



Rail Finance

2018-19 Annual Statistical Release

Publication date: 14 November 2019

Next release: October 2020

Background

This release contains information on rail finance in Great Britain covering the period from 1985-86 to 2018-19.

Government support statistics

include government grants (from Department for Transport, Transport Scotland and Welsh Government) to Network Rail and subsidies/premiums to/from train operating companies (TOCs).

Private investment statistics

show the expenditure on, and disposal of, capital assets from private companies in the rail industry since 2006-07.

To adjust for inflation, historic data have been adjusted to 2018-19 prices using [June 2019 GDP Deflators](#).

These statistics are compared with ORR's UK Rail Industry Financial Information publication on page 7.

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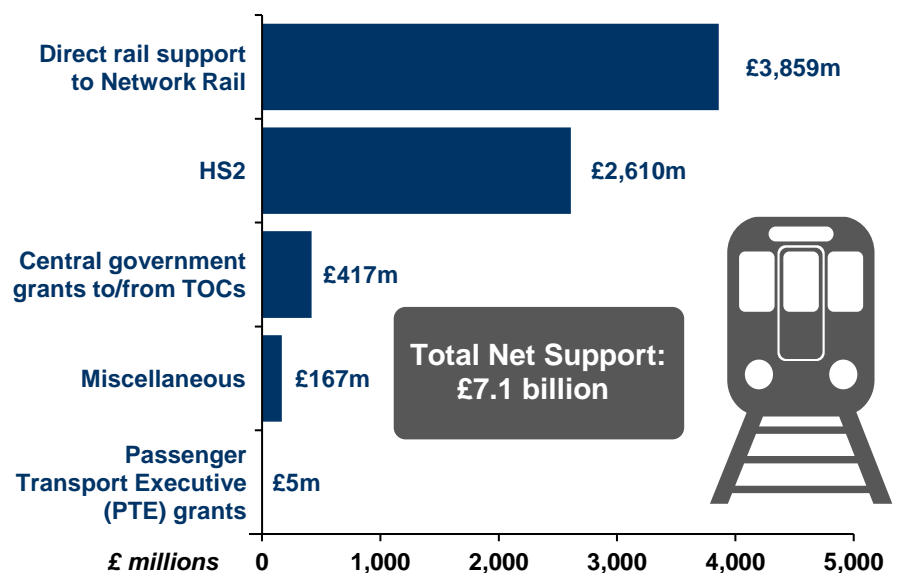
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Net government support to the rail industry in Great Britain totalled £7.1 billion in 2018-19. This excludes loans to Network Rail. HS2 funding in 2018-19 was £2.6 billion, a real terms increase of 22.8% compared with 2017-18. Direct rail support, PTE grants and central government grants totalled £4.3 billion in 2018-19. This represents a 5.6% real terms increase on 2017-18.



For the first time since 2009-10, train operating companies (TOCs) **received a net subsidy** from government. The £417 million received by TOCs in 2018-19 compares with a real terms net payment to government of £227 million in 2017-18.

Including direct support for Network Rail, government provided **6.4p for every rail passenger kilometre** travelled in Great Britain in 2018-19. This was up 0.3p in real terms on 2017-18.

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1. Government support to the rail industry

Net government support to the rail industry is the level of funding government provides towards operating, maintaining, renewing and enhancing the railway. It is comprised of grants to domestic passenger operators and Network Rail and covers the following categories:

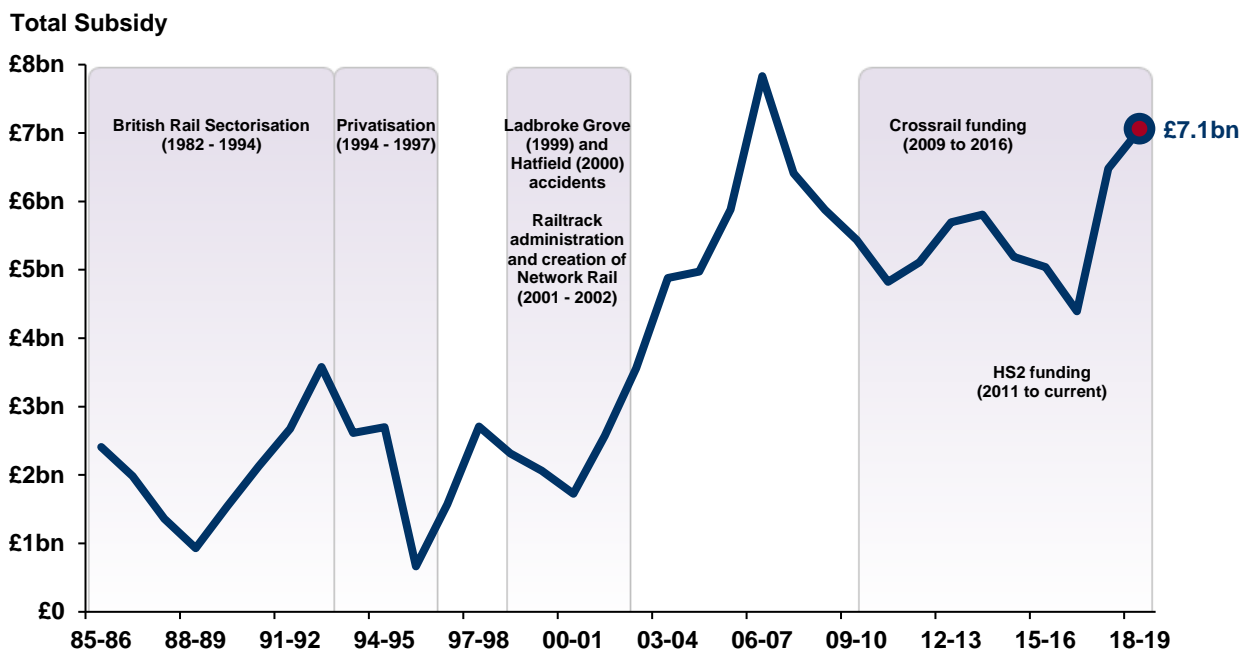
- Direct rail support (also known as Network Grant to Network Rail);
- Central government grants (subsidy payment to or franchise premiums received from each TOC);
- [Passenger Transport Executive](#) (PTE) grants;
- Other elements of government support (such as HS2, Crossrail);

Loans issued to Network Rail ([page 5](#)) and freight grants ([page 6](#)) are presented separately.

Franchising decisions taken by government can also affect private investment (see [page 11](#) for further details).

Net government support in 2018-19 was £7.1 billion. This was up 8.9% compared with 2017-18, when adjusted for inflation¹. Excluding HS2, government support increased by 2.1% in 2018-19.

Figure 1.1: Net government support to the rail industry in real terms, Great Britain, 1985-86 to 2018-19 ([Table 1.6](#))



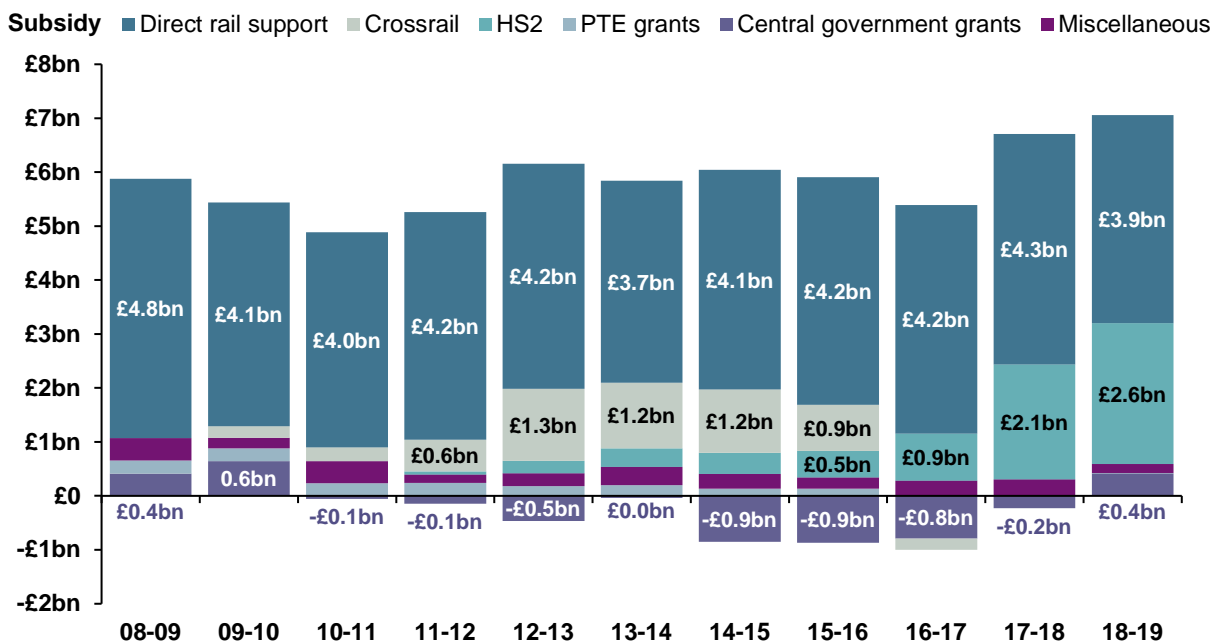
¹ Using the [June 2019 GDP Deflators](#), historic prices have been adjusted to represent 2018-19 prices allowing 'real terms' comparisons between data from 2018-19 and data from previous years.

Government support by funding type

The majority of government support in 2018-19 was **direct rail support**² which is the grant payment to Network Rail. This was £3.9 billion in 2018-19. In real terms, this was down £417 million on the previous year and the lowest it has been since 2013-14 (£3.7 billion in real terms). Network Rail uses this money to maintain, renew and improve the network.

Direct rail support – grant payment to Network Rail and during the construction of HS1 up to 2007-08, to London and Continental Railways.

Figure 1.2: Breakdown of net government support to the rail industry in real terms, Great Britain, 2008-09 to 2018-19 ([Table 1.6](#))



Note: Where central government grants are positive, government subsidies to TOCs outweigh TOC premium payments to government. Where central government grants are negative, TOC premium payments outweigh government subsidies.

² Direct rail support is a net total which includes the deduction of the fee paid by Network Rail to DfT for guaranteeing its private sector debt. This is known as the Financial Indemnity Mechanism (FIM) fee.

Between 2010-11 and 2017-18, TOCs paid more in premiums to the government than they received in **central government grants**. However, in 2018-19, train operators received £417 million (net) from the government. This is compared with a net payment to government of £227 million in real terms in 2017-18.

Central government grants – payments between government and TOCs as part of their franchise agreement. These figures also include contract payments from local transport authorities, such as from Merseytravel to Merseyrail and from Transport for London to London Overground.

Passenger Transport Executive (PTE) grants – net payments to PTEs for national rail services; PTEs are strategic transport bodies serving the six largest city regions outside London.

A relatively small amount of government support continues to be made to PTEs. In 2018-19, £4.5 million was paid in **PTE grants**. This was down £291,000 in real terms compared with 2017-18.

In 2018-19 there was £2.8 billion of investment for **other elements of government support**. This was up in real terms by £349 million compared with 2017-18. Central government funding for **HS2** continues to increase. In real terms government funding increased for HS2 from £2.1 billion in 2017-18 to £2.6 billion in 2018-19.

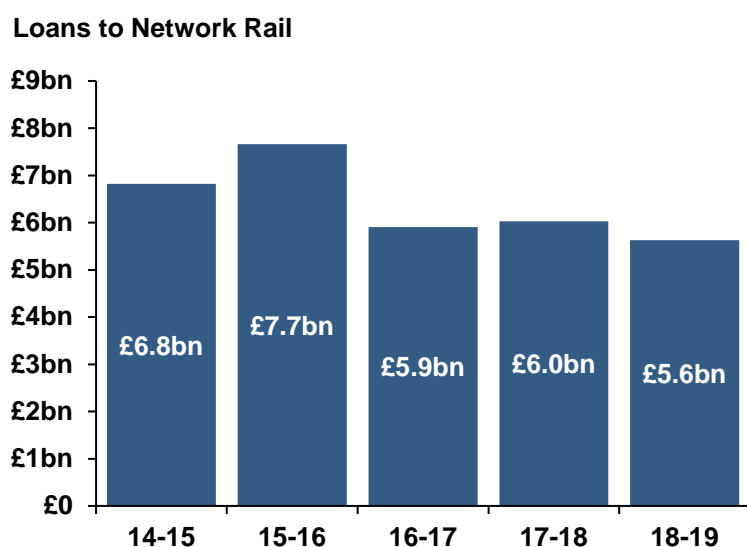
Other elements of government support – all other government expenditure on major projects (e.g. Crossrail, HS2), support to arms-length bodies including British Transport Police and Transport Focus, and other ad hoc rail projects.

Central government funding for **Crossrail** ended in 2015-16. In 2016-17, government received £208m in real terms from the City of London Corporation as a contribution to the cost of Crossrail. In December 2018, the Department for Transport agreed a £2.05 billion finance package between HM Treasury, the Greater London Authority (GLA) and Transport for London (TfL). This comprises a loan of £1.3 billion to the GLA, and a further contingent loan of £750 million for TfL. These figures do not appear in [Table 1.6](#) as the money has been made available as a loan to be repaid rather than further government support for the project.

Since becoming a public sector body in September 2014, Network Rail borrows directly from government and no longer issues debt privately. The total new **government loan to Network Rail** in 2018-19, minus the drawdown fee and government interest expenditure, was £5.6 billion. This was 6.6% lower in real terms than the loan made in 2017-18 (£6.0 billion). Network Rail's latest regulatory financial statement shows the total net debt at the end of 2018-19 was £53.4 billion³ (this includes money borrowed commercially prior to the re-classification in 2014).

Loans issued by DfT to Network Rail - following Network Rail re-classification to the public sector (September 2014). Network Rail had previously borrowed money on the commercial market.

Figure 1.3: Government loans to Network Rail minus drawdown fee and government interest expenditure in real terms, Great Britain, 2014-15 to 2018-19 ([Table 1.6](#))



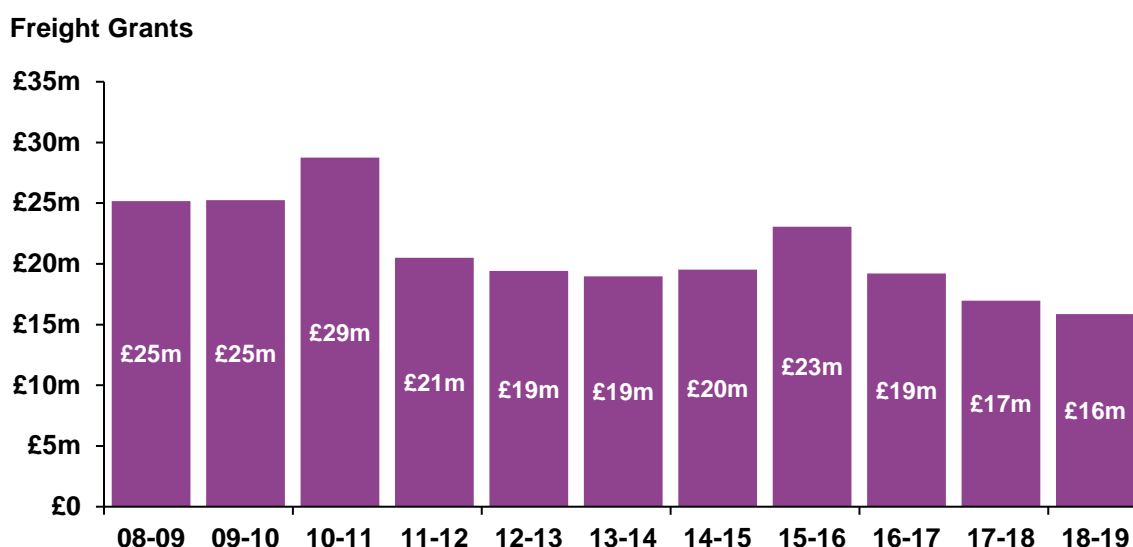
Note: This is the final year for which it will be possible to differentiate between government loans made to Network Rail and [direct rail support](#). From the start of Control Period 6 (2019-20), all Network Rail funding from government will be presented as direct rail support.

³ [Network Rail Regulatory Financial Statements](#)

Government provided £16 million through **freight grants** in 2018-19, a real terms decrease of £1.1 million (6.4%) compared with the previous year. These grants are intended to incentivise the movement of freight from road to rail and are currently secured through the Mode Shift Revenue Support (MSRS) Scheme⁴. Further details on the recipients and levels of freight grants awarded by DfT can be found at [DfT freight grants](#). Details on recipients of Transport Scotland grants can be found at [TS freight grants](#).

Freight grants – include Modal Shift Revenue Support (MSRS) and Freight Facilities Grants (FFG); these grants are paid by governments to encourage the movement of freight by rail.

Figure 1.4: Government freight grants in real terms, Great Britain, 2008-09 to 2018-19 ([Table 1.6](#))



⁴ Department for Transport [Guide to Mode Shift Revenue Support \(MSRS\) Scheme 2015 to 2020](#)

Related Information

UK rail industry financial information

The Office of Rail and Road publishes further financial data in the [UK Rail Industry Financial Information](#) publication. Some of the data presented in this statistical release are also presented in the UK rail financial information⁵ (e.g. share of direct rail support allocated to TOCs). In addition, UK rail industry financial information also includes:

- Data for Northern Ireland.
- Train Operator income data: fares, on-board catering, car parks, etc.
- Train Operator expenditure: staffing, fuel, track access charges, etc.
- GB Passenger fare income data: standard/first, discounted/season/anytime, etc.
- Network Rail income data: track access charges (fixed and variable), etc.
- Network Rail expenditure data: operations, maintenance, renewals, etc.
- Data for open access and freight operators.

Rail fares index and passenger revenue data

Passenger revenue statistics published in the [quarterly rail usage statistical release](#) show all ticket revenue and miscellaneous charges associated with passenger travel on national railways, but do not include government support or grants.

[Rail fares index](#) is an annual release containing information on the annual change in fares, which are normally introduced in January of each year.

Country and regional analysis

The country and regional analysis ([CRA, 2018](#)) presents statistical estimates for the allocation of identifiable expenditure between the UK countries and nine English regions. A methodology has been applied to allocate rail expenditure on a 'who benefits?' basis. This matches patterns of passenger demand with the geographic distribution of train services.

⁵ Some differences exist between the two publications. The UK Rail Industry Financial Information uses data from Network Rail regulatory and TOC management accounts. The data in this statistical release comes from DfT, Transport Scotland and Welsh Government audited financial accounts. Income recognition criteria set out in accounting standards require TOCs to match receipts from government to the period in which the relevant expenditure occurs in their income statements. The timing of the recognition of this income in TOC financial statements, therefore, may not necessarily match the expenditure shown in government financial statements.

2. Government support by train operating company

For train operating companies (TOCs), the **net subsidy/premium** is made up of:

- a) **Net franchise payment** which is a payment to or from a TOC contracted in their franchise agreement and may also include variations brought about by policy changes or initiatives;
- b) **Revenue support/share** which consists of a payments to or from a TOC that varies depending on the financial performance of the operator;
- c) Prior to 2016-17, **Passenger Transport Executive (PTE) grants**. These were payments made by the Department for Transport to train operators (mostly Northern) via PTEs; and
- d) **Share of Network grant**, which is an estimate of the share of the direct rail support provided by government to Network Rail. A methodology has been developed which apportions the direct rail support to the TOCs in line with the shortfall in funding on the Network Rail routes.

Data are presented in [Table 1.7](#) to show changes in ownership of the different franchises. For example, a separate column of data is provided for London Midland (Govia) and West Midlands Trains (Abellio/JR East/Mitsui). Where possible, franchise changes which occurred within a financial year have been reflected by splitting data between the relevant columns.

Prior to 2018-19, data were presented for inactive TOCs (i.e. those that paid/received payments in a year when they were not operating trains). Such payments are now included within the figures for the existing franchisee at the time of payment.

Government support per passenger kilometre is calculated by dividing the net payment to/from government by the train operator's total passenger kilometres (see [Table 12.11](#)).

During 2018-19, the majority of franchised passenger train companies⁶ made net franchise payments to government. The highest amount paid was by Virgin Trains East Coast/London North Eastern Railway (£223 million). Five operators made revenue share payments to government in 2018-19 with Virgin Trains West Coast (£11.5 million) making the highest payment. One operator, Arriva Trains Wales⁷, received £558,000 in revenue support from the government in 2018-19.

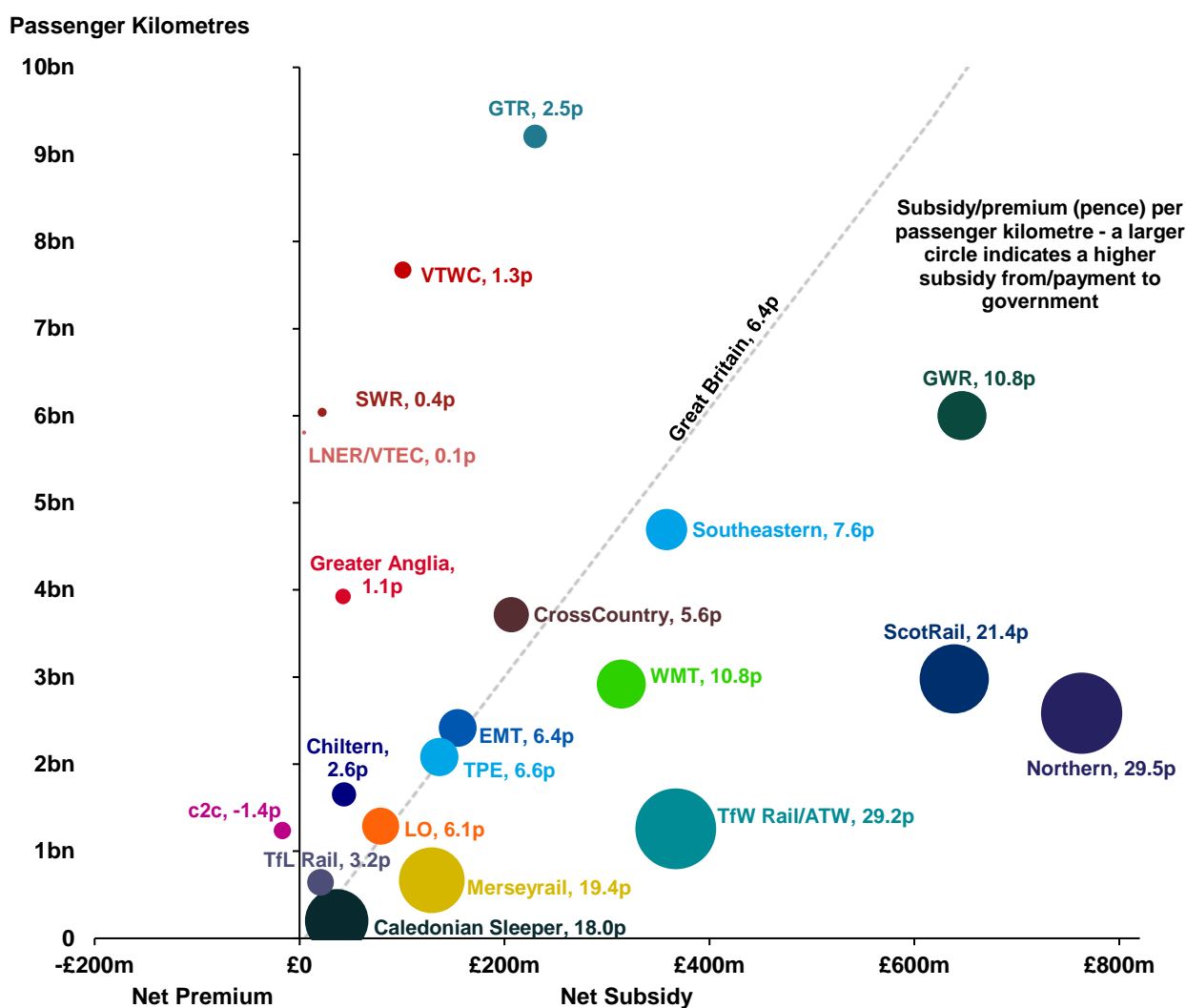
⁶ Including the three concession operators: London Overground, Merseyrail and TfL Rail.

⁷ No payments were made to/from TfW Rail who began operating the franchise on 14 October 2018.

Including direct support for Network Rail, the government provided £4.3 billion in subsidies for the passenger train operators⁸ of Great Britain in 2018-19. This is equivalent to 6.4p for every passenger kilometre travelled. In real terms, this was up 0.3p compared with the previous year.

For the passenger train operators, Figure 2.1 plots passenger kilometres against net subsidy/premium. A larger circle indicates a larger subsidy/premium per passenger kilometre. When including the estimate for the share of Network Grant, c2c (-1.4p per passenger kilometre) was the only train operating company for which a net contribution was made to government in the whole of 2018-19. Journeys made on Northern received the largest subsidy per passenger kilometre in the whole of 2018-19 at 29.5p.

Figure 2.1: Net government support (including share of Network Grant) per passenger kilometre by train operating company, Great Britain, 2018-19 ([Table 1.7](#))



⁸ This includes the three concession operators: London Overground, Merseyrail and TfL Rail.

Figure 2.2 shows the real terms change in government support per passenger kilometre for each train operator since 2017-18. Govia Thameslink Railway (-1.9p), c2c (-1.8p) and Greater Anglia (-1.6p) had the largest decreases in government support per passenger kilometre in 2018-19 compared with the previous year. Great Western Railway (4.2p), Northern (3.3p) and London North Eastern Railway/Virgin Trains East Coast (1.8p) had the largest increases in government support per passenger kilometre in 2018-19.

On the 23 June 2018, Virgin Trains East Coast ceased operating the East Coast franchise. The franchise payments made by the operator of last resort⁹ – London North Eastern Railway – are lower than those that were made by Virgin Trains East Coast. This is why government support to this franchise increased by 1.8p per passenger kilometre compared with 2017-18.

Figure 2.2: Real terms change in net government support (including share of Network Grant) per passenger kilometre by train operating company (2018-19 prices), Great Britain, 2017-18 to 2018-19 ([Table 1.7](#))

Subsidy Change	Increase	Decrease
0p to 1.0p	ScotRail (0.1p) Southeastern (0.3p) South Western Railway/South West Trains (0.4p)	Merseyrail (-0.2p) Virgin Trains West Coast (-0.3p) West Midlands Trains/London Midland (-0.3p) London Overground (-0.4p) CrossCountry (-0.4p) Caledonian Sleeper (-0.6p) Chiltern Railways (-0.7p) TfL Rail (-1.0p)
More than 1.0p	East Midlands Trains (1.1p) TfW Rail/Arriva Trains Wales (1.2p) London North Eastern Railway/Virgin Trains East Coast (1.8p) Northern (3.3p) Great Western Railway (4.2p)	TransPennine Express (-1.4p) Greater Anglia (-1.6p) c2c (-1.8p) Govia Thameslink Railway (-1.9p)

⁹ <https://www.gov.uk/government/organisations/dft-olr-holdings-limited/about>

3. Private investment in the rail industry

Private investment statistics are collected by the Office for National Statistics (ONS) every year on behalf of ORR. Before 2017-18, the statistics were collected on a quarterly basis.

ORR selects up to 40 rail industry companies, such as train and freight operating companies, to take part in the survey every quarter. Negative numbers can occur due to a company's disposal of rail assets. Network Rail investment data is excluded from these statistics, but is included in the government support to the rail industry statistics through the direct support provided by government to Network Rail.

The survey data is supplied to ONS confidentially and because of this agreement, ORR cannot provide any further disaggregation of the information published here.

Private investment statistics show the expenditure and disposal of fixed assets in the rail industry, excluding investment by Network Rail or government. These are presented in the following categories:

Rolling stock including new and second-hand acquisitions of railway vehicles, e.g. locomotives (excluding leasing charges) and eligible refurbishment work;

Stations including expenditure on passenger stations, passenger and freight train depots, train maintenance facilities and retail outlets (this excludes expenditure at station ticket offices);

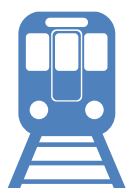
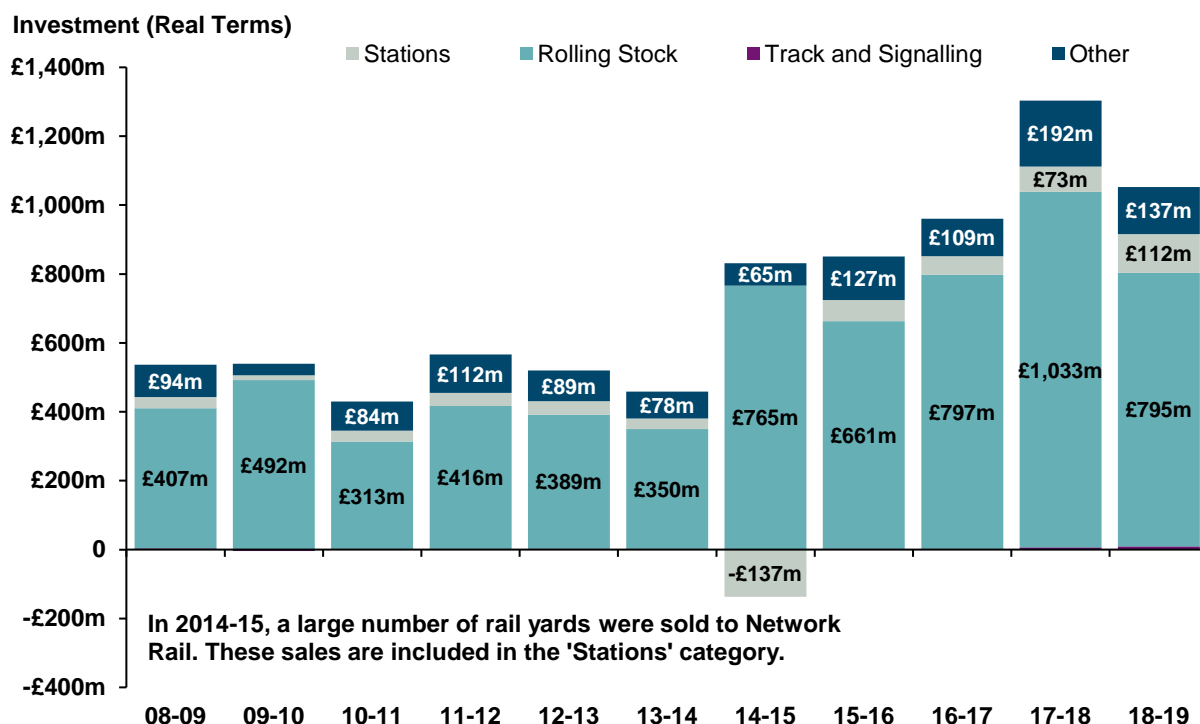
Track and signalling including expenditure on rail track renewals and enhancements, new routes and new electrification and signalling;

All **other expenditure** associated with the rail business, buildings and associated land, non-rail vehicles and business related costs such as IT and web related costs.

A number of franchises have been let recently with commitments to procure new and additional rolling stock (see the [House of Commons Library](#)). While rolling stock leasing companies provide upfront capital investment, it should be noted that franchise operator commercial decisions are often related to decisions taken by government and associated contractual requirements.

A net total of £1.1 billion was invested by private companies during 2018-19. This is a real terms decrease of 19.3% on the previous year, but it is still the second highest value recorded since the time series began in 2006-07. The £112 million invested in stations is the highest value recorded since 2006-07.

Figure 3.1: Real terms private investment in the rail industry (excludes Network Rail investment), Great Britain, 2008-09 to 2018-19 (Table 1.9)



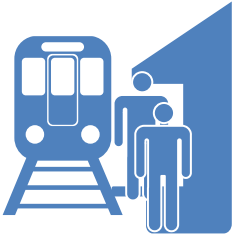
In 2018-19, £795 million was spent on **rolling stock**, which accounts for the highest proportion (75.5%) of net private investment. This includes investment in new rolling stock orders. In 2018-19 there were new rolling stock orders such as Hitachi¹⁰ electric trainsets ordered on behalf of FirstGroup. There were also contracts awarded to Bombardier on behalf of Heathrow Express¹¹ and Stadler on behalf of TFW Rail¹².

¹⁰ <http://www.railtechnologymagazine.com/Rolling-stock/Page-3/firstgroup-finalises-100m-order-for-hitachi-trains-as-plans-for-london-edinburgh-rail-link-move-forward>

¹¹ <http://www.railtechnologymagazine.com/Rolling-stock/Page-5/porterbrook-awards-11m-contract-to-modify-new-digital-heathrow-express-fleet>

¹² <http://www.railtechnologymagazine.com/Rolling-stock/Page-4/stadler-to-build-71-trains-for-wales-and-borders-railway>

In March 2019, Transport for London completed the sale of the Class 345 'Elizabeth Line' trains to a private finance consortium¹³. This was not covered as part of the ONS survey and therefore the £1 billion invested does not appear in the figures presented here.



Private investment in **stations** during 2018-19 was £112 million, accounting for 10.7% of total private investment. This was the highest amount invested since 2006-07.



In 2018-19, £9 million of net private investment was made in **track and signalling**. This element of investment is primarily made by Network Rail and their data are not included within these statistics so it is expected to be small. Nevertheless, this was the highest amount invested since 2007-08.



In 2018-19, **other investment** was £137 million which accounted for 13.0% of total private investment. Other investment includes expenditure associated with the rail business, such as non-rail vehicles and business related activities such as IT costs.

¹³ <https://tfl.gov.uk/info-for/media/press-releases/2019/march/tfl-completes-sale-and-leaseback-of-elizabeth-line-trains-to-345-rail-leasing-consortium>

Annex 1 – background to rail finance

Before **1994-95**: Government support to the rail industry comprised grants to British Rail (BR) and the PTEs. BR also borrowed from the National Loans Fund.

1994-95 – 1996-97: The privatisation of the rail industry in April 1994 led to changes in the basis of government funding. Level Crossing Grant was paid to Railtrack in 1994-95 and 1995-96 and discontinued at the start of 1996-97 with the transfer of Railtrack into private ownership. Grant levels were set to allow the newly formed rail companies to earn commercial returns. Support for passenger services was channelled through the Office of Passenger Rail Franchising (OPRAF) and the PTEs, which were funded by the Revenue Support Grant and an additional Metropolitan Grant. Any cash surpluses that were earned were returned to the Exchequer and used to reduce the net level of support to the industry while the rail companies were still in the public sector. In addition, in 1995-96 and 1996-97 the net funding requirement for the industry was further reduced by proceeds from the formation of the rolling stock operating companies (ROSCOs) and BR non-passenger business.

From **1997-98**: Government support to the rail industry chiefly consisted of OPRAF/Strategic Rail Authority support grants, PTE Special Grants and a grant to BR to finance its residual activities. Rail freight grants were paid by governments to encourage the movement of freight by rail.

2002-04: Network Rail established following the collapse of Railtrack. The year-by-year profile of government support to the rail industry was affected by the decision in the Access Charges Review 2003 to reprofile Network Rail's income. This led to government support being lower than it otherwise would have been in 2004-05 and 2005-06.

2014-15: Network Rail was reclassified as a public sector body in the UK national accounts and public sector finances from 1 September 2014. From 2014-15, loans that are issued by DfT to Network Rail have been included in this statistical release.

Annex 2 – List of data tables available on the ORR Data Portal

All data tables can be accessed on the [data portal](#) free of charge. The data portal provides on screen data tables, as well as the facility to download data in Excel format. We can provide data in csv format on request.

Rail finance

- Government support to the rail industry, 1985-86 to 2018-19 - [Table 1.6](#)
- Government subsidy per passenger kilometre by train operating company, 2008-09 to 2018-19 - [Table 1.7](#)
- Private investment in the rail industry (excludes Network Rail investment), 2006-07 to 2018-19 - [Table 1.9](#)

Revisions: The original allocation of the Network Grant for 2017-18 was made on the basis of the shortfall for route funding in 2016-17. These figures have been revised in line with the shortfall for route funding in 2017-18.

Further details can be found at: [Revisions Log](#)

Annex 3 - Statistical Releases

This publication is part of ORR's [National Statistics](#) accredited statistical releases which consist of annual and quarterly themed releases:

Annual

- Rail Finance;
- Rail Fares Index;
- Rail Safety Statistics;
- Rail Infrastructure and Assets;
- Rail Emissions;
- Regional Rail Usage;
- *Estimates of Station Usage (not National Statistics).*

Quarterly

- Passenger Rail Performance;
- Freight Rail Usage and Performance;
- Passenger Rail Usage;
- Passenger Rail Service Complaints.

A full list of publication dates for the next twelve months can be found in the [release schedule](#) on the data portal.

For more detail on data collection and the methodology used to calculate the statistics within this release please see the accompanying [Rail Finance Quality Report](#).

National Statistics

The United Kingdom Statistics Authority designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value.

All official statistics should comply with all aspects of the Code of Practice for Official Statistics. They are awarded National Statistics status following an assessment by the Authority's regulatory arm. The Authority considers whether the statistics meet the highest standards of Code compliance, including the value they add to public decisions and debate.

It is ORR's responsibility to maintain compliance with the standards expected of National Statistics. If we become concerned about whether these statistics are still meeting the appropriate standards, we will discuss any concerns with the Authority promptly. National Statistics status can be removed at any point when the highest standards are not maintained, and reinstated when standards are restored.

Our statistical releases hold National Statistics status since being assessed¹⁴ in 2012. Since our assessment we have improved the content, presentation and quality of our statistical releases. Also, in July 2019 we launched our new data portal. In November 2019 the Office for Statistics Regulation (the regulatory arm of the UK Statistics Authority) completed a compliance check to ensure we were still meeting the standards of the Code. They reconfirmed our National Statistics status in a [letter](#) and highlighted many positive aspects in the way we produce and present our statistics and welcomed the range of improvements since the 2012 assessment.

For more information on how we adhere to the Code please see our compliance statements at: dataportal.orr.gov.uk/code-of-practice/

For more details please contact the Statistics Head of Profession Lyndsey Melbourne on 020 7282 3978 or contact rail.stats@orr.gov.uk.

The Department for Transport (DfT) also publishes a range of rail statistics which can be found at [DfT Rail Statistics](#). For example, Rail passenger numbers and overcrowding on weekdays in major cities.

Transport Focus publish the [National Rail Passenger Survey](#) (NRPS).

¹⁴ <https://dataportal.orr.gov.uk/media/1334/uksa-assessment.pdf>



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