Net government support to the rail industry in Great Britain totalled £4.2 billion in 2016-17 (excluding Network Rail loans). Crossrail funding ended in 2015-16 but HS2 funding increased to £839 million in 2016-17. Direct rail support, PTE grants and central government grants totalled £3.3 billion in 2016-17. In real terms, this was the same as 2015-16.

For the seventh year in a row, train operating companies (TOCs) paid more (£763m) to government in premium payments than they received in subsidies. In real terms, this was down 8.5% compared with the £833m recorded in 2015-16.

Including direct support for Network Rail, TOCs received 5.1p for every passenger kilometre travelled in Great Britain in subsidies in 2016-17. This was the same as the previous year.
1. Government support to the rail industry

Government support in 2016-17 was £4.2 billion (£4,200 million). When adjusted for inflation\(^1\) this was down 12.6% compared with 2015-16. This was mostly due to Crossrail funding ending in 2015-16. Government support peaked in 2006-07 (£7.5 billion in real terms). It has since fallen by 43.7% in real terms.

Government support to the rail industry in real terms, Great Britain, 1985-86 to 2016-17 (Table 1.6)

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

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

Total government support figures exclude loans issued to Network Rail and freight grants. These values are presented separately.

\(^1\) Using the June, 2017 GDP Deflators, historic prices have been adjusted to represent 2016-17 prices and thus allow ‘real terms’ comparisons between data from 2016-17 and data from previous years.
Government Support by Funding Type

The majority of government support was in direct rail support\(^2\) which is the grant payment to Network Rail. This was £4.1 billion in 2016-17. In real terms, this was up £32 million on the previous year and the highest it has been since 2008-09 (£4.6 billion). Network Rail uses this money to maintain, renew and improve the network.

Breakdown of total government support to the rail industry in real terms, Great Britain, 2006-07 to 2016-17 (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. In 2016-17 a payment of £200 million was made by the City of London Corporation to government as a contribution to the cost of Crossrail. This is presented as a negative value in the chart (money received by government).

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\(^2\) 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.
Under the terms of the new Northern franchise agreement all subsidies are now paid directly to the train operator. **PTE grants**, therefore, were limited to £5 million in 2016-17. This was down from £129 million (in real terms) the previous year.

Since 2010-11, TOCs have paid more in premiums to the government than they have received in **central government grants**. In 2016-17, government received £763m more in premiums than it paid in subsidies. This was down £71 million in real terms compared with 2015-16.

In 2016-17 there was £905 million of investment for **other elements of government support**. This was down in real terms by £587 million from 2015-16. Funding for **Crossrail** – which government provided £819 million in 2015-16 (in real terms) – accounted for this decline. Government funding for Crossrail end in 2015-16. The government also received £200 million from the City of London Corporation as a contribution to the cost of the project. Funding for **HS2** increased in real terms from £472 million in 2015-16 to £839 million in 2016-17.
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 2016-17, minus the drawdown fee and government interest expenditure, was £5.7 billion. This was 22.7% lower in real terms than the loan made in 2015-16 (£7.4 billion). Network Rail’s latest annual report and accounts show the total net debt for 2015-16 was £46.3 billion3.

Government loans to Network Rail minus drawdown fee and government interest expenditure in real terms, Great Britain, 2014-15 to 2016-17 (Table 1.6)

Loans issued by DfT to Network Rail - following Network Rail re-classification to the public sector (September 2014).

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3 [https://www.networkrail.co.uk/annual-report/](https://www.networkrail.co.uk/annual-report/)
Government provided £18 million through freight grants in 2016-17, a decrease of £4 million (16.5%) 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.

Government freight grants in real terms, Great Britain, 2007-08 to 2016-17 (Table 1.6)

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⁴ Department for Transport Guide to Mode Shift Revenue Support (MSRS) Scheme 2015 to 2020
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 information (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 which is published in the quarterly rail usage statistical release (2016-17 Q4) 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 (January, 2017) 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, 2016) 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.

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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 subsidy per passenger kilometre by train operating company

Including direct support for Network Rail, TOCs received 5.1p for every passenger kilometre travelled in Great Britain in subsidies in 2016-17. This was the same as the previous year. South West Trains (2.1p per passenger km) and Virgin Trains East Coast (0.4p per passenger km) were net contributors to government in 2016-17. Arriva Trains Wales (26.3p) received the largest subsidy per passenger km this year.

Government subsidy (including share of Network Grant) per passenger kilometre by train operating company, Great Britain, 2016-17 (Table 1.7)

In previous editions of this publication, the calculation has been made without the direct rail support 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.
During 2016-17, the majority of franchised passenger train companies made premium payments to government (i.e. not including share of Network Grant, revenue support/share etc.). The highest amount paid was by South West Trains (£662 million), followed by Govia Thameslink Railway (£296 million) and Virgin Trains East Coast (£259 million).

Virgin Trains West Coast (up 38.3%), Virgin Trains East Coast (up 24.4%) and South West Trains (up 14.2%) all had real terms increases in the premiums they made to government compared with 2015-16. The £296 million paid by Govia Thameslink Railway was down 23.5% compared with the previous year.

Northern received the largest subsidy in 2016-17 at £279 million. This was up 122.8% compared with 2015-16, but this was largely due to the funding which had previously been
channelled via the PTEs being provided directly to Northern. ScotRail received the second highest subsidy (£247 million), though this was down 17% compared with the year before. The largest increase in subsidy was at London Midland. Having received £43 million in 2015-16, London Midland received £81 million in 2016-17, an increase of 85.9%.

For revenue support/share, South West Trains received £275 million, which was up 49.3% compared with the previous year. In contrast, Southeastern paid £40 million to government, an increase of 139.6% compared with a year ago.

When their share of the direct rail support is taken into account, two TOCS – South West Trains (£138 million) and Virgin Trains East Coast (£21 million) – were net contributors to the government in 2016-17. The largest overall subsidies were paid to Northern (£650 million) and ScotRail (£588 million).

Virgin Trains East Coast had the largest increase in net contribution to government turning a deficit of £28 million in 2015-16 into a surplus of £21 million in 2016-17. In contrast, the deficit at Govia Thameslink Railway increased from £6 million in 2015-16 to £95 million in 2016-17. The impact of these changes on subsidy per passenger kilometre are shown in the table below.

**Real terms change in government subsidy per passenger kilometre by train operating company (2016-17 prices), Great Britain, 2015-16 to 2016-17 (Table 1.7)**

<table>
<thead>
<tr>
<th>Subsidy Change</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>0p to 1.0p</td>
<td>Arriva Trains Wales (0.1p)</td>
<td>London Overground (-0.5p)</td>
</tr>
<tr>
<td></td>
<td>Great Western Railway (0.1p)</td>
<td>TransPennine Express (-0.5p)</td>
</tr>
<tr>
<td></td>
<td>CrossCountry (0.1p)</td>
<td>Virgin Trains East Coast (-0.9p)</td>
</tr>
<tr>
<td></td>
<td>Greater Anglia (0.1p)</td>
<td>Virgin Trains West Coast (-0.9p)</td>
</tr>
<tr>
<td></td>
<td>South West Trains (0.2p)</td>
<td>McBride (£1.6p)</td>
</tr>
<tr>
<td></td>
<td>TFL Rail (0.2p)</td>
<td>ScotRail (£1.3p)</td>
</tr>
<tr>
<td></td>
<td>East Midlands Trains (0.4p)</td>
<td>Caledonian Sleeper (£1.3p)</td>
</tr>
<tr>
<td></td>
<td>Merseyrail (0.4p)</td>
<td>Northern (£2.1p)</td>
</tr>
<tr>
<td></td>
<td>London Midland (0.7p)</td>
<td>London Midland (£0.2p)</td>
</tr>
<tr>
<td>More than 1.0p</td>
<td>Govia Thameslink Railway (1.0p)</td>
<td>Southeastern (£1.0p)</td>
</tr>
<tr>
<td></td>
<td>C2c (£1.1p)</td>
<td>Chiltern Railways (£1.3p)</td>
</tr>
<tr>
<td></td>
<td>ScotRail (£1.3p)</td>
<td>Caledonian Sleeper (£1.6p)</td>
</tr>
<tr>
<td></td>
<td>McBride (£1.6p)</td>
<td>Northern (£2.1p)</td>
</tr>
</tbody>
</table>
3. Private investment in the rail industry

A net total of £925 million was invested by private companies during 2016-17. This is a real terms increase of 13.2% on the previous year and is the highest value recorded since the time series began in 2006-07. The £767 million invested in rolling stock was the highest value recorded since the time series began.

Real terms private investment in the rail industry (excludes Network Rail investment), Great Britain, 2006-07 to 2016-17 (Table 1.9)

Private investment statistics are collected by the Office for National Statistics (ONS) every quarter on behalf of ORR. ORR select 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.
In 2016-17 there was £767m spent on **rolling stock** which has accounted for the highest proportion (83.0%) of net private investment. This includes investment in to new rolling stock orders. In 2016-17 there were new rolling stock orders such as Bombardier\(^7\) and Stadler\(^8\) electric multiple-units ordered on behalf of Abellio Greater Anglia. Hull Trains also ordered a new fleet of Hitachi AT300 bi-mode trains\(^9\).

Private investment in **stations** during 2016-17 was £52 million, accounting for 5.6% of total private investment.

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In 2016-17, less than £1 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.

In 2016-17 other investment was £105 million which accounted for 11.3% 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.
Annex 1 – List of pre-created reports available on the ORR Data Portal

All data tables can be accessed on the data portal free of charge. The ORR data portal provides on screen data reports, as well as the facility to download data in Excel format and print the report. We can provide data in csv format on request.

Rail finance

- Government support to the rail industry, 1985-86 to 2016-17 - Table 1.6
- Government subsidy per passenger kilometre by train operating company, 2008-09 to 2016-17 - Table 1.7
- Private investment in the rail industry (excludes Network Rail investment), 2006-07 to 2016-17 - Table 1.9

Revisions: A number of revisions have been made since the 2015-16 release:

1. Freight grants have been revised for 2007-08, 2008-09, 2009-10 and 2015-16 to account for Scottish freight grants. Table 1.6 has been revised accordingly.

2. Direct rail support and total government support have been revised for 2015-16 to take account of the Scottish part of the Financial Indemnity Mechanism. Table 1.6 has been revised accordingly.

3. Loans to Network Rail has been revised for 2015-16 to take account of the Scottish part of the loan. Table 1.6 has been revised accordingly.

4. Passenger kilometres data for CrossCountry (2008-09), ScotRail (2015-16) and Merseyrail (2008-09 and 2009-10) have been revised. Table 1.7 has been revised accordingly.

5. Private investment figures for “other rail” (2010-11 Quarter 1, 2013-14 Quarter 4 and 2014-15 Quarter 2) and “rolling stock” (2013-14 Quarter 2) have been adjusted having previously omitted one TOC. Table 1.9 has been revised accordingly.

Further details can be found at: Revisions Log
Annex 2

Statistical Releases

This publication is part of the statistical releases which cover the majority of reports that were previously released through the Data Portal. The statistical releases consist of four annual and four quarterly themed releases:

**Annual:**
- Rail Finance & Rail Fares Index;
- Rail Safety Statistics;
- Rail Infrastructure, Assets and Environment;
- Regional Rail Usage.

**Quarterly:**
- Passenger and Freight Rail Performance;
- Freight Rail Usage;
- Passenger Rail Usage;
- Passenger Rail Service Complaints.

This year the Rail Fares Index was published separately from the main Rail Finance statistical release to enable earlier publication of data (in March 2017).

A full list of publication dates for the next twelve months can be found in the release schedule on the ORR website.

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.
Annex 3 – 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.

2003-04: 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.
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.

For more details please contact the Statistics Head of Profession Abby Sneade on 020 7282 2022 or contact rail.stats@orr.gsi.gov.uk.

The Department for Transport (DfT) also publishes a range of rail statistics which can be found at DfT Rail Statistics.