout Festival in Daylesford
- Midsumma Festival
- Wear it Purple Day
- Movember
- 16 Days of Activism against Gender-Based Violence.

### Reconciliation and self-determination

V/Line continues to pursue its genuine commitment to reconciliation and self-determination by focusing on engagement, employment and cultural safety for Aboriginal and Torres Strait Islander peoples.

This includes:

- ensuring our activities align with the Transport Portfolio Aboriginal Self-Determination Plan 2020-2023
- participating in the Transport and Planning Portfolio Aboriginal Careers and Cultural Safety Working Group
- participating in the Transport and Planning Portfolio Aboriginal Procurement Working Group
- supporting the Transport and Planning Portfolio First Peoples Scholarship Program
- promoting cultural awareness training
- engaging in activities to increase the representation of Aboriginal and Torres Strait Islander peoples across V/Line
- building relationships with traditional owners on the lands on which we operate.

A key highlight during the year was the unveiling of an acknowledgment plaque at Bendigo Station in partnership with the Dja Dja Wurrung as the Traditional Owners. The plaque was designed, produced and supplied by the Dja Dja Wurrung and is among the first on the V/Line network.

### Gender equality

V/Line has continued to champion gender equality and embrace its obligations under the *Gender Equality Act 2020*.

In 2022-23, the proportion of women in V/Line's workforce increased to 27 per cent, with 44 per cent of women in leadership positions.

V/Line's Gender Equality Action Plan 2021-2025 guides our approach in this area, outlining how we will continue to improve gender equality at V/Line.

During the year, V/Line was reviewed and recognised as a WORK180 Endorsed Employer for All Women. WORK180 supports, celebrates and connects organisations that have a demonstrated commitment to gender equity, diversity and inclusion with female jobseekers.

This initiative, which forms part of our Gender Equality Action Plan, is just one of the many ways we are pursuing greater gender equality at V/Line.

V/Line's Gender Equality Working Group continued to support the implementation of our action plan, raising awareness of the importance of gender equality and celebrating the achievements of women at V/Line.

In 2022-23, the group facilitated three V/Line Women's Forums – live, virtual and hybrid events designed to create interactive, meaningful connections and support women to flourish through topics and conversations.

The three forums included a major hybrid event for International Women's Day as well as an event focused on 16 Days of Activism against Gender-Based Violence, with a victim-survivor joining the forum to share their lived experience.

V/Line continues to support and promote the Women in Transport (WiT) and Australasian Rail Association networking programs, which includes mentoring programs and education opportunities to increase possibilities, connections and encourage women's capability in transport now and in the future.

### **LGBTIQ+**

The V/Line LGBTIQ+ Working Group actively represented V/Line at community events throughout the 2023 Pride Season, including:

- participating in the Pride March in St Kilda together with staff from across V/Line
- running a stall at the Midsumma Festival
- marching at the Chillout Festival Street Parade in Daylesford, sponsoring the All Ages Sound Shell youth event and running a stall at the Festival.

V/Line has also been active in raising awareness for IDAHOBIT, International Transgender Day of Visibility, Pride Month, AIDS Awareness Day and Wear It Purple Day. For Wear It Purple Day, we encouraged staff to wear purple and make announcements at regional stations about the importance of Wear It Purple Day and why staff were wearing purple.

### **Disability**

V/Line maintained memberships of the Australian Network on Disability and Diversity Council Australia to support V/Line to continue to attract and retain employees with disabilities. V/Line engaged in partnerships and programs throughout 2022-23 to facilitate the creation of an inclusive workplace by breaking down attitudinal barriers.

During 2022-23, V/Line also commenced a partnership with an A-Plus Employment Program provider to boost V/Line's capacity and understanding to hire, support and retain Autistic talent and bolster accessible and inclusive workplaces.

### **CALD**

V/Line's workforce comprises employees from 63 cultures.

During 2022-23, our CALD Council:

- launched an internal podcast, sharing insights from employees from different cultures during Harmony Week in March
- promoted and celebrated a Taste of Harmony, including staff events celebrating different cultures
- promoted days of significance
- celebrated V/Line's diverse culture through a recipe book, comprised of recipes from V/Line staff from different cultures.

### Mental health and wellbeing

The mental health and wellbeing of our people remains a key priority. V/Line continued to develop and deliver mental health and wellbeing sessions and resources in line with factors impacting employees, both in the workplace and externally.

Topics of these sessions included anxiety, depression, stress management and building resilience, as well as content tailored to suit specific requests from V/Line teams.

In 2022-23, 300 sessions were undertaken by employees.

V/Line continues to support and promote its Mental Health Champion Network, with a new development plan implemented to increase skills and support our champions. Additional champions were also sought throughout the year, ensuring strong representation across different areas of the organisation.

A total of 76 employees underwent Mental Health First Aid accreditation in 2022-23. In addition, one employee received training to become a Mental Health First Aid Facilitator, taking our total number of facilitators to two. The program aims to help raise awareness of the early stages of mental health problems as well as provide the steps and skills necessary to provide assistance. The central aim of the program is to create a safe and healthy work environment through recognising the significant impacts of mental illness.

V/Line continued to support mental health and wellbeing awareness events across the year, including Men's and Women's Health Weeks.

For Mental Health Awareness Month in October 2022, V/Line ran weekly virtual interactive mental health awareness sessions focusing on specific topics each week: anxiety, depression, suicide awareness and prevention, and building personal resilience. V/Line also worked with its Employee Assistance Program provider, Assure, to facilitate an interactive nutrition webinar on the connection between food and mood.

V/Line partnered with Metro Trains Melbourne, Yarra Trams and DTP to support One Foot Forward, which encouraged physical activity while increasing awareness of mental illness and the support available.

For Rail R U OK? Day on 27 April 2023, V/Line hosted a hybrid event in Bendigo with Metro Trains Melbourne, Yarra Trams, TrackSAFE Foundation, R U OK? and DTP. The event featured a panel discussion between rail industry leaders from each of the operators and DTP, along with a keynote address by former AFL premiership player and mental health advocate Tom Boyd. In addition to the 60 in-person attendees, over 600 people tuned in for the broadcast of the industry-wide rail event.

During 2022-23, the People & Integrity team continued to support the organisation with resilience-building and coping strategies for frontline employees, including the delivery of training developed by TrackSAFE Foundation and Phoenix Australia to provide a best practice approach to managing trauma in the rail industry and minimising the risk of adverse mental health outcomes.

This year 185 employees completed Coping with Trauma training, while 54 employees completed Providing Support after Trauma training. In line with legislative requirements of the OH&S Act, V/Line continues to promote and review the effectiveness of its Critical Incident and Trauma Management Framework Guide and Mental Health and Wellbeing Policy, created and implemented by V/Line's Resilience and Mental Wellbeing Committee 18 months ago.

### Staff recognition

A total of 79 staff were recognised during the year for 10, 20, 40, 50 and 60 years of service:

	10 years	20 years	30 years	40 years	50 years	60 years
<b>2023</b>	47	17	0	10	4	1
<b>2022</b>	46	14	2	35	1	1
<b>2021</b>	42	13	1	12	–	–

### Industrial relations

During 2022-23, there were nil hours lost to industrial action and disputation, and minimal time spent in proceedings before the Fair Work Commission.

V/Line has a full suite of policies to support all employees in the workplace, including recruitment and selection, issue resolution and grievance review, misconduct, probation and fair treatment. These policies are regularly reviewed and updated.

## Comparative workforce data

The following tables disclose the head count and full-time staff equivalent (FTE) of all active employees of V/Line, employed in the last full pay period in June 2023, and in the last full pay period in June 2022.

### June 2023

All employees		Ongoing			Fixed Term and Casual	
Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE

#### Gender

Men	1,975	1,924.6	1,771	107	1,830.4	97	94.2
Women	730	697.5	592	88	648.5	50	49
Self-Described	1	1	1	0	1	0	0

#### Age

15-24	52	48.4	40	5	42.9	7	5.5
25-34	555	542.8	499	29	516.4	27	26.4
35-44	823	806.9	726	45	755.1	52	51.8
45-54	613	603	544	26	560.3	43	42.7
55-64	539	510.2	459	65	495.5	15	14.7
65+	124	111.8	96	25	109.7	3	2.1

#### Classification

Executive <sup>+</sup>	58	58	0	0	0	58	58
Clerks & Senior Officers	561	550.9	504	29	523.4	28	27.5
Station Staff	312	290.3	254	52	285.2	6	5.1
Authorised Officers	28	27.4	26	2	27.4	0	0
Fuel Point Assistants	9	8.4	7	2	8.4	0	0
Conductors	326	303.2	274	48	301	4	2.2
Train Controllers & Signallers	82	80	511	4	80	0	0
Drivers	556	535.5	71	45	535.5	0	0
Passenger Operations	74	72.5	111	3	72.5	0	0
Infrastructure Maintenance Workers (Sig & Elec)	111	111	205	0	111	0	0
Infrastructure Maintenance Workers (Track)	205	205	78	0	205	0	0
Apprentices	0	0	0	0	0	0	0
Administrative Band	12	10.7	9	2	10	1	0.7
Other Staff	372	370.2	314	8	320.5	50	49.7
<b>Total employees</b>	<b>2,706</b>	<b>2,623.1</b>	<b>2,364</b>	<b>195</b>	<b>2,479.9</b>	<b>147</b>	<b>143.2</b>

<sup>+</sup> For the purposes of this reporting, an Executive is defined as a person employed under an Executive Contract arrangement.

# June 2022

All employees		Ongoing			Fixed Term and Casual	
Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE

## Gender

Men	1,839	1,796.4	1,661	95	1,715.1	83	81.3
Women	652	624.7	522	72	568	58	56.7

## Age

15-24	56	52.8	43	8	47.8	5	5
25-34	499	492.4	460	15	468.9	24	23.5
35-44	697	685.7	621	32	642	44	43.7
45-54	576	564.8	507	27	524.1	42	40.7
55-64	547	519.3	460	64	496.6	23	22.7
65+	116	106.1	92	21	103.7	3	2.4

## Classification\*

Executive	70	69.7	0	0	0	70	69.7
Clerks & Senior Officers	482	472.9	426	29	445.9	27	27
Station Staff	313	295.1	262	45	289.7	6	5.4
Authorised Officers	20	19.7	19	1	19.7	0	0
Fuel Point Assistants	6	5.4	4	2	5.4	0	0
Conductors	311	294.9	274	34	293.4	3	1.5
Train Controllers & Signallers	80	79	78	2	79	0	0
Drivers	552	530.6	506	46	530.6	0	0
Passenger Operations	59	58.5	58	1	58.5	0	0
Infrastructure Maintenance Workers (Sig & Elec)	95	95	94	0	94	1	1
Infrastructure Maintenance Workers (Track)	198	198	198	0	198	0	0
Apprentices	12	12	12	0	12	0	0
Administrative Band	15	14.7	14	0	14	1	0.7
Other Staff	278	275.6	238	7	242.9	33	32.7
<b>Total employees</b>	<b>2,491</b>	<b>2,421.1</b>	<b>2,183</b>	<b>167</b>	<b>2,283.1</b>	<b>141</b>	<b>138</b>

\* Reporting mechanism change; classification descriptions related to workforce data have been modified from FY2020-21 to align with the Model Report issued by the Department of Treasury and Finance.

The following table discloses the annualised total salary for senior employees of V/Line, categorised by classification. The salary amount is reported as the full-time annualised salary.

### Annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff

## 2023

Income band (Total Remuneration Package)	Executive	Individual Employment Contracts (IECs)
<\$160,000	0	161(a)
\$160,000 – \$179,999	0	91(b)
\$180,000 – \$199,999	4	71(c)
\$200,000 – \$219,999	11	36(d)
\$220,000 – \$239,999	9	11
\$240,000 – \$259,999	5	0
\$260,000 – \$279,999	10	1
\$280,000 – \$299,999	9	0
\$300,000 – \$319,999	1	0
\$320,000 – \$339,999	2	0
\$340,000 – \$359,999	3	0
\$360,000 – \$379,999	0	0
\$380,000 – \$399,999	1	0
\$400,000 – \$419,999	0	0
\$420,000 – \$439,999	2	0
\$440,000 – \$459,999	0	0
\$460,000 – \$479,999	0	0
\$480,000 – \$499,999	0	0
>\$500,000	1	0
<b>Total</b>	<b>58</b>	<b>371</b>

#### Notes

The salaries reported above are for the full financial year, at a 1-FTE rate, and includes superannuation.

(a) 2 Headcount at 0.7 FTE

(b) 1 Headcount at 0.7 FTE

(c) 1 Headcount at 0.7 FTE

(d) 1 Headcount at 0.7 FTE

## Workforce inclusion policy

V/Line is working towards creating an inclusive working environment where equal opportunity and diversity are valued, and that reflects the communities we serve consistent with the *Gender Equality Act 2020*. V/Line has a target of at least 50 per cent women on the executives' gender profile by 2024.

V/Line values staff with non-binary gender identities. V/Line acknowledges that due to historic and current barriers to disclosure of non-binary gender identities, staff may choose not to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels.

The following tables outlines V/Line's actual progress against this target in 2022-23.

<b>Workforce inclusion policy initiative</b>	<b>Target</b>	<b>Actual progress in 2022-23</b>	<b>Actual progress in 2021-22</b>
	Executive:	Executive:	Executive:
Gender profile at executive levels <sup>(a)</sup>	50 per cent women 50 per cent men	33 per cent women 67 per cent men	30 per cent women 70 per cent men

(a) The self-described category is nil for this entity.

## Executive data

For V/Line an executive is defined as a person to whom the Victorian Government's Public Entity Executive Remuneration Policy applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

### 2023

Total number of Executives for V/Line, broken down into gender	All		Women		Men		Self-described*	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
Senior Executive Service – 3	4	2	1	1	3	1	0	0
Senior Executive Service – 2	12	-2	5	-2	7	-	0	0
Senior Executive Service – 1	23	-31	9	-5	14	-26	0	0

\* The self-described category is nil for this entity.

### 2022

Total number of Executives for V/Line, broken down into gender	All		Women		Men		Self-described*	
	No.	Var.†	No.	Var.†	No.	Var.†	No.	Var.
Senior Executive Service – 3	2	-	0	-	2	-	0	0
Senior Executive Service – 2	14	-	7	-	7	-	0	0
Senior Executive Service – 1	54	-	14	-	40	-	0	0

\* The self-described category is nil for this entity.

† Baseline data and reporting mechanism has changed from FY2020-21 to reflect Senior Executive Service (SES) employees and align with the Model Report issued by the Department of Treasury and Finance.

# SECTION 4:

## OTHER DISCLOSURES



## Local jobs first

The *Local Jobs First Act 2003* amended in August 2018, brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy, which were previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG-applicable and VIPP commenced projects respectively where contracts have been entered prior to 15 August 2018.

### Projects Commenced – Local Jobs First Standard

During 2022-23, V/Line commenced 64 Local Jobs First Standard projects totalling \$486 million. Of these projects, 27 were located in regional Victoria, and 37 projects commenced that occurred statewide. The MSPG was not applied to the 64 Local Jobs First Standard Projects reported as the projects were either not exceeding the value of \$20 million and/or were not construction projects.

The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided, are as follows:

- 26 of the statewide projects committing to minimum 97 per cent local content, and a further six statewide projects provided a commitment of an average of 87 per cent local content and three regional projects provided a commitment of an average of 90 per cent local content
- a total of 93 jobs Annualised Employee Equivalent (AEE\*) were committed, including the creation of 32 new jobs and the retention of 61 existing jobs (AEE)
- a total of two positions for apprentices, trainees and cadets were committed, including the retention of two existing apprenticeships, traineeships and cadets.

### Projects Completed – Local Jobs First Standard

During 2022-23, V/Line completed 17 Local Jobs First Standard projects totalling \$74 million. Of those projects, 15 were located in regional Victoria, and two projects occurred statewide. The MSPG was not applied to the 17 Local Jobs First Standard Projects reported as none had a value in excess of \$20 million.

### Projects Commenced and Completed – Local Jobs First Strategic

During 2022-23, V/Line did not commence or complete any Local Jobs First Strategic Projects.

\* AEE is calculated by dividing the total number of ordinary working hours that an employee worked and was paid for over the reporting period, by the total number of work hours per annum.

## Government advertising expenditure

In 2022-23, V/Line did not undertake any advertising campaigns in the reporting period that involved media spend of \$100,000 or greater.

## Consultancy expenditure

### **Details of consultancies valued at \$10,000 or greater**

In 2022-23, there were 28 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred in 2022-23 in relation to these consultancies was \$14,987,000 (excluding GST).

Details of individual consultancies can be viewed at [corporate.vline.com.au/About-V-Line/Publications](https://corporate.vline.com.au/About-V-Line/Publications).

### **Details of consultancies under \$10,000**

In 2022-23, there were eight consultancies engaged during the year where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred in 2022-23 in relation to these consultancies was \$40,000 (excluding GST).

## Information and Communication Technology Expenditure

For the 2022-23 reporting period, V/Line had a total ICT expenditure of \$34.1 million, with the details shown below.

All operational ICT expenditure Business As Usual (BAU) ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
	Non-Business as Usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
\$'000	\$'000	\$'000	\$'000
25,511	8,632	–	8,632

ICT expenditure includes V/Line's costs in providing business enabling ICT services within the current reporting period. It comprises Business as Usual (BAU) ICT expenditure and Non-Business as Usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to projects to create or enhance V/Line's current ICT capabilities. BAU ICT expenditure is the remaining ICT expenditure which primarily relates to activities to operate and maintain the current ICT capability.

## Social Procurement Framework

V/Line's Procurement Policies and Procedures are accredited under the Victorian Government Purchasing (VGPB) framework. This includes requirements around Social and Sustainable Procurement and aligns with the Buying for Victoria Social Procurement Framework.

The Victorian Social Procurement Framework enables government buyers and suppliers to deliver social, economic and environmental outcomes that benefit the Victorian community, economy and environment. Its objectives include:

- opportunities for Victorian Aboriginal people
- opportunities for Victorians with disabilities
- women's equality and safety
- opportunities for disadvantaged Victorians
- supporting safe and fair workplaces
- sustainable Victorian social enterprise and Aboriginal business sectors
- sustainable Victorian regions.

V/Line's activities in relation to the Social Procurement Framework and support of social procurement are focused on the economic support that V/Line can provide to Victorian organisations through our procurement requirements, with consideration given to small and medium sized businesses at both a metropolitan and regional level in all procurement activities.

V/Line is actively working with our staff and communities across key focus areas of social procurement. The Procurement team is represented on several committees, including DTP Aboriginal Procurement Working Group, WiT Working Group – Gender Ethical Procurement, Aboriginal and Torres Strait Islander Diversity Council, and V/Line Aboriginal Advisory Group. These committees include representatives from DTP which ensures V/Line's alignment to the Victorian Social Procurement Framework.

## Freedom of information

The *Freedom of Information Act 1982 (the Act)* allows the public a right of access to documents held by V/Line. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by V/Line. This comprises documents both created by V/Line or supplied to V/Line by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by V/Line is available on V/Line's website under its Part II Information Statement.

The Act allows V/Line to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to a department in-confidence and information that is confidential under another Act.

Under the Act, the FOI processing time for requests received is 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time is 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

If an applicant is not satisfied by a decision made by V/Line, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

## Making a request

FOI requests can be lodged online at [ovic.vic.gov.au](http://ovic.vic.gov.au). An application fee of \$31.80 applies. Access charges may also be payable if the document pool is large and the search for material time consuming.

Access to documents can also be obtained through a written request to V/Line's Freedom of Information Officer, as detailed in s17 of the Act.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of V/Line should be addressed to:

*Freedom of Information Officer*  
V/Line Corporation  
GPO Box 5343  
Melbourne VIC 3001

Enquiries can be made to V/Line's FOI team via email at [foi@vline.com.au](mailto:foi@vline.com.au).

## FOI statistics/timeliness

During 2022-23, V/Line received 19 applications. Of these requests, there were no requests from Members of Parliament, one from the media, and the remainder from the general public. V/Line made 17 FOI decisions during the 12 months ended 30 June 2023.

There were 15 decisions made within the statutory time periods. Of the decisions made outside time, two were made within a further 45 days and no decisions were made greater than 45 days. A total of 17 FOI access decisions were made where access to documents was granted in full, granted in part or denied in full. Two decisions were made after mandatory extensions had been applied or extensions were agreed upon by the applicant. Of requests finalised, the average number of days over/under the statutory time (including extended timeframes) to decide the request was 30 days.

During 2022-23, there were no requests subject to a complaint/internal review by OVIC. No requests were progressed to the Victorian Civil and Administrative Tribunal.

#### Further information

Further information regarding the operation and scope of FOI can be obtained from the Act, regulations made under the Act and [ovic.vic.gov.au](http://ovic.vic.gov.au).

## Compliance with the *Building Act 1993*

V/Line requires that all new buildings and works to existing buildings carried out for and on its behalf comply with the *Building Act 1993*.

	FY 2022-2023
Number of major works projects undertaken by V/Line (greater than \$50,000)	5
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by V/Line	18 building permits 18 occupancy/planning permits 18 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	0 emergency orders 0 building orders
Number of buildings that have been brought into conformity with building standards during the reporting period	Nil All 112 buildings remain in conformity

## Competitive Neutrality Policy

Competitive Neutrality is about ensuring that significant government business activities compete fairly in the market.

Furthermore, Competitive Neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership is removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

V/Line ensures it fulfils its requirements on competitive neutrality reporting as required under the Competition Principles Agreement and Competition and Infrastructure Reform Agreement.

## Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

V/Line does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

V/Line is committed to the aims and objectives of the Act. V/Line has procedures in place to protect people from any detrimental action in reprisal for the making of a public interest disclosure.

V/Line is not able to receive a public interest disclosure under the Act. Any disclosure about V/Line or any V/Line employee can be made directly to the Independent Broad-based Anti-corruption Commission as follows:

In person: *IBAC Victoria*  
*Level 1, North Tower*  
*459 Collins Street*  
*Melbourne VIC 3000*

By mail: *IBAC Victoria*  
*GPO Box 24234*  
*Melbourne, VIC 3001*

By phone: 1300 735 135

By email: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

## Compliance with the *Carers Recognition Act 2012*

The *Carers Recognition Act 2012* promotes the development of policies, programs and services that affect people in care relationships. V/Line has taken practical measures to consider the care relationship principles set out in the Act when setting policies and providing services. This includes making employees aware of the care relationship principles (which in turn relate to respect for the role of carers and their needs, and also respect for those being cared for) and taking reasonable measures to ensure that V/Line reflects the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships.

## Compliance with the *Disability Act 2006*

The Disability Act 2006 reaffirms and strengthens the rights of people with disabilities and recognises that this requires support across the government sector and within the community.

V/Line has complied with its obligations under the Disability Act to prepare the V/Line Accessibility Action Plan 2022 to 2025 (AAP) for the purpose of reducing barriers to access goods, services and facilities; reducing barriers to a person with a disability obtaining and maintaining employment; and promoting inclusion and participation in the community and achieving tangible changes in attitudes and practices that discriminate against people with disabilities.

### **Reducing barriers to accessing goods, services and facilities**

- Launch of a new Travellers Aid Australia service at Ballarat Station, and maintenance of Travellers Aid Australia at Southern Cross Station and Seymour Station (refer page 28 for more information). Passengers are also provided additional support at key locations.
- Implementation of the Hidden Disabilities Sunflower Program (refer page 19 for more information).
- Maintenance of V/Line's Communication Access Symbol accreditation. Our accreditation ensures our employees are trained to support passengers with communication difficulties.
- Improving communication to passengers regarding the availability of accessible carriages. This assists passengers to prepare adequately for their journey. A dashboard has been created at the Integrated Operations Centre and is also used by the Customer Relations team, allowing teams to update customers with an accessibility need where an accessible carriage is not available.
- Rectification of the platform height at Little River Station. The boarding ramp gradient at Little River Station is now compliant for unassisted access as per the Transport Standards.
- Development of an accessibility minor works package to improve accessibility across our network.
- Ensuring accessibility training continues to be available to frontline staff. Additional training introduced during 2022-23 included training associated with the Hidden Disability Sunflower Program and training on how to provide boarding assistance.
- Issuing regular communications to frontline employees on how to provide empathetic, informed and accessible customer service.

- Delivery of a Try Before You Ride event at Southern Cross Station in partnership with DTP and other Victorian transport operators. Try Before You Ride gives passengers the opportunity to try using V/Line services in a low-pressure environment, fostering confidence and independence to travel.
- V/Line's Tally App was upgraded to include prompts to ensure our conductors can better support passengers with accessibility needs.

### **Reducing barriers to persons with a disability obtaining and maintaining employment**

- Detailed reporting on V/Line's diversity and inclusion activities can be found on pages 41-42.

### **Promoting inclusion and participation in the community**

- Celebrated International Day of People with Disability, with an all-staff online forum chaired by our Chief Executive Officer and featuring DTP's Chief Accessibility Advocate, Tricia Malowney.

### **Achieving tangible changes in attitudes and practices that discriminate against people with a disability**

- V/Line has a dedicated Accessibility team and a Diversity and Inclusion team which support V/Line to meet and exceed, where possible, our obligations under the Act.
- V/Line works closely with DTP's Chief Accessibility Advocate, Tricia Malowney, to progress accessibility and inclusion on our network.
- V/Line's Accessibility Reference Group continue to meet bi-monthly and is consulted on relevant projects and initiatives. This ensures V/Line is regularly listening to and responding to the voices of people with disabilities.

## Disclosure of Emergency Procurement

In 2022-23, V/Line activated Emergency Procurement on one occasion in accordance with the requirements of government policy and accompanying guidelines. One new contract, valued at or more than \$100,000 (GST inclusive), was awarded in connection with the emergency. Details of V/Line's emergency procurement is shown below.

Nature of Emergency	Date of activation	Summary of goods and services procured under new contracts	Total spend on goods and services in response to the emergency	Number of new contracts awarded valued at \$100 000 (including GST) or more
Flood Response	13 October 2022	<ul style="list-style-type: none"> <li>• Safe Working Labour Hire</li> <li>• Ballast</li> <li>• Vegetation Management</li> <li>• Welding</li> <li>• Tamping</li> <li>• General Structures</li> <li>• Replacement Buses</li> <li>• Accommodation</li> </ul>	\$1,822,006 (a)	1

(a) This is the total of all expenditure, including contracts under and over \$100,000.

## Environmental Reporting

V/Line is committed to reducing its environmental footprint, managing environmental risk and improving sustainability across its rail network.

V/Line's Emissions Reduction Roadmap articulates a strategic path to achieve Net Zero Emissions by 2050. Aligned with the Victorian Climate Strategy, the Emissions Reduction Roadmap includes targets based on examination of V/Line's Scope 1 and 2 emissions. The consumption of diesel fuel accounts for more than 86 per cent of V/Line's carbon emissions and the Roadmap articulates a progressive way to transition to lower and zero emissions technology.

### V/Line's Environmental Management System

In the commitment to reducing our environmental footprint, V/Line maintains an ISO 14001:2015 accredited Environmental Management System (EMS), which guides sustainability performance and reduces environmental impacts. As a component of the EMS, V/Line has developed an ambitious Sustainability Action Plan. This includes a five-year roadmap of objectives, targets and actions against five key environment and sustainability priority areas:

- Pollution and Contamination
- Biodiversity and Natural Resource Management
- Energy Consumption and Climate Change
- Resource Consumption and Waste
- Aboriginal and Post-Colonial Heritage and Culture.

V/Line is currently transitioning to an overarching Environment and Sustainability Strategy underpinned by Action Plans against these priority areas.

### Greenhouse gas emissions

V/Line reports its greenhouse gas emissions broken down into emission 'scopes,' consistent with national and international reporting standards. Scope 1 emissions originate from sources V/Line owns or controls, such as burning fossil fuels in trains, vehicles or plant and machinery. Scope 2 emissions are indirect emissions from the use of electricity from the

grid, which still uses coal and gas-fired power generation. Scope 3 emissions are indirect emissions from sources V/Line does not control but does influence. V/Line reports only Scope 3 emissions from corporate air travel and waste disposal.

The consumption of diesel fuel in rolling stock accounts for more than 86 per cent of V/Line's Scope 1, 2 and 3 emissions. V/Line is currently investigating opportunities for emissions reduction in current and future rolling stock, including both engineering solutions and more sustainable fuel options.

V/Line's Scope 1 emissions decreased by less than one per cent in 2021-22 and increased by five per cent in 2022-23. This is a result of a 5.7 per cent increase in diesel fuel consumption in V/Line's rolling stock in 2022-23.

V/Line's Scope 2 greenhouse gas emissions increased by 11.7 per cent in 2021-22 and then decreased by less than one per cent in 2022-23. Electricity data is collected through energy retailer billing information. Data for 2020-21 is based on the most current data available for the period. However, it is likely data for 2020-21 is under reported as only 73 per cent of bills were recorded for February, 48 per cent for March and 21 per cent for April and May.

V/Line's Scope 3 greenhouse gas emissions from corporate air travel and waste disposal increased by approximately 12.7 per cent in 2021-22 and then five per cent in 2022-23. The increase is a result of a return of business travel and office-based work activities.

Indicator	2022-23	2021-22	2020-21
Total Scope 1 greenhouse gas emissions (Tonnes CO <sub>2</sub> -e)	125,712	119,487	120,278
Total Scope 2 greenhouse gas emissions (Tonnes CO <sub>2</sub> -e)	11,504 <sup>(b)</sup>	11,579	10,229 <sup>(a)</sup>
Total Scope 3 greenhouse gas emissions from commercial air travel and waste disposal (Tonnes CO <sub>2</sub> -e)	771	733	640

Notes:

(a) Electricity data for 2020-21 is based on the most current data available for the period.

(b) V/Line obtains electricity data from billing information received from numerous energy companies. Given a substantial portion of bills are quarterly, there is a significant lag between when this data is received, and accuracy increases in the months following the end of the financial year. Available energy data has been used to extrapolate annual electricity consumption for 2022-23.

## Electricity production and consumption

V/Line consumes electricity at a range of sites across the network including offices, stations, maintenance facilities, infrastructure yards, and signalling and signage sites. Electricity is used for internal and external lighting, heating, air conditioning as well as office and plant equipment.

Electricity data represented below is collected through energy retailer billing information.

In 2022-23, V/Line installed a 20.7kW rooftop solar system at Shepparton Stabling Yard. V/Line also produced electricity at several train stations including Cobblebank, Maddingley

and Wendouree. V/Line has rooftop solar systems installed at six other sites across the network. A project is currently underway to track energy production at these sites.

Onsite electricity generation increased by 10.9 per cent in 2021-22 and 32.8 per cent in 2022-23. In 2021-22, V/Line exported 2MWh from rooftop solar systems to the national electricity grid. This increased to 22MWh in 2022-23.

In 2021-22, V/Line purchased 32MWh of green power as part of the State Government Energy Contract. This increased to 112MWh in 2022-23.

Indicator	2022-23	2021-22	2020-21
Total electricity consumption (MWh)	14,965	14,976	13,197
Purchased Electricity – Consolidated	14,932 <sup>(b)</sup>	14,941	13,164 <sup>(a)</sup>
Self-generated (MWh)	55	35	33
On-site electricity generated (MWh))	55	37	33
Solar PV	55	37	33
Consumption behind-the-meter	33	35	33
Exports	22	2	0
On-site installed generation capacity (MW)	0.04	0.02	0.02
Solar PV	0.04	0.02	0.02
Total electricity offsets (MWh)	102	32	0
Greenpower	102	32	0

### Notes:

(a) Electricity data for 2020-21 is based on the most current data available for the period.

(b) V/Line obtains energy data from billing information received from numerous energy companies. Given a substantial portion of bills are quarterly, there is a significant lag between when this data is received, and accuracy increases in the months following the end of the financial year. Available energy data has been used to extrapolate annual electricity consumption for 2022-23.

**Stationary fuel use**

Sources of emissions from stationary fuels include natural gas, LPG and diesel sourced from V/Line's Maintenance Contractor.

Stationary fuel use decreased by 83.8 per cent in 2021-22 and increased by 17.7 per cent in 2022-23. The decrease in natural gas in 2021-22 was due to nine out of 14 roof heaters at the West Melbourne Depot not being in use.

Indicator	2022-23	2021-22	2020-21
Total Fuels used in buildings and machinery (MJ)	538,358	443,326	2,730,571
Natural Gas	68,000 <sup>(a)</sup>	68,000	2,165,100
LPG	7,042 <sup>(a)</sup>	6,040	8,060
Diesel	463,316 <sup>(a)</sup>	369,286	557,411
Greenhouse gas emissions from stationary fuel consumption (Tonnes CO <sub>2</sub> -e)	36.5	29.8	151.2

Notes:

(a) Stationary fuel use data is sourced from the V/Line's Maintenance Contractor. There is a lag between when this data is received, and accuracy increases in the months following the end of the financial year. Available stationary fuel data has been used to extrapolate annual consumption for 2022-23.

## Transportation

V/Line's fleet comprises 1,950 vehicles essential to operating the regional rail network. V/Line encourages its people to use public transport, minimise road travel or hold online meetings where possible. The use of online meeting facilities was prioritised heavily during COVID-19 and flexible working arrangements continue to be supported.

In 2022-23, V/Line commenced a new fleet management contract which allows V/Line to identify the number and proportion of fleet vehicles segmented by fuel type and vehicle category. This data was not available in the past.

V/Line's vehicle fleet includes passenger vehicles, light commercial, heavy commercial and excavation equipment which is required to operate the state-wide rail network. Approximately 19 per cent of these vehicles are passenger vehicles, 55 per cent light commercial, 17 per cent heavy commercial and one per cent excavation equipment. Of these vehicles, 89 per cent are diesel fueled. V/Line's rolling stock is also powered by diesel fuel.

In 2022-23, V/Line commenced a project which will see the trial of an electric car in 2023-24.

Indicator	2022-23	%	2021-22	%	2020-21	%
Number and proportion of vehicles	2,102	100	–	–	–	–
Road Vehicles	1,950	92.76	–	–	–	–
Passenger Vehicles	404	19.22	–	–	–	–
Diesel	346	16.46	–	–	–	–
Petrol	58	2.76	–	–	–	–
Light Commercial	1,152	54.80	–	–	–	–
Diesel	1150	54.70	–	–	–	–
Petrol	2	0.10	–	–	–	–
Heavy Commercial	369	17.55	–	–	–	–
Diesel	357	16.98	–	–	–	–
Petrol	12	0.57	–	–	–	–
Excavation	25	1.19	–	–	–	–
Diesel	25	1.19	–	–	–	–
Non-Road Vehicles	152	7.24	–	–	–	–
Rolling Stock	152	7.24	–	–	–	–
Diesel	152	7.24	–	–	–	–

Total energy used in transportation decreased by less than one per cent in 2021-22 and increased by five per cent in 2022-23.

Total distance travelled by commercial air increased significantly in 2021-22. There were only two trips in 2020-21 due to lockdowns

associated with COVID-19. This compares to 36 in 2021-22 and 135 in 2022-23. Total distance travelled by commercial air increased from 28,062 passenger kilometres in 2021-22, to 272,024 in 2022-23 as business-as-usual travel activities returned.

Indicator	2022-23	2021-22	2020-21
Total energy used in transportation (MJ)	1,784,946,969	1,696,637,901	1,706,140,094
Road Vehicles	61,583,692	71,062,861	73,183,537
Petrol	954,685	1,004,903	808,267
Diesel	60,628,827	70,057,958	72,375,270
Non-Road Vehicles	1,723,363,276	1,625,575,040	1,632,956,556
Diesel	1,723,363,276	1,625,575,040	1,632,956,556
Greenhouse gas emissions from vehicle fleet (Tonnes CO <sub>2</sub> -e)	125,675	119,457	120,127
Road Vehicles	4,333	5,001	5,151
Petrol	65	68	55
Diesel	4,269	4,933	5,096
Non-Road Vehicles	121,342	114,457	114,976
Diesel	121,342	114,457	114,976
Total distance travelled by commercial air travel (Passenger km)	272,024	28,062	2,831

### Total energy use

Total energy use decreased by less than one per cent in 2021-22 and increased by five per cent in 2022-23. This increase was driven by an increase in total energy usage from fuels in transportation.

V/Line's use of renewable energy increased by 12.8 per cent in 2021-22 and 2.4 per cent in 2022-23. This energy is produced at 10 sites across the network which have rooftop solar systems.

Indicator	2022-23	2021-22	2020-21
Total energy usage from fuels (stationary and transportation) (MJ)	1,785,485,326	1,697,081,226	1,708,870,644
Total energy used from electricity (MJ)	53,874,436	53,912,153	47,510,125
Total energy used segmented into renewable and non-renewable sources (MJ)	1,839,359,762	1,750,933,379	1,756,380,789
Renewable	10,507,433	10,264,656	8,951,222
Non-renewable	1,828,852,329	1,740,728,723	1,747,429,567
Units of energy used normalised by FTE	680,677	700,404	751,482

### Sustainable buildings and infrastructure

V/Line understands sustainable buildings are an economic and environmental necessity. In 2023, V/Line established its Stations Environmental and Sustainability Standards. These Standards ensure the construction of all new buildings and the retrofit of old buildings, take advantage of relevant environmental best practice where possible.

V/Line follows the Victorian Government's 2007 Office Accommodation Guidelines when securing new leases to preference higher-rated office buildings. The Guidelines were

established to ensure the office environment is consistent with the State Government's expectations of delivering quality, value for money and sustainability. The Guidelines reflect the changing needs of office workers and the increased urgency to reduce greenhouse gas emissions and conserve water. V/Line uses these Guidelines when planning, leasing and managing office accommodation.

### Environmentally sustainable design in new buildings and infrastructure

V/Line's 452 Flinders Street office has received an environmental performance rating.

Name of building	Building type	Rating Scheme	Rating
452 Flinders Street	General Office Building	NABERS – Energy	5

### Sustainable procurement

V/Line is committed to achieving positive environmental outcomes through sustainable procurement practices, which achieve value for money while minimising impact to the environment. V/Line considers sustainable procurement objectives through the implementation of the Victorian Government's Social Procurement Framework. More detailed information on the Social Procurement Framework is on page 54.

### Water consumption

Water is consumed at V/Line for many purposes including maintenance works, the washing of trains, amenities, train watering and cleaning. Mains supply is the most heavily used water source at V/Line.

Across all sites regular checks to fix leaking taps and replace washers to reduce water waste are undertaken. V/Line head offices include waterless urinals and V/Line installs water efficient appliances where practical in its facilities.

Water use at V/Line sites decreased by 7.4 per cent in 2021-22 and 3.7 per cent in 2022-23.

Indicator	2022-23	2021-22	2020-21
Total water consumption by V/Line (kilolitres)	54,423 <sup>(a)</sup>	56,473	60,949
Units of metered water consumed normalised by FTE	19	23	27

Notes:

(a) V/Line obtains water data from billing information received from 13 water companies. There is a significant lag between when this data is received, and accuracy increases in the months following the end of the financial year. Available water data has been used to extrapolate annual water consumption for 2022-23.

## Waste and recycling

V/Line produces a variety of waste types ranging from station and office waste, to used sleepers, ballast, soil and train parts. This waste is collected by V/Line's principal waste contractor, who provides data for all V/Line sites.

Waste management and recycling are key priorities for V/Line. Focus areas include efforts to maximise recycling, minimise waste to landfill and eliminate single-use plastics. In 2022-23, V/Line implemented a single use plastic ban across catering services in line with the State Government's single use plastic ban.

The data outlined below includes only waste produced by V/Line staff and activities, as well as passenger waste disposed of at stations. Data does not include construction waste such as sleepers and spoil.

Waste disposed to landfill increased by 12.3 per cent in 2021-22 and decreased by 7.4 per cent in 2022-23.

Commingled recycling increased by 53.5 per cent in 2021-22 and decreased by five per cent in 2022-23.

Paper and cardboard recycling decreased by five per cent in 2021-22, however increased by five per cent in 2022-23. Other recovered materials increased significantly in 2021-22 due to significant amounts of steel recycled. Other recovered materials decreased significantly in 2022-23.

E-waste bins are located at V/Line's West Melbourne, Shepparton, North Geelong, Lara, Ballarat Central and Bendigo Depots and Kilmore Station. These e-waste bins are managed by V/Line's principal waste contractor. E-waste is also collected across the business and sent to 452 Flinders Street where it's stored in a central location. It is then periodically shipped to V/Line's e-waste contractor for recycling or resale.

Printer cartridge recycling is currently undertaken by V/Line's printer supplier.

Indicator	2022-23	%	2021-22	%	2020-21	%
Total units of waste disposed (kg and %)	557,532	100	784,540	100	547,870	100
Landfill (disposal)	519,290	89.10	560,214	71.42	491,770	89.76
Commingled Recycling	22,822	4.40	24,278	3.09	11,310	2.06
Paper and Cardboard	15,360	2.60	14,548	1.85	15,310	2.80
Other Recovered Materials	22,882	3.90	185,500	23.64	29,480	5.38
Total units of waste disposed of normalised by FTE (kg/FTE)	212.54	–	324.04	–	240.58	–
Recycling Rate (%)	6.86	–	28.59	–	10.24	–
Greenhouse gas emissions associated with waste disposal (Tonnes CO <sub>2</sub> -e)	675.07	–	728.27	–	639.30	–
Landfill	675.07	–	728.27	–	639.30	–

## Additional information available on request

In compliance with the requirements of the Standing Directions 2018 under the *Financial Management Act 1994*, details in respect of the items listed below have been retained by V/Line and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- (b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- (c) details of publications produced by V/Line about itself, and how these can be obtained
- (d) details of changes in prices, fees, charges, rates and levies charged by V/Line
- (e) details of any major external reviews carried out on V/Line
- (f) details of major research and development activities undertaken by V/Line
- (g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- (h) details of major promotional, public relations and marketing activities undertaken by V/Line to develop community awareness of V/Line and its services
- (i) details of assessments and measures undertaken to improve the occupational health and safety of employees
- (j) a general statement on industrial relations within V/Line and details of time lost through industrial accidents and disputes
- (k) a list of major committees sponsored by V/Line, the purposes of each committee and the extent to which the purposes have been achieved
- (l) details of all consultancies and contractors including:
  - i. consultants/contractors engaged
  - ii. services provided
  - iii. expenditure committed to for each engagement.

The information is available on request from:

*Freedom of Information Officer  
V/Line Corporation  
GPO Box 5343  
Melbourne VIC 3001  
Email [foi@vline.com.au](mailto:foi@vline.com.au)*

## Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

### **V/Line Corporation Financial Management Compliance Attestation Statement**

I, Matt Carrick, certify that V/Line Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to read "Matt Carrick", with a long horizontal flourish extending to the right.

Matt Carrick, *Chief Executive Officer*

# FINANCIAL STATEMENTS



# V/Line Corporation

## – Financial Statements

V/Line Corporation has presented its audited general-purpose financial statements for the financial year ended 30 June 2023 in the following structure to provide users with the information about V/Line’s stewardship of the resources entrusted to it.

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## Declaration in the financial statements

The attached financial statements for V/Line Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive operating statement, Balance sheet, Statement of changes in equity, Cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2023 and financial position of the entity at 30 June 2023.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 31 August 2023.

A handwritten signature in black ink, appearing to read 'Matt Carrick', with a long, sweeping underline.

Matt Carrick, *Chief Executive Officer*

A handwritten signature in black ink, appearing to read 'Scott Quirke', with a long, sweeping underline.

Scott Quirke, *Chief Financial Officer*

## Independent Auditor's Report



### Independent Auditor's Report

#### To the Chief Executive Officer of V/Line Corporation

<b>Opinion</b>	<p>I have audited the financial report of V/Line Corporation (the entity) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2023</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration in the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Chief Executive Officer's responsibilities for the financial report</b>	<p>The Chief Executive Officer of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor’s responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Executive Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
7 September 2023



Simone Bohan  
*as delegate for the Auditor-General of Victoria*

## Comprehensive operating statement <sup>(a)</sup>

For the financial year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Continuing Operations</b>			
<b>Revenue and income from transactions</b>	2.1	<b>1,249,764</b>	<b>1,173,518</b>
<b>Expenses from transactions</b>			
Operating costs (excluding Employee benefits)	3.2	428,708	413,726
Employee benefit expenses	3.3.1	383,319	359,018
Administrative expenses	3.5	44,024	39,385
Project expenses and infrastructure renewals	3.6	386,147	343,298
Depreciation/Amortisation	4.2	29,850	29,222
Interest expense	6.2	2,782	2,203
<b>Total expenses from transactions</b>		<b>1,274,830</b>	<b>1,186,852</b>
<b>Net result from transactions (net operating balance)</b>		<b>(25,066)</b>	<b>(13,334)</b>
<b>Other economic flows included in Net result</b>			
Net loss on non-financial assets <sup>(b)</sup>	3.7 (a)	(5,368)	(6,725)
Net gain on financial instruments <sup>(c)</sup>	3.7 (b)	11,877	19,821
Other gain from other economic flows	3.7 (c)	1,672	8,018
<b>Total other economic flows included in Net result</b>		<b>8,181</b>	<b>21,114</b>
<b>Net result from continuing operations before income tax</b>		<b>(16,885)</b>	<b>7,780</b>
Income tax expense	3.8	(6,493)	(5,661)
<b>Net result for the period after income tax</b>		<b>(23,378)</b>	<b>2,119</b>
<b>Other economic flows – Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to Net result</b>			
Changes in fair value of hedge instruments in cash flow hedge reserve	8.3	(13,849)	6,514
<b>Total other economic flows – Other comprehensive income</b>		<b>(13,849)</b>	<b>6,514</b>
<b>Comprehensive result</b>		<b>(37,227)</b>	<b>8,633</b>

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(b) 'Net loss on non-financial assets' includes unrealised and realised losses from writedown and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.

(c) 'Net gain on financial instruments' includes bad and doubtful debts from other economic flows and gains/(losses) on maturity of hedge derivatives.

## Balance sheet <sup>(a)</sup>

As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	6.1	39,049	78,031
Receivables	5.1	20,026	26,361
Contract assets	5.2	64,513	40,473
Other financial assets	5.7	–	15,404
<b>Total financial assets</b>		<b>123,588</b>	<b>160,269</b>
<b>Non-financial assets</b>			
Inventories	5.4	57,155	37,338
Property, plant and equipment	4.1	176,054	186,632
Intangible assets	4.3	4,949	7,340
Other non-financial assets	5.6	3,273	2,996
<b>Total non-financial assets</b>		<b>241,431</b>	<b>234,306</b>
<b>Total assets</b>		<b>365,019</b>	<b>394,575</b>
<b>Liabilities</b>			
Payables	5.3	125,706	117,298
Employee-related provisions	3.3.2	116,844	111,048
Provision for income tax	5.5	1,872	8,453
Other financial liabilities	5.8	3,067	–
Lease liabilities	6.2	66,340	69,359
<b>Total liabilities</b>		<b>313,829</b>	<b>306,158</b>
<b>Net assets</b>		<b>51,190</b>	<b>88,417</b>
<b>Equity</b>			
Accumulated deficit	8.3	(62,512)	(52,926)
Physical asset revaluation surplus	8.3	116,769	130,561
Cash flow hedge reserve	8.3	(3,067)	10,782
<b>Net worth</b>		<b>51,190</b>	<b>88,417</b>
Commitments for expenditure	6.3		
Contingent assets and contingent liabilities	7.2		

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

## Cash flow statement <sup>(a)</sup>

For the financial year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Cash flows from Operating Activities</b>			
<b>Receipts</b>			
Receipts from Government		1,259,943	1,229,106
Receipts from tickets sales and other entities		85,955	69,927
Interest received		2,853	222
<b>Total receipts</b>		<b>1,348,751</b>	<b>1,299,255</b>
<b>Payments</b>			
Payments to suppliers and employees		(1,317,680)	(1,206,194)
GST paid to the ATO <sup>(b)</sup>		(34,232)	(31,067)
Income taxes paid		(8,453)	(5,948)
Interest paid on lease liabilities		(2,782)	(2,203)
<b>Total payments</b>		<b>(1,363,147)</b>	<b>(1,245,412)</b>
<b>Net cash flows (used in)/from operating activities</b>	6.1.1	<b>(14,396)</b>	<b>53,843</b>
<b>Cash flows from Investing Activities</b>			
Purchases of non-financial assets		(11,307)	(12,175)
<b>Net cash flows used in investing activities</b>		<b>(11,307)</b>	<b>(12,175)</b>
<b>Cash flows from Financing Activities</b>			
Repayment of principal portion of lease liabilities <sup>(c)</sup>		(13,279)	(11,669)
<b>Net cash flows used in financing activities</b>		<b>(13,279)</b>	<b>(11,669)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(38,982)</b>	<b>29,999</b>
Cash and cash equivalents at the beginning of the financial year		78,031	48,032
<b>Cash and cash equivalents at the end of the financial year</b>	6.1	<b>39,049</b>	<b>78,031</b>

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(b) Goods and Services Tax (GST) paid to the Australian Taxation Office (ATO) is presented on a net basis.

(c) V/Line has recognised cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion as operating activities, consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.

## Statement of changes in equity<sup>(a)</sup>

For the financial year ended 30 June 2023

		Physical Asset Revaluation Surplus	Cash Flow Hedge Reserve	Accumulated Deficit	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2021</b>	8.3	<b>130,561</b>	<b>4,268</b>	<b>(55,045)</b>	<b>79,784</b>
Net result for the year	8.3	–	–	2,119	2,119
Other comprehensive income for the year	8.3	–	6,514	–	6,514
<b>Balance at 30 June 2022</b>	8.3	<b>130,561</b>	<b>10,782</b>	<b>(52,926)</b>	<b>88,417</b>
Net result for the year	8.3	–	–	(23,378)	(23,378)
Other comprehensive income for the year	8.3	–	(13,849)	–	(13,849)
Transfer from physical asset revaluation surplus to accumulated deficit	8.3	(13,792)	–	13,792	–
<b>Balance at 30 June 2022</b>	8.3	<b>116,769</b>	<b>(3,067)</b>	<b>(62,512)</b>	<b>51,190</b>

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

# 1. About this Report

These annual financial statements represent the audited general-purpose financial statements for V/Line Corporation (V/Line) for the year ended 30 June 2023.

V/Line was established as a statutory corporation in 2003 and continues under the *Transport Integration Act 2010*. On 14 October 2008, V/Line was declared a State business corporation pursuant to the *State Owned Enterprises Act 1992*. Subsequently, on 1 July 2021, V/Line ceased to be a State business corporation under the *State Owned Enterprises Act 1992* and pursuant to a transport restructuring order under the *Transport Integration Act 2010*, the Chief Executive Officer became the sole member of V/Line. Its principal address is:

Level 6, 452 Flinders Street  
Melbourne 3000

The functions of V/Line per the *Transport Integration Act 2010* are to:

- operate rail passenger services
- operate services ancillary or incidental to its rail passenger services, including any other transport services
- operate and maintain rail infrastructure and related infrastructure, including for communications, to support rail passenger and rail freight services
- manage access to the rail network operated by V/Line
- independently perform a function to meet requirements as set by the Head, Transport for Victoria (HTfV)
- develop and deliver projects, including by acquiring rolling stock, constructing rail infrastructure, roads or road-related infrastructure, or providing assistance to the Secretary to the Department of Transport and Planning (DTP) (formerly known as the Department of Transport) or any other relevant body in making improvements to the transport system
- provide advice to the HTfV to assist in operational policy development in relation to public transport system matters as requested by the HTfV
- develop and implement effective environmental policies, strategies, and management systems under the Secretary to the DTP's planning framework to support a sustainable transport system, including minimising any adverse environmental impacts from rail passenger and rail freight services
- provide, or arrange for the provision and dissemination of, information to Victorians about its rail passenger and rail freight services
- report on the activities of any other person carrying out the above objectives on behalf of V/Line.

## Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AASs) that have significant effects on the financial statements and estimates relate to:

- the fair value of plant and equipment, leasehold improvements and rolling stock (refer Note 7.3)

- the fair value of financial instruments (refer Note 7.3)
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Notes 3.3.1 and 3.3.2)
- the recognition of deferred tax assets and liabilities (refer Note 5.5).

All amounts in the financial statements have been rounded to the nearest \$1,000, unless otherwise stated.

## Compliance information

These general-purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable AASs which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## 2. Funding delivery of our services

### Introduction

To enable V/Line to fulfil its functions and provide outputs, it receives revenue and income from various sources.

### Structure

- 2.1 Summary of revenue and income that funds the delivery of our services
- 2.2 Ticket sales/farebox
- 2.3 Contributions from Government
- 2.4 Project revenue

	Notes	2023	2022
		\$'000	\$'000
<b>2.1 Summary of revenue and income that funds the delivery of our services</b>			
Ticket sales/farebox	2.2	68,308	42,469
Inter-operator revenue		1,498	1,048
Contributions from Government	2.3	795,302	776,633
Project revenue	2.4	372,048	343,298
Access revenue		5,367	5,819
Interest		2,853	222
Other income		4,388	4,029
<b>Total revenue and income from transactions</b>		<b>1,249,764</b>	<b>1,173,518</b>

The revenue and income that funds delivery of V/Line's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

Notes	2023	2022
	\$'000	\$'000
<b>2.2 Ticket sales/farebox</b>		
myki ticketing system	46,944	27,866
V/Net ticketing system	21,364	14,603
<b>Total ticket sales/farebox</b>	<b>68,308</b>	<b>42,469</b>

The proceeds from train passenger services provided is recognised as farebox revenue. Revenue is recognised when V/Line satisfies its performance obligations of providing rail passenger services to the customer. V/Line receives farebox revenue from both the myki and V/Net ticketing systems. Myki revenues are subject to the allocation methodologies of the NTS Revenue Sharing Agreement dated 28 November 2017 with DTP, Metro Trains Melbourne Pty Ltd and KDR Victoria Pty Ltd. V/Net is V/Line's ticketing system for non-myki areas and this revenue is received directly.

### 2.3 Contributions from Government

Services payment	795,302	776,633
<b>Total contributions from Government</b>	<b>795,302</b>	<b>776,633</b>

HTfV makes services payments to V/Line under a Service Level Agreement, which is considered enforceable and includes sufficiently specific performance obligations. Accordingly, these contributions are accounted for as revenue in accordance with AASB 15 *Revenue from Contracts with Customers*, and are recognised as revenue when the performance obligations are satisfied. These contributions are of an operational nature.

### 2.4 Project revenue

Government	366,102	329,760
Other entities	5,946	13,538
	<b>372,048</b>	<b>343,298</b>

Project revenue mainly reflects reimbursement payments received under the Payments, Projects and Infrastructure Modules of the Service Level Agreement with HTfV based on an expense recovery model (i.e. to recover direct project costs with no added margin). This agreement is considered enforceable and contains sufficiently specific performance obligations with respect to project delivery services. Accordingly, payments received under this agreement are accounted for as revenue in accordance with AASB 15 *Revenue from Contracts with Customers* and are recognised as revenue when the performance obligations under the project contract are satisfied. V/Line uses the input method to measure progress based on the costs incurred and revenue is recognised once performance obligations under the Service Level Agreement are met. The related project and infrastructure renewal expenditure is detailed under Note 3.6.

Under this agreement, V/Line undertakes various major public transport infrastructure projects on infrastructure assets owned by other government entities. These projects include the Annual Works Program, level crossing upgrades, track and bridge replacements and renewals, new stations and platforms, sleeper renewals, signalling upgrades and track extensions.

## 3. The cost of delivering our services

### Introduction

This section provides an account of the expenses incurred by V/Line in delivering services and outputs.

In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with the provision of services are recorded.

### Structure

- 3.1 Expenses incurred in delivery of services (excluding Depreciation/Amortisation)
- 3.2 Operating costs (excluding Employee benefits)
- 3.3 Employee benefits
- 3.4 Superannuation contributions
- 3.5 Administrative expenses
- 3.6 Project expenses and infrastructure renewals
- 3.7 Other economic flows included in Net result
- 3.8 Income tax expense

	Notes	2023 \$'000	2022 \$'000
<b>3.1 Expenses incurred in delivery of services (excluding Depreciation/Amortisation)</b>			
Operating costs (excluding Employee benefits)	3.2	428,708	413,726
Employee benefit expenses	3.3.1	383,319	359,018
Operational expenses		812,027	772,744
Administrative expenses	3.5	44,024	39,385
Project expenses and infrastructure renewals	3.6	386,147	343,298
<b>Total expenses incurred in delivery of services</b>		<b>1,242,198</b>	<b>1,155,427</b>

Expenses from transactions are recognised as they are incurred and reported in the financial year to which they relate.

	Notes	2023	2022
		\$'000	\$'000
<b>3.2 Operating costs (excluding Employee benefits)</b>			
Fleet maintenance		172,760	167,738
Fuel costs		57,144	44,197
Access charges		17,565	17,197
Branded coach contract costs		47,318	43,004
Road coach services		19,379	16,911
Repairs and maintenance		60,761	69,660
Customer services		4,282	3,932
Other direct costs		49,499	51,087
<b>Total operating costs (excluding Employee benefits)</b>		<b>428,708</b>	<b>413,726</b>

These expenses represent the day to day running costs incurred in normal operations.

Operating costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for repairs and maintenance are expensed when used.

Branded coach contract costs are costs related to the provision of timetabled passenger coach services. Road coach services costs relate to the provision of replacement coach services in the event of disruption to passenger rail services. Fleet maintenance costs represent the cost of reactive and preventive maintenance on the rolling stock fleet. Repairs and maintenance costs relate to infrastructure maintenance costs on the passenger and freight rail network that V/Line manages.

V/Line hedges the commodity price risk relating to its fuel costs and the foreign currency risk relating to its fleet maintenance contract via cash flow hedges (refer to Note 7.1.3).

	2023	2022
	\$'000	\$'000

### 3.3 Employee Benefits

#### 3.3.1 Employee benefit expenses in the Comprehensive operating statement

Salaries and wages	264,661	248,041
Superannuation	39,242	36,068
Annual leave and long service leave expense	50,866	51,888
Other on-costs (payroll tax and WorkCover levy)	28,550	23,021
<b>Total employee benefit expenses</b>	<b>383,319</b>	<b>359,018</b>

Employee benefit expenses include all costs related to employment including wages and salaries, fringe benefits tax (FBT), leave entitlements, termination payments and WorkCover premiums.

#### 3.3.2 Employee benefits in the Balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

##### Current provisions:

##### *Annual leave*

Unconditional and expected to settle within 12 months	28,565	28,103
Unconditional and expected to settle after 12 months	7,462	7,215
	36,027	35,318

##### *LSL*

Unconditional and expected to settle within 12 months	4,291	5,292
Unconditional and expected to settle after 12 months	43,792	41,669
	48,083	46,961

##### *Other leave*

Unconditional and expected to settle within 12 months	3,706	3,907
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##### *Other employee-related provisions*

	1,249	1,351
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##### *Provisions for on-costs*

Unconditional and expected to settle within 12 months	6,631	6,650
Unconditional and expected to settle after 12 months	7,304	5,700
	13,935	12,350

<b>Total current provisions for employee benefits</b>	<b>103,000</b>	<b>99,887</b>
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	2023	2022
	\$'000	\$'000
<b>Non-current provisions:</b>		
Employee benefits – LSL	12,197	10,109
On-costs	1,647	1,052
<b>Total non-current provisions for employee benefits</b>	<b>13,844</b>	<b>11,161</b>
<b>Total provisions for employee benefits</b>	<b>116,844</b>	<b>111,048</b>

	Employee Benefits \$'000	On-costs \$'000	Total \$'000
<b>Reconciliation of movement in provisions</b>			
<b>2023</b>			
<b>Opening Balance</b>	<b>97,646</b>	<b>13,402</b>	<b>111,048</b>
Net additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	5,069	2,399	7,468
Unwind of discount and effect of changes in the discount rate	(1,453)	(219)	(1,672)
<b>Closing Balance</b>	<b>101,262</b>	<b>15,582</b>	<b>116,844</b>

*(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and other short-term employee benefits, are recognised as part of the employee benefit provision as current liabilities, because V/Line does not have an unconditional right to defer the settlement of these liabilities.

The liability for salaries and wages are recognised in the Balance sheet at remuneration rates which are current at reporting date. As V/Line expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts. The annual leave liability is classified as a current liability and measured at undiscounted amount expected to be paid, as V/Line does not have a unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Comprehensive operating statement as it is taken.

*(ii) Long service leave*

A liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed as a current liability even where V/Line does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL are measured at either:

- undiscounted value – if V/Line expects to wholly settle within 12 months
- present value – if V/Line does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability as there is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite seven years of continuous service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of the non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in Australian Government Treasury bond interest rates, for which it is then recognised as an other economic flow in the Net result.

*(iii) Employee benefits on-costs*

Provisions for on-costs, comprising payroll tax, workers' compensation and superannuation, are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Superannuation on-costs associated with the annual leave provision has been applied to 90 per cent of the provision before on-costs. The remaining 10 per cent representing estimated terminations do not attract superannuation payment obligation.

### 3.4 Superannuation contributions

Employees of V/Line are entitled to receive superannuation benefits and V/Line contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

The amount recognised in the Comprehensive operating statement of V/Line in relation to superannuation is employer contributions for members of both defined benefit and defined contribution plans that are paid or payable during the reporting period.

V/Line does not recognise any defined benefit liability in respect of the plan because it has no legal or constructive obligation to pay future benefits relating to its employees. Its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

The names, details and amounts in relation to the major employee superannuation funds and contributions made by V/Line are as follows:

Fund	Paid contribution for the year		Contributions outstanding at year end	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<b>Defined benefit plans <sup>(a)</sup></b>				
Emergency Services and State Super	7,331	8,349	574	621
<b>Total defined benefit plans</b>	<b>7,331</b>	<b>8,349</b>	<b>574</b>	<b>621</b>
<b>Defined contribution plans</b>				
Various funds	29,060	23,811	2,535	2,115
<b>Total defined contribution plans</b>	<b>29,060</b>	<b>23,811</b>	<b>2,535</b>	<b>2,115</b>
<b>Total superannuation plans</b>	<b>36,391</b>	<b>32,160</b>	<b>3,109</b>	<b>2,736</b>

(a) The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans

### 3.5 Administrative expenses

Administrative expenses are made up of the following expense categories:

	2023	2022
	\$'000	\$'000
Information technology and communication	16,670	16,492
Motor vehicle	5,710	6,224
Insurance	2,646	2,754
Utilities	3,827	3,779
Other administration	12,515	8,313
<b>Total administration</b>	<b>41,368</b>	<b>37,562</b>
Selling	892	585
Marketing and communication	1,764	1,238
<b>Total administrative expenses</b>	<b>44,024</b>	<b>39,385</b>

These expenses are recognised as an expense in the period in which they are incurred.

**3.6 Project expenses and infrastructure renewals**

	2023	2022
	\$'000	\$'000
Project expenses	213,436	200,092
Infrastructure renewals	172,711	143,206
<b>Total project expenses and infrastructure renewals</b>	<b>386,147</b>	<b>343,298</b>

V/Line undertakes various public transport projects on infrastructure assets owned by other government entities. These projects include level crossing upgrades, track and bridge replacements, new stations and platforms, signalling upgrades and track extensions. Project expenses are recognised as an expense in the period in which they are incurred.

Infrastructure renewals include expenditure on track and bridge renewals and sleeper renewals under the annual works program. Infrastructure renewals are recognised as an expense in the period in which they are incurred.

**3.7 Other economic flows included in Net result**

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

**(a) Net loss on non-financial assets**

Loss on disposal and write-off of property, plant and equipment	(3,801)	–
Writedown of property, plant and equipment	(1,567)	(6,725)
<b>Total net loss on non-financial assets</b>	<b>(5,368)</b>	<b>(6,725)</b>

**(b) Net gain on financial instruments**

Allowance for impairment losses of contractual receivables	(14)	(257)
Net gain on diesel hedge	11,988	20,319
Net loss on foreign currency hedge	(97)	(241)
<b>Total net gain on financial instruments</b>	<b>11,877</b>	<b>19,821</b>

**(c) Other gain from other economic flows**

Net gain arising from revaluation of LSL liability	1,672	8,018
<b>Total other gain from other economic flows</b>	<b>1,672</b>	<b>8,018</b>

**3.8 Income tax expense**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Net result from continuing operations before income tax	(16,885)	7,780
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2022: 30%)	(5,065)	2,334
Derecognition of deferred tax assets/liabilities from prior years	4,621	–
Derecognition/(recognition) of deferred tax asset	6,937	3,327
<b>Income tax expense</b>	<b>6,493</b>	<b>5,661</b>
The components of tax expense/(benefit) comprises:		
Current tax	1,872	8,453
Deferred tax	4,621	(2,792)
<b>Total tax expense</b>	<b>6,493</b>	<b>5,661</b>
Effective tax rate	(38.5%)	72.8%

The were no unutilised tax losses carried forward as at 30 June 2023 (2022: Nil).

# 4. Key assets available to support output delivery

## Introduction

V/Line controls physical assets that are utilised in fulfilling its functions and conducting its activities. They represent the resources that have been entrusted to V/Line to be utilised for delivery of those outputs.

### *Fair value measurement*

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined..

## Structure

- 4.1 Property, plant and equipment
- 4.2 Depreciation/Amortisation and impairment
- 4.3 Intangible assets

4.1 Property, plant and equipment	2023	2022
4.1.1 Carrying amounts	\$'000	\$'000
<b>Rolling stock</b>		
At fair value	90,460	95,785
Accumulated depreciation	(24,459)	(17,258)
<b>Net carrying amount</b>	<b>66,001</b>	<b>78,527</b>
<b>Rolling stock – capitalised improvements</b>		
At fair value	8,851	9,767
Accumulated depreciation	(3,780)	(2,210)
<b>Net carrying amount</b>	<b>5,071</b>	<b>7,557</b>
<b>Plant and equipment <sup>(a)</sup></b>		
At fair value	90,610	89,213
Accumulated depreciation	(39,194)	(50,794)
<b>Net carrying amount</b>	<b>51,416</b>	<b>38,419</b>
<b>Leasehold improvements</b>		
At fair value	9,943	10,718
Accumulated depreciation	(5,664)	(6,783)
<b>Net carrying amount</b>	<b>4,279</b>	<b>3,935</b>
<b>Buildings <sup>(a)</sup></b>		
At fair value	56,429	51,683
Accumulated depreciation	(21,140)	(15,052)
<b>Net carrying amount</b>	<b>35,289</b>	<b>36,631</b>
<b>Capital works-in-progress</b>	<b>13,998</b>	<b>21,563</b>
<b>Total property, plant and equipment</b>	<b>176,054</b>	<b>186,632</b>

(a) The carrying amounts include right-of-use assets.

Included in the above property, plant and equipment are the following right-of-use assets:

	2023	2022
	\$'000	\$'000
<b>Plant and equipment</b>		
At fair value	49,360	44,920
Accumulated depreciation	(23,270)	(16,136)
<b>Net carrying amount</b>	<b>26,090</b>	<b>28,784</b>
<b>Buildings</b>		
At fair value	56,429	51,683
Accumulated depreciation	(21,140)	(15,052)
<b>Net carrying amount</b>	<b>35,289</b>	<b>36,631</b>
<b>Total right-of-use assets</b>	<b>61,379</b>	<b>65,415</b>

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment upon the revaluation of the entire asset class. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The cost of constructed assets includes the costs of all materials used in construction and direct labour costs of the project.

V/Line's non-financial physical assets are mostly specialised in nature. As a not-for-profit entity, V/Line's non-financial physical assets are held for continuing use of their service capacity and not primarily for their ability to generate net cash inflows. As a result, the fair value of V/Line's non-financial physical assets has been determined by reference to the assets' current replacement cost, adjusting for the associated depreciation.

For plant and equipment and leasehold improvements, existing depreciated cost is generally a reasonable proxy for current replacement cost because of the short lives of the assets concerned.

Right-of-use assets represent V/Line's right to use an underlying asset obtained under a lease contract for the lease term. Right-of-use assets are initially measured at cost, which consist of the initial amount of the related lease liability adjusted for any prepaid lease payments less any lease incentives received plus any initial direct costs incurred less an estimate of dismantling and removal costs. Subsequently, right-of-use assets are measured at current replacement cost less accumulated depreciation and impairment, and adjusted for any remeasurement of the related lease liability. The right-of-use assets are assessed for fair value annually.

There were no changes in valuation techniques throughout the period to 30 June 2023.

For all assets measured at fair value, the current use is considered the highest and best use.

## 4.1.2 Reconciliation of movement in carrying amounts

	2023	2022
	\$'000	\$'000
<b>Rolling stock at fair value</b>		
Carrying amount at beginning of year	78,527	93,207
Disposals	(2,692)	–
Writedown	(1,330)	(5,488)
Depreciation expense	(8,504)	(9,192)
<b>Carrying amount at end of year</b>	<b>66,001</b>	<b>78,527</b>
<b>Rolling stock at cost – capitalised improvements</b>		
Carrying amount at beginning of year	7,557	6,169
Additions	–	4,677
Transfers from Capital works-in-progress	–	496
Disposals	(159)	–
Writedown	(237)	(1,237)
Depreciation expense	(2,090)	(2,548)
<b>Carrying amount at end of year</b>	<b>5,071</b>	<b>7,557</b>
<b>Plant and equipment</b>		
Carrying amount at beginning of year	38,419	34,233
Additions	7,880	13,869
Transfers from Capital works-in-progress	15,888	72
Transfers to Intangible assets	–	(1,464)
Remeasurements	(41)	–
Disposals	(659)	(5)
Write off	(175)	–
Depreciation expense	(9,896)	(8,286)
<b>Carrying amount at end of year</b>	<b>51,416</b>	<b>38,419</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning of year	3,935	4,044
Additions	889	496
Transfers from Capital works-in-progress	207	–
Write off	(115)	–
Depreciation expense	(637)	(605)
<b>Carrying amount at end of year</b>	<b>4,279</b>	<b>3,935</b>
<b>Buildings</b>		
Carrying amount at beginning of year	36,631	43,045
Additions	120	182
Remeasurements	4,627	(489)
Depreciation expense	(6,089)	(6,107)
<b>Carrying amount at end of year</b>	<b>35,289</b>	<b>36,631</b>
<b>Capital works-in-progress</b>		
Carrying amount at beginning of year	21,563	16,164
Additions	8,773	5,967
Transfers to property, plant and equipment	(16,095)	(568)
Transfers to intangible assets	(243)	–
<b>Carrying amount at end of year</b>	<b>13,998</b>	<b>21,563</b>

	2023	2022
	\$'000	\$'000
<b>Total property, plant and equipment</b>		
Carrying amount at beginning of year	186,632	196,862
Additions	17,662	25,191
Remeasurements	4,586	(489)
Disposals	(3,510)	(5)
Written off	(290)	–
Written down	(1,567)	(6,725)
Depreciation expense	(27,216)	(26,738)
Transfers to Intangible assets	(243)	(1,464)
<b>Carrying amount at end of year</b>	<b>176,054</b>	<b>186,632</b>

Included in the movement of property, plant and equipment above is the following movement of right-of-use assets:

<b>Plant and equipment</b>		
Carrying amount at beginning of year	28,784	22,809
Additions	6,237	12,828
Remeasurements	(41)	–
Disposals	(659)	–
Depreciation expense	(8,231)	(6,853)
<b>Carrying amount at end of year</b>	<b>26,090</b>	<b>28,784</b>
<b>Buildings</b>		
Carrying amount at beginning of year	36,631	43,045
Additions	120	182
Remeasurements	4,627	(489)
Depreciation expense	(6,089)	(6,107)
<b>Carrying amount at end of year</b>	<b>35,289</b>	<b>36,631</b>
<b>Total right-of-use assets</b>		
Carrying amount at beginning of year	65,415	65,854
Additions	6,357	13,010
Remeasurements	4,586	(489)
Disposals	(659)	–
Depreciation expense	(14,320)	(12,960)
<b>Carrying amount at end of year</b>	<b>61,379</b>	<b>65,415</b>

### 4.1.3 Rolling stock

The rolling stock fleet comprises diesel electric locomotives, carriages, diesel multiple units (known as Sprinters) and power vans. Repairs and maintenance work on the rolling stock is scheduled in accordance with V/Line's rolling stock management plan and rail safety management standards. Scheduled maintenance examinations on rolling stock are determined at set intervals depending on the type of rolling stock.

The refurbishment program, as part of the Rolling Stock Management Plan, consists of major examinations and overhauls of rolling stock. V/Line treats these examinations as significant upgrades, which extend the useful life of the rolling stock. The refurbishment program will allow for the fleet to operate to the current useful life profile as per the 2020 Valuer-General Victoria (VGV) full valuation. The refurbishment program also includes the replacement of major units such as traction and locomotive motors, generators, wheel sets and bogies. These items are capitalised and depreciated over their useful life, and their carrying values are taken into consideration when adjusting the carrying value of rolling stock to fair value. All other maintenance examinations and minor work are treated as repairs and maintenance and expensed when incurred. In May 2022, V/Line ceased capitalisation of these refurbishment costs as the rolling stock fleet was assessed as approaching the end of its useful life and that these ongoing maintenance costs no longer served to extend its useful life.

Non-financial physical assets, including rolling stock, are measured at fair value in accordance with FRD 103 *Non-financial physical assets* issued by the Assistant Treasurer. V/Line undertook an independent revaluation of its rolling stock as at 30 June 2020 in line with the five-year revaluation cycle based on the assets' Classification of the Functions of Government (COFOG) classification. Independent valuers are used to conduct the scheduled revaluation.

In between the scheduled revaluations, V/Line conducts roll-forward valuations for financial reporting purposes, which are determined in accordance with the requirements of the FRDs. Revaluations may occur more frequently if fair value assessments indicate material changes in value.

V/Line has adopted current replacement cost as the valuation basis for the rolling stock rather than a market comparison or income approach, as the market for the rolling stock lacks sufficient depth due to the specialised nature of the assets and the small population and volume traded, and the rolling stock assets lack separately identifiable cash flows. The current replacement cost approach is less sensitive to external economic factors compared to market or income-based valuation approaches. The calculation of current replacement cost involves establishing the gross current replacement cost of the assets, and then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset and the estimated residual value at the end of the asset's working life.

For the year ended 30 June 2023, the VGV has completed a roll-forward revaluation on V/Line's rolling stock assets consistent with the requirements of the FRDs and the assumptions adopted within the last independent revaluation adjusted for associated depreciation expense. V/Line considers that the net carrying value of the rolling stock as at 30 June 2023 is a reasonable approximation of its fair value.

The VGV has not applied an adjustment for economic obsolescence in the determination of current replacement cost on the basis that there was insufficient evidence to make a judgement on service capacity and whether the excess capacity was temporary or permanent.

Revaluation increments, or decrements arise from differences between an asset's carrying amount and fair value.

Revaluation increments, or decrements are accounted for as follows:

- net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – Other comprehensive income' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the Net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the Net result
- net revaluation decreases are recognised in 'Other economic flows – Other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, net revaluation decreases are recognised immediately as other economic flows in the Net result. The net revaluation decrease recognised in 'Other economic flows – Other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that asset class and are not offset in respect of assets in different classes. The asset revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset.

During the year, certain units of rolling stock were removed from service, with an intention to dispose of these assets. As a result, these rolling stock assets and their related capitalised improvements were written down to their expected recoverable value from disposal.

#### 4.1.4 Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvement.

In general, the fair value of those assets is measured at the current replacement cost. There are limitations and restrictions imposed on those assets' use and/or disposal which may impact the fair value of these assets and should be taken into account when the fair value is determined.

## 4.2 Depreciation and impairment

	2023	2022
	\$'000	\$'000
<b>Charge for the period</b>		
Rolling stock	8,504	9,192
Rolling stock – capitalised improvements	2,090	2,548
Plant and equipment <sup>(a)</sup>	9,896	8,286
Leasehold improvements	637	605
Buildings <sup>(a)</sup>	6,089	6,107
Intangible assets (amortisation)	2,634	2,484
<b>Total depreciation and amortisation</b>	<b>29,850</b>	<b>29,222</b>

(a) Includes depreciation charge on right-of-use assets.

Included in the above depreciation/amortisation charge is the following depreciation charge on right-of-use assets:

	2023	2022
	\$'000	\$'000
Plant and equipment	8,231	6,853
Buildings	6,089	6,107
<b>Total depreciation on right-of-use assets</b>	<b>14,320</b>	<b>12,960</b>

### Depreciation/Amortisation

Rolling stock, plant and equipment, leasehold improvement, buildings and other non financial physical assets that have finite useful lives are depreciated.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Right-of-use assets are depreciated over the lease term as V/Line does not obtain ownership of the underlying assets at the end of the lease term.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

### Estimated useful lives of property, plant and equipment

The estimated useful lives for the different asset classes for both current and prior years are set out below:

Rolling stock	2 to 12 years
Rolling stock – capitalised improvements	2 to 12 years
Plant and equipment (including right-of-use assets)	3 to 10 years
Leasehold improvements	3 to 13 years
Buildings (including right-of-use assets)	3 to 10 years

### Impairment

The recoverable amount of primarily non-cash generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

## 4.3 Intangible assets

2023 2022

\$'000 \$'000

**Gross carrying amount**

Opening balance	26,802	24,313
Transfer from property, plant and equipment	243	2,489
<b>Closing balance</b>	<b>27,045</b>	<b>26,802</b>

**Accumulated amortisation**

Opening balance	(19,462)	(15,952)
Transfer from property, plant and equipment	–	(1,026)
Amortisation of intangible assets	(2,634)	(2,484)
<b>Closing balance</b>	<b>(22,096)</b>	<b>(19,462)</b>
<b>Net book value at end of financial year</b>	<b>4,949</b>	<b>7,340</b>

Intangible assets consist of computer software and are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected the additional future economic benefits will flow to V/Line.

**Amortisation**

Intangible assets with finite lives are amortised on a systematic (straight line) basis over the assets' useful life. Computer software intangible assets are amortised over three to five years. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

**Impairment**

Intangible assets are assessed annually for indications of impairment.

## 5. Other assets and liabilities

### Introduction

This section sets out those assets and liabilities that arose from V/Line's controlled operations.

### Structure

- 5.1 Receivables
- 5.2 Contract assets
- 5.3 Payables
- 5.4 Inventories
- 5.5 Taxes
- 5.6 Other non-financial assets
- 5.7 Other financial assets
- 5.8 Other financial liabilities

5.1 Receivables	2023	2022
	\$'000	\$'000
<b>Contractual</b>		
Trade receivables	15,611	22,190
Other receivables	2,740	4,151
Allowance for impairment of contractual receivables	(200)	(778)
	<b>18,151</b>	<b>25,563</b>
<b>Statutory</b>		
Fuel rebate receivable from the ATO	1,875	798
<b>Total receivables</b>	<b>20,026</b>	<b>26,361</b>
<b>Represented by</b>		
Current receivables	20,026	26,361
<b>Related party receivables (included in contractual receivables)<sup>(a)</sup></b>		
DTP	10,789	14,491
Other related parties	23	4,225
<b>Total related party receivables</b>	<b>10,812</b>	<b>18,716</b>

(a) Refer Note 8.6 Related parties.

**Contractual receivables**, such as debtors in relation to sales of goods and services, represent passenger, inter-operator and other revenue receivable. They are classified as financial instruments and categorised as ‘financial assets at amortised cost’. They are initially recognised at fair value plus any directly attributable transaction costs. V/Line holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables**, such as amounts owing from the ATO relating to fuel tax credits, do not arise from contracts and are recognised and

measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. V/Line applies AASB 9 *Financial Instruments* for initial measurement of the statutory receivables and as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Details about V/Line’s impairment policies, exposure to credit risk and the calculation of the loss allowance are set out in Note 7.1.

Related party receivables predominantly consist of amounts owing from DTP and are carried at nominal value due to their short-term nature. There is no interest charged on related party receivables.

## 5.2 Contract assets

	2023	2022
	\$'000	\$'000
Opening balance	40,473	17,785
Add: Additional costs incurred and recoverable from customers	372,048	343,298
Less: Amounts transferred to receivables	(348,008)	(320,610)
<b>Total contract assets</b>	<b>64,513</b>	<b>40,473</b>
<b>Represented by</b>		
Current contract assets	64,513	40,473

Contract assets relate to V/Line’s right to consideration in exchange for services performed and performance obligations met under project contracts for customers, which were completed but not yet billed at the reporting date. The Contract assets are transferred to Receivables when the rights

become unconditional, at which time an invoice is issued. The balance of the contract assets as at 30 June 2023 was impacted by the increase in the value of project works completed towards the end of 2022-23 but not billed at balance date. The project billing will occur in the next financial year.

**5.3 Payables**

	2023	2022
	\$'000	\$'000
<b>Contractual</b>		
Trade payables – unsecured	50,080	45,578
Superannuation payable	4,896	4,178
Accruals	51,352	49,964
Deferred income	–	2,392
Other payables	13,215	10,571
	<b>119,543</b>	<b>112,683</b>
<b>Statutory</b>		
GST payable	1,319	1,913
FBT payable	1,778	156
Other taxes payable	2,907	2,466
WorkCover payable	159	80
	<b>6,163</b>	<b>4,615</b>
<b>Total payables</b>	<b>125,706</b>	<b>117,298</b>
<b>Represented by</b>		
Current payables	125,706	117,298
<b>Related party payables (included in Trade payables – unsecured):<sup>(a)</sup></b>		
DTP	–	17
Other related parties	2,724	1,647

(a) Refer Note 8.6 Related parties.

**Contractual payables** consist of trade payables, amounts payable to Government and agencies and deferred income. Trade payables represent liabilities for goods and services provided to V/Line prior to the end of the financial year that are unpaid. They are classified as financial instruments and are measured at amortised cost.

**Statutory payables** consist of GST payable, FBT payable and payroll-related payables. They are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The average credit period for related party payables is 30 days. No interest is charged on outstanding payables. Terms and conditions of amounts payable to other government agencies will vary according to each particular agreement.

**Maturity analysis of contractual payables** <sup>(a)</sup>

	Carrying amount \$'000	Maturity Dates				
		Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000	Over 5 years \$'000
<b>2023</b>						
<b>Payables:</b>						
Trade payables	50,080	46,070	2,711	1,299	–	–
Superannuation	4,896	–	4,896	–	–	–
Accruals	51,352	–	51,352	–	–	–
Other payables	13,215	13,215	–	–	–	–
<b>Total</b>	<b>119,543</b>	<b>59,285</b>	<b>58,959</b>	<b>1,299</b>	<b>–</b>	<b>–</b>

<b>2022</b>						
<b>Payables:</b>						
Trade payables	45,578	43,842	980	756	–	–
Superannuation	4,178	–	4,178	–	–	–
Accruals	49,964	–	49,964	–	–	–
Other payables	10,571	10,571	–	–	–	–
<b>Total</b>	<b>110,291</b>	<b>54,413</b>	<b>55,122</b>	<b>756</b>	<b>–</b>	<b>–</b>

(a) Maturity analysis is presented using the contractual undiscounted cash flows.

**5.4 Inventories**

	2023 \$'000	2022 \$'000
Current inventories:		
Materials, at cost	47,866	28,175
Spares and consumables, at cost	9,289	9,163
<b>Total inventories</b>	<b>57,155</b>	<b>37,338</b>

Inventories include goods and other property held for consumption in the ordinary course of business operations. Inventories are measured at the lower of cost and net realisable value.

V/Line has a contract with a supplier for the supply of various spare parts for rolling stock maintenance which are to be made available

upon request. This practice is considered by industry to be best practice as it has the lowest storage costs. These spare parts are valued using the weighted average cost formula. Stock of fuel is also measured using the weighted average cost formula.

5.5 Taxes	2023	2022
	\$'000	\$'000
<b>Provision for income tax</b>		
Current tax liability	1,872	8,453
<b>Deferred tax balances</b>		
The balance comprises temporary differences attributable to:		
Employee entitlements	36,729	34,235
Other provisions	1,548	1,417
Cash flow hedge reserve	–	58
Derecognition of deferred tax asset	(20,059)	(8,469)
<b>Total deferred tax assets</b>	<b>18,218</b>	<b>27,241</b>
<b>Deferred tax liability</b>		
The balance comprises temporary differences attributable to:		
Accelerated depreciation for taxation purposes	18,218	22,562
Cash flow hedge reserve	–	4,679
<b>Total deferred tax liability</b>	<b>18,218</b>	<b>27,241</b>
<b>Net deferred tax asset/(liability)</b>	<b>–</b>	<b>–</b>
<b>Movement in deferred tax asset/(liability)</b>		
Opening balance	–	–
Charged to equity	4,621	(2,792)
Current year deferred tax expense	6,937	6,119
(De)recognition of deferred tax asset	(11,558)	(3,327)
<b>Aggregate deferred tax asset/(liability)</b>	<b>–</b>	<b>–</b>
<b>Amount charged directly to equity</b>		
Cash flow hedge reserves	4,621	(2,792)
<b>Total amount charged to equity</b>	<b>4,621</b>	<b>(2,792)</b>

By direction of the Treasurer of Victoria, V/Line entered into the National Tax Equivalent Regime (NTER) on 10 June 2004. Any NTER expense payable is calculated on operating profit or loss adjusted for temporary differences between NTER income and accounting income.

### Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Based on the NTER arrangements, tax payments (if any) are made to DTF.

### Deferred Tax

Deferred tax is calculated in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. No deferred income tax will be recognised from the initial

recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited in the Comprehensive operating statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Based on management's judgement, no net deferred tax assets are recognised in the financial statements due to the uncertainty of future taxable profits being generated.

## 5.6 Other non-financial assets

	2023	2022
	\$'000	\$'000
<b>Current other non-financial assets</b>		
Prepayments	3,273	2,996
<b>Total other non-financial assets</b>	<b>3,273</b>	<b>2,996</b>
<i>Represented by:</i>		
Current non-financial assets	3,273	2,996

Other non-financial assets include prepayments which represent payments in advance of the receipt of goods or services or the payments made for services covering a term extending beyond that financial period.

**5.7 Other financial assets**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current other financial assets</b>		
Fuel hedge derivatives	–	15,598
Foreign currency hedge derivatives	–	(194)
<b>Total other financial assets</b>	<b>–</b>	<b>15,404</b>
<b>Represented by:</b>		
Current other financial assets	–	<b>15,404</b>

**5.8 Other financial liabilities**

<b>Current other financial liabilities</b>		
Fuel hedge derivatives	3,077	–
Foreign currency hedge derivatives	(10)	–
<b>Total other financial liabilities</b>	<b>3,067</b>	<b>–</b>
<b>Represented by:</b>		
Current other financial liabilities	<b>3,067</b>	<b>–</b>

To reduce cash flow volatility and to provide increased certainty over its commodity and foreign currency risk exposures, V/Line has entered into diesel fuel and foreign currency hedges with Treasury Corporation of Victoria (TCV). The amounts recognised in Other financial assets and Other financial liabilities represent the fair values of the respective hedge derivatives as at 30 June 2023.

## 6. Financing our operations

### Introduction

This section provides information on the sources of finance utilised by V/Line for its operations, along with interest expenses and other information related to financing activities of V/Line.

This section includes disclosures of balances that are financial instruments (such as lease liabilities and cash balances). Notes 7.1 and 7.3 provide additional specific financial instrument disclosures.

### Structure

- 6.1 Cash flow information and balances
- 6.2 Lease liabilities
- 6.3 Commitments for expenditure

#### 6.1 Cash flow information and balances

	2023	2022
	\$'000	\$'000
Cash at bank	38,904	77,886
Cash on hand	145	145
<b>Total cash and deposits as per Balance sheet and Cash flow statement</b>	<b>39,049</b>	<b>78,031</b>

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

At 30 June 2023, there were no amounts in cash at bank (2022: \$2,886,071) held in escrow on behalf of HTfV under arrangements in line with the Service Level Agreement.

### 6.1.1 Reconciliation of Net result for the period to cash flow from operating activities

	2023	2022
	\$'000	\$'000
<b>Net result for the period</b>	<b>(23,378)</b>	<b>2,119</b>
<b>Non-cash movements</b>		
Depreciation/amortisation of non-current assets	29,850	29,222
Writedown of non-current assets	1,567	6,725
Loss on disposal and write-off of non-current assets	3,802	–
Early termination of lease liabilities	(683)	–
Tax expense	6,493	5,661
<b>Movements in assets and liabilities</b>		
Decrease in trade and other receivables	6,335	38,350
Increase in contract assets	(24,040)	(22,688)
Increase in inventories	(19,816)	(10,063)
(Increase)/decrease in prepayments	(277)	3,441
Increase in trade and other payables	8,408	1,746
Increase in employee-related provisions	5,796	5,278
<b>Cash (used in)/generated from operating activities</b>	<b>(5,943)</b>	<b>59,791</b>
Income taxes paid	(8,453)	(5,948)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(14,396)</b>	<b>53,843</b>

### 6.2 Lease liabilities

Current lease liabilities <sup>(a)</sup>	12,812	12,498
Non-current lease liabilities <sup>(a)</sup>	53,528	56,861
<b>Total lease liabilities</b>	<b>66,340</b>	<b>69,359</b>

(a) Secured by the assets leased. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

V/Line's lease liabilities consist of the following:

- (i) lease of office premises, with lease terms ranging from three to 10 years
- (ii) lease of motor vehicles and plant and equipment, with lease terms ranging from three to eight years.

V/Line has elected to account for short-term leases and leases of low-value assets using the practical expedients under AASB 16 *Leases*. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

For all lease contracts entered into V/Line considers whether the contract is, or contains, a lease. An assessment is made on whether the contract conveys the right to control the use of an identified asset by assessing whether V/Line has both the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- the right to direct the use of the identified asset throughout the period of use.

Where all the conditions above are met, V/Line recognises a right-of-use asset and a corresponding lease liability. V/Line accounts for lease components within the contract separately from non-lease components, which are excluded when determining the lease liability and right-of-use asset.

The right-of-use assets are presented in Property, plant and equipment in Note 4.1.

Lease liabilities are classified as financial instruments and are stated at amortised cost. At initial recognition, lease liabilities are measured at the present value of the unpaid lease payments, discounted using the interest

rate implicit in the lease if the rate is determinable or V/Line's incremental borrowing rate. Lease payments included in the measurement of the lease liability consist of:

- fixed payments (including in-substance payments) less any incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- payments arising from purchase and termination options reasonably certain to be exercised.

Subsequent to initial recognition, the lease liability will be reduced for payments made and increased for interest charged. The lease liability is remeasured to reflect any reassessment or modification, or when there are changes to the in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or to the Comprehensive operating statement if the right-of-use asset is already reduced to zero.

**Maturity analysis of lease liabilities** <sup>(a)</sup>

	Carrying amount \$'000	Nominal amount \$'000	Maturity Dates				Over 5 years \$'000
			Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000	
<b>2023</b>							
Lease liabilities	66,340	73,434	1,305	2,602	11,118	46,245	12,164
<b>2022</b>							
Lease liabilities	69,359	77,064	1,244	2,481	10,885	42,811	19,643

(a) Maturity analysis is presented using the contractual undiscounted cash flows.

**Amounts recognised in the Comprehensive operating statement**

The following amounts are recognised in the Comprehensive operating statement relating to leases:

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense on lease liabilities	2,782	2,203
Expenses relating to short term leases	1,801	2,137
Expenses relating to leases of low value assets	54	149
<b>Total amount recognised in the Comprehensive operating statement</b>	<b>4,637</b>	<b>4,489</b>

Interest expense represents the interest component on lease repayments. Interest expense is recognised in the period in which it is incurred.

**Amounts recognised in the Statement of cash flows**

The following amounts relating to leases are recognised in the Statement of cash flows:

Total cash outflow for leases	16,061	13,872
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### 6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST.

The amounts disclosed represent commitments for expenditure currently on order under contracts, except for key operational contracts where the forecast expenditure to the expiry of the contract with the supplier is used. Key operational contracts are those viewed to be critical to directly enable the continuing operation of V/Line. The future expenditure ceases to be disclosed as commitments once the related liabilities are recognised in the Balance sheet.

Nominal values	Less than 1 year	1-5 years	Over 5 years	Total
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2023</b>				
Capital expenditure commitments	5,184	–	–	5,184
Coach contract commitments	51,411	227,142	258,519	537,072
Fleet maintenance commitments	106,061	–	–	106,061
Other commitments payable	273,680	–	–	273,680
Total commitments (inclusive of GST)	436,336	227,142	258,519	921,997
Less: GST recoverable	(39,667)	(20,649)	(23,502)	(83,818)
Total commitments (exclusive of GST)	396,669	206,493	235,017	838,179

<b>2022</b>				
Capital expenditure commitments	5,002	–	–	5,002
Coach contract commitments	51,538	219,890	308,981	580,409
Fleet maintenance commitments	182,747	–	–	182,747
Other commitments payable	18,560	27,375	–	45,935
Total commitments (inclusive of GST)	257,847	247,265	308,981	814,093
Less: GST recoverable	(23,441)	(22,479)	(28,089)	(74,009)
Total commitments (exclusive of GST)	234,406	224,786	280,892	740,084

Coach contract commitments are commitments under contracts which various coach operators have with HTfV effective from 1 July 2022, where all the rights and obligations under the respective contracts have been assigned to V/Line under the Service Level Agreement with HTfV. Fleet maintenance contracts are for fleet maintenance services, and will expire after 31 December 2023, subject to a 6-month termination notice. Other commitments payable include commitments for various services and supplies relating to V/Line's operations and infrastructure maintenance.

# 7. Risks, contingencies and valuation judgements

## Introduction

V/Line is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information (including exposures to financial risks), as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for V/Line related mainly to fair value determination.

## Structure

- 7.1 Financial instruments specific disclosures
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination

### 7.1 Financial instruments specific disclosures

#### Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Categories of financial assets

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets are held to collect contractual cash flows and the assets' contractual terms give rise to cash flows that are solely for the payment of principal and interest, and the assets are not designated as fair value through Net result.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

V/Line recognises cash and deposits and receivables (excluding statutory receivables) in this category.

#### Categories of financial liabilities

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Net result over the period of the interest bearing liability, using the effective interest rate method.

V/Line recognises its contractual payables, deposits held, advances received and lease liabilities in this category.

**Derivative financial instruments**

Derivative financial instruments are classified as financial assets and liabilities at fair value through Net result. They are initially recognised at fair value on the date on which a derivative contract is entered into, with attributable transaction costs expensed as incurred.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any changes in the fair value are recognised in the Comprehensive operating statement as 'Other economic flows' included in the Net result.

In line with its documented risk management strategy, V/Line designates its derivative financial instruments as cash flow hedges and applies hedge accounting to these transactions (refer to Note 7.1.3 – Hedge accounting) where the hedges are effective.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the Balance sheet only when V/Line has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Derecognition of financial assets**

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- V/Line retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- V/Line has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where V/Line has neither transferred nor retained substantially all the risks and rewards or has transferred control, the asset is recognised to the extent of V/Line's continuing involvement in the asset.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

**Reclassification of financial instruments**

Subsequent to initial recognition, reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through Net result, fair value through Other comprehensive income and amortised cost only when V/Line's business model for managing its financial assets has changed, such that its previous model would no longer apply. However, V/Line is generally unable to change its business model.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated.

**7.1.1 Financial instruments: categorisation**

	Cash and deposits	Financial assets at amortised cost (AC)	Financial assets/liabilities measured at fair value through profit/loss (FVTPL)	Financial liabilities at amortised cost (AC)
	\$'000	\$'000	\$'000	\$'000

**2023****Financial assets**

Cash and deposits	39,049	–	–	–
Trade and other receivables <sup>(a)</sup>	–	18,151	–	–
<b>Total financial assets</b>	<b>39,049</b>	<b>18,151</b>	<b>–</b>	<b>–</b>

**Financial liabilities**

Trade and other payables	–	–	–	119,543
Hedge derivatives	–	–	3,067	–
Lease liabilities	–	–	–	66,340
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>3,067</b>	<b>185,883</b>

**2022****Financial assets**

Cash and deposits	78,031	–	–	–
Trade and other receivables <sup>(a)</sup>	–	25,563	–	–
Hedge derivatives	–	–	15,404	–
<b>Total financial assets</b>	<b>78,031</b>	<b>25,563</b>	<b>15,404</b>	<b>–</b>

**Financial liabilities**

Trade and other payables	–	–	–	110,291
Lease liabilities	–	–	–	69,359
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>179,650</b>

Note (a) The total amounts disclosed here exclude statutory amounts.

## 7.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category

	Interest income/ (expense)	Net holding gain	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000
<b>2023</b>				
<b>Contractual financial assets</b>				
Financial assets at amortised cost – other than on derecognition	2,853	–	(14)	2,839
<b>Total contractual financial assets</b>	<b>2,853</b>	<b>–</b>	<b>(14)</b>	<b>2,839</b>
<b>Contractual financial liabilities</b>				
Financial liabilities at amortised cost	(2,782)	–	–	(2,782)
Hedge derivatives	–	11,891	–	11,891
<b>Total contractual financial liabilities</b>	<b>(2,782)</b>	<b>11,891</b>	<b>–</b>	<b>9,109</b>
<b>2022</b>				
<b>Contractual financial assets</b>				
Financial assets at amortised cost – other than on derecognition	222	–	(257)	(35)
Hedge derivatives	–	20,078	–	20,078
<b>Total contractual financial assets</b>	<b>222</b>	<b>20,078</b>	<b>(257)</b>	<b>20,043</b>
<b>Contractual financial liabilities</b>				
Financial liabilities at amortised cost	(2,203)	–	–	(2,203)
<b>Total contractual financial liabilities</b>	<b>(2,203)</b>	<b>–</b>	<b>–</b>	<b>(2,203)</b>

The net gain/(loss) disclosed above has been determined as follows:

- for financial assets at amortised cost (consisting of cash and deposits and receivables), the net gain/(loss) is calculated by taking the interest income earned during the year, minus any impairment recognised in the Net result
- for financial liabilities measured at amortised cost, the net gain/(loss) is calculated by taking the interest expense
- for hedge derivatives, the net gain or loss is calculated by taking the realised movement in fair value of the financial asset or liability.

### **7.1.3 Financial risk management objectives and policies**

As a whole, V/Line's financial risk management program seeks to manage its financial risks and the associated volatility of its financial performance.

The main purpose in holding financial instruments is to prudently manage V/Line's financial risks within the Victorian Government policy parameters.

V/Line's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity risk. V/Line manages these financial risks in accordance with its financial risk management policy.

V/Line uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with management and the Audit and Risk Committee of V/Line.

#### **Credit risk**

Credit risk refers to the possibility that the counterparty will default on its financial obligations as and when they fall due. V/Line's exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in financial loss to V/Line. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with V/Line's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the government, it is V/Line's policy to deal with entities with good credit history.

V/Line does not engage in hedging the credit risk related to its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. In such cases, V/Line's policy is to only deal with banks with high credit ratings.

Credit risk in trade receivables is also managed by enforcing disclosed payment terms and ensuring that debt collection policies and procedures are followed at all times.

Provision for impairment for contractual financial assets is recognised when there is objective evidence that V/Line will not be able to collect a receivable. Such objective evidence includes financial difficulties of the debtor, default payments and debts that are more than 90 days overdue.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents V/Line's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change in V/Line's credit risk profile in 2022-23.

Credit quality of financial assets	Government Agencies	Financial Institution		
	(AA Credit Rating)	(AA Credit Rating)	Other (unrated)	Total
	\$'000	\$'000	\$'000	\$'000

## 2023

### Financial assets with loss allowance measured at 12-month expected credit loss

Cash and deposits	–	39,049	–	39,049
Statutory receivables (no impairment loss recognised)	1,875	–	–	1,875

### Financial assets with loss allowance measured at lifetime expected credit loss

Contractual receivables (applying the simplified approach for impairment)	10,932	–	7,219	18,151
<b>Total financial assets</b>	<b>12,807</b>	<b>39,049</b>	<b>7,219</b>	<b>59,075</b>

## 2022

### Financial assets with loss allowance measured at 12-month expected credit loss

Cash and deposits	–	78,031	–	78,031
Statutory receivables (no impairment loss recognised)	798	–	–	798
Hedge derivatives	15,404	–	–	15,404

### Financial assets with loss allowance measured at lifetime expected credit loss

Contractual receivables (applying the simplified approach for impairment)	15,451	–	10,112	25,563
<b>Total financial assets</b>	<b>31,653</b>	<b>78,031</b>	<b>10,112</b>	<b>119,796</b>

### Impairment of financial assets

V/Line records the allowance for expected credit loss for the relevant financial instruments using the Expected credit loss approach. Subject to AASB 9, impairment assessment includes V/Line's cash and deposits, contractual receivables and statutory receivables. Financial assets measured at fair value through Net result are not subject to impairment assessment under AASB 9. Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment assessment. No impairment loss was required as these amounts relate to current project activity with government-related entities which are yet to be invoiced.

### Contractual receivables at amortised cost

V/Line applied the AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. V/Line has grouped contractual receivables on shared credit risk characteristics and days past due and determined the expected credit loss rate based on V/Line's historical observed loss rates, which are adjusted to reflect existing market conditions and forward-looking estimates at the financial year end. On this basis, the closing allowance at the end of the financial year are as follows:

Current	Less than 1 month	1-3 months	> 3 months	Total
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## 2023

### Government-related contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables (\$'000)	10,707	2	223	–	10,932
Loss allowance (\$'000)	–	–	–	–	–

### Other contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	0.0%	0.0%	99.1%	
Gross carrying amount of contractual receivables (\$'000)	6,448	274	495	202	7,419
Loss allowance (\$'000)	–	–	–	200	200

## 2022

### Government-related contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables (\$'000)	9,400	3,760	172	2,119	15,451
Loss allowance (\$'000)	–	–	–	–	–

### Other contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	0.0%	0.0%	99.8%	
Gross carrying amount of contractual receivables (\$'000)	8,930	1,014	167	779	10,890
Loss allowance (\$'000)	–	–	–	778	778

A reconciliation of the movement in the loss allowance for contractual receivables is as follows:

	2023	2022
	\$'000	\$'000
<b>Balance at the beginning of the year</b>	(778)	(521)
Increase in the allowance recognised in the Net result	(14)	(257)
Reversal of allowance for receivables written off during the year as uncollectible	592	–
<b>Balance at the end of the year</b>	<b>(200)</b>	<b>(778)</b>

Credit loss allowance is classified as Other economic flows in the Net result. Contractual financial assets are written off when there is no reasonable expectation of recovery. Bad debt is written off by mutual consent and is classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### **Liquidity risk**

Liquidity risk arises from being unable to meet financial obligations as they fall due. V/Line operates under the government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution. V/Line is exposed to liquidity risk mainly through its contractual financial liabilities and lease liabilities. V/Line manages liquidity risk by closely monitoring forecast cash flows to ensure that adequate funding is maintained at all times.

DTP has agreed to provide adequate cash flow support via a Letter of Support to enable V/Line to meet its current and future operational obligations as and when they fall due for a period up to September 2024, should this be required. This assurance from DTP for financial support only applies while V/Line remains in full State ownership.

Refer to Note 5.3 for the maturity analysis of contractual financial liabilities and Note 6.2 for the maturity analysis of lease liabilities. These represent V/Line's maximum exposure to liquidity risk.

#### **Market risk**

V/Line's exposure to market risk is primarily through interest rate risk, commodity risk and foreign exchange risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

#### **Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. V/Line is exposed to cash flow interest rate risks through its cash deposits placed with banks which are held at floating rate. However, V/Line's interest rate risk exposure is minimal as these balances are not significant on a day-to-day basis, as it maintains only sufficient cash flow for working capital requirements. These cash deposits are held with banks within the State Government of Victoria's centralised banking system arrangements and interest rate movements are centrally monitored. During the reporting period, the weighted average interest rate earned on these deposits was 3.08% (2022: 0.28%).

V/Line's lease liabilities are held at fixed interest rates for the duration of the lease terms. During the reporting period, the weighted average interest rate charged on these liabilities was 3.83% (2022: 3.43%). All of V/Line's other financial assets and liabilities are non-interest bearing.

### Commodity risk

Commodity risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices for commodities, largely due to demand and supply factors.

V/Line is exposed to commodity price risk in its operations. To reduce volatility and provide increased certainty over its diesel fuel exposure, V/Line has entered into diesel fuel swap contracts with TCV in order to hedge its exposure to the variability in cash flows attributable to this risk, which are associated with highly probable future transactions (diesel fuel purchases).

V/Line hedges 95 per cent of its forecast diesel usage. The diesel fuel hedges are classified as effective when changes in the value of the diesel fuel swap contracts are aligned with the movements in the diesel fuel price in the supply contract. Potential sources of hedge ineffectiveness may include mismatches in component pricing in the underlying fuel supply contract.

As at 30 June 2023, V/Line has monthly diesel fuel hedges maturing until May 2024. The cash flow impact will be incurred in the month that the hedges mature. At the end of the reporting period, the details of outstanding diesel hedging contracts are as follows:

	Average fixed diesel fuel price cents per litre <b>\$'000</b>	Nominal Quantity <b>'000 litres</b>	Notional Principal <b>\$'000</b>	Carrying Amount – Fair Value <b>\$'000</b>
<b>2023</b>				
Less than 1 year	93.3	38,747	36,160	(3,077)
<b>2022</b>				
Less than 1 year	79.9	41,124	32,858	15,598

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. V/Line does not hold any foreign currency monetary items nor is it exposed to transactions denominated in foreign currencies. However, V/Line is indirectly exposed to foreign currency risk through its fleet maintenance program, which includes a foreign currency adjustment component for movements in the AUD/EUR and AUD/GBP exchange rates.

In order to manage this risk, V/Line has entered into a series of foreign currency forward contracts with TCV in order to hedge its forecasted exposure to foreign currency risk arising from its fleet maintenance program. The hedges are classified as effective when an economic relationship exists between the foreign currency forward contracts (hedging instrument) and the foreign currency risk inherent in the fleet maintenance program as a result of fluctuations in the AUD/EUR and AUD/GBP exchange rates (risk being hedged). Sources of hedge ineffectiveness include mismatches in the forecasted maintenance costs against actual outcomes and basis differences in foreign exchange rates.

As at 30 June 2023, V/Line has foreign currency forward contracts expiring until November 2023. The cash flow impact will be incurred in the month that the hedges mature. At the end of the reporting period, the details of outstanding forward contracts are as follows:

	Weighted average exchange rate	Notional Principal  \$'000	Carrying Amount – Fair Value  \$'000
<b>2023</b>			
<b>Contracts denominated in EUR</b>			
Less than 1 year	0.6100	3,198	(26)
<b>Contracts denominated in GBP</b>			
Less than 1 year	0.5378	1,532	36
		4,730	10

<b>2022</b>			
<b>Contracts denominated in EUR</b>			
Less than 1 year	0.6407	6,546	(91)
<b>Contracts denominated in GBP</b>			
Less than 1 year	0.5465	3,239	(103)
		9,785	(194)

V/Line is also exposed to the AUD/USD exchange rate fluctuations through its exposure to diesel fuel. The foreign currency risk on the diesel fuel purchases is mitigated through the diesel fuel hedges.

### Hedge accounting

V/Line uses diesel swap contracts and foreign currency forward contracts as cash flow hedges of its exposure to commodity risk and foreign currency risk respectively.

At the inception of the transaction, V/Line documents the economic relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the various hedge transactions. Assessments are made at both hedge inception and on an ongoing basis in order to ascertain whether the hedge meets the risk management objective.

Where a hedge is effective, changes in the fair value of the derivative hedge contracts are initially recognised in the Cash flow hedge

reserve in equity, with the ineffective portion of the change in fair value (if any) recognised directly in the Net result. In the period when the hedged expected future cash flow occurs and affects the Net result, V/Line reclassifies the cumulative amount in the Cash flow hedge reserve for the related hedge contract to Other economic flows included in the Net result. Hedge accounting is discontinued only when the hedging relationship ceases to meet the hedge qualifying criteria, such as when the hedging contract is terminated.

The carrying amount (fair value) of the hedging contracts are recognised in the Balance sheet in Other financial assets when the value is positive and Other financial liabilities when the value is negative.

<b>Reconciliation of Cash flow hedge reserve</b>	Diesel swap hedge contracts	Foreign currency forward hedge contracts	Total
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2023</b>			
Opening balance	10,919	(137)	10,782
Revaluations to fair value	(6,688)	109	(6,579)
Loss on settlement of hedge transferred to Net result – Other economic flows	(7,308)	38	(7,270)
<b>Closing balance</b>	<b>(3,077)</b>	<b>10</b>	<b>(3,067)</b>

## 2022

Opening balance	4,352	(84)	4,268
Revaluations to fair value	20,790	(221)	20,569
Loss on settlement of hedge transferred to Net result – Other economic flows	(14,223)	168	(14,055)
<b>Closing balance</b>	<b>10,919</b>	<b>(137)</b>	<b>10,782</b>

No amount was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.

V/Line did not reclassify any amount from the Cash flow hedge reserve in equity to the Net result during the period due to its hedges being ineffective. There were no cash flow hedges that were rebalanced or discontinued during the period.

### 7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance sheet but are disclosed and, if quantifiable, measured at nominal value. They are presented inclusive of GST receivable or payable respectively.

#### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

As at 30 June 2023, V/Line had no material contingent assets.

### Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
  - the amount of the obligations cannot be measured with sufficient reliability.

As at 30 June 2023, all contingent liabilities are classified as non-quantifiable.

There have been minor claims made over time by customers and third parties arising out of incidents on V/Line's network. These claims are dealt with in the ordinary course of business and potential claims of above \$50,000 are referred to V/Line's insurers as the matters arise. V/Line's liability is limited to the insurance deductible amount.

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. V/Line takes active steps to improve environmental management systems and ongoing internal procedures to help discharge obligations under these laws. In 2022-23 V/Line investigated all potential environmental incidents associated with V/Line's activities, including self-reporting where required and where applicable, worked with State and Federal environmental regulators to come to a resolution.

V/Line does not have any current open regulatory notices with any environmental regulator.

V/Line's Scope 1 emissions to be reported under the National Greenhouse and Energy Reporting (NGER) Act for the 2022-23 reporting period were below its calculated baseline. As such V/Line will not be required to purchase carbon offsets to meet compliance obligations for the period.

### 7.3 Fair value determination

#### **Significant judgement: Fair value measurements of assets and liabilities**

*Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of V/Line.*

This section sets out information on how V/Line determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- hedge derivatives
- non-financial physical assets

In addition, the fair values of other assets and liabilities that are carried at amortised cost also need to be determined for disclosure purposes.

V/Line determines the policies and procedures for determining the fair values for both financial and non-financial assets and liabilities as required.

#### **Fair value hierarchy**

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, V/Line has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, V/Line determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The VGV is V/Line's independent valuation agency. V/Line, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

### 7.3.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices

- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

### Financial assets and liabilities measured at amortised cost

The carrying amounts of the following financial assets and financial liabilities approximate their fair values due to their short-term nature or with the expectation that they will be paid in full by the end of the next reporting period:

#### Financial assets

Cash and deposits  
Trade and other receivables

#### Financial liabilities

Trade and other payables.

The fair value of the following financial liabilities measured at amortised cost are different from the carrying amounts:

	2023		2022	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial liabilities</b>				
Lease liabilities	66,340	63,671	69,359	65,679

Financial assets and liabilities measured at fair value	Carrying amount \$'000	Fair value measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2023</b>				
Hedge derivatives	(3,067)	–	(3,067)	–
<b>2022</b>				
Hedge derivatives	15,404	–	15,404	–

There were no transfers between levels during the year. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.

#### Valuation techniques and inputs used to measure level 2 fair values

	Valuation technique	Inputs used
Diesel fuel swap contracts	Income approach using discounted cash flow methodology	Forward curves for diesel prices and AUD/USD exchange rates
Foreign exchange forward contracts	Income approach using discounted cash flow methodology	Forward Foreign currency points for AUD/EUR and AUD/GBP exchange rates

### 7.3.2 Fair value determination of non-financial physical assets

Fair value measurement hierarchy	Fair value measurement			
	Carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2023</b>				
Rolling stock at fair value	66,001	–	–	66,001
Rolling stock – capitalised improvements at fair value	5,071	–	–	5,071
Plant and equipment at fair value	51,416	–	26,090	25,326
Leasehold improvements at fair value	4,279	–	–	4,279
Buildings at fair value	35,289	–	35,289	–
<b>2022</b>				
Rolling stock at fair value	78,527	–	–	78,527
Rolling stock – capitalised improvements at fair value	7,557	–	–	7,557
Plant and equipment at fair value	38,419	–	28,784	9,635
Leasehold improvements at fair value	3,935	–	–	3,935
Buildings at fair value	36,631	–	36,631	–

There have been no transfers between levels during the period.

V/Line's non-financial physical assets are mostly specialised in nature. As a not-for-profit entity, the future economic benefits of V/Line's non-financial physical assets are not primarily dependent on their ability to generate net cash inflows. As a result, the fair value of V/Line's non-financial physical assets has been determined by reference to the assets' current replacement cost, adjusted for the associated depreciation.

As depreciation adjustments are considered as significant, unobservable inputs in nature, it is considered that V/Line's non-financial physical assets would be categorised within Level 3 of the fair value hierarchy.

For plant and equipment and leasehold improvements, which are considered specialised

in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method. For plant and equipment right-of-use assets acquired via leases, the depreciated cost of the assets approximate the current replacement cost after taking into consideration the assets' residual values at the end of the lease term after adjusting for wear and tear.

For buildings right-of-use assets acquired via leases, depreciated cost approximated fair value using the market approach based on an appropriate rate per square metre.

For all assets measured at fair value, the current use is considered the highest and best use.

There were no changes in valuation techniques throughout the period to 30 June 2023.

For movement in carrying amount of assets please refer to section 4.1.

**Description of significant unobservable inputs to Level 3 valuations**

<b>2023 and 2022</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>
Rolling stock	Current replacement cost	Cost per unit Useful life of rolling stock
Rolling stock – capitalised improvements	Current replacement cost	Cost per improvement Useful life of capitalised improvement
Plant and equipment	Current replacement cost	Cost per unit Useful life of plant and equipment
Leasehold improvements	Current replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement
Buildings	Current replacement cost	Cost per square metre The remaining term of the lease

Significant unobservable inputs have remained unchanged since June 2022.

# 8. Other disclosures

## Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

## Structure

- 8.1 Not-for-profit
- 8.2 Going concern
- 8.3 Equity
- 8.4 Responsible persons
- 8.5 Remuneration of executives
- 8.6 Related parties
- 8.7 Remuneration of auditors
- 8.8 Subsequent events
- 8.9 Australian Accounting Standards issued that are not yet effective

### 8.1 Not-for-profit

V/Line qualifies as a not-for-profit entity since the primary obligation of V/Line is the delivery of subsidised public transportation services in Victoria, which is consistent with FRD 108 *Classification of entities as for-profit*. V/Line is party to a Service Level Agreement with HTfV, which determines the services that V/Line provides, and the services payments received for those services. Hence, V/Line's funding level is based on covering its cash operating and capital costs, and generally its financial results are a function of timing differences between when funding is received and when the related costs are incurred. Neither the mission nor corporate strategies of V/Line are profit-motivated. V/Line has been deemed to have a not-for-profit status and accordingly those accounting standards applicable to not-for-profit entities have been applied.

### 8.2 Going concern

V/Line provides public transport services in Victoria and is also responsible for the management and maintenance of the regional rail network. The provision of these services is subsidised by the State Government of Victoria. Without the provision of that subsidy V/Line could not continue as a going concern.

Each year V/Line undertakes the budget processes that form part of the State Government of Victoria's forward budget estimates. Funding allocations are made to enable V/Line to meet its output obligations under the Service Level Agreement with HTfV, which is in place until 30 June 2025. Once the budget allocation is approved, the funding available to V/Line under the Service Level Agreement is updated for that year. Funding for the year ending 30 June 2024 has been set under an approved budget allocation.

DTP formally agrees annually to provide adequate cash flow support to enable V/Line to meet its current and future operational obligations each year as and when they fall due. This support extends to September following the budgeted year of operation to ensure continuity of funding into the next budget period. This support is formalised via a Letter of Support from DTP. This assurance from DTP for financial support only applies while V/Line remains in full State ownership.

V/Line meets regularly with DTP to provide continual updates on performance, finalise any outstanding budget matters, and deal with any subsequent matters that may arise from the ongoing operations.

Notwithstanding the deficiency in net current assets of \$62.4 million (2022: \$37.5 million) these financial statements have been prepared on a going concern basis as V/Line is financially subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Service Level Agreement with HTfV.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor the amounts and classification of liabilities that may be necessary should V/Line not continue as a going concern.

<b>8.3 Equity</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Accumulated deficit</b>		
Balance at beginning of the year	(52,926)	(55,045)
Net result	(23,378)	2,119
Transfer from physical asset revaluation surplus	13,792	–
<b>Balance at end of the year</b>	<b>(62,512)</b>	<b>(52,926)</b>
<b>Physical asset revaluation surplus<sup>(a)</sup></b>		
Balance at beginning of the year	130,561	130,561
Transfer to accumulated deficit	(13,792)	–
<b>Balance at end of the year</b>	<b>116,769</b>	<b>130,561</b>
<b>Cash flow hedge reserve<sup>(b)</sup></b>		
Balance at beginning of the year	10,782	4,268
Net (decrease)/increase in cash flow hedge reserve	(13,849)	6,514
<b>Balance at end of the year</b>	<b>(3,067)</b>	<b>10,782</b>

(a) The physical assets revaluation surplus arises on the revaluation of the classic fleet rolling stock. Transfer to accumulated deficit during the financial year related to revaluation surplus relating to rolling stock disposed.

(b) The cash flow hedge reserve arises from recording the valuation of hedge transactions.

## 8.4 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Minister and Accountable Officers in V/Line are as follows:

Minister for Public Transport	The Hon. Ben Carroll, MP	1 July 2022 to 30 June 2023
Chief Executive Officer	Mr Matt Carrick	1 July 2022 to 30 June 2023

Government caretaker conventions applied from 1 – 26 November 2022.

### Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of V/Line during the reporting period was in the range of \$510,000 – \$520,000 (2022: \$490,000 – \$500,000).

Amounts relating to the Minister are reported in the State's Annual Financial Report.

### 8.5 Remuneration of executives

The number of senior executive officers, other than the Minister and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Senior executives comprised members of the Executive Leadership Team (ELT) of V/Line. Total annualised employee equivalents provide a measure of full time equivalent senior executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services. Executives receive free public transport throughout Victoria which is not included as remuneration in this note as it is not material in value.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include LSL, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

<b>Remuneration of senior executive officers (including key management personnel disclosed in Note 8.6)</b>	<b>2023</b>	<b>2022</b>
	\$	\$
Short-term employee benefits	1,961,414	2,540,328
Post-employment benefits	168,805	225,059
Other long term benefits	49,130	62,568
Termination benefits	–	593,974
<b>Total remuneration</b>	<b>2,179,349</b>	<b>3,421,929</b>
Total number of executives <sup>(a)</sup>	<b>8</b>	<b>20</b>
Total annualised employee equivalent (AEE) <sup>(b)</sup>	<b>6</b>	<b>9.3</b>

(a) The total number of senior executive officers includes persons who meet the definition of key management personnel under AASB 124 *Related Party Disclosures* and are also reported within the related parties disclosure note (Note 8.6).

(b) Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (generally five full working days per week).

## 8.6 Related parties

V/Line is a Victorian statutory authority and is a controlled entity of the State of Victoria.

Related parties of V/Line include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures, and entities they have significant influence over)

- all Cabinet Ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

## Significant transactions with government-related entities

Significant transactions with government-related entities during the year are as follows:

Related party	Nature of transaction	2023	2022
		\$'000	\$'000
<b>Expenses</b>			
DTP	Call centre costs	3,497	3,344
VicTrack	Provision of communication services	18,922	17,154
<b>Revenue</b>			
DTP	Provision of funding to V/Line	795,302	776,633
DTP	myki/Ticket sales	46,944	27,866
DTP	Reimbursement of project expenditure	364,924	329,133
VicTrack	Reimbursement of project expenditure	1,178	627

Key management personnel (KMP) of V/Line include the Portfolio Minister, the Hon. Ben Carroll, MP, the Accountable Officer and members of the ELT.

The names of the members of V/Line's Accountable Officer and ELT are:

• Chief Executive Officer	Matt Carrick	1 July 2022 – 30 June 2023
• Executive Director (ED) Corporate Services	Lisa Williams	1 July 2022 – 30 June 2023
• ED Safety, Sustainability & Risk	Dean Matthews	1 July 2022 – 15 September 2022
• Acting ED Safety, Sustainability & Risk	Craig Dance	29 August 2022 – 17 April 2023
• ED Safety, Sustainability & Risk	Josef Brennan	10 April 2023 – 30 June 2023
• ED Network Development, Assets & Maintenance	Jonathan McKeown	1 July 2022 – 30 June 2023
• ED Operations	Rochelle Reynolds	1 July 2022 – 30 June 2023
• ED People & Integrity	Ann-Michel Greenwood	1 July 2022 – 30 June 2023
• ED Projects	Warwick Horsley	1 July 2022 – 30 June 2023

### Remuneration of KMPs

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. His remuneration and allowances are set by the *Parliamentary Salaries, Allowances and Superannuation Act 1968* and is reported within the State's Annual Financial Report.

Compensation of KMPs	2023	2022
	\$	\$
Short-term employee benefits	2,438,170	3,001,706
Post-employment benefits	194,011	248,793
Other long term benefits	61,000	74,339
Termination benefits	–	593,974
	<b>2,693,181</b>	<b>3,918,812</b>

### Transactions and balances with KMPs and other related parties

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public, e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and the Codes of Conduct and Standards issued by the Victorian

Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Purchasing Board requirements.

Outside of normal citizen type transactions with V/Line, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

### 8.7 Remuneration of auditors

#### Victorian Auditor-General's Office

	2023	2022
	\$'000	\$'000
Audit of the financial statements	120	110

## 8.8 Subsequent events

There were no matters or circumstance not otherwise dealt with in the financial statements, which have the potential to significantly affect the operations of V/Line, the results of those operations or the state of affairs of V/Line in subsequent financial years.

## 8.9 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2022-23 reporting period. These accounting standards have not been applied to V/Line's financial statements. V/Line is reviewing its existing accounting policies and assessing the potential implications of these accounting standards, which includes:

- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities – AASB 2022-10 amends AASB 13 Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate cash inflows.

Among other things, this Standard:

- specifies that an entity needs to consider whether an asset's highest and best use differs from its current use only when it is held for sale or held for distributions to owners under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* or if it is highly probable that it will be used for an alternative purpose
- clarifies that an asset's use is 'financially feasible' if market participants would be willing to invest in the asset's service capacity, considering both the capacity to provide needed goods or services and the resulting costs of those goods and services

- specifies that if both market selling price and some market participant data required to fair value the asset are not observable, an entity needs to start with its own assumptions and adjust them to the extent that reasonably available information indicates that other market participants would use different data
- provides guidance on the application of the cost approach to fair value, including the nature of costs to be included in a reference asset and identification of obsolescence.

This Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

V/Line is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered not to have any significant impact on V/Line's reporting:

- AASB 17 *Insurance Contracts*, AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*.

## Disclosure Index

The Annual Report of V/Line is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of V/Line's compliance with statutory disclosure requirements.

<b>Standing Directions and Financial Reporting Directions</b>		
Legislation	Requirement	Page
<b>Report of operations</b>		
<b>Charter and purpose</b>		
FRD 22	Manner of establishment and the relevant Ministers	9
FRD 22	Purpose, functions, powers and duties	4
FRD 8	Departmental objectives, indicators and outputs	N/A
FRD 22	Key initiatives and projects	16-28
FRD 22	Nature and range of services provided	10
<b>Management and structure</b>		
FRD 22	Organisational structure	32-33
<b>Financial and other information</b>		
FRD 8	Performance against output performance measures	N/A
FRD 8	Budget portfolio outcomes	N/A
FRD 10	Disclosure index	136-137
FRD 12	Disclosure of major contracts	N/A
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Printed by  
Print Media Group,  
Scoresby VIC 3179.





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