

COMMISSION OF THE EUROPEAN COMMUNITIES

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SIXTH COMMISSION REPORT TO THE COUNCIL
ON THE TRANSPOSED ANNUAL ACCOUNTS
OF RAILWAY UNDERTAKINGS

1982

COM(85) 381 final

SYNOPTIC REPORT ON ACCOUNTS

INTRODUCTION

1. Article 5 of Regulation (EEC) No. 2830/77 (1) provides that railway undertakings shall, within 12 months of the end of the accounting year in question, transmit to the Commission their transposed accounts. Six months after their receipt "the Commission shall submit a synopsis (of the accounts) to the Council".
2. The Commission's services prepared a working document for discussion within the Advisory Committee established to assist the Commission in the implementation of this regulation.
3. The Committee is charged to give its opinion on any questions relating to the problems and solution thereof connected with improving the comparability of the transposed annual accounts of railway undertakings and making progress towards greater harmonization of their accounting systems.

The Advisory Committee met on 20 September 1984.

4. The synoptic report on the 1982 transposed accounts embraces the Committee's opinions.

COMMENTARY ON THE COMPARABILITY OF THE ACCOUNTS

1. A summary of the transposed accounts is reproduced in Annex I to this report.
2. A statement on accounting principles currently used by the railway undertakings is reproduced in Annex II to this report.
3. Four major issues impeding comparability of the accounts were discussed :

(a) Deficit coverage

Currently, Member States use three methods for covering railway deficits - direct compensation, increase in capital or increased borrowings. Each method has different implications for and upon the accounts and financial position of railway undertakings.

The Committee, taking account of Art. 7 of Decision 75/327/EEC (1) which specifies the need for clearly defined rules on deficit coverage, recommended that in future the method used for covering the railway undertakings' deficit should be clearly indicated in the explanatory notes.

(b) Pensions

There are major differences between railway undertakings concerning pension arrangements which in turn impede comparability of their accounts. In some Member States railway undertakings are responsible for the payment of pensions directly from their revenue accounts whilst at the other extreme railway employees' pensions are paid separately by the State, the railway undertaking making no contribution whatsoever. This issue is being examined with a view to identifying the differences and providing comparative data on this issue.

(c) Contra Accounts

Account 73 on the revenue side of the profit and loss account provides for offsetting expenditures either performed for third parties or expenditures which relate to work not chargeable to the year in question. The Committee has agreed all details relating to this account should be provided in the explanatory notes to the profit and loss account.

(1) OJ No. L 152/3 of 12.6.75

(d) Source and Application of Funds

Four years ago the Committee agreed that railway undertakings should provide a statement on the sources and application of their funds with a view to improving the transparency of the accounts and their financial situation. A suggested common format for presentation was proposed. This format has not always been respected but the Committee agreed that future communications should be presented on the basis of the agreed schema.

A summary of the statement shall in future be included in the Biennial Report on the Economic and Financial Situation of Railways indicating the source of their finance (internally generated, borrowings, capital increases) and its use (investment, repayments, increases/decreases in working capital).

4. On the question of infrastructure accounting and the distortions arising from different State/Railway relationships and infrastructure aid policies little progress can be reported. The Commission reserved the right to examine the question again in the light of any developments on the Commission's proposals on financial balance (1) which are currently being discussed in the Council Transport Group.
5. The search for representative comparative indicators is continuing but progress in this field is relative to the speed at which the above mentioned distortions can be eliminated or neutralised.
6. Article 7 of the Regulation provides that "before 1 January 1983 the Commission shall, in the light of experience gained and of accounting developments in general and taking into account the opinion of the Committee, submit, where appropriate, proposals for amending this Regulation and the annexes thereto with a view to improving the comparability of transposed accounts". The Commission, after consulting the Advisory Committee, have no proposals to make at present but reserves its right to submit proposals, if necessary, at a future date.
7. The Council is invited to take note of this report.

(1) Doc. (83) 764 final

SUMMARY OF THE TRANSPOSED PROFIT AND LOSS ACCOUNT (1982)

(IN MIO NATIONAL CURRENCY)

	BRB	CFL	CIE	DB	DSB	ES (1)	NLR (2)	NS	OSE	SNCB/ MMBS	SNCF
REVENUE											
TRAFFIC REVENUE	1 605,8	1 688	171,4	15 370	3 322	1 797	4 754	1 369	4 631	24 819	31 596
- PASSENGER	988,9	279	130,3	5 512	2 145	1 136	3 880	1 045	2 470	9 847	14 175
- GOODS TRAFFIC	575,3	1 409	38,4	9 423	1 079	659	850	292	2 133	14 513	16 838
- POSTAL	41,6	-	2,7	435	98	2	24	32	28	459	583
FINANCIAL REVENUE	,8	35	-	245	11	61	84	88	107	365	978
OTHER REVENUE	86,1	90	7	1 725	535	241	502	84	349	16 498	2 912
CONTRA OF COSTS	221	-	52,5	4 609	-	1 161	-	280	958	14 119	2 118
COMPENSATION AND AIDS	908,9	5 176	96	9 234	2 452	5 709	4 911	1 194	7 439	50 316	16 919
- REGULATION (EEC) 1191/69	887,2	1 566	34	3 518	1 977	2 674	4 249	878	-	22 651	5 799
- REGULATION (EEC) 1192/69	17,5	1 879	6	4 546	17	482	149	51	421	16 397	557
- REGULATION (EEC) 1107/70 ART. 3	4,2	1 713	37,1	109	458	1 361	-	-	1 864	11 268	5 409
- OTHER	-	-	.2	1 061	-	-	513	-	-	-	2 174
- REGULATION (EEC) 1107/70 ART. 4	-	-	18,7	-	-	1 192	-	265	5 154	-	2 980
EXTRAORDINARY ITEMS	-	-	-	161	-	168	69	-	84	260	1 384
LOSS FOR THE YEAR	175	228	13,6	4 149	-	1 479	-	30	-	5 112	6 158
TOTAL	2 997,6	7 217	340,5	35 493	6 320	10 616	10 320	3 045	13 568	111 489	62 065
EXPENSES											
STAFF COSTS	1 762,8	5 589	169,3	20 651	3 214	5 608	5 993	1 607	9 247	64 204	34 396
MATERIAL SUPPLIED AND SERVICES PERFORMED BY THIRD PARTIES	1 002,5	655	126	9 725	1 948	2 821	3 689	754	2 794	32 680	16 026
TAXES AND DUES	-	47	16,1	182	-	166	-	3	88	10	1 123
DEPRECIATION AND PROVISIONS	153,1	665	17	1 872	509	1 200	569	453	545	6 367	4 224
FINANCIAL CHARGES	79,2	194	10,3	2 926	649	817	-	228	595	8 228	5 423
EXTRAORDINARY ITEMS	-	87	1,8	137	-	4	848	-	359	-	873
PROFIT FOR THE YEAR	-	-	-	-	-	-	821	-	-	-	-
TOTAL	2 997,6	7 217	340,5	35 493	6 320	10 616	10 320	3 045	13 568	111 489	62 065

(1) MFD LIT
(2) 000 UKL

SUMMARY OF THE TRANSPOSED BALANCE SHEET (1982)

(IN MIO NATIONAL CURRENCY)

	BRB	CPL	CJE	DB	DSB	FS	NIR	NS	OSE	SNCB/ NMBS	SNCF
						(1)	(2)				
ASSETS											
LONG-TERM ASSETS	1 565,8	3 843	166,4	56 003	8 048	10 465	28 277	5 878	33 196	167 874	81 441
- FIXED ASSETS	1 094,8	3 776	166,4	53 349	8 037	9 884	28 277	4 697	31 991	163 791	74 606
- OTHER FIXED ASSETS	471	57	-	2 654	11	581	-	1 181	1 205	4 083	6 835
CURRENT ASSETS	374,5	1 374	71,6	5 411	1 316	6 863	3 241	805	12 633	39 672	21 347
- STOCKS	174,8	660	35,4	1 027	781	1 618	667	295	2 411	11 940	3 561
- REALIZABLE ASSETS	190,8	692	36	2 223	491	2 134	2 236	451	9 152	26 901	17 167
- BANK BALANCES AND CASH	8,9	22	,2	2 161	44	3 111	338	59	1 070	831	619
CUMULATIVE RESULTS (LOSSES)	249,5	111	35,8	8 193	-	12 869	13	30	-	15 403	13 574
TOTAL	2 189,9	5 328	273,8	69 607	9 364	30 197	31 531	6 713	45 829	222 949	116 362
LIABILITIES											
CAPITAL AND RESERVES	912,4	2 750	66	30 040	8 287	7 830	28 217	3 504	37 587	112 587	45 967
LONG TERM DEBTS	660,9	1 231	105,8	35 996	-	17 109	100	2 543	5 464	59 387	43 543
CURRENT LIABILITIES	616,5	1 347	102	3 571	1 077	5 258	2 393	666	2 778	42 856	26 852
CUMULATIVE RESULTS (PROFITS)	-	-	-	-	-	-	821	-	-	8 119	-
TOTAL	2 189,9	5 328	273,8	69 607	9 364	30 197	31 531	6 713	45 829	222 949	116 362

(1) MIO LIT

(2) 000 UKL

Summary of Significant Accounting Policies

The **Annual Accounts are transposed** in accordance with the Council Regulation No. 2830/77.

These accounts are prepared under the **Historical Cost Convention** taking account of past financial reconstructions.

Amounts presented in the Balance Sheet do not necessarily reflect the changes in purchasing power.

Where acceptable alternative treatments are available, the method selected is set out below.

Summary of the SNCB

Basis of Financial Statement

The agreed **Source and Application of Funds Statement** is included.

Balance Sheet

Up to and including 1981 the SNCB did not employ the classic system of depreciating - **fixed assets**; their replacement was ensured through the **Replacement Fund**. From 1982 on, all **fixed assets** are entered at their historical cost and depreciated on a linear basis over their useful lifetime. However, the land as well as the cuts and fills etc. are not depreciated.

Stocks of supplies and raw materials are valued at their weighted average price, works in progress at their cost and goods are valued partly at cost and partly at average price.

Long-term **loans** coming into **maturity** in a year or less are booked to the account of short-term loans.

The **Reserves** include the sum of the annual amount credited to the **Loan Redemption Funds** at the end of the year and the "Correction Entry of the value of the Fixed Assets" as the result of the restructuration on 31 December 1981.

Profit and Loss Account

Turnover is the aggregate **gross income** of the SNCB including **works** performed outside the normal course of business, with a **distribution** to the accounts concerned, and the **subventions** paid in accordance with EEC regulations.

SNCB receives a **compensation** notably for the **infrastructure** charges and the **pension** charges which are paid by the undertaking and included in the staff cost.

In the case of receipts from passenger traffic, some breakdowns based on statistics have been made between rail- and road traffic.

Summary of the DSB

Basis of Financial Statement

In accordance with national standard accounting, the costs of **Fixed Assets under Construction** are included in the Fixed Assets accounts.

The agreed **Source and Application of Funds Statement** is included.

Balance Sheet

Up to and including 1981 **depreciation** on **fixed assets** was on a **strait-line basis**, with various rates of depreciation. As from 1982 the balancing method will be used.

Stocks are valued at current prices.

Current assets other than stocks and **current liabilities** are valued at nominal value.

The **capital** of the DSB is built up through state contribution to investment. This capital bears, from 1982 on, an interest of 9,0 % (before 4,5 %).

Profit and Loss Account

Turnover is the aggregate **gross income** of the DSB activities, including the reimbursement of the cost of the rail operations in the Metropolitan Area by the Metropolitan Council (MC) and the **subventions** paid in accordance with EEC regulations.

Works performed outside the normal course of business are **booked directly** to the **fixed assets account**.

DSB's **traffic revenue** can **not** be **apportioned** between the various modes of transport for which there is no separate pricing.

Included in the **Staff cost** is the DSB contribution to **pension** cost for all staff in employment. The pensions paid to retired DSB staff are covered by the State budget.

Staff expenditure relating to fixed assets is entered under the relevant assets accounts.

Summary of the DB

Basis of Financial Statement

The agreed **Source and Application of Funds Statement** is included.

Balance Sheet

Fixed assets are capitalized at **historical cost** and depreciated on a **linear** basis over their useful lifetime. If an asset is disposed of before then it will be written off.

Stocks, including engineering material and stores of fuel and oil, are valued at cost.

In principle DB is obliged to insert its **losses** in the balance sheet until the Federal government has decided its coverage. Generally these losses are being compensated two years later with a **capital grant** to cover accumulated losses or with reserves. For these two items DB receives annual payments above the line.

Profit and Loss Account

Turnover is the aggregate **gross income** of the DB including **works** performed outside the normal course of business, with a distribution to accounts concerned and **subventions** paid in accordance with EEC Regulations.

DB receives a compensation for the interest on loans and a compensation for excess social charges and external superannuation charges. The **pensions** to workers and salaried staff are paid by an independent fund, to which DB pays a contribution, while those for permanent officials are paid by the undertaking itself.

Summary of the SNCF

Basis of Financial Statement

The agreed **Source and Application of Funds Statement** is not included.

Balance Sheet

Fixed assets are capitalized at **historical cost** and **depreciated** on a **linear basis** over their useful lifetime, with the possibility to amortize certain items faster.

Long-term **loans maturing** in a year or less are booked to the account of short-term loans.

The **Reserve** account includes the statutory and contractual reserves and the difference in value after the revaluation. The annual transfer is affected on the basis of Art. 24 of the 1937 conversion and is shown in the Profit and Loss Summary.

Profit and Loss Account

Turnover is the aggregate **gross income** of the SNCF, the **work** performed on own fixed assets and ancillary works performed outside the normal business and the **subventions** paid in accordance with the EEC regulations.

SNCF receives a grant towards **infrastructure cost**, a **balancing subsidy**. A **compensation** to cover the **pension** charges is paid directly to an independent pension fund.

Summary of the CIE

Basis of Financial Statement

The costs of **Fixed Assets under Construction** are included in the Fixed Assets Accounts.

The agreed **Source and Application of Funds Statement** is included.

Balance Sheet

The **Fixed Assets (Net)** account shows the historical cost of fixed assets acquired since 1950 less accumulated depreciation based on that historical cost except for railway land, earthworks, permanent way and major structures. Only the historical cost of these latter items incurred by CIE since 1st April, 1974 is included in the Fixed Assets Account No. 10. These items are not depreciated, but the renewal of these items, including all those incurred prior to 1974, is provided for by an annual provision which is based on the estimated average annual cost of carrying out the programme of renewals necessary to maintain the running lines at the required standard over the period of 5 years ended 31st December, 1983. Each year this estimate is revised on the basis of actual expenditure to date plus estimated expenditure for the balance of the period.

The cost of railway land, earthworks, permanent way and major structures incurred during the period 1950 to 1974 was written off against the Capital Reserve Account as and when incurred.

Depreciation on **coaching-stocks** and wagons and of **road passenger vehicles** is based on the **replacement cost**. The excess such depreciation over historical cost depreciation is shown separately on an asset **replacement reserve account**. No depreciation is charged on buildings and land.

Stocks, including material for non-operational purposes, are valued at cost, on an average cost less provision for defective and obsolete stocks.

Long-term **loans maturing** in a year or less are booked to the account of short-term loans.

Profit and Loss Account

Turnover is the aggregate gross income of the CIE and wholly owed subsidiaries (after eliminating inter-activities) including works performed outside the normal course of business and the subventions paid in accordance with EEC Regulations.

CIE receives a **grant** towards **infrastructure** expenses, a balancing subsidy and a **grant to cover losses** on Ferry services as well as a **compensation** to cover the **CIE contribution** to superannuation funds and pensions.

Summary of the FS

Basis of Financial Statement

The costs of **Fixed Assets under Construction** are included in the Fixed Assets accounts.

The agreed **Source and Application of Funds Statement** is included.

Balance Sheet

Fixed assets represent the **cost of acquisition** or construction as the FS **does not employ** the system of **depreciating** fixed assets but **sets up** an annual **reserve for their renewal**.

Included in fixed assets is also **Fixed assets under construction**.

Stocks, including works in progress in FS workshops, are valued on the basis of weighted average prices.

The amount in the **capital account** represents the initial State allocation for lines and equipment and successive changes.

The reimbursement by the State for redemption of loans is booked as contribution to investment cost.

The **long-term debts** are mainly loans to cover **losses**.

The distinction between long-term and short-term debts is made on the **repayment schedules**.

Profit and Loss Account

Turnover is the aggregate **gross income** of the FS including **works** performed outside the normal business and **subsidies** paid in accordance with EEC regulations under which FS receives a **grant to infrastructure** expenses and a **balancing subsidy** (losses are normally covered by State loans) as well as a **compensation** against the FS contribution to the **Pension Fund** which also receives a contribution from staff and a contribution from the State.

FS's **traffic revenue** can not be **apportioned** between the various modes of transport.

Summary of the CFL

Basis of Financial Statement

The agreed **Source and Application of Funds Statement** is **not** included.

Balance Sheet

The value of **Land and Fixed Installations** placed at CFL's disposal by the State when the company was founded appears in the Balance Sheet as nil and is not depreciated. The renewal costs of these fixed assets are regarded as a depreciation allocation charged to the operating account.

Other fixed assets are capitalized at **historical cost** and **depreciated** on a **linear** basis over their estimated useful lifetime.

Stocks are valued on the basis of the weighted average prices.

Profit and Loss Account

Turnover is the **aggregate gross income** of the CFL and the **compensations** paid in accordance with EEC regulations. Therein are included a **grant for infrastructure charges** and a **compensation** for the CFL payments on **pensions** which are totally paid by the undertaking.

The remuneration of staff in employment excludes that relating to investment which is charged to the relevant account items.

Summary of the NS

Basis of Financial Statement

The NS is a **Public Limited Liability Company**.

A **Source and Application of Funds Statement** is not included.

Balance Sheet

The **Assets** are listed at **acquisition value** less the calculated **depreciation** based on the number of years of useful economic life, which have elapsed. Land is not depreciated.

Stocks are intended virtually exclusively for the maintenance and renewal of fixed installations and transport stocks and equipment.

Long-term **loans maturing** in a year or less are booked to the account of short-term loans at nominal value.

The **foreign currency loans** are converted at the latest exchange rate in the year; any difference is booked to reserve account.

Of the company's **share capital** of HFL 1 MRD is only HFL 484,4 MIO issued and paid.

The **revaluation reserve** is adjusted by: 1) supplementary depreciation of fixed assets used in the goods sector, 2) the differences resulting from the revaluation of stocks at the estimated price level at the beginning of the next year and 3) in the value of foreign currency loans.

The **investment reserve** is adjusted by the non-repayable investment grant from the State, where durable assets are conserved.

The **provision for share holdings** is adjusted in connection with changes in NS's share of the intrinsic value.

The Account **Contribution to Investment Cost** contains the investment grant from the State and the premium paid in accordance with the "Wet-Investeringsrekening (WIR)".

The Account **Fund for Staff** includes the provision for early retirement pensions (a percentage of the pension contribution is paid into this reserve every year) for the pension commitments which are not covered by the railway's pension fund.

Profit and Loss Account

Turnover is the aggregate **gross income** of the NS including **works** performed outside the normal business and **subventions** paid in accordance with EEC regulations. NS receives a **balancing subsidy** (the contribution to goods traffic) whereas the State compensation as well as the NS contribution to **pensions** go into the NS Independent Pension Fund.

Expenditures on **maintaining of permanent way** (except on strengthening) is charged to the provision account.

Summary of The BRB

Basis of Financial Statement

The accounts are **non-consolidated** of the Non-Rail Business, which are treated in some respect as if they were associated companies.

The Costs of **Fixed Assets under Construction** are included in the Fixed Assets accounts.

The agreed **Source and Application of Funds Statement** is included.

Balance Sheet

Fixed assets (including leased assets) other than stated below are capitalized at **historical cost** and **depreciated** on a **linear** basis over their estimated useful lifetime.

With exception of infrastructure and alterations and modifications expenditures, investment expenditure is capitalized above minimum monetary levels, i.e. £1000 for depreciation assets and £ 25,000 for ways and structure type assets. Below these levels the expenditures are charged to the P&L-account. Expenditure incurred prior to 1963 on land and fixed installations as well as property held for sale is not capitalized. An additional **provision** is made towards the replacement of Rail passenger assets for which an allowance is received as a part of the PSO-payment.

Fixed assets under construction are included in the Fixed Assets Account.

Stocks are valued mainly at cost, on an average price basis, reduced by a provision against obsolescence. Scrap stocks are valued at estimated realisable value.

Profit and Loss Account

Turnover is the aggregate **gross income** of the Board and all its subsidiary companies after eliminating inter-activity income, **compensations** paid in accordance with EEC Regulations and the **work** performed outside the normal business.

The BR does not make a distinction between nationally and internationally generated revenue.

The **Pension Cost** included in Staff Cost is the Board's contribution to the Pension Fund as employers.

Summary of the NIR

Basis of Financial Statement

The NIR is a **subsidiary** to the Northern Ireland Transport Holding Company.

The costs of **Fixed Assets** under **Construction** are included in the Fixed Assets Accounts.

A **Source and Application of Funds Statement** is not included.

Balance Sheet

Fixed Assets transferred to the company on the 1 April 1968 are included as valued on 29 March 1970 and other assets at cost. **Fixed assets** are capitalized at **historical cost** and **depreciated** over their expected useful life. In the case of signaling and bridges, expenditure is written off in the period in which it is incurred.

Stocks including engineering materials and stores of fuel and oil are valued on the basis of the lower average cost or estimated realizable value.

Foreign currency transactions are converted at the rate of exchange ruling at the date of transaction.

Profit and Loss Account

Turnover is the aggregate of the **gross income** of the NIR activities and the **subventions** paid in accordance with EEC regulations. NIR also receive a **grant** to investment.

Staff cost includes the NIR contribution to the **Pension Fund** as employers.

Summary of the OSE

Basis of Financial Statement

The agreed **Source and Application of Funds Statement** is included.

Balance Sheet

The **depreciation** on the initial assets is calculated on basis of the **replacement cost** whereas assets bought since 1971 are capitalized at **historical cost** and **depreciated** on a **linear** basis over their estimated useful lifetime.

Stocks, including material for non-operational purposes, are valued at weighted average prices.

Differences on **exchange rates** are booked as Exceptional Items.

Profit and Loss Account

The figures are extracted from the accounts and there is no breakdown between revenue from goods traffic by rail and by road.

Turnover is the aggregate **gross income** of the OSE activities including **works** performed outside the normal course of business (distributed to cost of material and staff) and payments of **compensations and aids** which are based upon national decrees corresponding to EEC regulations.

A **balancing subsidy** is given as well as a contribution to investment.

Included in staff cost is the OSE contribution to **pension** funds. The State pays the pension for personnel employed before 1970.