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**Changes to legislation:** There are outstanding changes not yet made to Regulation (EC) No 1370/2007 of the European Parliament and of the Council. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

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## ANNEX U.K.

Rules applicable to compensation in the cases referred to in Article 6(1)

1. The compensation connected with public service contracts awarded directly in accordance with Article 5(2), (4), (5) or (6) or with a general rule must be calculated in accordance with the rules laid down in this Annex.
2. The compensation may not exceed an amount corresponding to the net financial effect equivalent to the total of the effects, positive or negative, of compliance with the public service obligation on the costs and revenue of the public service operator. The effects shall be assessed by comparing the situation where the public service obligation is met with the situation which would have existed if the obligation had not been met. In order to calculate the net financial effect, the competent authority shall be guided by the following scheme:

costs incurred in relation to a public service obligation or a bundle of public service obligations imposed by the competent authority/authorities, contained in a public service contract and/or in a general rule,

minus any positive financial effects generated within the network operated under the public service obligation(s) in question,

minus receipts from tariff or any other revenue generated while fulfilling the public service obligation(s) in question,

plus a reasonable profit,

equals net financial effect.
3. Compliance with the public service obligation may have an impact on possible transport activities of an operator beyond the public service obligation(s) in question. In order to avoid overcompensation or lack of compensation, quantifiable financial effects on the operator's networks concerned shall therefore be taken into account when calculating the net financial effect.
4. Costs and revenue must be calculated in accordance with the accounting and tax rules in force.
5. In order to increase transparency and avoid cross-subsidies, where a public service operator not only operates compensated services subject to public transport service obligations, but also engages in other activities, the accounts of the said public services must be separated so as to meet at least the following conditions:
  - the operating accounts corresponding to each of these activities must be separate and the proportion of the corresponding assets and the fixed costs must be allocated in accordance with the accounting and tax rules in force,
  - all variable costs, an appropriate contribution to the fixed costs and a reasonable profit connected with any other activity of the public service operator may under no circumstances be charged to the public service in question,
  - the costs of the public service must be balanced by operating revenue and payments from public authorities, without any possibility of transfer of revenue to another sector of the public service operator's activity.

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6. 'Reasonable profit' must be taken to mean a rate of return on capital that is normal for the sector in a given Member State and that takes account of the risk, or absence of risk, incurred by the public service operator by virtue of public authority intervention.
7. The method of compensation must promote the maintenance or development of:
  - effective management by the public service operator, which can be the subject of an objective assessment, and
  - the provision of passenger transport services of a sufficiently high standard.

### Changes to legislation:

There are outstanding changes not yet made to Regulation (EC) No 1370/2007 of the European Parliament and of the Council. Any changes that have already been made to the legislation appear in the content and are referenced with annotations.

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### Changes and effects yet to be applied to :

- Art. 1(1) words omitted by [S.R. 2020/252 reg. 3\(a\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 1(1) words omitted by [S.R. 2021/337 reg. 2\(2\)\(a\)](#)
- Art. 1(1) words omitted by [S.I. 2020/504 reg. 3\(a\)](#)
- Art. 1(2) words omitted by [S.R. 2020/252 reg. 3\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 1(2)(1) words omitted by [S.R. 2021/337 reg. 2\(2\)\(b\)\(i\)](#)
- Art. 1(2) words omitted by [S.I. 2020/504 reg. 3\(b\)\(i\)](#)
- Art. 1(2) words substituted by [S.R. 2020/252 reg. 3\(b\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 1(2)(2) words substituted by [S.R. 2021/337 reg. 2\(2\)\(b\)\(ii\)](#)
- Art. 1(2) words substituted by [S.I. 2020/504 reg. 3\(b\)\(ii\)](#)
- Art. 1(3) substituted by [S.R. 2020/252 reg. 3\(c\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 1(3) substituted by [S.R. 2021/337 reg. 2\(2\)\(c\)](#)
- Art. 1(3) substituted by [S.I. 2020/504 reg. 3\(c\)](#)
- Art. 2a(1) words omitted by [S.R. 2020/252 reg. 5\(a\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 2a(1) words omitted by [S.R. 2020/252 reg. 5\(b\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 2a(1) words omitted by [S.R. 2020/252 reg. 5\(c\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 2a(1)(2) words omitted by [S.R. 2021/337 reg. 2\(4\)\(a\)](#)
- Art. 2a(1) words omitted by [S.I. 2020/504 reg. 5\(a\)](#)
- Art. 2a(1) words omitted by [S.I. 2020/504 reg. 5\(b\)](#)
- Art. 2a(1) words omitted by [S.I. 2020/504 reg. 5\(c\)](#)
- Art. 3(3) omitted by [S.R. 2020/252 reg. 6](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 3(3) omitted by [S.R. 2021/337 reg. 2\(5\)](#)
- Art. 3(3) omitted by [S.I. 2020/504 reg. 6](#)
- Art. 4(4) words omitted by [S.R. 2020/252 reg. 7\(a\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(4)(3) words omitted by [S.R. 2021/337 reg. 2\(6\)\(a\)](#)
- Art. 4(4) words omitted by [S.I. 2020/504 reg. 7\(a\)](#)
- Art. 4(4a) words substituted by [S.R. 2020/252 reg. 7\(b\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(4a) words substituted by [S.R. 2021/337 reg. 2\(6\)\(b\)](#)
- Art. 4(4a) words substituted by [S.I. 2020/504 reg. 7\(b\)](#)

- Art. 4(4b) substituted by [S.R. 2020/252 reg. 7\(c\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(4b) substituted by [S.R. 2021/337 reg. 2\(6\)\(c\)](#)
- Art. 4(4b) substituted by [S.I. 2020/504 reg. 7\(c\)](#)
- Art. 4(5) words substituted by [S.R. 2020/252 reg. 7\(d\)\(i\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(5) words substituted by [S.R. 2020/252 reg. 7\(d\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(5) words substituted by [S.R. 2021/337 reg. 2\(6\)\(d\)\(i\)](#)
- Art. 4(5) words substituted by [S.R. 2021/337 reg. 2\(6\)\(d\)\(ii\)](#)
- Art. 4(5) words substituted by [S.I. 2020/504 reg. 7\(d\)\(i\)](#)
- Art. 4(5) words substituted by [S.I. 2020/504 reg. 7\(d\)\(ii\)](#)
- Art. 4(6) words omitted by [S.R. 2020/252 reg. 7\(e\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(6) words omitted by [S.I. 2020/504 reg. 7\(e\)](#)
- Art. 4(6) words substituted by [S.R. 2020/252 reg. 7\(e\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(6) words substituted by [S.R. 2021/337 reg. 2\(6\)\(e\)](#)
- Art. 4(6) words substituted by [S.I. 2020/504 reg. 7\(e\)](#)
- Art. 4(7) words omitted by [S.R. 2020/252 reg. 7\(f\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(7) words omitted by [S.R. 2021/337 reg. 2\(6\)\(f\)](#)
- Art. 4(7) words omitted by [S.I. 2020/504 reg. 7\(f\)](#)
- Art. 4(8) words omitted by [S.R. 2020/252 reg. 7\(g\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 4(8) words omitted by [S.R. 2021/337 reg. 2\(6\)\(g\)](#)
- Art. 5(1) substituted by [S.R. 2020/252 reg. 8\(a\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(1) substituted by [S.R. 2021/337 reg. 2\(7\)\(a\)](#)
- Art. 5(1) substituted by [S.I. 2020/504 reg. 8\(a\)](#)
- Art. 5(2) words substituted by [S.R. 2020/252 reg. 8\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(2)(1) words substituted by [S.R. 2021/337 reg. 2\(7\)\(b\)\(i\)](#)
- Art. 5(2) words substituted by [S.I. 2020/504 reg. 8\(b\)\(i\)](#)
- Art. 5(3a) words omitted by [S.R. 2020/252 reg. 8\(c\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(3a)(2) words omitted by [S.R. 2021/337 reg. 2\(7\)\(c\)\(ii\)](#)
- Art. 5(3a) words omitted by [S.I. 2020/504 reg. 8\(c\)\(ii\)](#)
- Art. 5(3a) words substituted by [S.R. 2020/252 reg. 8\(c\)\(i\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(3a)(1) words substituted by [S.R. 2021/337 reg. 2\(7\)\(c\)\(i\)](#)
- Art. 5(3a) words substituted by [S.I. 2020/504 reg. 8\(c\)\(i\)](#)
- Art. 5(3b) words substituted by [S.R. 2020/252 reg. 8\(d\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(3b)(2) words substituted by [S.R. 2021/337 reg. 2\(7\)\(d\)](#)
- Art. 5(3b) words substituted by [S.I. 2020/504 reg. 8\(d\)](#)

- Art. 5(4) sum substituted by [S.R. 2020/252 reg. 8\(e\)\(i\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(4) sum substituted by [S.R. 2020/252 reg. 8\(e\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(4)(2) sum substituted by [S.R. 2021/337 reg. 2\(7\)\(e\)\(ii\)](#)
- Art. 5(4) sum substituted by [S.I. 2020/504 reg. 8\(e\)\(ii\)](#)
- Art. 5(4) words substituted by [S.R. 2020/252 reg. 8\(e\)\(i\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(4)(1) words substituted by [S.R. 2021/337 reg. 2\(7\)\(e\)\(i\)](#)
- Art. 5(4) words substituted by [S.I. 2020/504 reg. 8\(e\)\(i\)](#)
- Art. 5(4a)(3) omitted by [S.R. 2021/337 reg. 2\(7\)\(f\)\(iii\)](#)
- Art. 5(4a) words omitted by [S.R. 2020/252 reg. 8\(f\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(4a) words omitted by [S.R. 2020/252 reg. 8\(f\)\(iii\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(4a)(2) words omitted by [S.R. 2021/337 reg. 2\(7\)\(f\)\(ii\)](#)
- Art. 5(4a) words omitted by [S.I. 2020/504 reg. 8\(f\)\(ii\)](#)
- Art. 5(4a) words omitted by [S.I. 2020/504 reg. 8\(f\)\(iii\)](#)
- Art. 5(4a) words substituted by [S.R. 2020/252 reg. 8\(f\)\(i\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(4a)(1) words substituted by [S.R. 2021/337 reg. 2\(7\)\(f\)\(i\)](#)
- Art. 5(4a) words substituted by [S.I. 2020/504 reg. 8\(f\)\(i\)](#)
- Art. 5(4b) words substituted by [S.R. 2020/252 reg. 8\(g\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(4b)(1) words substituted by [S.R. 2021/337 reg. 2\(7\)\(g\)](#)
- Art. 5(4b) words substituted by [S.I. 2020/504 reg. 8\(g\)](#)
- Art. 5(6) words substituted by [S.R. 2020/252 reg. 8\(h\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(6) words substituted by [S.R. 2021/337 reg. 2\(7\)\(h\)](#)
- Art. 5(6) words substituted by [S.I. 2020/504 reg. 8\(h\)](#)
- Art. 5a(2) comma omitted by [S.I. 2020/1470 Sch. 1 para. 2\(2\)\(a\)](#)
- Art. 5a(2) words omitted by [S.R. 2020/252 reg. 9](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5a(2) words omitted by [S.I. 2020/1470 Sch. 1 para. 2\(2\)\(b\)](#)
- Art. 5a(2) words omitted by [S.I. 2020/504 reg. 9](#)
- Art. 5a(2) words substituted by [S.R. 2021/337 reg. 2\(8\)](#)
- Art. 6(1) words omitted by [S.R. 2020/252 reg. 11\(a\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 6(2) omitted by [S.R. 2020/252 reg. 10](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 6(2) omitted by [S.R. 2021/337 reg. 2\(9\)](#)
- Art. 6(2) omitted by [S.I. 2020/504 reg. 10](#)
- Art. 7(1) words omitted by [S.R. 2021/337 reg. 2\(10\)\(a\)](#)
- Art. 7(1) words omitted by [S.I. 2020/504 reg. 11\(b\)](#)
- Art. 7(2) words substituted by [S.R. 2020/252 reg. 11\(b\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)

- Art. 7(2) words substituted by [S.R. 2021/337 reg. 2\(10\)\(b\)](#)
- Art. 7(2) words substituted by [S.I. 2020/504 reg. 11\(b\)](#)
- Art. 8(1) substituted by [S.R. 2020/252 reg. 12\(a\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 8(1) substituted by [S.R. 2021/337 reg. 2\(11\)\(a\)](#)
- Art. 8(1) substituted by [S.I. 2020/504 reg. 12\(a\)](#)
- Art. 8(2)(4) omitted by [S.R. 2021/337 reg. 2\(11\)\(b\)](#)
- Art. 8(2) words omitted by [S.R. 2020/252 reg. 12\(b\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 8(2) words omitted by [S.I. 2020/504 reg. 12\(b\)](#)
- Art. 8(2) words substituted by [S.R. 2020/252 reg. 12\(b\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 8(2)(3) words substituted by [S.R. 2021/337 reg. 2\(11\)\(b\)](#)
- Art. 8(3) words omitted by [S.R. 2020/252 reg. 12\(c\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 8(3)(3) words omitted by [S.R. 2021/337 reg. 2\(11\)\(c\)](#)
- Art. 8(3) words omitted by [S.I. 2020/504 reg. 12\(c\)](#)
- art. 8(4)(3) omitted by [S.R. 2021/337 reg. 2\(11\)\(d\)](#)
- Art. 8(4) words omitted by [S.R. 2020/252 reg. 12\(d\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 8(4) words omitted by [S.I. 2020/504 reg. 12\(d\)](#)
- Art. 9 omitted by [2022 c. 23 s. 48\(4\)](#)
- Art. 11 omitted by [S.R. 2020/252 reg. 13](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 11 omitted by [S.R. 2021/337 reg. 2\(12\)](#)
- Art. 11 omitted by [S.I. 2020/504 reg. 13](#)
- Art. 12 words omitted by [S.R. 2020/252 reg. 14](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 12 words omitted by [S.R. 2021/337 reg. 2\(13\)](#)

#### **Changes and effects yet to be applied to the whole legislation item and associated provisions**

- Annex para. 6 words omitted by [S.R. 2020/252 reg. 15](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Signature words omitted by [S.I. 2020/504 reg. 14](#)
- Annex para. 6 words omitted by [S.I. 2020/504 reg. 15](#)
- Art. 2(b) words omitted by [S.R. 2020/252 reg. 4\(a\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 2(b) words omitted by [S.R. 2021/337 reg. 2\(3\)\(a\)](#)
- Art. 2(b) words omitted by [S.I. 2020/504 reg. 4\(a\)](#)
- Art. 2(i) words omitted by [S.R. 2020/252 reg. 4\(b\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 2(i) words omitted by [S.R. 2021/337 reg. 2\(3\)\(b\)](#)
- Art. 2(i) words omitted by [S.I. 2020/504 reg. 4\(b\)](#)
- Art. 2a(1)(3) words omitted by [S.R. 2021/337 reg. 2\(4\)\(b\)](#)
- Art. 2a(1)(4) words omitted by [S.R. 2021/337 reg. 2\(4\)\(c\)](#)

- Art. 5(2)(a) words omitted by [S.R. 2020/252 reg. 8\(b\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. S.R. 2020/252 revoked immediately before IP completion day by S.R. 2020/338, regs. 1(1), 2)
- Art. 5(2)(a) words omitted by [S.R. 2021/337 reg. 2\(7\)\(b\)\(ii\)](#)
- Art. 5(2)(a) words omitted by [S.I. 2020/504 reg. 8\(b\)\(ii\)](#)
- Art. 5(4)Art. 5(1)(a) sum substituted by [S.R. 2021/337 reg. 2\(7\)\(e\)\(i\)](#)
- Art. 5(4)(a) sum substituted by [S.I. 2020/504 reg. 8\(e\)\(i\)](#)
- Art. 12(6) words omitted by [S.R. 2021/337 reg. 2\(14\)](#)