

## PASSENGER TRANSPORT EXECUTIVE ACCOUNTING PRACTICES

A brief review was undertaken of the accounts of the six English passenger transport executives to identify the types of transport infrastructure assets recognised and the methods by which the entities account for them. The following information was obtained from the 2005/06 accounts of the PTEs obtained from their websites, with the exception of Greater Manchester PTE for which the 2004/05 accounts were used.

Passenger Transport Executives own and operate a variety of different transport assets. Most have a form of light rail or tram system, although these are not always sufficiently within the control of the PTE to warrant inclusion in the consolidated accounts. The assets are generally held at depreciated historic cost, although most hold operational land and buildings at valuation, but it is not always clear from the financial statements whether buildings such as bus stations fall into the property or infrastructure category. Renewals accounting does not appear to be used, with the PTE instead adopting a conventional depreciation approach to their assets and capitalising expenditure only where it creates a new asset or improves an existing one beyond its original specification.

An issue that has yet to be resolved is whether Passenger Transport Authorities (PTAs) have a sufficient degree of control over their PTEs to warrant including them in their consolidated accounts. If they were to be consolidated, any change to the SORP accounting arrangements for infrastructure assets would mean that PTE transport infrastructure assets would need to be measured at current value, at least within the PTA consolidated accounts. The introduction of IFRS may have an impact on this area.

### GREATER MANCHESTER PTE

#### Infrastructure assets recognised

The main infrastructure asset recognised is Metrolink, the light rail/tram system. The PTE is also responsible for meeting the costs of upgrading passenger transport facilities in its area, including rail and highway infrastructure. However, this expenditure is offset by grants and does not pass through the PTE's accounts (although it is recorded in memorandum form).

#### Measurement

The assets are measured at depreciated historic cost, with the exception of some land and buildings which are measured at valuation.

#### Accounting

All fixed assets except land are depreciated over their useful economic lives, as follows:

Freehold & Long leasehold buildings	40 to 50 years
Short leasehold buildings	over the lease term
Metrolink	30 years (except land)
Plant and Equipment	3 to 10 years
Vehicles held for operating leases	3 to 5 years

## SOUTH YORKSHIRE PTE

### **Infrastructure assets recognised**

The PTE itself recognises infrastructure assets in relation to the light rail system and park and ride facilities.

The accounts of Supertram Assets Ltd are consolidated into the PTE's accounts. Infrastructure assets of this company include rolling stock, trackbed and systems.

### **Measurement**

Fixed assets are held at a combination of depreciated historic cost or current value. In the latter instance most assets are valued at depreciated replacement cost.

### **Accounting**

Fixed assets are depreciated over their useful economic lives, as follows:

Buildings	40 years
Park & Ride	15 years
Operational Equipment	10 years
Route Equipment	10 years
Plant and Machinery	5 years

The infrastructure assets of Supertram are depreciated over 25 years

---

## TYNE AND WEAR PTE

### **Infrastructure assets recognised**

Assets recognised include the infrastructure for the Metro system, including the rolling stock, and plant and machinery, and also the Shields Ferry.

### **Measurement**

Assets are held at depreciated historic cost or where the assets were transferred to the PTE, the transfer value adjusted for subsequent depreciation.

### **Accounting**

Fixed assets are depreciated over their useful economic lives, as follows:

Infrastructure	30-50 years
Freehold Buildings	40 years
Rail Cars	30 years
Vehicles	5-10 years
Marine vessels	20-30 years
Plant and equipment	5-50 years
Public use assets	10-30 years

## WEST YORKSHIRE PTE

### Infrastructure assets recognised

The leased rail rolling stock is recognised as a fixed asset. Rail infrastructure assets are not recognised, apparently due to the lack of any legal or ownership rights in respect of the assets.

Capital expenditure to date in respect of the Supertram project had been capitalised but was written-out to revenue in 2005/06 following the cancellation of the scheme.

### Measurement

Leased rolling stock appears to be measured in accordance with SSAP 21 i.e. Historic Cost/Fair Value less accumulated depreciation.

### Accounting

Assets are depreciated over their useful economic lives as follows:

Freehold and Long Leasehold Buildings	between 5 and 50 years
On-street Furniture and Infrastructure	20 years
Rail Units Leased	10 years
Vehicles	Between 4 and 16 years
Plant and Equipment	Between 5 and 10 years

Expenditure on the rail infrastructure is simply expensed to revenue.

---

## WEST MIDLANDS PTE

### Infrastructure assets recognised

Infrastructure assets recognised comprise mainly the light rail system — Midlands Metro, including the underlying land. Both the accounting policy note and the tangible fixed assets note indicate that the Trams for the system which are leased are recognised as finance leases (although the operating leases note to the accounts seems to contradict this).

### Measurement

The Midland Metro Infrastructure is held at depreciated historic cost. All other assets are held at either open market value (existing use) or in the case of specialised assets depreciated replacement cost.

### Accounting

Assets are depreciated on a straight-line basis over their useful economic lives, as follows:

Freehold Buildings	10-40 years	
Leasehold land and buildings	40 years (or period of lease)	
Miscellaneous Equipment	3-5 years	
Midland Metro	Land	not depreciated
	Line 1	23 years (life of the DBO contract)
	Other	30 years

Land is not depreciated

The notes to the accounts indicate that the Trams for the Metro system are on 20 year finance leases, and so under UK GAAP should be depreciated over this period, although this seems to be inconsistent with the lives stated above.

### **Infrastructure assets recognised**

The assets recognised include several bus stations, several bus turning circles, two rail stations, three ferry terminals and three ferries.

### **Measurement**

The assets are revalued at five-year intervals. The majority of assets are specialised and valued on the basis of depreciated replacement cost. The accounts also note that infrastructure assets are held at depreciated historic cost, but the tangible fixed assets note does not separately identify this as an asset class and there is no other indication in the accounts as to which assets fall within this definition.

### **Accounting**

Assets are depreciated on a straight-line basis of their useful economic lives as follows:

Freehold and Leasehold Buildings	
- Various turning circles	8-15
- Various bus stations	31-40
- Various ferry buildings etc	16-51
- Other buildings	27-41
Vessels	10-19
Passenger Vehicles	10
Vehicles	5