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SECTION 20 IN PRACTICE

Version 1.2



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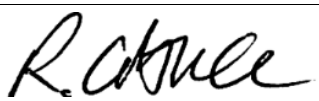
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Executive Summary

This report examines how Section 20 of the Transport Act 1968 operated in practice before rail franchising. Section 20 and the associated arrangements enabled Passenger Transport Executives (PTEs) to specify local rail services provided by British Rail (BR), paying the difference between operating costs and passenger revenue. Section 20 remained the basis of metropolitan rail devolution until it was effectively replaced by Section 34 of the Railways Act 1993 during franchising in 1996/97.

These arrangements enabled PTEs to reach agreements with BR to secure local rail services as part of the wider local transport networks they planned and managed. Control of the farebox on local rail services alongside other local transport modes ensured effective network co-ordination across modes to meet local needs and priorities.

PTEs exercised significant influence over local rail services, including fares, service levels, investment priorities and, in some cases, rolling stock acquisition. Because PTEs carried revenue risk and contributed toward operating and capital costs, there was strong incentive to secure value for money, scrutinise claims, alongside promoting growth and service development. Significant patronage growth was often achieved with steady or even reducing Section 20 support.

Financial arrangements were governed through a combination of nationally agreed accounting principles and local negotiation. Costs were attributed using the concepts of prime user and sole user, while revenue was allocated through locally agreed methods and later ORCATS. Although these principles provided consistency, their practical application often required local judgement, negotiation and audit. The annual Section 20 claim process was central to the financial relationship, with PTEs able to challenge assumptions, commission audits and secure adjustments where costs were deemed unreasonable.



Figure 1-1 – British Rail's Regional Railways business worked closely with the PTEs on everything from fares to service levels and investment. Section 20 provided the mechanism for this partnership, but it went far beyond contracts as PTEs built effective working relationships with their railway counterparts.

Section 20 relied heavily on transparency, trust and collaborative working rather than strict contractual enforcement. Regular information sharing, joint service planning and local governance arrangements provided accountability. Improved management information, particularly the introduction of the Sector Performance Accounting and Monitoring System (SPAMS) in the mid-1980s, enabled Section 20 to function much more effectively as parties were able to share information more widely, offering increased transparency and apply more sophisticated analysis. However, the framework lacked robust performance-management mechanisms, meaning service performance issues were generally addressed through negotiation and political influence rather than contractual penalties. This was partially balanced against by the fact that both PTEs and British Rail were public sector bodies and neither was taking profit out of the system. Section 20 payments were outturn net costs with no profit component or contingency.

Overall, Section 20 was a locally led, partnership-based model of rail devolution, combining financial accountability with substantial local influence over rail services and investment. It secured rail services responding to local priorities with decision-making integrated across other local modes, delivered by BR as part of the national network.

It underpinned relationships that led to significant service transformation and shared capital investment. Major projects include Merseyrail Loop and Link, Argyle Line (Glasgow), Jewellery Line (Birmingham), electrification schemes (Ayrshire, Birmingham Cross-City), Airedale / Wharfedale (Leeds / Bradford), and numerous new stations.

This version of the report benefits from comments from the UTG GBR Partnership Liaison Group. We continue to welcome further evidence of how Section 20 worked in practice, including other examples of Section 20 Agreements. Please contact Alex Williams via alexander.williams@atkinsrealis.com . An updated version of the report will be issued later in 2026 if significant new evidence emerges.

Many of the primary references used in this report are not available online. For copies, please contact Oscar Rocklin via oscar.rocklin@networkrail.co.uk .



Lessons for rail reform in 2026

Section 20 was not simply a mechanism for subsidising rail services, but instead was much closer to a locally managed rail partnership model, giving metropolitan transport authorities substantial influence over BR's service provision while requiring them to share financial risk.

Its strengths lay in transparency, local accountability and collaboration; its principal weakness was the absence of a robust agreed performance mechanism. The Section 20 arrangements demonstrate that meaningful rail devolution as part of a nationally integrated network can be achieved through a combination of:

- local financial responsibility;
- transparent local accounting of railway costs and revenues;
- shared decision-making;
- regular audit and scrutiny; and underpinned by
- strong local partnership working.

The Section 20 model provides a valuable proof of concept and comparator for the working arrangements that GBR and Mayoral Strategic Authorities (MSAs) could achieve via Local Commissioning with GBR as the publicly owned operator joined up across track and train.

Enabling this type of partnership would also require a different approach to funding local rail services. Background to the current and past models is set out in our sister report, *Funding of devolved roles on England's railways*.



Figure 1-2 – Metro Train timetables (1992) produced by West Yorkshire PTE. Controlling the local farebox meant PTEs marketed and promoted local rail services to grow revenue. Publicly these were Metro Train services, operated by Regional Railways.



Figure 1-3 – Metro Saver Strip publicity (1989). West Yorkshire PTE provided a range of pre-paid multi-modal ticketing products for use across bus and train in its area.

SECTION 20 IN PRACTICE

1. Section 20

There is a long track-record of partnerships between places and the railway. With the passing of the Transport Act 1968, Passenger Transport Executives (PTEs) were empowered to enter into agreements with British Rail to secure the delivery of local rail services which would properly contribute to the integrated public transport of their area. This arrangement ended with franchising of the railways in 1997.

Put simply and as described by South Yorkshire PTE in 1988: *"The PTE … has financially supported certain parts of the local railway network since 1977. This support…enables the PTE to specify train service frequency and quality levels, together with the fares to be charged. In return, the PTE pays British Rail, in accordance with a nationally agreed formula, the difference between the operating cost for the service specified and revenues from the fares collected."* [1]

'Section 20' is used as shorthand to describe a set of arrangements. Briefly, this comprises:

- **Section 20 of the Transport Act 1968**, from which the approach takes its name. A copy of Section 20 as it stood from 1985 is included in Annex A.
- **A Section 20 agreement** – a legal agreement between the relevant PTE and British Railways Board setting out which services will be 'Agreed Services', and basic roles and responsibilities. A summary of the provisions of a sample Section 20 Agreement is included as Annex B.
- An overall ***'Principles and Procedures'*** document agreed between British Rail and the PTEs collectively (via Passenger Transport Executive Group (PTEG)) to ensure a fair and consistent approach to the application of Section 20 arrangements. The Department of Transport, DoT, (now Department for Transport, DfT) was also party to significant changes to this.
- Locally agreed working arrangements with the context set above.

'Principles and Procedures' and ways of working evolved over time, as operating, funding, and railway accountancy approaches and structures developed over time. This report focuses most on the late 1980s and early 1990s period. This is where most primary sources are available and is the period when working arrangements had matured.

The mechanism gave PTEs significant influence over local rail services because they carried the financial consequences of the specification they agreed. That included exposure to revenue risk, and the attributed cost and revenue associated with their Agreed Services. This led to the desire to scrutinise costs, challenge claims, set fares and agree service decisions. Sources highlight the substantial benefit this influence provided to drive growth and investment in the local rail network, ensure the local railway was responding to locally defined needs, supported better local transport integration and economic development objectives. Patronage growth was an important tool in reducing the level of support required. The practical effect was a locally managed railway partnership, built around the Section 20 agreement and sustained by engagement and partnership rather than by a heavily enforced contract.

As set out in our sister report, *Funding of devolved roles on England's railways*, areas that entered into Section 20 agreements also qualified for grant support from central government, recognising that the Section 20 role locally off set role government financial support otherwise provided by via the Public Service Obligation (PSO).

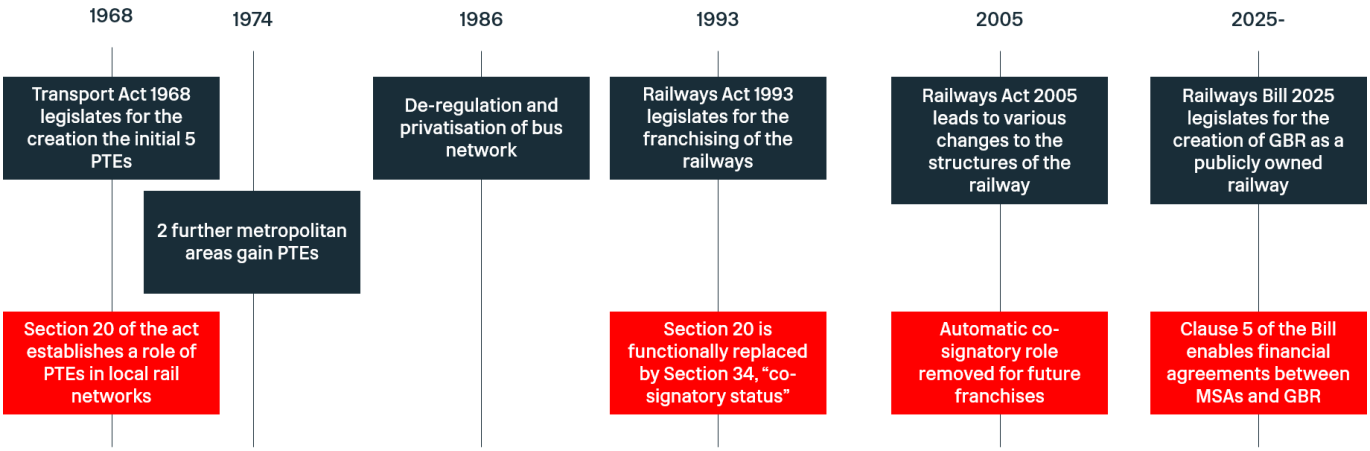


Figure 1-1 - Key legislative changes affecting the PTEs' roles and powers in relation to the provision of local rail services

1.1 Context

Between 1948 and 1994 Britain's railways were publicly owned and operated by British Rail (BR). In 1968, recognising the importance of integrated public transport in towns and cities across Britain, the government enabled the creation of Passenger Transport Authorities (PTAs) and Passenger Transport Executives (PTEs). These brought together many previously disparate public transport bodies under one accountable entity, for instance multiple municipal bus companies of the constituent councils and ferries operations. The PTA oversaw and funded the PTE and was generally constituted by elected representatives from the constituent local authorities in the area.

The statutory function of a PTE is *"to secure or promote the provision of a properly integrated and efficient system of public passenger transport to meet the needs of that area"*. [2] Initially, five PTEs were established; West Midlands, South East Lancashire & North East Cheshire (latterly Greater Manchester), Merseyside, Tyneside (latterly Tyne and Wear), and Greater Glasgow (latterly Strathclyde). This grew to seven in 1974 with the addition of South Yorkshire and West Yorkshire.

Section 20 was the mechanism that enabled PTEs to secure provision of BR services that contributed to the 'integrated and efficient system of public passenger transport' they were created to deliver. Alongside, they directly delivered or secured provision of local buses, trams, and ferries, with control of the farebox across these modes.

The role and functioning of PTEs changed over time, most notably through local government reorganisation which created then subsequently disbanded Metropolitan County Councils (the PTE boundaries were updated to match the Metropolitan County Councils, which also fulfilled the role of the PTA). The deregulation in 1986 and subsequent privatisation of buses, significantly reduced the role of the PTEs in the provision of local bus services.

Despite these changes the PTEs' role in relation to the local rail network enabled by Section 20 of the Transport Act remained consistent over the period of public ownership. The only significant change to Section 20 legislation was in 1985 to make the power available to all PTEs in general – prior to this Section 20 was enabled for each PTE via specific statutory order. Generally, there was greater focus on rail after 1986 when powers over the bus network were reduced [3], but all PTEs had entered Section 20 agreements for at least part of the local rail offer before that date. The PTEs continued to exercise their role under Section 20 until franchising in 1997. The version of Section 20 in force from 1985 onwards is reproduced at Annex A. This was a simple provision, primarily aimed at empowering the PTEs as part of their local transport role. Duties to share information were imposed on British Rail as part of Section 20, with provision for any disputes or failure to reach agreement being referred to the Minister.

There was no equivalent to Section 20 available in the local transport powers for Greater London. Only after the Railways Act 2005 was a degree of parity in rail powers achieved.

1.1.1 Post Section 20 arrangements

Following rail franchising, Section 20 was effectively replaced by **Section 34** of the Railways Act 1993. Existing Section 20 agreements remained in place until rail franchises were let to the private sector in 1997.

Section 34 gave PTEs the right to be co-signatories to relevant rail franchises alongside the franchising authority (Office for Passenger Rail Franchising, later the Strategic Rail Authority, then DfT). Under this arrangement, the relevant local share of rail financial support to the franchisee came via the PTE. During the first franchise round, five of the seven PTEs chose to retain revenue risk and set local fares, with West Yorkshire and Greater Manchester opting not to do so. No PTE retained revenue risk in subsequent franchises. How funding of the local role changed is set out in our sister report, *Funding of devolved roles on England's railways*.

Section 34 was repealed by the Railways Act 2005 and functionally replaced by **Section 13** of that Act. While Section 13 retained some previous provisions, including access to data and formal consultation, it removed the automatic right for PTEs to be co-signatories on future franchise agreements. Instead, co-signatory status is subject to the Secretary of State's discretion which has not been granted. In practice, some areas have instead used non-statutory partnership agreements with the DfT, without a shared financial role.

The current Railways Bill proposes repealing Section 13 of the Railways Act 2005. New **Clause 5** broadly maintains existing provisions of Section 13 of the 2005 Act (and Section 20 of the 1968 Act) but applies it more generally to Mayoral Strategic Authorities, as well as PTEs, and focuses on the relationship with GBR, rather than the Secretary of State. It includes provision for financial agreements between local government bodies and GBR, which could include arrangements like those previously available under Section 20.

1.1.2 Evolving role of PTAs and PTEs

The role of PTAs was replaced by Integrated Transport Authorities (ITAs) in 2008, and this role was subsequently folded into and discharged by the relevant Mayoral Strategic

Authorities (MSA). Fundamentally local transport powers in the main metropolitan areas still stem from provisions in the 1968 Transport Act and there remain a set of PTE powers which continue to be discharged either via stand-alone executive bodies (such as Transport for Greater Manchester, Merseytravel and Nexus) or directly by the relevant MSA.



Figure 1-2 – A Class 323 in the Centro (West Midlands PTE) variant of BR's Regional Railway livery. Centro contributed significantly to the financing of the new trains via Section 20 finances, as well as directly financing four units.

2. The Section 20 Agreement

At the time of writing (August 2026) only one example of a Section 20 Agreement has been located. This is the first Section 20 agreement entered into between the British Railways Board and West Yorkshire Passenger Transport Executive (WYPTE) in November 1978. [4]

It is assumed that this agreement represents a standard example, reflecting practice that evolved over the previous decade in other areas. This Section 20 agreement is much more than a subsidy agreement. It creates a governance framework in which:

- BR remains the railway operator with continuing operational and safety responsibility.
- WYPTE funds local services and acquires substantial influence over fares, service levels and standards.
- Both parties jointly plan future rail development.
- WYPTE gains substantial rights relating to railway land, station facilities and the preservation of disused corridors.

It is understood that the agreements were templated, with little local variation beyond populating the schedules. [5] This could only be confirmed if other examples are located.

The First Schedule to the Agreement sets out the ‘Agreed Services’ to which the provisions of the agreement apply.

The Second Schedule is missing from the version located at the National Archives. This covers the financial calculation methodology. It is assumed that this reflects the principles and procedures set out in the following section of this report, as determined from other sources. A more detailed summary of the provisions of this Section 20 agreement is included at Annex B.

3. Principles and Procedures for Section 20 claims

Under the Section 20 arrangement, the PTE was billed monthly by BR for the difference between the operating costs of the Agreed Services and the revenue from the fares collected for those Services. This was always a payment from the PTEs to BR as at no point did the revenues from PTE’s supported services exceed costs. A full copy of the agreed version of ‘Principles and Procedures’ as it applied in 1988 and subsequent years is referenced and can be shared on request. [6]

Section 20 ‘Agreed Services’

‘Agreed Services’ was a defined term under Section 20. Agreed Services referred to the rail service between specific stations within the PTE area (or agreed stations up to 25 miles beyond the boundary). However, they were not necessarily, and indeed rarely were, delivered by trains with an operational start and end within that area. Instead, Agreed Services were delivered by BR within the broader context of a wider network rather than as isolated train services.

On shorter routes, both termini of a train were within the PTE boundary and therefore constituted Agreed Services in their entirety. But trains often ran to destinations well beyond the scope of Agreed Services. In the north of England many through trains were part of BR’s response to the Agreed Services of multiple PTEs.

A notable example was a Liverpool – Manchester – Bradford – Leeds – York stopping train, which fulfilled part of the Agreed Service of three PTEs, with the balance of revenue and costs outside these arrangements being covered as standard BR operations. For journeys within Merseyside, Greater Manchester, or West Yorkshire, this train operated as an integrated part of the local transport offer, with locally set fares, pre-paid multi-modal tickets and passes, as part of local control of the farebox. Station standards and visual identity within each area were all locally agreed, with the financial implications of those choices captured through the Section 20 arrangements. It was nonetheless still part of the national network of rail services provided by BR.

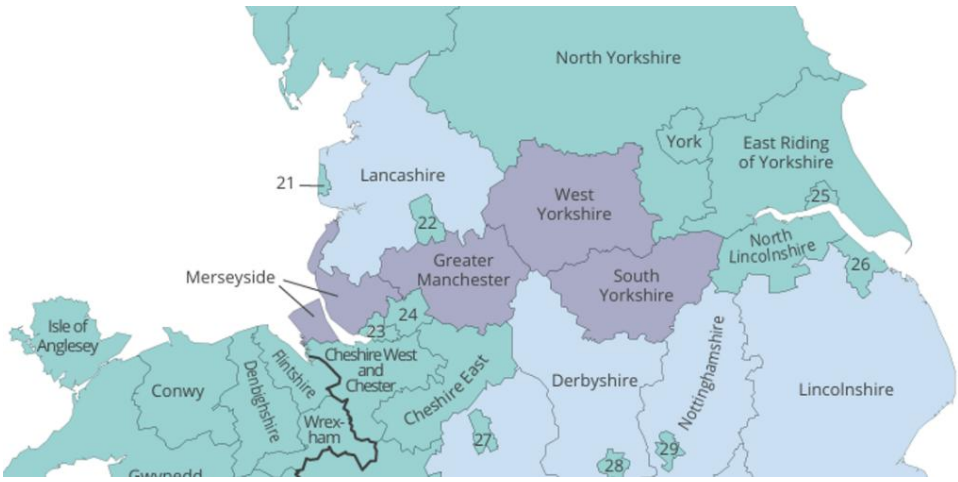


Figure 3-1 – Map of counties and unitary authorities in the north of England. Areas shaded in purple exercise PTE powers. During the 1980s and 1990s Section 20 agreements were in place with all four of these adjacent areas, with many BR services sponsored by multiple PTEs, as well as running into surrounding areas. *Crown copyright 2023.*

The 1988 version of Principles and Procedures, and subsequent versions, were built on BR's national internal cost attribution principles that supported sectorisation (known as SPAMS). This was part of a wider initiative to bring organisational emphasis to bottom-line responsibility and accountability for cost and revenue in the railway, enabling greater decentralisation of profit and loss accounting. [7] The principles were applied to the Section 20 Claims by agreement between PTEs and BR from 1986/87 and produced cost attributions that were much closer to those genuinely incurred than previous attribution methods. Up to 1985/6 considerable use had been made of allocating Regional and Area budgets pro-rata by factors such as train miles or track miles. This section of the report sets out those arrangements from 1986/87.

'Principles and Procedures' and associated collective ways of working were managed via the PTEG Rail Committee, chaired by one of the PTE Finance Directors, and included Provincial / Regional Railways finance officials. DoT was party to any significant changes of practice. All local matters were dealt with via local relationships. [8] [9]

The scope of Agreed Services varied by PTE, and over time, according to local needs and priorities. For example, West Yorkshire ultimately supported the whole local network in its area. After conversion of some of the heavy rail network to the Metro, Tyne & Wear PTE only supported the services and stations between Newcastle and Sunderland.

A PTE could exercise its Section 20 role up to 25 miles beyond its boundary. A practical example of this is Greater Manchester PTE extending the scope of Agreed Services to Hadfield, Glossop, and New Mills Newtown stations in Derbyshire. In the early 1990s, Derbyshire County Council financially supported Greater Manchester PTE to enable this. [10]

3.1 Attribution of costs

The mechanism by which applicable costs were calculated followed a national set of principles but was agreed in partnership by BR local managers and the PTE on a case-

by-case basis. BR viewed the PTE as a customer, and the Section 20 agreement provided the framework to enable this relationship. Detailed local arrangements appear to have been pragmatically agreed within this framework, responding to local circumstances.

Prime User – Generally applied to stations
The costing principle whereby the prime user of a terminal, depot or section of route is charged the whole of the costs less any deemed to be avoidable in the absence of secondary users.

The main annual timetable change date during most of the period in consideration was May, so each summer a PTE would input its service requirements for the following May. This was followed by meetings in Autumn and Winter to agree “Committed Resources”. Based on this, a draft Section 20 Claim was issued by BR in time for the PTE/ PTA’s budgeting and precept setting deadlines. Minor changes might be agreed subsequently and be reflected in the actual claim. During the year actual costs would be shared progressively.

Payments from PTEs would be on a monthly basis. Costs and revenue were adjusted to actuals at the year end and, subject to audit, PTEs would sometimes receive a refund from BR as a result of this reconciliation. [11] [8] [6]

3.1.1 Train operation costs

Sole user – Generally applied to infrastructure
Costing principles whereby the prime user of a terminal, depot or section of route is charged only those costs deemed to be necessary if it were the "sole user”. Any secondary users are charged the long-run incremental costs generated by their presence. Any cost not absorbed over primary or secondary users are treated as surplus and until such time as the 'surplus' is eliminated these costs are added-back" to the prime/secondary users basic costs.

Typically train operation costs followed the principle of “committed resource” whereby an agreed number of resources, for instance drivers, ticket clerks, rolling stock, etc, would be committed to PTE services. These resource levels would be shared with the PTE in writing who would be able to audit BR’s numbers.

3.1.1.1 Train crew

Train crew costs would be determined through one of two ways. Generally, this would be a defined number of committed resources and all costs associated with those resources would be charged to the PTE. Alternatively, where this wasn't possible, largely because train crew were operating both PTE and non-PTE services, the level of resource would be determined on a diagram-by-diagram basis. A proportion of the total depot operating costs would then be charged to the PTE pro rata to the number of shifts.

3.1.1.2 Stations

Station staff would all be assigned to profit centres. The amount of committed resource within each relevant profit centre would then be agreed between PTE and BR on the basis of “avoidable costs”. This meant that each station was allocated a Prime User Sector principally on the basis of which sector determines the main staffing requirements and by mutual agreement between Sectors. A hierarchy of other sectors (including PTEs) using the terminal is established using the same criteria. Costs avoidable in the absence of the least significant sector using the station were charged to that sector. Successively costs avoidable in the absence of the next least significant sectors were charged to them. Residual costs were then charged to the Prime User.

3.1.1.3 Cleaning

Cleaning costs would be agreed locally, following prime user principles.

3.1.1.4 Rolling stock maintenance and modifications

Costs related to rolling stock maintenance and modifications would be attributed based on the number of vehicles and types at each depot required to operate the PTE's services. Typically, this would go down to the sub fleet level. In some instances, this attribution would be done in relation to traction miles. This would occur when a specific fleet in a depot operated on both PTE and non-PTE services and for cross boundary services. Maintenance overhead costs, e.g. depot management and central engineering functions would be allocated pro rata to the agreed depot maintenance costs.

3.1.1.5 Fuel and power

These would be charged wholly to the PTE for its services based on an agreed national attribution approach. Traction miles were multiplied by consumption rates to produce total litres/ kilowatt. BR's assessed total diesel fuel budget was then attributed to service pro rata to litres. Traction power was attributed to services pro rata estimated kilowatt hours.

3.1.1.6 Signal operations

Signal operations were attributed based on the Sole User principle. Often, multiple types of service operated on a section of route covered by a single signal box. At Power Signal Boxes one panel covered a very large area and was operated by several signallers. In these instances, it wasn't possible to attribute costs to one user and the incremental shift requirements would be calculated in the order of Intercity, Regional Railways PSO and then PTE services. This considered the notional increased number of shifts required to operate each user services, based on signaller workload. The difference between the costs of the calculated incremental number of shifts and the actual costs associated with that location (which would be higher owing to additional staff requirements to cover sickness, leave etc) would be worked out, these were termed surplus costs. The surplus costs were attributed to Sectors and PTEs in proportion to the incremental shift costs. The incremental costs and the surplus costs would be summed to give the total costs for each sector and the relevant PTE(s).

3.1.2 Marketing and communications

Marketing and communications costs would be charged wholly to the PTE for its services. Generally, this would be through attributing those costs directly to a profit centre. It would sometimes be challenging to determine which costs were for PTE services as campaigns were often not specific to any one type of service. In those cases the PTE and local management would agree which campaigns were of benefit to the PTE. Costs would then be apportioned in relationship to the PTE/ BR ticketing income within a profit centre.

Because local revenue risk sat with the PTEs for agreed local rail services, the PTEs were naturally incentivised to market local rail services, usually alongside other local transport modes. There are numerous examples of this type of PTE-led promotion from the period – often focused on promoting off-peak leisure travel, as well as multi-modal ticketing. In most cases, PTEs directly produced the pocket timetables and station departure posters for BR, as part of local public transport promotion and identity, meaning only small amounts of marketing and communications costs went through Section 20.



Figure 3-2 - Shared local identity between PTEs and the railway was common under Section 20 across stations, passenger information, and in many cases on trains. This supported network marketing, including fares offers and multi-modal ticketing. Clockwise from top left, GMPTE, Merseyrail, Tyne & Wear PTE, South Yorkshire PTE, Strathclyde Transport, and Centro (West Midlands PTE).

3.1.3 Infrastructure

The attribution of infrastructure costs was more challenging. [12]

BR had an agreed national approach to the attribution of infrastructure costs, termed the Sole User principle which underpinned internal railway financial reporting and formed the basis for Section 20 cost attribution. If just one “user” operated trains on a section of track they would cover all costs related to that route section. However, if multiple users were present on a section of route, the relevant costs would be shared between users on the basis of a cascading "hierarchy":

- Inter-City
- Network SouthEast
- Regional Railways (PSO services)
- Regional Railways (PTE services)
- Parcels
- Freight
- Departmental

Each user's requirements on the infrastructure are considered incrementally. This builds up costs by charging to the Sector based on the hierarchy what it would theoretically require in the long term, using contemporary technology, and in the absence of other users. Secondary users are successively charged their incremental requirements.

What this meant in practice was that where Inter-city or Regional Railways PSO services shared tracks with PTE services, the costs of infrastructure would mainly fall on the Inter-city or PSO services, save for any incremental, avoidable, costs accruing against the PTE services. The approach was generally seen as financially advantageous to the PTE. However, it also meant that if an Intercity or PSO service was withdrawn or re-routed from a section of track shared with the PTE, the entire costs of the infrastructure

would then move over to the PTE, despite there being no change to their services. This could lead to significant sudden increases in the Section 20 claims which were outside of the control of the PTE and did at times create tension. [12]

The Sole User approach covered all infrastructure maintenance costs including track, structures, signals and telecoms. It established a strong focus on cost efficiency. The application of Sole User was significantly refined around 1986 when a 16 category matrix (4 speed bands and 4 annual tonnage bands) was introduced and renewals were charged separately (with SPAMS). There are examples when this approach could impact heavily on decision-making. For example, it sometimes suited a PTE not to extend the scope of Agreed Services to avoid including a significant piece of infrastructure with high costs, such as a major tunnel. This was especially the case close to boundaries.

3.1.3.1 Renewals

Renewals expenditure was also calculated and attributed based on the Sole User principle. As estimates for renewals costs were developed by BR, they were discussed with the PTE concerned and the works were charged to the PTE, including overheads. If a section of track was used solely by a PTE's supported services BR would bill renewal costs in their entirety to the PTE. This is common to the internal approach taken to charging renewals to BR's business cost centres. Renewals costs could be billed to the PTE either through direct billing or by inclusion within the Section 20 claim.

It was generally the case that the PTEs wished to be briefed with options and their consequences, e.g. track renewal or spot re-sleeping over several years. Often, PTEs took a longer-term view of maintenance cost, journey time and reliability issues, particularly for larger works. This, together with their own financial appraisals, sometimes led to a different choice to that which BR would have taken for a PSO route. Typically, PTEs were inclined to pay more upfront and achieve lower future support costs and/or improved journey times than BR were.

On PTE supported lines the renewals backlog was generally not as great as on PSO routes. However, BR often had to work hard to gain agreement to fund "stewardship" type works, e.g. structural repairs/renewals, which have no pay back and these were sometimes deferred until BR engineers were close to threatening line closures. [13]

Prior to the introduction of SPAMS in 1986/87, the renewals expenditure was averaged over the BR Region and then allocated by route and track mile. This arrangement was viewed very unfavourably by the PTEs who felt they were paying into these budgets yet receiving limited renewals on their routes as the bulk of the Regions renewals spend was on major rather than local lines.

3.1.3.2 Enhancements

Local managers and PTEs would develop enhancement plans collaboratively where they would interface with the PTE's services and agree upfront the amount of this spend which would be funded by the PTE. Enhancement spend would almost always be charged to the back through direct billing of the PTE (as capital costs) rather than through Section 20 claims (as revenue costs). [11]

3.1.3.3 Head Office and administration costs

Head office administration and general expense costs would be charged to the PTE on an assessment of the cost that would be avoided if they did not exist. Again, this reflected wider internal BR business accounting practice for its internal business units. It was then expressed as a set percentage of their train operations and maintenance costs. These would be evaluated in collaboration with the PTE each year on an agreed basis.

3.1.4 Depreciation and amortisation

All capital expenditure, where it wasn't directly "purchased" by the PTE (via direct billing as capital) and was instead funded through the Section 20 mechanism was financed through depreciation and amortisation charges. This approach principally applied to rolling stock. As with other areas BR had a business level accounting process which was used to calculate depreciation and amortisation of different asset classes, and this was applied pro-rata to assets attributed to the PTE based on agreed resource allocations.

Rolling Stock

In the case of new rolling stock for use on supported services, BR would typically purchase the stock, with the PTE subject to on-going financing and depreciation charges through Section 20. New stock was generally more cost-efficient to operate and maintain, which was also reflected through the Section 20 mechanism. 46% of Provincial / Regional Railways stock renewal in the decade to the mid-1990s was financed via Section 20 arrangements. [14]

BR would provide PTEs with a long-term view of the renewals it deemed to be required in order to give the PTE visibility of the level of depreciation charges that would be included in the Section 20 claim.

3.2 Attribution of revenue

The revenue risk for the local element of PTE's Agreed Services sat with the PTEs. Revenue for the Agreed Services would be netted-off the Section 20 claim, noting that in aggregate the revenue on PTE services did not cover costs, the Section 20 claim would always constitute a payment from the PTE to BR.

The allocation of revenue was generally more straightforward than the allocation of costs. Passenger revenue was identified to services, and in cases of shared routes would reflect the relevant traffic volumes and any differences in fare levels. In those instances where it was considered that the allocation was not an accurate reflection, the PTE and BR could come to an agreement on an alternative allocation. Where this was the case, it was usually agreed that additional surveys would be required to study passenger volumes. With the introduction of BR's Operational Research Computerised Allocation of Ticketing to Services system, ORCATS, this national allocation system was used to allocate revenue across the Sectors and to PTE services. ORCATS continues to be used today to allocate revenue between the train operators. [6]

It should also be noted that the PTEs directly retailed certain tickets which were valid on the rail network, such as travel cards, pre-paid tickets and concessionary fares, which were generally multi-modal. In these instances, the PTE was the accounting body, receiving receipts and distributing revenue to bus operators and BR, based on surveys and travel diaries. BR added this revenue both to the Section 20 Agreed Services, thus netting it off the claim, and to its own InterCity and PSO services on which such tickets were accepted (e.g. Leeds-Wakefield Westgate).

4. Practical application of Section 20

A central coordinating point
Recognising the PTEs as a key customer, BR had a structure with an account manager for each PTE, latterly the Regional Railways Service Group Manager for the relevant part of the network.

They provided a coordinating point and route to any discipline within what was a large organisation, but also encouraged bilateral links (e.g. between teams in finance, marketing, ticketing and public affairs) so everything did not have to pass through them.

Whilst the formal Section 20 agreement established the principle that the PTE would fund the difference between the cost of the agreed local rail service and the revenue earned from it, in practice the mechanism operated as a continuing partnership between the local PTE and British Rail management, going far beyond just a local subsidy to the railway.

Evidence from the those who worked within this mechanism shows that the relationship was not limited to a funder-deliverer transaction and instead involved joint service planning, detailed cost scrutiny, regular operating dialogue and, where necessary, negotiation about performance, staffing, rolling stock and investment priorities. In this sense, Section 20 was less a contractual agreement than a framework within which local rail services were actively agreed and managed by the PTE in conjunction with BR. In fact, contributors have noted that they never actually got the contractual agreement itself out to challenge or discuss. This itself had both pros and cons, which are explored here.



Figure 4-1 - In addition to financing via Section 20 payments, PTEs could directly finance new trains to accelerate new capacity and reduce operating expenditure. At privatisation West Yorkshire PTE owned and leased 56 vehicles directly, including three Class 321 trains (illustrated here). BR managed the procurement and operation of these trains on the PTE's behalf. *Image: Graeme Phillips Collection.*

As is described in our sister report, *Funding of devolved roles on England's railways,* the PTE was closely involved in agreeing the local railway offer, including local fares. In that respect, Section 20 arrangements provided local control of the farebox for 'Agreed Services'. This set up a relationship that sought to drive growth and achieve efficient delivery, with capital investment to achieve this. Significant growth in patronage was often achieved with either steady or sometimes reducing levels of Section 20 support. [15] [16]

4.1 Local agreement of cost attribution

Although internal BR accounting principles and procedures such as prime user and sole user underpinned the cost attribution, their practical application was always agreed locally. This was especially important where PTE services shared infrastructure, depots or traincrew with other BR sectors. [17] [5]

In discussion with people who made the Section 20 mechanism work, they explained that a regular point of contention was whether a route was genuinely being used primarily by Inter-city or PSO services, and therefore whether the PTE should meet only marginal costs rather than a larger share of infrastructure costs. [17] For instance, if just one Inter-city service per day used a route, was it really the prime user. Whilst this is just one specific example, it illustrates how railway accounting had the ability to materially change operational decisions, in this case potentially diverting the Inter-city service to an alternative line to avoid it being deemed the prime user. [5]

Cross boundary services required a similarly bespoke approach. In the West Midlands, a "synergy exercise" was used to determine how rolling stock should be allocated between the PTE funded local services and wider network of Regional Railways services. For each timetable change, the PTE and BR would conduct an exercise to determine notional timetables which considered how much rolling stock and train crew would be required if all the trains turned back at the PTE boundary. This notional resource level would then be compared to how many resources were needed under the real timetable where services ran through and therefore how much efficiency "surplus" was gained by not turning back at the boundary. The real fleet would then be attributed to either the PTE or Regional Railways PSO according to the proportions determined in the notional timetable. This could lead to interesting outcomes where in the view of the PTE, BR managers tried to game the timetable by making small changes which would significantly impact the results of the synergy exercise. For instance, a tweak of a few minutes at one station could push costs for an entire unit from BR onto the PTE. [17]

Other aspects, such as stations, were much more straightforward to attribute as it was clear whether they were within the PTE's boundary or not. The only complication being terminal stations, where the sole user principle described above was applied. [6] [8]

4.2 Annual claims, audit and agreement

Members of the rail industry and the PTE community who worked under the Section 20 mechanisms have told us that the annual claim by BR on the PTE was a central part of how the mechanism worked in practice. As described above, BR would produce a forecast at the start of the year and then submit an outturn cost position at year end. There was also ongoing visibility throughout the year as costs were accrued, meaning

the PTE was not simply presented a final bill at year end which they had been unable to influence during the course of the year.

There was an ongoing process of review and challenge enabling officers from the PTE to drill down into the basis of costs, seek supporting evidence and dispute items they considered unreasonable. There was full transparency of cost data covering elements such as infrastructure renewals, staffing levels, the deployment and depreciation of rolling stock, and the allocation of costs on mixed use routes. The image below shows an example of a summary page of a Section 20 claim for Strathclyde PTE for the year 1993/94. The further detail that sat behind this was also shared, going right down to individual booking offices, ticket retailing machines and crew rosters for instance. [18]

The PTE would usually conduct external audits to enable to it analyse the contents of the claim. PTEs often found that through the course of these year-end audits, there would be discrepancies which would usually lead to an adjusted payment in the PTE's favour, reducing the payment due. [11] The audit provided reassurance to the PTEs, but in part it was a product of from BR's unwillingness to share some documents which contained information on non-PTE services combined with the physical difficulty of sharing certain working documents in the days before spreadsheets. Latterly these audits were a co-ordinated activity via PTEG (Passenger Transport Executive Group – now Urban Transport Group).

STATEMENT NUMBER		PRELIMINARY ESTIMATE 1993/94 £000,s	PROVISIONAL CLAIM 1993/94 £000,s	--- CHANGE ON ESTIMATE --- PRICING £000,s	OTHER £000,s	TOTAL £000,s
2	EARNINGS	35,552	35,593	0	41	41
	EXPENDITURE					
3	TRAINCREW	12,689	12,718	0	29	29
4	FUEL & POWER	4,666	4,415	0	-251	-251
5	STABLING & CLEANING	2,306	2,256	0	-50	-50
9	CONTRACTS	159	182	0	23	23
6	TRAIN MAINTENANCE	9,739	9,629	0	-110	-110
7	TERMINALS	14,101	14,464	0	363	363
8	COMMERCIAL SERVICES (Excl Marketing Committee Expenditure)	2,286	1,452	0	-834	-834
10(a)	LEVEL CROSSING GRANT	0	-24	0	-24	-24
10(b)	TRACK MAINTENANCE	5,090	5,275	0	185	185
10(c)	ROUTE STRUCTURE MAINTENANCE	727	712	0	-15	-15
10(d)	SIGNAL MAINTENANCE	1,685	1,663	0	-22	-22
10(e)	SIGNAL OPERATION	2,178	2,145	0	-33	-33
10(f)	OVERHEAD LINE MAINTENANCE	2,064	2,101	0	37	37
10(g)	TELECOMMUNICATIONS	662	661	0	-1	-1
10(h)	LOCATED TRACK RENEWALS	2,336	2,562	0	226	226
10(j)	LOCATED STRUCTURE RENEWALS	749	615	0	-134	-134
10(k)	REVENUE INVESTMENT	409	681	0	272	272
	ERDF GRANTS	0	0	0	0	0
10(l)	LOCATED SIGNALLING RENEWALS	599	594	0	-5	-5
11	INTEREST	1,700	1,978	0	278	278
12	AMORTISATION/DEPRECIATION	1,059	991	0	-68	-68
13	ADMINISTRATION	3,029	3,044	0	15	15
	TOTAL EXPENDITURE	68,233	68,114	0	-119	-119
	SECTION 20 CLAIM (Excl SPTE Marketing Committee Expenditure)	32,681	32,521	0	-160	-160

Figure 4-2 – BR's provisional Section 20 claim on Strathclyde PTE for 1993/4

4.3 Operational relationship, governance and information sharing

Governance arrangements and data sharing looked very different in the 1980s and 1990s to today, but some features remain recognisable. The PTE and BR would hold recurring meetings on performance, timetabling, fleet deployment and wider network issues, alongside day-to-day matters (such as sporting events). [17]

There was a hierarchy of structured and minuted bilateral meetings between the PTE and BR, which typically included:

- a monthly business meeting, between the BR account manager, PTE lead manager and support teams;
- a seniors meeting, nearly monthly, between the BR Regional Railways Regional Director, plus the Sector Director quarterly, PTE Directors and support teams; and
- PTA meetings, the BR account manager attended the public part of the PTA meetings (8-10 per annum) and would speak and answer questions on rail business (at most meetings), creating a direct link with elected members (PTE Directors were present too).

Information sharing was much more limited than is possible today but was sufficient to support local oversight. It should also be noted that the amount of data collected by the railway itself was also vastly less than is collected today. In the West Midlands, for example, on Mondays to Fridays BR provided by fax a daily peak performance report which the PTE analysed. Weekend information wouldn't ordinarily be shared, but one of the many advantages of strong local involvement in the railways was that the PTE would almost always still be aware of these details, either through BR itself or through the electorate feeding their dissatisfaction through to their local elected representatives. [17]

Despite being accountable to a body of elected members, representing a range of local authorities and political parties, and although there were occasionally challenges, people who worked in the PTEs said that the PTE/ PTA decision making processes were direct, swift and effective. As an example, the PTE during this period had full revenue risk for local services. Even though the financial implications could be considerable, the officers themselves were able to develop new fares proposals or service changes and secure approval through senior management and the PTA without the multiple fragmented approvals that often characterise contemporary arrangements. [17]

4.4 Managing performance

One of the challenges of the Section 20 mechanism in practice was that it did not in itself create a robust contractual mechanism to hold BR to account for poor performance or not delivering the agreed level of service. In the West Midlands, there were regular discussions between the PTE and BR about performance and reliability, supported by a mix of locally developed monitoring information as well as information supplied by BR. However, Section 20 did not include any financial mechanism through which the PTE could incentivise BR to improve performance or penalise it for poor performance. [17] [11] It is important to note however that both BR and the PTE were public bodies, neither

of which made a profit, so there was no profit or contingency element of the Section 20 claim.

In practice, this meant that poor performance was often addressed through negotiation, pressure from the PTE, and attempts to secure remedial operational action from local BR management rather than through any contractual ability to impose penalties. If services deteriorated very badly, the PTE and PTA would need to resort to external political pressure and at the extreme withholding payment, despite there being no provision within the agreement for doing so.

At times there could be a mismatch of priorities with PTEs more focussed on robust service delivery, but not always willing to fund the necessary resources, and BR focused on short term cost and headcount savings, and willing to tolerate some poor performance as a result. The bilateral meetings described above were intended to provide a route to an agreed position. [5] A reoccurring challenge was that BR experienced shortages of drivers and poor availability of aging rolling stock. This led to periods of very low reliability. Much of this period was also characterised by considerable industrial unrest. Strikes could suspended BR's services, sometimes for days at a time. The PTEs would receive no revenue for these days but BR would generally still try to claim the fixed costs of operation back from the PTE.

Shortly before franchising, West Midlands PTE and BR did begin to develop more structured approaches to performance management, called the Rewards and Penalties Scheme. This considered individual routes where BR and Centro would agree a target for the percentage of trains arriving within 3 minutes. For each percentage point by which BR exceeded this target there would be a financial reward, and there would be penalties for each percentage point it came below. This scheme was in place until franchising and influenced some of the incentivisation mechanisms which went into the early franchises. [11] [17] [5]

West Midlands PTE also created a Passenger Charter for the region, one of the first nationally, which was operationalised by BR. This offered passengers a reduction in the cost of a season ticket if performance didn't meet certain standards. Passengers would receive between 5% and 10% discounts on their season tickets depending on the level of performance on a route in terms of punctuality and cancellations against targets agreed between the PTE and BR.

People who worked in the PTE at the time said that putting in place these arrangements with BR was a collaborative dialogue in which both sides could see the benefits. Local BR managers recognised that the PTE was a vital funder and partner in the region and in fact offered a much more positive outlook for the local railways than the central BR functions whose focus was often on cost reductions. [17]



Figure 4-3 – Left, a South Yorkshire PTE leaflet (1992) promoting its multi-modal Travelmaster season travelcard. Right, a Centro (West Midlands PTE, 1991) leaflet promoting the Centrocard. All PTEs promoted similar travelcards for journeys across bus and rail. Originating in the period prior to bus deregulation, when PTEs controlled the farebox across modes, increasingly complex arrangements subsequently emerged to maintain the benefit of these schemes, first on bus, and then on rail after franchising.

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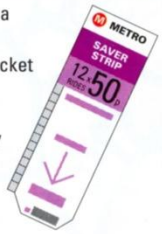
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Figure 4-4 – All PTEs provided a range of integrated multi-modal tickets, which they directly managed and retailed. Metro's 1992 range is summarised here (West Yorkshire PTE). The revenue from these products was attributed between the rail and bus operators. In the case of the rail, this would be netted off the Section 20 claim from British Rail. Metro also marketed local rail services (Metro Train), including the distribution of timetables and other promotional materials, also illustrated.

5. Conclusion

The detailed approaches set out in this report are examples of how Section 20 arrangements were applied in practice in different places. Set within a consistent set of principles, these arrangements varied from place to place and came out of open and transparent data sharing between partners and collaborative discussion.

Arrangements evolved over time reflecting the evolution of accounting practices, improving management information, and funding changes, but always in a mutually agreed way. Section 20 claims were always auditable by the PTEs, and whilst there were disagreements around the costs, the mechanism was generally seen as fair by both parties. Dealing with poor performance was a weakness in the arrangements. Joint work on a mechanism to address this was being developed but was overtaken by the implementation of franchising.

Section 20 arrangements gave PTEs exposure to rail costs, creating "skin in the game". They would benefit if services could be delivered more efficiently and would face a direct financial impact if costs escalated. PTEs were therefore incentivised to work with BR to develop efficiencies in how services were operated. This promoted investment to reduce operating costs and to create capacity for growth, as well as transport network optimisation across modes. This latter benefit was eroded after bus deregulation in 1986, when PTEs lost control of the local farebox on buses.

The mechanism ensured the scale of financial support for local rail services was determined locally in accordance with local priorities, and the network jointly developed and planned in response to local economic and policy priorities.

Inherently, by taking local revenue risk and controlling the local farebox across modes, PTEs also took on primary responsibility for marketing local rail services as part of the holistic local transport offer.



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7. Further Reading

Year	Title	Summary
1985	West Yorkshire Passenger Transport Executive, “Public Transport in West Yorkshire: Ten Years of Achievement”, 1985	Booklet produced as an advocacy document to preserve the benefits of the PTE integration model in the face of proposals for bus deregulation. Includes useful accounts of managing ticketing, fares, and promotion across local modes, including local rail services via Section 20 arrangements.
1989	Monopolies and Mergers Commission, “British Railways Board: Provincial”, Cm 584, February 1989	A report on the efficiency of the BR Provincial business. Includes analysis of funding for regional and local railway services, including via S20 arrangements. The Commission reported the benefits of devolved funding models for local rail support. It recommended formation of PTAs in East Midlands, Cardiff Valleys, and Avon (now the West of England MSA area) be considered to enable S20 arrangements in those places. It also mooted a transfer of financial responsibility for urban and rural services to counties or regions, or groups of those bodies (4.101).

Year	Title	Summary
1990	West Yorkshire Passenger Transport Executive, ‘MetroTrain Special’, May 1990	Four-page publicity newsletter for local passengers – illustrates how the network was marketed. Published in the wake of a period of poor performance, it demonstrates how the PTE, alongside BR, were the public face of the local railway. Offers insight into how S20 arrangements played out, illustrating for passengers the joint approach to timetable and investment planning, and funding arrangements. Shows how the PTE exercised control of local fares, including single-leg pricing to facilitate multi-modal pre-pay. Underpins the local accountability and decision-making the PTE was bringing to BR’s service delivery at the time.
1990	Alex F. Ritchie, “BR and the Poll Tax”, Modern Railways, pp 352 – 355, July 1990	Overview of Section 20 arrangements at the time. Includes a summary table highlighting the ‘committed resources’ underpinning each S20 agreement. Article aims to raise the profile of the PTE role in local rail at a time of local government finance reform. Authored by chair of PTEG Rail Committee, Finance Director at South Yorkshire PTE.
1992	EMAP Apex Publications in association with Regional Railways, “The Renaissance of Regional Railways”, supplement to RAIL magazine, 1992	Provides a helpful overview of how partnerships with PTEs were supporting transformation of urban rail services outside London in the context of the business-led railway.
1992	Association of Metropolitan Authorities and Regional Railways in association with Passenger Transport Executive Group, “Signals for a Better Future”, December 1992	An advocacy document aimed at Members of Parliament during the passage of the Railways Bill. It made the case to preserve the benefits of Section 20 working arrangements. Includes a summary of partnership arrangements in place between each of the seven PTEs and Regional Railway at the time, including the scope of agreed services, and joint investments.

ANNEX A

Transport Act 1968 Section 20 – 1985 Version

ANNEX A: Section 20 of the Transport Act 1968

The form of Section 20 as it applied from 1985 is reproduced here. This form of Section 20 (reproduced below in 'clean' form) existed until amendments imposed by the Railway Act 1993. A marked-up version is online here: https://www.legislation.gov.uk/ukpga/1968/73/section/20/1991-02-01

20 *(1)* *…*

(2) *Without prejudice to their duty under section 9A(3) of this Act, it shall be the special duty of the Executive for a passenger transport area*

a) *to keep under review, the railway passenger services provided by the Railways Board for meeting the needs of persons travelling between places in that area or between such places and places outside that area but within the permitted distance for the purposes of section 10(1)(ii) of this Act as it applies to that Executive; and*

b) *without prejudice to the general powers of the Executive under section 10 of this Act, to enter into such agreements with that Board as the Authority may approve for securing that the Board provide such railway passenger services as the Authority consider it appropriate to secure to meet any public transport requirements within that area.*

(3) *The Railways Board shall furnish the Executive with any information which the Executive may reasonably require for the purposes of the discharge of their functions under subsection (2) of this section.*

(4) *Without prejudice to the general power of the Executive under section 10(l)(vi) of this Act, any agreement under this section may include provision for the making of payments by the Executive to the Railways Board in respect of the railway passenger services provided by the Board in pursuance of the agreement.*

(5) *Before entering into any agreement under this section, the Executive shall send a copy of the proposed agreement to the Minister; but a failure to comply with this subsection shall not affect the validity of the agreement.*

(6) *If any dispute arises between the Executive and the Railways Board in connection with the provisions of subsection (2) or (3) of this section, either of them may require the dispute to be referred to the Minister for determination, and any agreement under the said subsection (2) may include provision for any dispute in connection with the agreement to be so referred ; and where any dispute is referred to the Minister under or by virtue of this subsection, then, subject to subsection (7) of this section, the Minister may give such directions to the Executive and the Board with respect to the dispute as he thinks fit.*

(7) *Before giving any directions under subsection (6) of this section to the Executive for a passenger transport area in Scotland or Wales the Minister shall consult with the Secretary of State.*

(8) *…*

Agreements between PTEs and British Rail under Section 20 remained in place until 1997. As new private franchises commenced, the PTE role was realised by co-signatory status under Section 34 the Railways Act 1993.

The substantive content of Section 20 of the 1968 Transport Act and the entirely of Section 34 of the Railways Act 1993 were repealed by the Railway Act 2005. Section 13 of the Railways Act 2005 (Railway functions of Passenger Transport Executives) is the natural successor provision in current statute, and carries over relevant provisions.

ANNEX B

Summary of the provisions in the West Yorkshire Section 20 Agreement

ANNEX B

SUMMARY OF THE PROVISIONS IN THE WEST YORKSHIRE SECTION 20 AGREEMENT, 1978

1. Overall summary of the agreement

Summary of **Section 20 Rail Support Agreement** between the West Yorkshire Passenger Transport Executive (WYPTE) and the British Railways Board (BR), executed on **29 November 1978** but effective from **1 January 1976**.

The agreement establishes the framework under which:

- British Rail provides specified local rail services in and around West Yorkshire.
- WYPTE funds those services through compensatory payments.
- WYPTE gains significant rights to specify service levels, fares and standards.
- Both organisations jointly plan and develop the regional rail network.

It is presumed that this is the standard form taken for all Section 20 agreements of the time.

2. The principal commitments

What BR provides

BR agrees to operate:

- The agreed services listed in the First Schedule.
- Additional local rail services that WYPTE may require under Clause 2.

What WYPTE provides

WYPTE pays BR financial support for providing those services under the mechanism set out in the Second Schedule.

The Second Schedule is not present in the example located. It is presumed to follow the Principles and Procedures set out at in this report.

3. Control of Service Levels

The agreement offers an extensive degree of operational influence to WYPTE.

WYPTE has the right to specify:

- frequency;
- timings;
- standards;

- rolling stock type;
- train capacity;
- other facilities; and
- promotional activity and publicity.

BR must operate services in accordance with those specifications "in the most efficient manner practicable".

However, BR's obligation is qualified where compliance is impracticable because of:

- other rail services using the route;
- rolling stock availability;
- government directions; or
- postal service obligations.

Importantly, BR remains fully responsible for:

- safety;
- railway operations;
- accident liabilities; and
- day-to-day management of the railway network.

4. Fare-Setting Powers

The agreement gives WYPTE substantial powers over fares.

BR must charge fares determined by WYPTE. The fares are subject to WYPTA approval and consultation with BR.

BR must notify WYPTE each year of available fare-change opportunities, at which points WYPTE may instruct BR to pursue fare revisions.

The agreement also requires:

- Consultation on concessionary travel schemes.
- WYPTE consent for concession arrangements materially affecting agreed services.
- Revenue from such arrangements to be included when calculating service earnings.

This is a good example of where the Section 20 arrangements went significantly further than a simple subsidy arrangement. Together with commeasure exposure to costs, the arrangement effectively gives the PTE control of the local farebox, with the associated local transport integration benefits this could realise.

5. Financial Risk Allocation

Although the detailed formula in the Second Schedule is absent, the body of the agreement set out the following:

WYPTE bears

- Ongoing subsidy costs.
- Additional costs of new services requested by WYPTE.
- Certain costs where disused track is retained at WYPTE's request.

BR bears

- Delivery risk for the railway.
- Operational management.
- Safety and accident liabilities.

A notable provision allows WYPTE to review continuing support where service costs rise faster than wages by a specified margin.

6. Strategic Control of Closed Rail Infrastructure

Where a rail service is discontinued:

- BR cannot remove track without first obtaining approval from WYPTE.
- WYPTE may seek to preserve routes for other transport purposes.
- WYPTE may acquire an interest in the route, land or formation for future public transport use.

If WYPTE blocks track removal for more than six months, it must compensate BR for resulting losses and maintenance costs.

This effectively provided WYPTE a corridor-protection right. These terms seem anachronistic now. However, assuming they are standard terms, they are likely to have their origins in a period where line closures were a very recent memory.

7. Land and Station Rights

WYPTE may request railway land and buildings to support:

- multi-modal interchanges;
- integration with bus services;
- car parking; and
- other transport facilities.

BR must generally make qualifying land available unless:

- it remains required operationally; or
- it is already subject to advanced disposal arrangements.

If BR later proposes to dispose of land previously identified by WYPTE, WYPTE effectively receives a priority opportunity to acquire an interest.

8. Commercial Development Rights

There is a provision concerning property development.

Where:

- WYPTE has helped fund station improvements; and
- those improvements create development opportunities,

the parties must consider joint development and negotiate profit-sharing arrangements.

Profit-sharing depends on:

- funding contributions;
- service development contributions; and
- investment risk undertaken by each party.

This appears to be an early example of value-capture principles around transport investment.

9. Car Parks

The agreement gives WYPTE significant influence over station parking charges.

At stations served only by agreed services:

- WYPTE determines parking charges.

At stations served by a range of services:

- The organisation associated with the dominant use determines charges after consultation with the other party.

10. Information Rights

BR must provide extensive information covering:

- costs;
- revenue;
- operations;

- assets;
- service development plans; and
- research and surveys.

These are substantial transparency rights and would have enabled WYPTE to scrutinise subsidy claims and service performance. This is a more detailed expression of the position written into the primary legalisation at the time (Section 20(3) – see Annex A)

11. Dispute Resolution

Most disputes go to arbitration before a single arbitrator appointed by agreement or by the President of the Law Society if the parties cannot agree.

Certain property matters are excluded from arbitration, particularly:

- land scope issues;
- re-routing issues; and
- property acquisition terms.

In addition, the primary legislation (Section 20(6) – see Annex A) provided for any dispute to be referred to the 'Minister' for determination.

12. Term and Exit Rights

General termination

Either party may terminate the agreement on **24 months' written notice**.

Service-specific termination

WYPTE may withdraw support for individual services on **12 months' notice**.

Failure by BR

Where BR substantially fails to meet its obligations in relation to a particular service, WYPTE may immediately terminate its obligations relating to that service.

Government funding change

Either party may terminate if the national railway support regime changes materially.

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