



OFFICE OF RAIL AND ROAD

UK Rail Industry Financial Information 2015-16

22 February 2017

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Summary

Major changes to this publication

This publication has changed since 2014-15 and is now titled “UK Rail Industry Financial Information” to reflect the inclusion of data for Northern Ireland. We have also expanded the scope in other areas and made changes to methodology. Most of these changes are presentational and do not change underlying income and expenditure, which has not changed significantly from 2014-15.

Scope changes

This year other industry sectors are included alongside franchised train operators and Network Rail in the main analysis (the summary, figure 1, some of the figures in the key findings chapter and separately in the data tables). These are:

- Open access operators.
- Freight operators.
- High Speed 1 (HS1)
- Northern Ireland Railways.
- Rolling stock companies.

Eurotunnel, High Speed 2 (HS2) and Crossrail are excluded from this publication.

Methodological changes

The main change to the methodology this year is the allocation of Network Grant to train operators. In previous years this was allocated on the basis of an operator’s share of Network Rail’s deficit (income less expenditure) at a GB level, this is now

allocated on the basis of an operator’s share of Network Rail’s deficit at a Network Rail route level.

Presentational changes

In 2014-15 financial data was primarily shown consolidated¹ at an industry level with a limited analysis of gross² financial data. This year we show both.

Figure 1 on page 5 has changed significantly and now shows the gross financial data for each industry sector and the simplified main flows between them³. The key findings (chapter 2) shows gross and consolidated data and the data tables gross data only.

The presentation of government funding has also changed with payments shown separate to receipts. For example, government payments to train operating companies (TOCs) are shown as income and TOC payments to government as expenditure⁴. As a result of this consolidated industry income and expenditure have increased by £3bn. This is purely a presentational change which does not reflect an underlying change in industry cash flows.

Throughout this publication numbers may not sum due to rounding and are in 2015-16 prices unless otherwise stated.

¹ Consolidated financial data is gross financial data which has been adjusted for intra industry transactions. Intra industry transactions are transactions entirely within the industry.

² Gross financial data shows the finances of each industry sector before intra industry adjustments are made e.g. Network Rail income including income from operators.

³ Annex A shows figure 1 as it looked in 2014-15.

⁴ If TOC A receives £50m in support from government but TOC B pays £70m to government then in our 2014-15 publication we would have shown this as net government funding of £20m (£70m - £50m). This year’s publication shows £50m of TOC income and £70m of TOC expenditure. So, both income and expenditure are higher but the overall net position would be the same.

Consolidated industry income and expenditure in 2015-16

£18.4bn of income in 2015-16 from:

- 51% GB passenger fares
- 4% GB on-board catering, car parks, etc.
- 36% GB government funding
- 5% freight customers
- 4% Northern Ireland Railways, external Network Rail income and HS1

£18.4bn of expenditure in 2015-16 for:

- 35% passenger train operations
- 32% Network Rail operations, maintenance, renewals and borrowing costs
- 5% freight train operations
- 7% rolling stock company expenditure
- 2% Northern Ireland Railways and HS1
- 19% payments to GB government

These numbers are based upon accruals accounting, with income and expenditure matching the periods in which they are earned or fall due, rather than when cash flows. In line with this we use an amortisation charge to account for Network Rail capital expenditure.

Actual cash investment by Network Rail in infrastructure enhancements was £3.2bn in 2015-16 (see figure 2.11), which was funded by debt and is the main reason why Network Rail's debt has increased by £3.7bn. Rolling stock companies invested £0.9bn in new rolling stock including for Thameslink and Intercity Express.

Reconciliation with 2014-15

As a result of the changes detailed above, the industry level consolidated figures have changed and the tables below reconcile 2014-15 industry level income and expenditure with 2015-16 (more details can be found in Annex A).

Apart from payments to government, consolidated industry numbers have been affected by an increase of £0.9bn in income and expenditure due to the inclusion of freight⁵ and increases in income of £0.3bn and expenditure of £0.4bn due to the inclusion of High Speed 1 (please see below).

2014-15 to 2015-16 consolidated income reconciliation

	£bn
Industry income 2014-15 (see table in Annex A)	13.5
Add: payments to government (no longer shown as negative income)	3.0
Add: consolidated freight income	0.9
Add: High Speed 1 income	0.3
Add: increased industry income (£0.3bn of fares and £0.1bn of government support)	0.4
Other	0.3
Industry income 2015-16	18.4

2014-15 to 2015-16 consolidated expenditure reconciliation

	£bn
Industry expenditure 2014-15 (see table in Annex A)	13.6
Add: payments to government (now shown as TOC expenditure)	3.0
Add: consolidated freight expenditure	0.9
Add: High Speed 1 expenditure	0.4
Add: increased industry expenditure (franchised TOC s £0.4bn and Network Rail £0.1bn)	0.5
Industry expenditure 2015-16	18.4

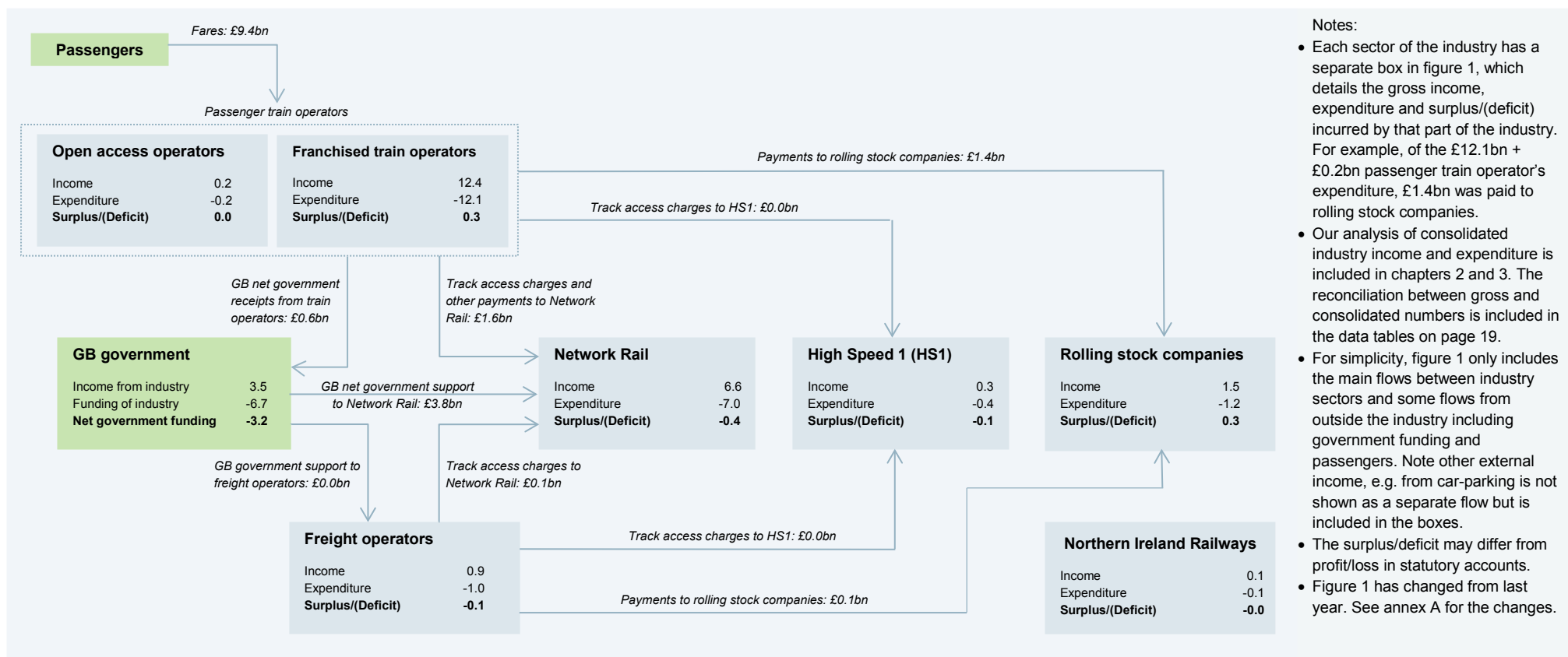
⁵ In 2014-15 the charges TOCs pay to rolling stock companies were already included in our analysis so the effect of including these companies fully in our analysis in 2015-16 has not been as significant as compared to the impact of including freight.

Gross industry income and expenditure in 2015-16

The consolidated data on page 4 helps to explain the industry's external impact on taxpayers and passengers. It is also important to understand the financial position of each part of the industry and the material flows between them as shown in Figure 1. This figure shows gross income and expenditure for each industry sector prior to adjustments for transactions within the industry.

The main funding of the industry comes from passengers and governments so they are shown in figure 1 but they are treated as external funders of the industry in our gross and consolidated numbers in the same way that the supply chain is treated as an external provider of services.

Figure 1: UK gross industry income, expenditure and government funding flows in 2015-16 (£bn)



1. Introduction

Purpose of the report

This Official Statistics publication is the 6th edition of the UK Rail Industry Financial Information which was first published to cover the 2010-11 financial year. Its aim then and now is to increase transparency and to help strengthen the industry's accountability to its customers, passengers and funders, which it does by providing an authoritative source of financial data to help inform debate.

In its Rail 2020 report⁶, the Transport Select Committee fully endorsed the need for more transparency about the rail industry's finances. The UK government and the Scottish government are also of the view that providing better information on public services will help to increase the usefulness of those services.

The UK rail industry has a complex structure which makes it difficult for stakeholders to understand how it generates income, spends its money and how it is funded. We consider that transparency strengthens the industry's accountability and deepens our understanding of the rail industry's finances.

There are a number of approaches to performing this analysis and we think that our approach is appropriate⁷; however there are other approaches so please consider the data and conclusions in this document with that in mind. We do not make any comments on the value for money of the industry for taxpayers or passengers.

We thank the rail industry and governments for their collaboration in producing this work.

⁶ House of Commons Transport Committee, [Rail 2020](#), HC329 2012-13, 17 December 2012, paras 29-32.

⁷ The Office of Rail and Road also publishes a rail finance statistical release separate to this publication, more detail of which can be found in Annex B.

Industry structure

The UK rail industry comprises the largest GB rail infrastructure provider, Network Rail, other infrastructure providers such as High Speed 1 (HS1), train operators which provide passenger services on the rail infrastructure (both franchised and open access), freight operators, rolling stock leasing companies and Northern Ireland Railways. The industry's engineering contractors and other suppliers are not included in our analysis.

Our publication for 2015-16 includes rolling stock leasing companies and Northern Ireland Railways for the first time. In 2014-15 the primary focus was on franchised train operators and Network Rail with a limited analysis of freight operators, open access operators and High Speed 1 and we did not include them in the industry level analysis, e.g. figure 1. In 2015-16 some of the industry level analysis also includes freight operators, open access operators, HS1, rolling stock companies and Northern Ireland Railways.

All sectors of the UK rail industry included in our analysis are shown in figure 1. In the key findings (chapter 2), consolidated income and expenditure (figures 2.1 and 2.8) cover all sectors of the UK rail industry. Other parts of the key findings chapter cover GB sectors only (so excluding Northern Ireland Railways). These are gross franchised train operator income and expenditure (figures 2.2 and 2.9), gross Network Rail income and expenditure (figures 2.3 and 2.10), passenger fare income (2.4 and 2.5), net government funding (figures 2.6 and 2.7) and capital expenditure (figure 2.11).

In chapter 3, tables 3.1 to 3.15 are for GB only and exclude freight operators, open access operators, HS1, rolling stock companies and Northern Ireland Railways. These tables are presented at a national,

Network Rail operating route and franchise area level (consistent with 2014-15) to provide different perspectives of the cost of the railway industry. Other parts of the industry are shown in separate tables (3.16 to 3.20).

There are overlaps between rail franchises which may run on more than one Network Rail operating route. For example, five franchises make use of the central spine of the west coast mainline. This structure significantly complicates understanding of the rail industry's finances at a sub-GB level. For example, geographical disaggregation by operating route is arguably more useful for understanding variances in the costs of managing the physical infrastructure, whereas disaggregation by train operators is arguably more useful for understanding variances in passenger income. Using a mixture of both is perhaps most useful for understanding some items such as government funding.

We consider that the methods and data sources that we have used provide a reasonable and informative analysis of the industry's finances. However, at the sub-GB level we recognise that different approaches could be used to allocate income and costs which would give a different interpretation of, for example, where government is providing financial support.

We will keep our methodology under review and would welcome feedback on our approach. It is important that these parts of the analysis are placed in their proper context and not given undue weight within the overall messages of this report.

2. Key findings

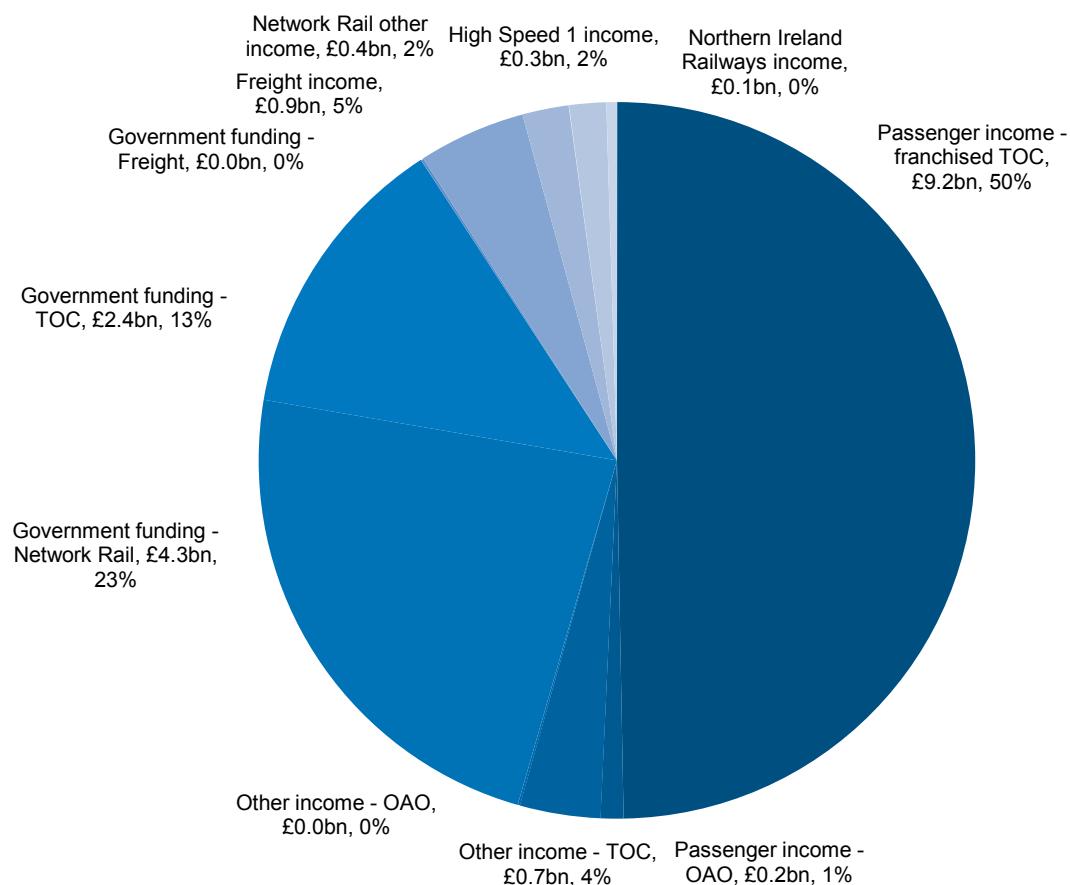
UK consolidated industry income

Industry income in 2015-16 after consolidation adjustments was £18.4bn⁸. In figure 2.1 the majority of this income was passenger fares of £9.4bn (51%). Fares from franchised train operating companies have increased by 3.4% or £0.3bn since 2014-15. This is largely due to an increase in passenger journeys by 3.7% to 1.7bn.

For franchised train operators, we exclude from the £12.4bn gross income shown in figure 1 £0.2bn of intra-TOC transactions⁹, so £12.2bn is TOC consolidated income in figure 2.1.

For Network Rail, we exclude from the £6.6bn gross income shown in figure 1, £1.9bn of income from passenger and freight operators¹⁰, so consolidated income for Network Rail is £4.7bn in figure 2.1.

Figure 2.1: UK consolidated rail industry income in 2015-16¹¹



⁸ In figure 2.1, government funding does not include payments by the industry to government which is shown under expenditure later in this chapter.

⁹ Income generated from sales between TOCs (Train operating companies)

¹⁰ Income from operators includes access charge and performance income (schedule 4 and 8).

¹¹ Network Rail's other income on a consolidated basis is largely property income. TOCs other income includes income from on-board catering, car parks etc.

Gross franchised train operator income

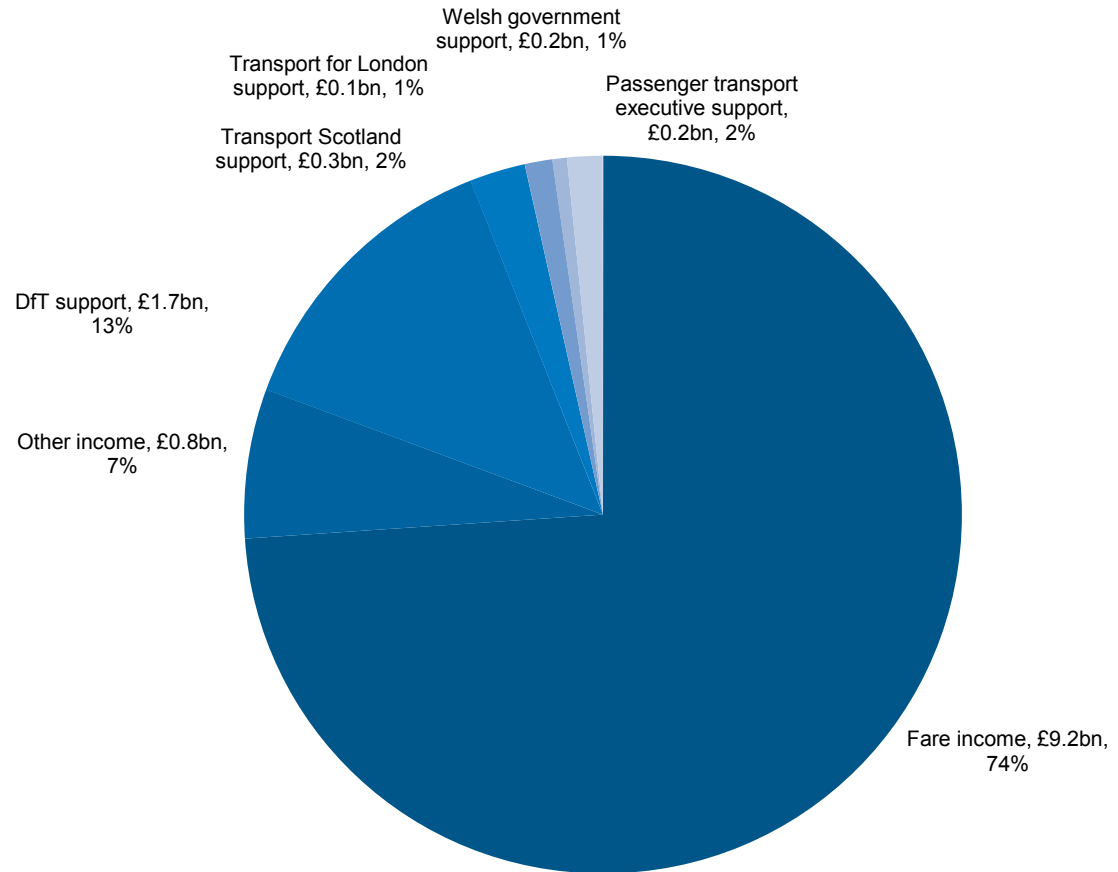
Franchised train operator income, prior to consolidation adjustments, was £12.4bn in 2015-16 as shown in figure 2.2.

Fares income of £9.2bn represents 74% of gross franchised train operator income.

Government support of £2.4bn represents 19% of total gross franchised train operator income.

Other income (for example, from on-board catering, car parks etc.) of £0.8bn is 7% of total gross franchised train operator income.

Figure 2.2: GB Gross franchised train operator income 2015-16¹²



¹² DfT is the Department for Transport. Fare income of £9.4bn is shown in figure 1; this is £9.2bn from franchised train operators and £0.2bn from open access operators.

Gross Network Rail income

Network Rail income, prior to consolidation adjustments, was £6.6bn in 2015-16 as shown in figure 2.3.

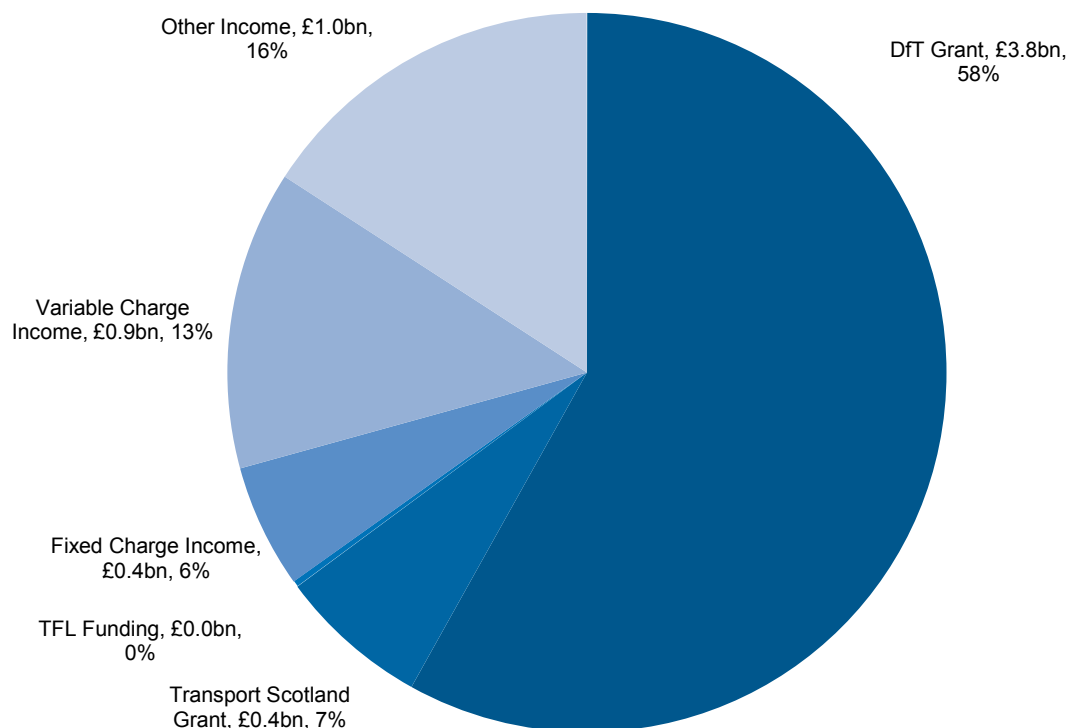
Government support was £4.3bn, which represents 65% of gross Network Rail income.

Variable and Fixed Charge income from operators to access the rail network was £1.3bn which represents 19% of gross Network Rail income.

Other income (for example, from property and including performance income¹³) is £1.0bn, which is 16% of gross Network Rail income.

Borrowing by Network Rail to fund capital expenditure is not shown in figure 2.3. Actual capital expenditure is shown in figure 2.11.

Figure 2.3: Gross Network Rail income 2015-16



¹³ Schedules 4 and 8 performance regime income from operators.

GB passenger fare income

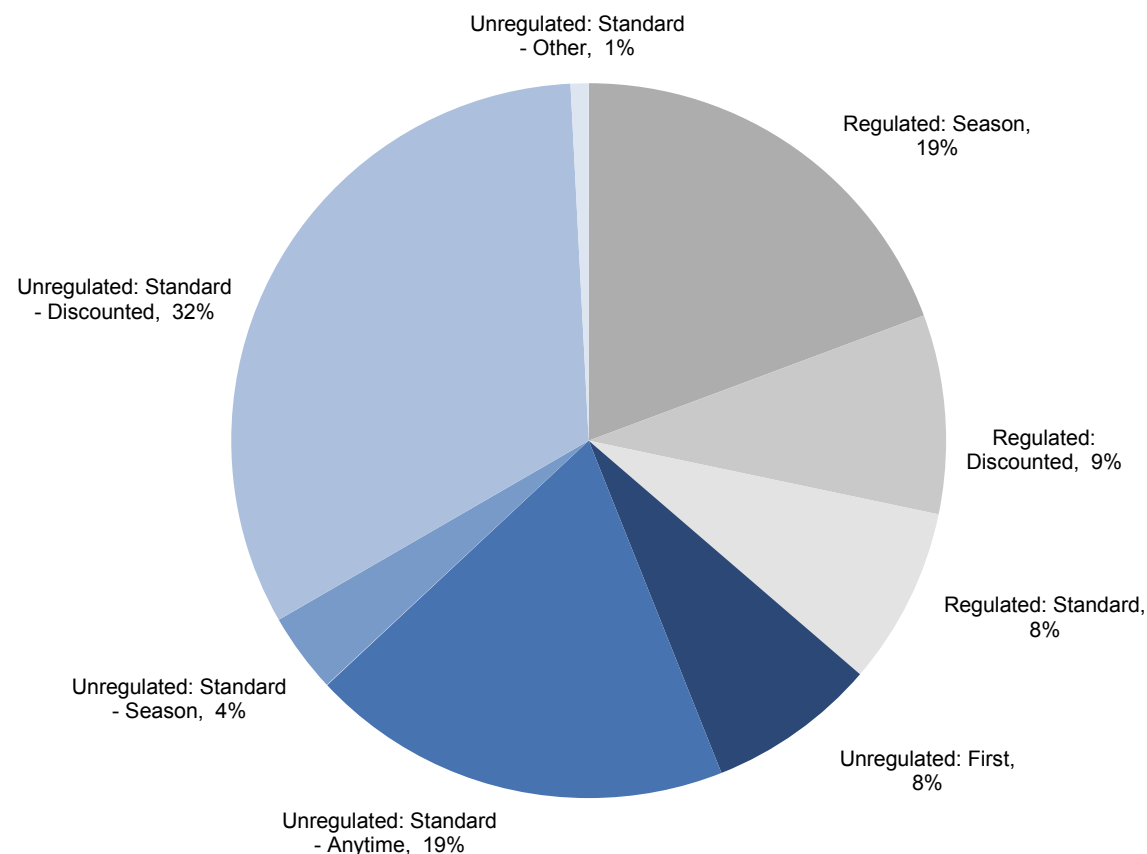
Average passenger income per journey was £5.34 in 2015-16, a 0.3% reduction from £5.36 in 2014-15. This is largely due to a smaller increase in fares (3.4%) than in passenger journeys (3.7%)¹⁴.

The average passenger income per journey was highest in Wales (£6.22) followed by England (£5.38) and Scotland (£4.42).

In England, Scotland and Wales there are two types of rail fare, regulated¹⁵ and unregulated. Regulated fares are regulated by DfT, Transport Scotland and the Welsh Government.

As shown in figure 2.4, 36% of fares income was regulated and 64% were unregulated. This has changed from 38% and 62% in 2014-15 respectively.

Figure 2.4: Contribution of ticket types to income from passenger fares for GB in 2015-16¹⁶



¹⁴ This analysis covers fares from franchised train operators only.

¹⁵ For a regulated fare, the amount by which it can rise is linked to the Retail Prices Index (RPI).

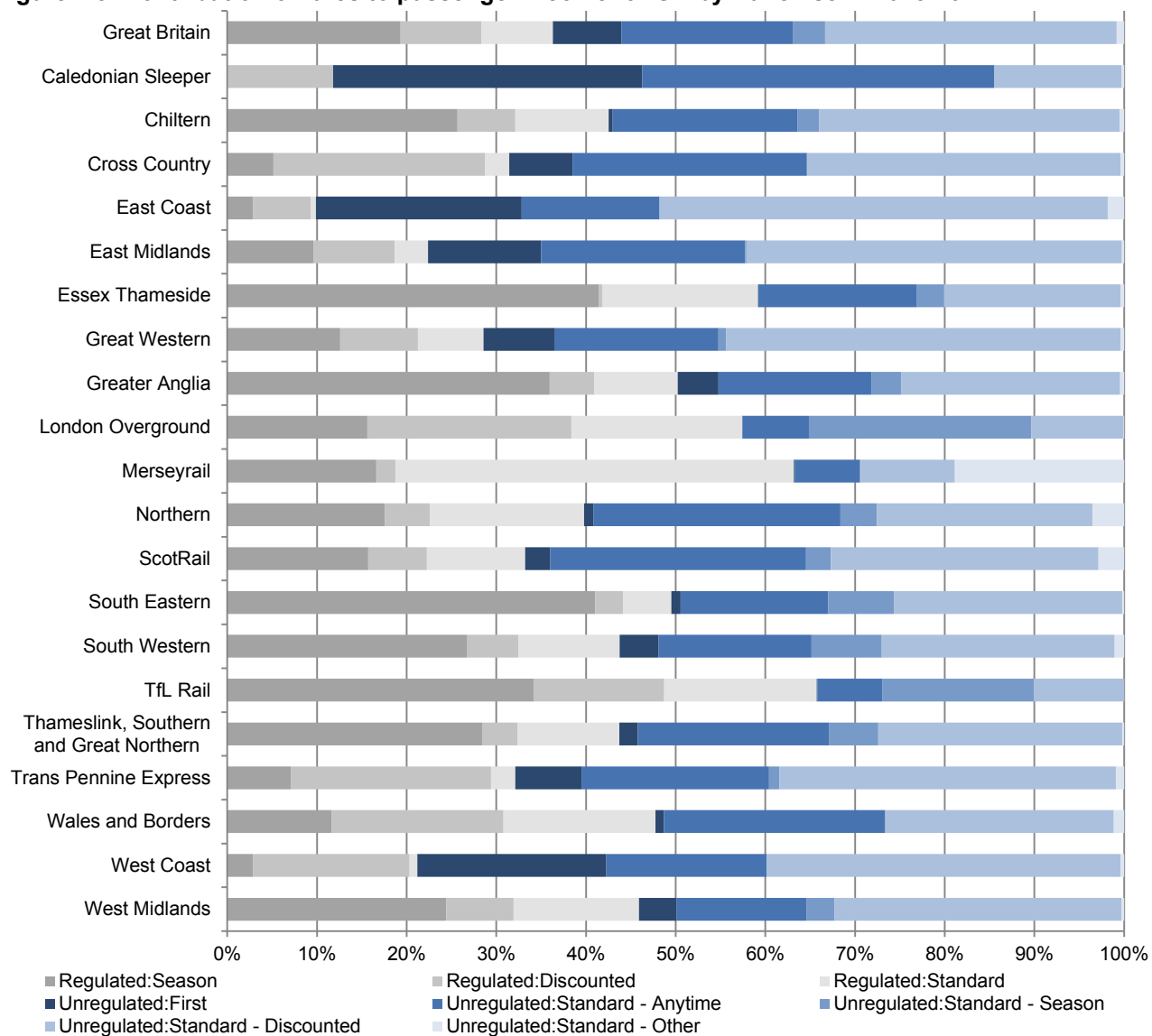
¹⁶ This analysis excludes Northern Ireland fare income.

GB passenger fare income (cont.)

Figure 2.5 shows the mixture of regulated and unregulated fares disaggregated by franchises ¹⁷. There are significant variances between the contributions from different ticket types to train operators' revenues, which reflects the different markets in which they operate.

For example, commuter routes in London and the South East typically have a greater proportion of their passenger fare income from regulated standard season tickets, compared with other ticket types. Conversely, unregulated standard class discounted tickets make up a greater proportion of operator fare income on long-distance routes.

Figure 2.5: Contribution of fares to passenger income for GB by franchise in 2015-16



¹⁷ Excluding Northern Ireland fare income.

GB net government funding

GB government funding in the consolidated income and expenditure sections shows government funding separately from payments to government, i.e. a gross basis.

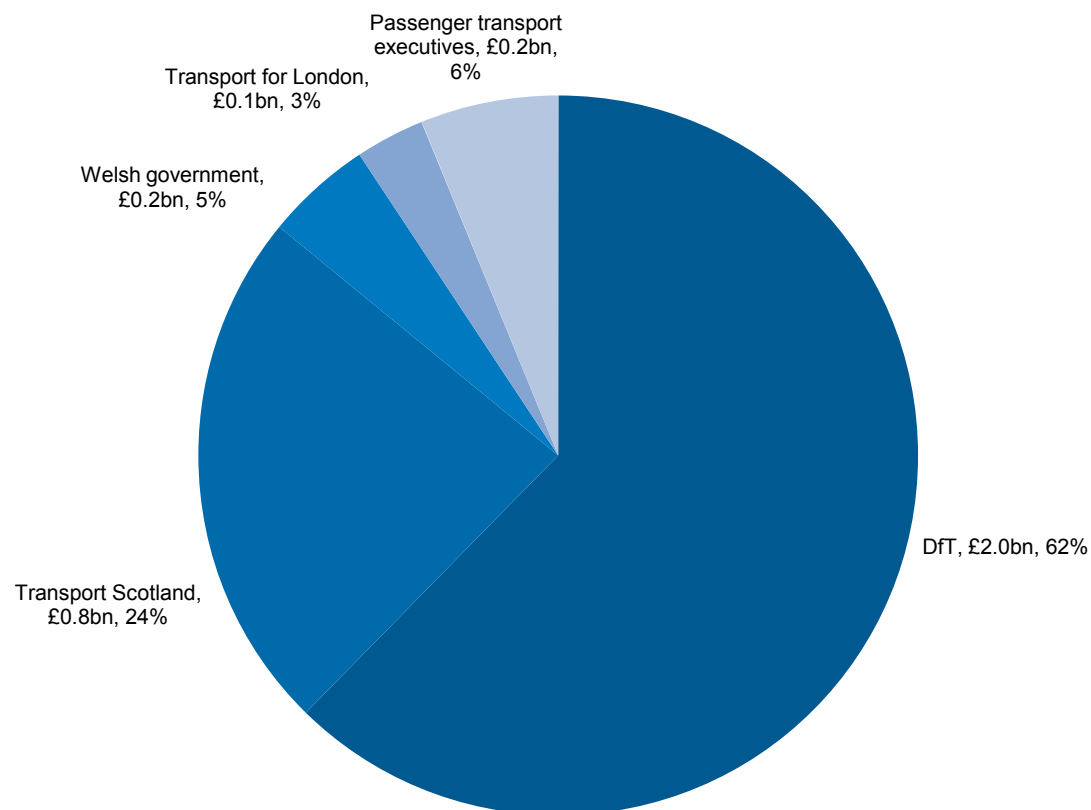
It is also useful to see the net position, i.e. the total funding by government less the income it receives back.

The GB net government funding figure is £3.2bn¹⁸ (or £6.7bn¹⁹ of funding less £3.5bn²⁰ of receipts).

As shown in figure 2.6, the DfT contributed 62% of funding; Transport Scotland 24% and the Welsh Government 5%, with the remaining 9% from Transport for London and Passenger Transport Executives²¹.

Our analysis of 2015-16 net funding includes funding not included in the 2014-15 analysis (freight operator grant and Network Rail's financing payments to DfT). On a comparable basis, governments' funding has increased by £0.1bn or 3%.

Figure 2.6: Government net funding of the GB rail industry in 2015-16



¹⁸ In addition, DfT received a £0.4bn dividend from London and Continental Railways, which we have not included in our analysis.

¹⁹ Network grant of £4.3bn and franchise receipts of £2.2bn and PTE funding of £0.2bn.

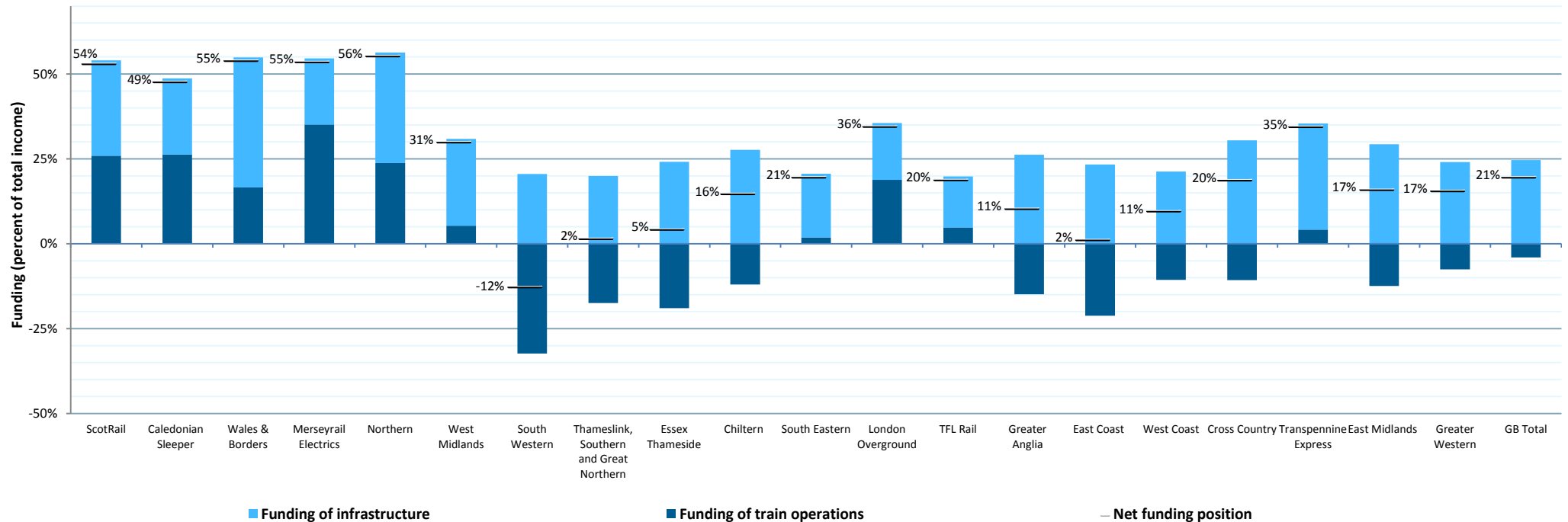
²⁰ Franchise payments of £1.8bn, profit sharing/other revenue support of £0.1bn, TSGN fares passed through to government of £1.1bn and Network Rail financing costs paid to government of £0.5bn.

²¹ Funding of Northern Ireland Railways by the government of Northern Ireland is not shown in this table. The funding from the Northern Ireland government is included in table 3.19.

GB net government funding to Network Rail and train operators by franchise area

Figure 2.7 shows net government funding in each franchise area, as a percentage of the total income in that franchise area²². Net government funding includes funding for franchised train operations as well as for Network Rail, and these are shown separately. The net (combined) percentage for each franchise area is included and shown as a horizontal line.

Figure 2.7: The contribution of GB net government funding to franchised train operators and Network Rail by franchise area



A franchise area with an overall negative percentage (e.g. -12% for South Western) shows that government receives more than it pays in that franchise's area. There are many different approaches to the allocation of infrastructure costs, which give different outcomes for the allocation of government funding to operators and operating routes. It is important that it is recognised that there is no definitive view on how this should be done and therefore care is required in understanding and interpreting our analysis.

²² Total income for each franchise area includes franchised train operators income and Network Rail income (as allocated to franchises in our analysis).

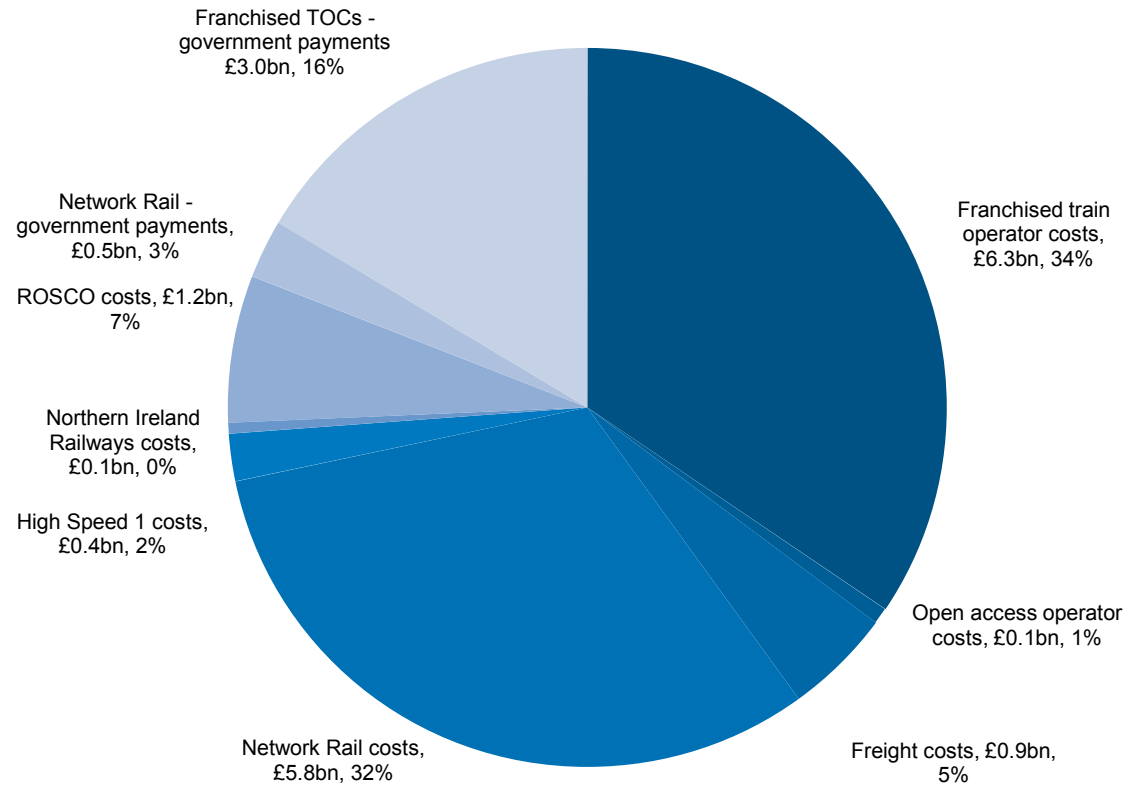
UK consolidated industry expenditure

Industry expenditure in 2015-16 after consolidation adjustments was £18.4bn of which £9.4bn (50%) was incurred by franchised train operators (including payments to government) and £6.3bn (35%) was incurred by Network Rail (including payments to government).

These are consolidated numbers. For franchised train operators, we exclude from the £12.1bn gross expenditure shown in figure 1, £1.3bn²³ of Network Rail charges, £1.4bn²⁴ of rolling stock charges and other minor adjustments. So consolidated expenditure is £9.4bn.

For Network Rail, we exclude from the £7.0bn gross expenditure shown in figure 1, £0.4bn of performance expenditure and £0.3bn of traction electricity expenditure²⁵. So consolidated expenditure is £6.3bn.

Figure 2.8: UK consolidated industry expenditure in 2015-16²⁶



²³ On page 19, Network Rail's charges of £1.7bn include charges to non-franchised operators.

²⁴ On page 19, rolling stock leasing charges of £1.5bn include charges to non-franchised operators.

²⁵ This expenditure is included in train operator's expenditure only.

²⁶ Expenditure on a consolidated basis i.e. excluding intra industry expenditure. Total consolidated TOC expenditure includes operating costs of £6.3bn and government payments of £3.0bn. Total consolidated Network Rail expenditure includes operating and maintenance costs of £5.8bn and government payments of £0.5bn. ROSCO costs are the costs incurred by rolling stock companies, not the charges operators pay to lease rolling stock.

Gross GB franchised train operator expenditure

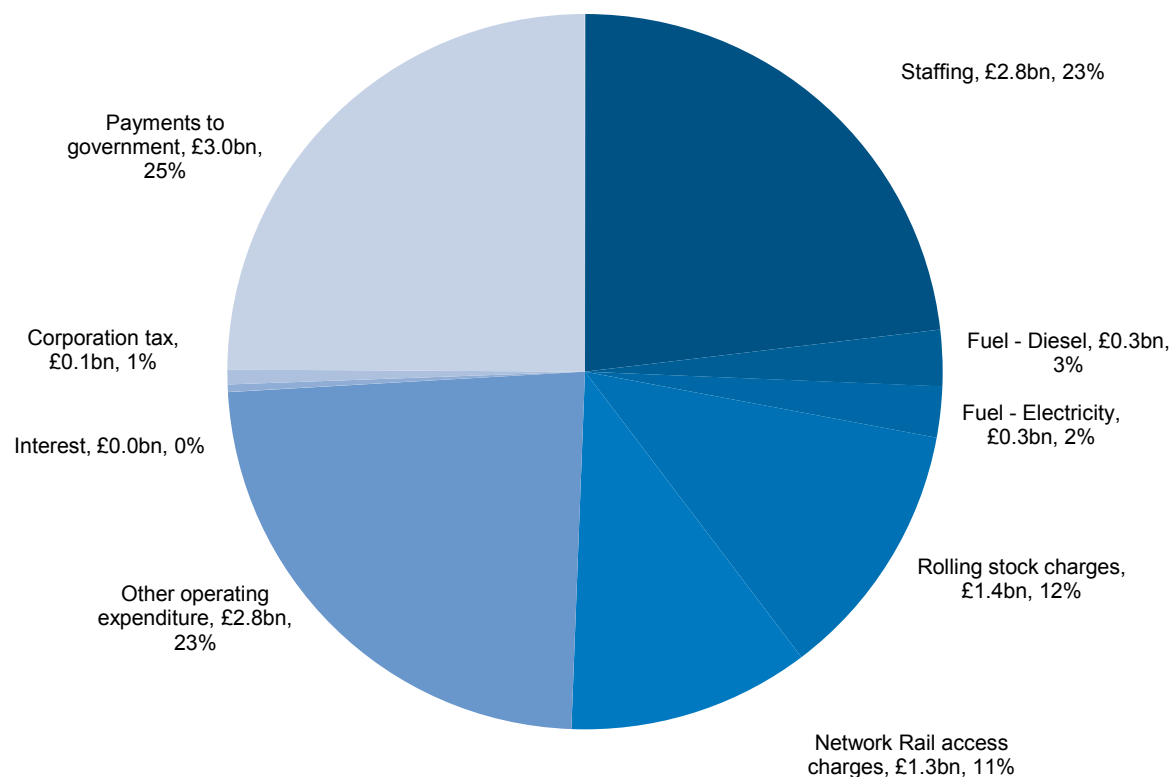
Franchised train operator expenditure, prior to consolidation adjustments, was £12.1bn in 2015-16.

The operation of passenger rail services (staffing, leasing rolling stock, accessing the network and other operating expenditure) accounts for nearly 75% of expenditure with 25% of that expenditure being payments to government (franchise payments, TSGN²⁷ franchise fares and profit share).

Some TOCs make overall net payments to government and some receive overall net support (see table 3.13).

Other operating expenditure of £2.8bn includes the cost of materials, marketing, catering, telecoms and IT, depreciation and other operating costs.

Figure 2.9: GB gross franchised train operator expenditure 2015-16²⁸



²⁷ Thameslink, Southern and Great Northern.

²⁸ Figure 2.9 shows franchised train operator expenditure of £12.1bn prior to intra industry adjustments for expenditure between TOCs, Network Rail charges, rolling stock charges and net performance income.

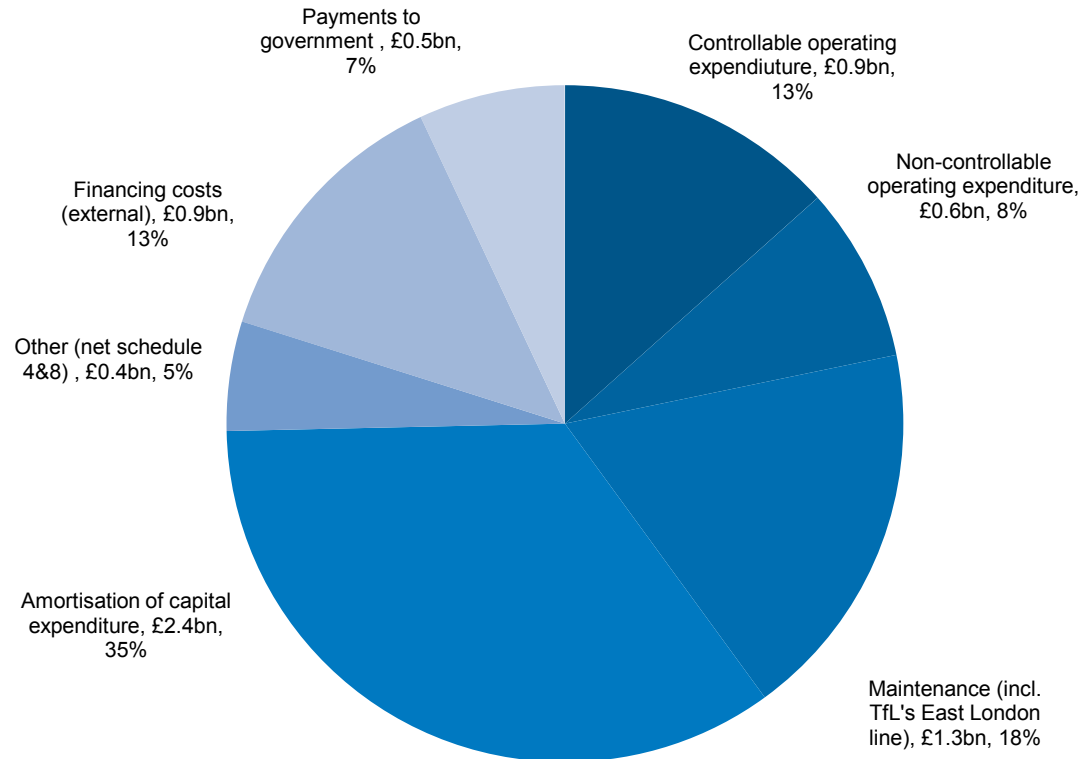
Gross Network Rail expenditure

Prior to consolidation, Network Rail expenditure was £7.0bn in 2015-16.

Operating costs and maintenance costs account for 40% of Network Rail expenditure with amortisation accounting for 35%²⁹.

Payments to government are the financing payments Network Rail pays on government debt. This consists of the financial indemnity (FIM) fee plus a margin and the drawdown fee. This is discussed in greater detail in the methodology.

Figure 2.10: Gross Network Rail expenditure 2015-16³⁰



²⁹ Amortisation can be seen as a proxy for depreciation which is an accruals based method of accounting for capital expenditure.

³⁰ Non-controllable operating expenditure is traction electricity, industry costs and rates. Schedule 4&8 costs are performance regime costs. Payments to government are financing costs on government backed debt.

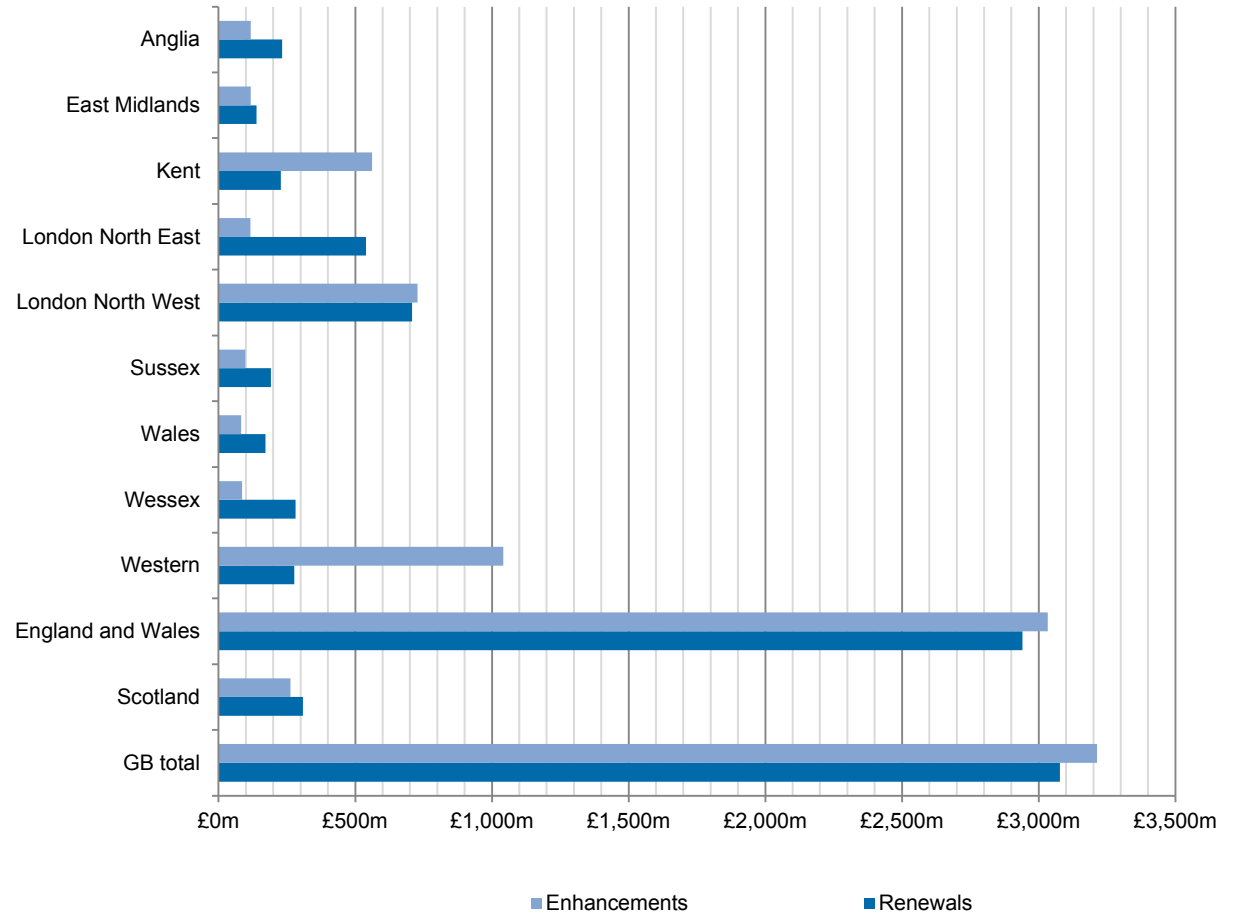
Network Rail capital expenditure

Figure 2.11 on this page shows total renewals and enhancements expenditure in 2015-16 by Network Rail route (£3.1bn and £3.2bn respectively).

Elsewhere in this document the actual expenditure for enhancements and renewals is not included and is replaced instead with amortisation, this is consistent with our 2014-15 publication.

As explained in the methodology this is because capital expenditure can vary significantly from year to year and thus amortisation is used instead as that spreads the costs of capital expenditure over the lifetime of assets.

Figure 2.11: Network Rail capital expenditure by route in 2015-16³¹



³¹ Data sourced from Network Rail 2015-16 regulatory financial statements.

3. Data tables

Table	Scope	Title	Table	Scope	Title
3.1	GB	Income and expenditure in 2015-16	3.11	Route	Government funding in 2015-16
3.2	GB	Income and expenditure since 2010-11	3.12	Route	Statistical analysis in 2015-16
3.3	GB	Income in 2015-16	3.13	Franchise Area	Income and expenditure in 2015-16
3.4	GB	Expenditure in 2015-16	3.14	Franchise Area	Government funding in 2015-16
3.5	GB	Government funding in 2015-16	3.15	Franchise Area	Statistical analysis in 2015-16
3.6	GB	Sources of government funding in 2015-16	3.16	Freight	Income and expenditure in 2015-16
3.7	GB	Statistical analysis in 2015-16	3.17	Open Access	Income and expenditure in 2015-16
3.8	Route	Income and expenditure in 2015-16	3.18	High Speed 1	Income and expenditure in 2015-16
3.9	Route	Income in 2015-16	3.19	Northern Ireland Railways	Income and expenditure in 2015-16
3.10	Route	Expenditure in 2015-16	3.20	Rolling stock leasing companies	Income and expenditure in 2015-16

Note: Tables 3.1 to 3.15 analyse franchised train operators and Network Rail only. Freight operators, open access operators, High Speed 1, Northern Ireland Railways and rolling stock leasing companies are not included in tables 3.1 to 3.15 because we do not have sufficient detail to show a sub-GB analysis at route level. They are shown separately in tables 3.15 to 3.20. All data tables show data gross and the tables below reconcile the gross data in the data tables with consolidated industry income and expenditure shown in the summary.

Reconciliation between gross and consolidated income

	£bn
Total gross income (as per data tables) ³²	25.5
Less: intra-TOC income	0.2
Less: Network Rail charge income	1.7
Less: rolling stock income	1.5
Less: Network Rail performance income	0.2
Less: government income	3.5
Total consolidated income	18.4

³² Total gross income per figure 1 and the data tables (tables 3.3, 3.5, 3.16, 3.17, 3.18, 3.19, and 3.20).

Reconciliation between gross and consolidated expenditure

	£bn
Total expenditure (as per data tables) ³³	28.7
Less: intra-TOC expenditure	0.2
Less: Network Rail charges	1.7
Less: rolling stock leasing charges	1.5
Less: operator performance expenditure	0.2
Less: government expenditure	6.7
Total consolidated expenditure	18.4

³³ Total gross expenditure per figure 1 and the data tables (tables 3.4, 3.5, 3.16, 3.17, 3.18, 3.19 and 3.20).

Table 3.1: GB - National level - franchised train operator and Network Rail income and expenditure in 2015-16³⁴

£m	GB total	England	Scotland	Wales
Industry income				
Passenger income ³⁵	9,160	8,480	452	228
Other TOC income ³⁶	833	756	29	48
Network Rail income ³⁷	2,300	2,019	219	62
Government funding ³⁸	6,697	5,535	760	402
Gross TOC and Network Rail income	18,989	16,790	1,460	739
Industry expenditure				
Franchised train operators expenditure	9,086	7,953	823	310
Network Rail expenditure	6,469	5,524	632	314
Government payments ³⁹	3,505	3,315	95	96
Gross TOC and Network Rail expenditure	19,061	16,791	1,550	720
Income less expenditure	-71	-1	-90	19

³⁴ This analysis covers Network Rail and Franchised passenger train operators in England, Scotland and Wales only. Freight, Open Access, HS1, Northern Ireland Railways and rolling stock are shown in subsequent tables.

³⁵ Passenger income is the “farebox income” generated from fares after deducting refunds.

³⁶ Other TOC income includes on-board catering, car parking charges, advertising, property income, etc.

³⁷ This income consists of charges received from operators and other income, such as property rental, etc.

³⁸ Governments provide funding for infrastructure (Network Rail) and franchised train operators. Government funding for Wales of £402m is the DfT Network Grant as allocated to Wales in our analysis plus franchise support for operators which operate in Wales (from both the DfT and the Welsh Government). Welsh government support for operators is for Arriva Trains Wales.

³⁹ Governments receive franchise premiums, TSGN fares and profit share from operators and receives finance income from Network Rail for the financing costs charged for government backed debt (consisting of the Financial Indemnity Mechanism fee, a margin and a drawdown fee).

Table 3.2: GB - GB level - franchised train operator and Network Rail income and expenditure since 2010-11⁴⁰

£m	2015-16	2014-15 ⁴¹	2013-14	2012-13	2011-12	2010-11
Industry income						
Passenger income	9,160	8,862	8,409	8,127	7,841	7,588
Other TOC income	833	803	796	782	785	793
Network Rail income	2,300	2,306	3,051	2,688	2,492	2,565
Government funding	6,697	5,580	6,013	6,336	6,176	6,182
Gross TOC and Network Rail income	18,989	17,551	18,270	17,932	17,294	17,128
Industry expenditure						
Franchised train operators expenditure	9,086	8,764	9,160	8,767	8,541	8,630
Network Rail expenditure	6,469	6,413	6,389	6,330	6,185	6,626
Government payments	3,505	2,445	2,110	2,088	1,741	1,511
Gross TOC and Network Rail expenditure	19,061	17,622	17,659	17,185	16,467	16,767
Income less expenditure	-71	-71⁴²	611	748	827	361

⁴⁰ 2010-11 is the earliest year because this is when the rail industry financial information publication was first produced.

⁴¹ These figures have all been restated to reflect changes in the 2015-16 publication. Restated figures for 2014-15 include finance costs payments to government (the Financial Indemnity Mechanism fee, a margin on government debt and a drawdown fee for government backed debt). This money flow did not occur prior to 2014-15.

⁴² Control Period 5 started in 2014-15 (the dotted line indicates this). Total income was less than in 2013-14 mainly due to the decision to remove some of the risk-buffer from Network Rail's funding settlement in CP5 which reduced the revenue Network Rail receives in CP5.

Table 3.3: GB – National level - franchised train operator and Network Rail income in 2015-16

£m	GB total	England	Scotland	Wales
Franchised train operator income				
Passenger income	9,160	8,480	452	228
Other income	833	756	29	48
Government funding	2,397	1,950	313	134
Gross franchised train operator income⁴³	12,389	11,186	794	409
Network Rail income				
Fixed charges	367	259	90	18
Variable charges	887	818	55	14
Other Network Rail income ⁴⁴	1,046	942	74	30
Government funding	4,300	3,585	447	268
Gross Network Rail income⁴⁵	6,600	5,604	666	330
Total income	18,989	16,790	1,460	739

⁴³Consolidated franchised train operator income is £12.2bn. This is £12.4bn less £0.2bn intra-TOC income (this is income which is generated from sales between train operators).

⁴⁴ This is performance income (£217m), income from property (£348m), freight operators (£61m), open access operators (£29m), stations (£259m), facility and financing (£51m), depots (£66m) and other (£15m). In figure 2.1 we show consolidated Network Rail income of £0.4bn, this is largely property income of £348m.

⁴⁵ Consolidated Network Rail income is £4.7bn. This is £4.3bn government funding plus £0.4bn external income (£2.3bn charge and other income less £1.9bn income from operators). The £1.9bn income from operators consists of performance income (£0.2bn), franchised track access charges (£0.4bn + £0.9bn), franchised track access operator share of other income (£0.3bn), open access operator and freight income (£0.1bn).

Table 3.4: GB – National level - franchised train operator and Network Rail expenditure in 2015-16

£m	GB total	England	Scotland	Wales
Franchised train operators expenditure				
Staff costs	2,801	2,423	254	125
Fuel costs - diesel (TOC's own usage)	308	243	44	21
Traction electricity (paid to Network Rail)	281	261	18	1
Rolling stock charges	1,419	1,235	140	45
Network Rail charges	1,325	1,125	156	44
Other operating expenditure	2,830	2,554	206	69
Interest and exceptional expenditure / (income)	41	39	2	-1
Corporation tax	81	72	3	6
Sub-total before payments to government	9,086	7,953	823	310
Payments to government	3,019	2,896	51	72
Gross franchised train operator expenditure⁴⁶	12,105	10,849	874	382
Network Rail expenditure				
Controllable operating expenditure	932	786	98	48
Non controllable operating expenditure ⁴⁷	581	519	49	13
Maintenance (incl. TfL's east London line)	1,266	1,080	114	72
Amortisation of capital expenditure	2,414	2,026	260	128
Other (net schedule 4&8)	363	327	29	7
Corporation tax	0	0	0	0
Financing costs (external)	914	786	82	46
Sub-total before payments to government	6,469	5,524	632	314
Payments to government (financing costs) ⁴⁸	487	418	44	24
Gross Network Rail expenditure⁴⁹	6,956	5,942	676	338
Total expenditure	19,061	16,791	1,550	720

⁴⁶Consolidated franchised train operator expenditure is £9.3bn. This is £12.1bn less £1.3bn⁴⁶ of Network Rail charges, £1.4bn⁴⁶ of rolling stock leasing charges and £0.2bn of intra-TOC expenditure (expenditure incurred through transactions with other TOCs).

⁴⁷Including traction electricity, business rates, British transport police costs, rail safety and standards board (RSSB), ORR license fee and railway safety levy, reporters fees and other industry costs.

⁴⁸This includes the FIM fee, drawdown fee and a margin on government backed debt.

⁴⁹Consolidated Network Rail expenditure is £6.3bn. This is £7.0bn less £0.4bn of performance expenditure less 0.3bn of traction electricity expenditure.

Table 3.5: GB - National level – government funding of franchised train operators and Network Rail in 2015-16

£m	GB total	England	Scotland	Wales ⁵⁰
Franchised passenger train operators				
Franchise receipts from government	2,198	1,751	313	134
Franchise payments to government	-1,792	-1,672	-49	-71
Profit sharing/other revenue support ⁵¹	-84	-82	-2	-1
TSGN Fares paid to DfT ⁵²	-1,143	-1,143	0	0
Passenger Transport Executive (PTE) funding	199	199	0	0
Total net government funding	-622	-946	262	62
Network Rail				
Network Rail grant	4,282	3,567	447	268
Transport for London (East London Line)	18	18	0	0
Government-related financing ⁵³	-487	-418	-44	-24
Total net government funding	3,813	3,167	403	244
Total net government funding of franchised train operators and Network Rail⁵⁴	3,191	2,221	665	306

Table 3.6: GB - GB level only - sources of government funding to franchised train operators and Network Rail in 2015-16

£m	GB Total	Train Operators	Network Rail
Sources of government funding			
Department for Transport	1,982	-1,366	3,349
Transport Scotland	756	309	447
Welsh Government	154	154	0
Transport for London	100	82	18
Passenger Transport Executives	199	199	0
Net government Funding	3,191	-622	3,813

⁵⁰ Government funding for Wales is from both DfT and the Welsh government. £306m equals £402m of government funding less £96m of government payments.

⁵¹ Including passenger fares passed through to government by the TSGN franchise.

⁵² The TSGN franchise is a management contract where ticket revenues are passed to Government rather than retained by the franchisee in exchange for a management fee.

⁵³ This includes the FIM fee, drawdown fee and a margin on government backed debt.

⁵⁴ As shown in table 3.2, total government funding was £6.7bn (£2,198m + £199m + £4,282m + £18m) and total payments to government were £3.5bn (£1,792m + £84m + £1,143m + £487m).

Table 3.7: GB - National level - Franchised train operator and Network Rail statistical analysis

	GB total	England	Scotland	Wales
Government funding⁵⁵				
Share of net government funding (%)	100.0%	69.6%	20.8%	9.6%
Government funding per passenger journey (£)	1.86	1.41	6.51	8.34
Government funding per passenger km (£)	0.05	0.04	0.15	0.18
Passenger income⁵⁶				
Passenger income per passenger journey (£)	5.34	5.38	4.42	6.22
Passenger income per passenger km (£)	0.14	0.15	0.10	0.13
Expenditure⁵⁷				
Expenditure per passenger journey (£)	11.11	10.65	15.16	19.65
Expenditure per passenger km (£)	0.30	0.29	0.35	0.42
Income / expenditure				
Passenger income / expenditure (%)	48.1%	50.5%	29.1%	31.7%
Income (excluding net government funding) less expenditure per passenger journey (£) ⁵⁸	-1.90	-1.41	-7.39	-7.81
Income (excluding net government funding) less expenditure per passenger km (£)	-0.05	-0.04	-0.17	-0.17

⁵⁵ Total government funding per table 3.5. For example, in England the share of government funding was 69.6%. This is equal to £2,221m/ £3,191m.

⁵⁶ Passenger income per table 3.1. For example, in England passenger income per passenger journey was £5.38. This is equal to £8,480m/1,576m passenger journeys.

⁵⁷ Expenditure per table 3.4. For example, in England expenditure per passenger journey was £10.65. This is equal to £16,791/1,576m passenger journeys.

⁵⁸ Income and expenditure excluding net government funding per table 3.1. For example, in England it was £-1.41. This is equal to £11,255m (£16,790m less £5,535m) less £13,476 (£16,791m less £3,315m) divided by 1,576m passenger journeys.

Table 3.8: GB - Route level - franchised train operator and Network Rail income and expenditure in 2015-16

£m	London										
	Anglia	Kent	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales ⁵⁹	Scotland	GB Total
Industry income⁶⁰											
Passenger income	1,084	860	1,250	1,951	507	868	1,081	880	228	452	9,160
Other TOC income	83	75	127	194	50	66	86	73	48	29	833
Network Rail income	198	199	329	568	100	183	218	224	62	219	2,300
Government funding	501	443	1,151	1,341	441	647	549	462	402	760	6,697
Gross TOC and Network Rail income	1,866	1,578	2,857	4,054	1,097	1,764	1,935	1,640	739	1,460	18,989
Industry expenditure											
Franchised train operators expenditure	929	879	1,279	2,077	417	706	823	842	310	823	9,086
Network Rail expenditure	598	543	1,038	1,472	322	436	530	584	314	632	6,469
Government payments	266	177	613	390	333	650	665	220	96	95	3,505
Gross TOC and Network Rail expenditure	1,793	1,599	2,931	3,940	1,072	1,793	2,018	1,645	720	1,550	19,061
Income less expenditure	73	-22	-74	114	26	-28	-83	-5	19	-90	-71

⁵⁹ The Welsh route is the same data as Wales in table 3.1. Government funding for Wales of £402m is the DfT Network Grant as allocated to Wales in our analysis plus franchise support for operators which operate in Wales (from both the DfT and the Welsh Government). Welsh government support for operators is for Arriva Trains Wales.

⁶⁰ Financial data is presented for 10 routes. For operational purposes, London North East has merged with East Midlands (LNE/EM). Kent and Sussex have also merged to form the "London South East" route.

Table 3.9: GB - Route level - franchised train operator and Network Rail income in 2015-16

£m	Anglia	Kent	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales	Scotland	GB Total
Franchised train operator income											
Passenger income	1,084	860	1,250	1,951	507	868	1,081	880	228	452	9,160
Other income	83	75	127	194	50	66	86	73	48	29	833
Government funding	95	135	408	346	214	459	244	49	134	313	2,397
Gross franchised train operator income	1,262	1,071	1,785	2,491	770	1,393	1,412	1,003	409	794	12,389
Network Rail income											
Fixed charges	26	21	50	83	16	13	22	28	18	90	367
Variable charges	84	73	141	232	47	87	84	70	14	55	887
Other Network Rail income	88	105	138	253	37	83	112	126	30	74	1,046
Government funding	406	308	743	995	227	188	305	413	268	447	4,300
Gross Network Rail income	604	507	1,072	1,563	327	371	523	637	330	666	6,600
Total income	1,866	1,578	2,857	4,054	1,097	1,764	1,935	1,640	739	1,460	18,989

Table 3.10: GB - Route level - franchised train operator and Network Rail expenditure in 2015-16

£m			London	London	East						GB
	Anglia	Kent	North East	North West	Midlands	Sussex	Wessex	Western	Wales	Scotland	Total
Franchised train operators expenditure											
Staff costs	277	223	395	612	124	217	273	302	125	254	2,801
Fuel costs - diesel (TOC's own usage)	10	0	56	70	29	2	14	62	21	44	308
Traction electricity (paid to Network Rail)	42	38	34	63	7	35	41	1	1	18	281
Rolling stock charges	192	125	198	313	66	121	133	86	45	140	1,419
Network Rail charges	88	93	184	327	67	102	129	136	44	156	1,325
Other operating expenditure	302	389	393	664	119	217	227	243	69	206	2,830
Interest and exceptional expenditure / (income)	10	1	12	1	1	12	1	2	-1	2	41
Corporation tax	8	9	7	27	4	1	6	10	6	3	81
Sub-total before payments to government	929	879	1,279	2,077	417	706	823	842	310	823	9,086
Payments to government	228	131	532	281	308	623	628	164	72	51	3,019
Gross franchised train operator expenditure	1,158	1,010	1,812	2,359	725	1,329	1,451	1,006	382	874	12,105
Network Rail expenditure											
Controllable operating expenditure	89	58	155	228	42	80	65	69	48	98	932
Non controllable operating expenditure ⁶¹	68	62	85	132	26	49	66	31	13	49	581
Maintenance (incl. TfL's east London line)	148	93	179	310	65	64	99	122	72	114	1,266
Amortisation of capital expenditure	196	191	430	536	125	137	190	221	128	260	2,414
Other (net schedule 4&8)	27	54	37	62	16	54	40	37	7	29	363
Corporation tax	0	0	0	0	0	0	0	0	0	0	0
Financing costs (external)	70	85	152	204	48	52	70	104	46	82	914
Sub-total before payments to government	598	543	1,038	1,472	322	436	530	584	314	632	6,469
Payments to government (financing costs) ⁶²	38	46	81	109	25	28	37	55	24	44	487
Gross Network Rail expenditure	636	589	1,119	1,581	347	464	567	639	338	676	6,956
Total expenditure	1,793	1,599	2,931	3,940	1,072	1,793	2,018	1,645	720	1,550	19,061

⁶¹ Including traction electricity, business rates, British transport police costs, rail safety and standards board (RSSB), ORR licence fee and railway safety levy, reporters fees and other industry costs.

⁶² This includes the FIM fee, margin and a drawdown fee on government backed debt.

Table 3.11: GB - Route level - franchised train operator and Network Rail government funding in 2015-16

£m	Anglia	Kent	London North	London North	East Midlands	Sussex	Wessex	Western	Wales ⁶³	Scotland	GB Total
Franchised passenger train operators											
Franchise receipts from government	95	135	344	212	212	459	244	49	134	313	2,198
Franchise payments to government	-186	-7	-264	-248	-140	-85	-587	-156	-71	-49	-1,792
Profit sharing/other revenue support ⁶⁴	-1	-43	-4	-22	-2	-1	-1	-9	-1	-2	-84
TSGN Fares paid to DfT ⁶⁵	-42	-82	-264	-11	-165	-537	-40	0	0	0	-1,143
Passenger Transport Executive (PTE) funding	0	0	64	134	1	0	0	0	0	0	199
Total net government funding	-133	4	-125	64	-94	-164	-384	-115	62	262	-622
Network Rail											
Network Rail grant	388	308	743	995	227	188	305	413	268	447	4,282
Transport for London (East London Line)	18	0	0	0	0	0	0	0	0	0	18
Government-related financing ⁶⁶	-38	-46	-81	-109	-25	-28	-37	-55	-24	-44	-487
Total net government funding	368	262	662	886	202	160	268	358	244	403	3,813
Total net government funding of franchised train operators and Network Rail	235	267	537	950	107	-3	-116	243	306	665	3,191

⁶³ Net government funding for Wales is from both DfT and the Welsh government. £306m equals £402m of government funding less £96m of government payments.

⁶⁴ Including passenger fares passed through to government by TSGN franchise.

⁶⁵ The TSGN franchise is a management contract where ticket revenues are passed to the Government rather than retained by the franchisee in exchange for a management fee.

⁶⁶ This includes the FIM fee, margin and a drawdown fee.

Table 3.12: GB - Route level - franchised train operator and Network Rail statistical analysis

	Anglia	Kent ⁶⁷	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales	Scotland	GB Total
Government funding											
Share of net government funding (%) ⁶⁸	7.4%	8.4%	16.8%	29.8%	3.4%	-0.1%	-3.6%	7.6%	9.6%	20.8%	100.0%
Government funding per passenger journey (£)	0.80	1.27	3.39	3.50	1.71	-0.02	-0.44	2.36	8.34	6.51	1.86
Government funding per passenger km (£)	0.03	0.05	0.05	0.07	0.03	0.00	-0.02	0.04	0.18	0.15	0.05
Passenger income											
Passenger income per passenger journey (£) ⁶⁹	3.70	4.09	7.88	7.19	8.09	4.02	4.12	8.57	6.22	4.42	5.34
Passenger income per passenger km (£)	0.16	0.17	0.13	0.14	0.16	0.17	0.15	0.15	0.13	0.10	0.14
Expenditure											
Expenditure per passenger journey (£) ⁷⁰	6.12	7.61	18.49	14.53	17.10	8.31	7.69	16.02	19.65	15.16	11.11
Expenditure per passenger km (£)	0.26	0.31	0.30	0.27	0.33	0.34	0.27	0.27	0.42	0.35	0.30
Income / expenditure											
Passenger income / industry expenditure (%)	60.4%	53.8%	42.7%	49.5%	47.3%	48.4%	53.6%	53.5%	31.7%	29.1%	48.1%
Income (excluding net government funding) less expenditure per passenger journey (£) ⁷¹	-0.55	-1.37	-3.86	-3.08	-1.30	-0.12	0.12	-2.42	-7.81	-7.39	-1.90
Income (excluding net government funding) less expenditure per passenger km (£)	-0.02	-0.06	-0.06	-0.06	-0.03	0.00	0.00	-0.04	-0.17	-0.17	-0.05

⁶⁷ Some of Southeastern's services in Kent make use of High Speed 1 rail infrastructure, the cost of which is excluded from our analysis. Therefore care is required in comparing Kent to other operating routes.

⁶⁸ Share of total government funding per table 3.11. For example, in Anglia this was 7.4% (£235m/£3,191m).

⁶⁹ Passenger income per table 3.9. For example, in Anglia this was £3.70 (£1,084m/293m passenger journeys).

⁷⁰ Expenditure per table 3.10. For example, in Anglia this was £6.12 (£1,793m/293m passenger journeys).

⁷¹ Income and expenditure excluding net government funding per table 3.8. For example, in Anglia this was £-0.55. This is equal to £1,365m (£1,866 less £501m) less £1,527m (£1,793m less £266m) divided by 293m passenger journeys.

Table 3.13: GB - Franchise area - franchised train operator and Network Rail income and expenditure in 2015-16

£m	Essex Thameside	Chiltern	Cross Country	East Coast	East Midlands	East Anglia	Greater Western	Northern	South Eastern	South Western	Thameslink Southern & Great Northern	Trans Pennine Express	Wales & Borders	West Coast	West Midlands	London Overground ⁷²	Merseyrail Electrics	ScotRail	TfL Rail ⁷³	Caledonian Sleepers	GB Total
Franchised train operators																					
Passenger income	159	177	490	708	360	586	925	257	735	991	1,386	227	135	1,017	317	215	53	328	71	22	9,160
Other income	9	21	9	77	47	46	85	57	67	81	98	13	49	57	47	17	23	21	7	1	833
Government funding	0	0	174	0	82	0	0	253	66	203	929	27	154	0	40	77	77	293	5	17	2,397
Operator income	168	198	673	785	489	632	1,010	567	869	1,275	2,413	267	338	1,074	404	310	153	642	83	40	12,389
Staff costs	36	55	98	144	96	146	322	247	197	230	355	67	111	180	132	94	55	211	21	7	2,801
Fuel costs - diesel	0	13	36	20	35	7	63	31	0	7	1	15	18	16	8	1	0	38	0	0	308
Traction electricity (paid to NR)	7	0	0	20	0	25	0	6	34	39	61	2	0	41	16	7	6	13	3	0	281
Rolling stock charges	24	27	141	54	31	125	56	77	111	114	210	73	41	120	50	28	12	112	14	0	1,419
Payments to government	39	34	257	205	154	128	109	0	43	569	1,247 ⁷⁴	7	64	158	4	0	0	0	0	0	3,019
Corporation tax	0	0	0	3	6	5	11	5	9	5	-2	3	5	16	4	3	4	2	1	0	81
Other including Network Rail charges	61	74	131	325	142	170	402	180	444	297	548	88	81	492	193	167	62	253	41	46	4,196
Operator expenditure	167	202	663	772	464	606	964	546	838	1,261	2,421	254	321	1,023	407	299	138	627	80	53	12,105
Operator income less expenditure	1	-4	11	13	25	26	46	21	30	14	-7	12	17	51	-2	11	15	15	3	-13	285
Network Rail																					
Franchised train operator access charges	15	16	58	120	40	78	92	57	85	96	156	40	27	182	50	13	9	106	5	7	1,254
Government grant ⁷⁵	55	89	266	248	192	249	400	393	271	265	418	174	230	345	195	75	48	354	18	16	4,300
Other	13	25	63	39	35	54	113	93	92	96	132	39	33	69	51	17	14	63	4	2	1,046
Network Rail income	84	130	388	407	267	381	605	543	448	457	706	252	290	597	296	105	71	523	27	25	6,600
Network Rail expenditure	88	131	399	422	282	401	612	560	520	494	817	260	297	603	300	113	71	531	28	26	6,956
Network Rail income less expenditure	-5	-2	-11	-15	-15	-21	-7	-17	-73	-37	-112	-7	-6	-6	-3	-8	-1	-8	-1	0	-356
Total industry income	252	328	1,061	1,192	756	1,013	1,615	1,109	1,316	1,732	3,119	519	628	1,671	701	414	224	1,165	110	65	18,989
Total industry expenditure	255	333	1,061	1,194	746	1,007	1,576	1,106	1,358	1,755	3,238	514	617	1,627	706	412	210	1,158	108	78	19,061
Industry income less expenditure	-3	-5	0	-1	10	5	38	3	-42	-23	-119	5	10	45	-6	2	14	8	2	-14	-71
Net government funding	11	45	153	20	98	97	241	598	254	-133	45	175	297	157	208	145	119	609	21	31	3,191
Industry income less expenditure excl. government funding	-14	-50	-153	-22	-88	-92	-202	-595	-296	109	-164	-170	-286	-112	-214	-142	-105	-602	-20	-45	-3,263
Dividends paid by train operator	0	0	0	0	10	0	39	20	49	0	0	20	15	55	0	6	15	0	0	0	228

⁷² London Overground incorporates the West Anglia inner and Romford Upminster service from 31 May 2015.

⁷³ TfL Rail began operation as a separate concession from 31 May 2015 when services were transferred from Greater Anglia. TfL is Transport for London.

⁷⁴ The TSGN franchise operates under a management contract where ticket revenues are passed to the Government, rather than retained by the franchisee, in exchange for a management fee. Fares passed through to government are shown under passenger income with the resulting payments to government under franchise payments to government.

⁷⁵ Including £18m of funding for maintenance of the East London Line.

Table 3.14: GB – Franchise area - franchised train operator and Network Rail government funding in 2015-16

£m	Essex Thameside	Chiltern	Cross Country	East Coast	East Midlands	East Anglia	Greater Western	Northern	South Eastern	South Western	Thameslink Southern & Great Northern	Trans Pennine Express	Wales & Borders	West Coast	West Midlands	London Overground	Merseyrail Electrics	ScotRail	TFL Rail	Caledonian Sleeper	GB total	
Franchised train operators																						
Franchise receipts from government	0	0	174	0	82	0	0	130	66	203	929	27	154	0	40	77	0	293	5	17	2,198	
Franchise payments to government	-39	-34	-257	-205	-151	-128	-99	0	0	-569	-105	0	-64	-142	0	0	0	0	0	0	-1,792	
Profit sharing/other revenue support	0	0	0	0	-3	0	-10	0	-43	0	0	-7	0	-16	-4	0	0	0	0	0	-84	
TSGN Fares paid to DfT ⁷⁶	0	0	0	0	0	0	0	0	0	0	-1,143	0	0	0	0	0	0	0	0	0	-1,143	
Passenger Transport Executive (PTE) funding	0	0	0	0	0	0	0	122	0	0	0	0	0	0	0	0	77	0	0	0	199	
Total net government funding	-39	-34	-83	-205	-72	-128	-109	253	23	-365	-318	20	90	-158	36	77	77	293	5	17	-622	
Network Rail																						
Network Rail grant	55	89	266	248	192	249	400	393	271	265	418	174	230	345	195	57	48	354	18	16	4,282	
Transport for London (East London Line)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18	0	0	0	0	18	
Government-related financing ⁷⁷	-5	-11	-31	-23	-22	-23	-50	-47	-40	-32	-55	-20	-23	-30	-22	-7	-6	-37	-2	-1	-487	
Total net government funding	50	78	235	225	170	226	350	346	231	233	363	154	207	315	173	68	42	317	16	14	3,813	
Total net government funding of Network Rail and Franchised Train Operators	11	45	153	20	98	97	241	598	254	-133	45	175	297	157	208	145	119	609	21	31	3,191	

⁷⁶ The TSGN franchise is a management contract where ticket revenues are passed to the Government rather than retained by the franchisee in exchange for a management fee.

⁷⁷ This includes the FIM fee (financial indemnity mechanism), drawdown fee and margin on government backed debt.

Table 3.15: GB - Franchise area - franchised train operator and Network Rail statistical analysis

	Essex Thameside	Chiltern	Cross Country	East Coast	East Midlands	East Anglia	Greater Western	Northern	South Eastern	South Western	Thameslink Southern & Great Northern	Trans Pennine Express	Wales & Borders	West Coast	West Midlands	London Overground	Merseyrail Electrics	ScotRail	TFL Rail	Caledonian Sleeper	GB total
Government funding																					
Share of net government funding (%)	0.3%	1.4%	4.8%	0.6%	3.1%	3.0%	7.5%	18.7%	8.0%	-4.2%	1.4%	5.5%	9.3%	4.9%	6.5%	4.5%	3.7%	19.1%	0.7%	1.0%	100.0%
Government funding per passenger journey (£)	0.25	1.82	4.10	0.97	3.76	1.06	2.31	6.14	1.40	-0.56	0.14	5.95	9.42	4.39	2.99	0.79	2.74	6.54	0.57	109.97	1.86
Government funding per passenger km (£)	0.01	0.03	0.04	0.00	0.04	0.03	0.04	0.26	0.06	-0.02	0.01	0.09	0.24	0.02	0.08	0.12	0.17	0.21	0.04	0.17	0.05
Passenger income																					
Passenger income per passenger journey (£)	3.67	7.25	13.17	33.61	13.80	6.39	8.90	2.64	4.05	4.17	4.24	7.72	4.27	28.49	4.55	1.18	1.23	3.52	1.88	78.37	5.34
Passenger income per passenger km (£)	0.14	0.14	0.14	0.13	0.15	0.15	0.15	0.11	0.16	0.15	0.16	0.12	0.11	0.14	0.12	0.17	0.08	0.11	0.14	0.12	0.14
Expenditure																					
Expenditure per passenger journey (£)	5.87	13.61	28.51	56.65	28.57	10.99	15.17	11.35	7.48	7.39	9.90	17.51	19.60	45.56	10.15	2.25	4.83	12.42	2.89	278.24	11.11
Expenditure per passenger km (£)	0.22	0.26	0.30	0.22	0.31	0.26	0.26	0.48	0.30	0.27	0.36	0.26	0.51	0.23	0.27	0.33	0.30	0.40	0.21	0.42	0.30
Income / expenditure																					
Passenger income / industry expenditure (%)	62.5%	53.2%	46.2%	59.3%	48.3%	58.2%	58.7%	23.2%	54.1%	56.5%	42.8%	44.1%	21.8%	62.5%	44.8%	52.3%	25.5%	28.4%	65.1%	28.2%	48.1%
Income (excluding government funding) less expenditure per passenger journey (£)	-0.32	-2.04	-4.11	-1.03	-3.38	-1.00	-1.94	-6.11	-1.63	0.46	-0.50	-5.78	-9.09	-3.14	-3.07	-0.78	-2.42	-6.46	-0.53	-157.84	-1.90
Income (excluding government funding) less expenditure per passenger km (£)	-0.01	-0.04	-0.04	0.00	-0.04	-0.02	-0.03	-0.26	-0.07	0.02	-0.02	-0.09	-0.24	-0.02	-0.08	-0.11	-0.15	-0.21	-0.04	-0.24	-0.05

Table 3.16: Freight income and expenditure in 2015-16⁷⁸

£m	DB Cargo ⁷⁹	Devon and Cornwall Railways	Direct Rail Services	Freightliner	Freightliner Heavy Haul	GB Railfreight	Adjustments	GB Total
Period End ⁸⁰	y/e 31 December 2015	y/e 31 December 2015	y/e 31 March 2016	Based on 9 months 31/12/15	Based on 9 months to 31/12/15	y/e 31 December 2015		
Income								
Freight Income	417	2	69	187	91	132	-7	890
Government Funding ⁸¹	See footnote	See footnote	See footnote	12	See footnote	3	7	22
Total Income	417	2	69	199	91	135		912
Expenditure								
Staff Costs	-181	-1	-28	-58	-40	-41		-349
Fuel	0	0	-6	0	0	-22		-28
Rolling Stock	0	0	-14	0	0	-20		-34
Other Expenditure	-348	-2	-19	-146	-47	-43		-605
Total Expenditure	-529	-3	-68	-204	-87	-127		-1,017⁸²
Income less Expenditure	-112	-1	1	-5	4	8		-105
Dividends Paid	0	0	0	0	0	0		0

⁷⁸ Detail is provided where available. For example, rolling stock expenditure is only available for Direct Rail Services and GB Railfreight. DB Cargo's rolling stock expenditure will be within "other expenditure".

⁷⁹ Data for DB Cargo includes financial data for DB Cargo (UK) Limited and DB Cargo International Limited.

⁸⁰ Data is sourced from statutory accounts. To make data comparable for Freightliner and Freightliner Heavy Haul 9 months of actual data has been used to calculate a full year by taking 9 months and dividing by 9 and multiplying by 12. Colas Rail has been excluded because a high proportion of their income relates to engineering activity, which is not readily separable in the Colas statutory accounts.

⁸¹ Government funding detail is provided where available (Mode Shift Revenue Support). An industry-level adjustment has been made so that the total agrees to the known industry-level government funding awarded.

⁸² Consolidated freight expenditure is £0.9bn which is £1.0bn less £0.1bn intra industry access charges and rolling stock leasing costs.

Table 3.17: Open access operators income and expenditure in 2015-16⁸³

£m	Grand Central	Heathrow Express/Connect ⁸⁴	Hull Trains	GB Total (excluding Eurostar)	Eurostar ⁸⁵
Period End	31 March 2016	31 March 2016	31 March 2016		31 December 2015
Income					
Passenger income	44	116	29	189	819
Other income	1	17	3	21	29
Total Income	45	133	32	210	847
Expenditure					
Staff costs	-7	-24	-5	-36	-97
Fuel	-5	-2	-2	-9	0
Rolling stock	-5	-6	-2	-13	0
Network Rail charges	-2	-8	-1	-12	0
Heathrow Spur charges	0	-20	0	-20	0
Other expenditure	-20	-50	-14	-84	-916
Total Expenditure	-39	-110	-25	-174	-1,013
Income less expenditure	6	23	7	36	-166⁸⁶
Dividends paid	0	0	7	7	0

⁸³ Detail is provided where available. For example, we do not have information on Eurostar's fuel costs.

⁸⁴ On 1 September 2015 the ownership of Heathrow Express and Connect transferred from Heathrow Airport Limited to Heathrow Express Operating Company Limited as a separate train operating company on an arm's length basis.

⁸⁵ Eurostar is included in this table as it is an open access operator but the majority of its income is from international passenger services. We do not have the data to split the domestic and international components of Eurostar's income and expenditure from each other. So, no Eurostar income and expenditure is included in figure 1 and in industry level income and expenditure.

⁸⁶ On 28 May 2015, the UK government sold its 40% shareholding in Eurostar International Limited for £585 million to Patina Rail LLP, a consortium made up of Caisse de dépôt et placement du Québec (CDPQ), a Canadian investment fund, and Hermes Infrastructure, a UK-based fund. In a separate but concurrent transaction, the UK government received a further £172 million by redeeming its preference share in Eurostar. The preference share redemption is included as a finance expense, of which £162m reduced Eurostar's profit in the year.

Table 3.18: High Speed 1 income and expenditure in 2015-16

	£m
Income ⁸⁷	299.3
Operating expenditure	-239.8
Operating Profit	59.5
Interest receivable and similar income	3.2
Finance charges ⁸⁸	-146.2
Tax	-11.1
Loss for the financial year	-94.6

⁸⁷ Income is from regulated charges, unregulated charges and stations along the HS1 route (St Pancras International, Stratford International, Ebbsfleet International and Ashford International).

⁸⁸ HS1 finance charges include £107m in interest paid to related companies in the Helix Holdings Ltd (Jersey) group: Helix Acquisition Ltd, High Speed Rail Finance plc and High Speed Rail Finance (1) plc.

Table 3.19: Northern Ireland Railways income and expenditure in 2015-16⁸⁹

	£m
Passenger income	45
Other income	0
Revenue support from government	42 ⁹⁰
Total income	87
Staff costs	-40
Traction electricity	-8
Other operating expenditure	-42
Total operating costs	-90
Operating Profit	-3
Net interest	0
Other non-operational expenditure	0
Taxation	0
Profit/(loss) after tax	-2
Dividends paid/payable	0
Profit/(loss) retained	-2

⁸⁹ Financial data is based upon statutory accounts for the 52 weeks ended 27 March 2016 and further analysis as provided by the Department for Infrastructure (NI). NIR accounting data is presented in aggregate for infrastructure management and passenger operating parts of the business. Its share of cross-border services with the Republic of Ireland is included in its figures. For some line items we did not have data available, so we have included zero, e.g. other non-operational expenditure.

⁹⁰ The Department for Infrastructure (NI) provides non-cash funding of £23m for depreciation, which in their statutory accounts is netted off depreciation. In this table we have shown the £23m of funding and £23m of depreciation gross without netting them off.

Table 3.20: Rolling Stock leasing company income and expenditure in 2015-16^{91 92}

£m	Angel Trains Willow Bidco Ltd	Beacon Rail Leasing Ltd ⁹³	Cross London Trains HoldCo 2 Ltd	Eversholt Investment Ltd (Ireland) and Eversholt Rail (E&W) Ltd	Macquarie European Rail Ltd ⁹³	Porterbrook Leasing Company Ltd	SMBC Caledonian Rail Leasing Ltd	SMBC/NAB QW Rail Leasing Ltd ⁹⁴	GB Total	Agility Trains East (Holdings) Ltd ⁹⁵	Agility Trains West (Holdings) Ltd
Period End	31-3-15	31-12-15	30-6-16	31-12-15	31-3-16	31-12-15	31-3-16	31-3-16		31-3-16	31-3-16
Income	492.8	34.3	6.6	415.2	30.4	500.4	4.8	18.0	1,502.5	56.5	85.3
Expenditure	-356.4	-37.9	-10.0	-312.3	-18.5	-445.8	-1.1	-21.1	-1,203.2	-56.1	-88.1
Tax	11.2	0.7	6.8	-48.8	-0.6	14.6	-0.7	3.5	-13.3	-0.1	0.4
Profit/(loss) after tax	147.6	-2.9	3.4	54.1	11.3	69.2	3.0	0.4	286.0	0.3	-2.5
Investment⁹⁶	89.7	69.4	126.2	134.1	7.5	60.6	109.3	322.6	919.5	56.5	85.3

⁹¹ Rock Rail has not yet published accounts and therefore no information has been presented. Colas Rail has also been excluded. The company results shown here are for the largest rolling stock leasing groups for which accounts are available. They exclude "other comprehensive income", such as accounting adjustments for the fair values of derivatives and pension valuations.

⁹² Consolidation adjustments in figure 1 are made to reconcile the rolling stock payments made by operators with the income declared by rolling stock companies, which means that ROSCO income is totally excluded upon consolidation. In some cases the newer rolling stock companies have contracted asset management services to more established ones. Consolidation adjustments do not reflect these arrangements

⁹³ Beacon Rail and Macquarie Rail include non-UK income and expenditure in their results.

⁹⁴ SMBC = Sumitomo Mitsui Banking Corporation. NAB = National Australia Bank. Angel Trains is also a holding company.

⁹⁵ Agility Trains is a private finance initiative company contracted to the Department for Transport to construct, deliver and maintain the new Intercity Express trains. The Agility Trains companies are not currently trading with operators and therefore have been excluded from figure 1 gross and consolidated numbers.

⁹⁶ Investment may be made from cumulative retained cash profits, or financed through borrowing or equity injection.

4. Methodology

Significant changes

Compared with GB rail industry financial information 2014-15, this UK rail industry financial information 2015-16 publication has significant changes in scope and methodology. We set out these changes below.

	Change
Scope	<p>In 2014-15, the scope of the industry level analysis in this publication only included franchised passenger train operators (TOCs), GB government and Network Rail.</p> <p>In 2015-16, the scope has been expanded to include open access operators, freight operators, rolling stock companies, Northern Ireland Railways and HS1 in the UK industry level analysis of income, expenditure and government funding flows. Eurotunnel, HS2 and Crossrail are excluded from this publication.</p>
Data sources	<p>In 2014-15 and 2015-16, TOC management accounts, Network Rail's regulatory financial statements and statutory accounts have been used.</p> <p>In 2015-16, we have used the same sources but incorporated more parts of the industry in our industry level analysis.</p>
Accounting years	<p>In 2014-15, in our industry level analysis we used TOC management accounts and Network Rail's regulatory financial statements, which all covered the year to 31 March 2015</p> <p>In 2015-16, some entities in the expanded industry level analysis have different year end dates, or accounting periods shorter than 12 months. Where entities have only been in existence for part of the year, they have only been consolidated for part of a year. Where entities have existed for the whole year but have only produced part-year accounts, we have scaled the financial data to equal a whole year (the latter is only relevant for the Freightliner freight operating company).</p>
Headline income and expenditure	<p>In 2014-15, for TOCs, transactions with government were shown on a net basis.</p> <p>In 2015-16, for all entities transactions with government are shown gross and both income and expenditure therefore show an increase.</p>

Consolidation adjustments	In previous years, it was assumed that intra-TOC trading was minimal. We now have more detailed data and have made consolidation adjustments to remove the effect of intra-industry transactions on income and expenditure.
Department for Transport income	In 2014-15, we did not deduct any of the money flowing back to the Department for Transport (DfT) from Network Rail. In 2015-16, we have deducted two elements from the DfT funding of Network Rail: the financial indemnity mechanism (FIM) fee on historic debt and the margin and drawdown fee charged by DfT on its own loans to Network Rail. In 2015-16, for information we have included a note on DfT dividend income from its subsidiary, London & Continental Railways. This income is not included in the industry level analysis.
Network Rail income allocation to franchise area	This calculation is used to calculate the overall support to passenger train operations on Network Rail's infrastructure. In 2014-15, network grant was allocated to operators at the GB level, based on what charges they had paid to Network Rail and what Network Rail had spent on providing infrastructure for that operator. In 2015-16, a similar method has been adopted but Network Grant has been allocated to operators at a route level.
Network Rail cost allocation to franchise area	In 2014-15, variable costs were allocated to operators based on the share of variable usage charge (VUC) paid by an operator at GB level and the train distance travelled in a given route. This approach assumed that individual operators had homogeneous fleets and train lengths in their routes. Other costs were allocated based on train distance travelled. In 2015-16, we have used three approaches to allocate costs to route-level franchise area accounts, depending on the type of cost. Variable costs are allocated by route-level operator VUC, except for electricity and other costs. Electricity costs are allocated on the route VUC basis to operators using electric trains in that route. Other costs are allocated on train distance travelled.
Investment	In 2014-15 we included some information on Network Rail renewals and enhancements capital expenditure. In 2015-16, we have also included investment by rolling stock companies (ROSCOs).

Overall approach

We have used accruals accounting, with income and expenditure matching the periods in which they are earned or fall due, rather than when cash flows.

Three sets of accruals accounting standards have been used to prepare the underlying data:

- International Financial Reporting Standards, as adopted by the European Union (IFRS);
- UK Generally Accepted Accounting Practice (UK GAAP); and
- ORR regulatory accounting guidelines for Network Rail.

Not all rail industry entities use IFRS. Some use UK Generally Accepted Accounting Practice. In some areas, there are important differences between the sets of standards. For example, newer IFRS differ significantly from UK GAAP on leases. This is important for operators leasing rolling stock. Users should bear in mind that a number of factors affect the comparability of financial data in this publication:

- given that we do not have sufficient information to adjust the accounts we receive for the differences between IFRS and UK GAAP, we have not used a common set of accounting policies. Instead we have used the accounts provided to us whether they are based on UK GAAP or IFRS;
- entities have some timing choice on the adoption of new standards; and
- entities can make judgments on the interpretation and application of standards (including transition to revised IFRS), which they agree with their auditors.

Consolidation for industry level analysis

By consolidation we mean the process of combining the financial results of companies into a whole for the UK rail industry. Our consolidation period is the year to 31 March 2016.

We consolidate the reporting of industry finances at two levels:

- within industry segments (e.g. TOCs); and
- between industry segments (e.g. TOCs and Network Rail).

This eliminates the double counting of income, expenditure and other items (such as investment) that would otherwise occur because of transactions within the industry. This explains why the gross industry income and expenditure are both higher than the consolidated industry income and expenditure.

There are some challenges consolidating the large amount of financial data that we have received. In particular, some accounting periods do not align and there is incomplete information on intra-industry transactions. To address these issues:

- we have used period-ends within 3 months of the 31 March 2016 consolidation date, which is generally allowed by accounting standards (IFRS 10);
- where entities have only been in existence for part of the year (e.g. due to a change in franchise), they have only been consolidated for part of a year;
- where entities have existed for the whole year but have only produced part-year accounts, we have scaled the financial data to a whole year; and
- where income and expenditure between entities could not be matched, we have taken an average as a consolidation adjustment.

Inflation

The November to November retail prices index (RPI) is used throughout our analysis to adjust for the effect of inflation, where we look at year-on-year variances. The November 2015 to November 2016 change in RPI was 1.05%.

Fare increases, which happen in January, are based on the preceding July's year-on-year inflation, also based on the RPI. However, for consistency, we use the November RPI to uplift operator income. The review of consumer price statistics recommended that regulators switch to using CPIH as the preferred measure of inflation. We will keep our inflation methodology under review⁹⁷.

Source data

Source data is either from existing published accounts or from bespoke returns made for the purposes of these statistics. Published accounts have all been audited. Bespoke returns have generally been drawn from accounts that have been audited. In all cases, the individual entity has had an opportunity to quality assure the data used in this publication. A full list of stakeholders is in the pre-release access list published on our website.

⁹⁷ UK Statistics Authority, [UK Consumer Price Statistics: A Review](#), 8 January 2015

Train Operator financial data

Under the terms of their franchises or management contracts, franchised passenger train operating companies (TOCs) are required to provide 4-weekly management accounts to the franchising authority (Department for Transport, Transport Scotland, Merseytravel or Transport for London). The source data are the TOC management accounts but in some instances this has been amended to reflect audit adjustments following TOC's statutory audits.

For management contracts, operators receive a fee for operating the service. This may be a fixed price or may include some proportion of farebox revenue collected from passengers, or a combination. For comparability between franchises, farebox pass-through income (fares paid to government) has been included as "income" and then removed by including it as "expenditure" analogous to premium payments⁹⁸. This is particularly the case for TSGN.

Open Access Operators (OAOs) do not provide management accounts to franchising authorities because they are not part of the franchising system. OAO financial data has been provided from bespoke returns or from statutory accounts. Eurostar, which operates international passenger services, has been included in a separate table but has been excluded from industry-level analysis. However, the charges Eurostar pays to HS1 have been included in HS1's income, which is in the industry-level analysis.

Freight operating company (FOC) financial data is from statutory accounts. It is important to note that FOCs may also undertake services other than freight haulage, such as intermodal (road/rail/ship transfer) activities, or engineering activities, which may mean that some income is not purely derived from rail freight haulage.

Rail infrastructure manager financial data

We have used Network Rail's audited regulatory financial statements, which have a 31 March year end⁹⁹. The format of the regulatory financial statements is prescribed by ORR and includes comprehensive information about the company's income and expenditure¹⁰⁰. We

⁹⁸ Under the "revenue recognition" accounting rules, farebox pass-through income would not ordinarily be shown as income because the operator is acting as an agent and collecting it on behalf of another entity.

⁹⁹ Network Rail prepares statutory financial statements under IFRS. It also prepares statements for consolidation into the Department for Transport's consolidated accounts, based on the Government Financial Reporting Manual, which makes IFRS accounting treatments more consistent across the public sector.

have chosen the regulatory financial statements because these statements provide route-level data, for each of Network Rail's 10 regulatory routes¹⁰¹.

HS1 income and expenditure is based upon its audited statutory accounts (which include unregulated income) and a regulatory return to us (which provides details of regulated charges).

Transport for London expenditure on the East London Line (which forms part of the London Overground network), was obtained directly from the company as a bespoke return.

Northern Ireland Railways data

Northern Ireland Railways (NIR) financial data has been sourced from statutory accounts. NIR accounting data is presented in aggregate for infrastructure management and passenger operating parts of the business. Its share of cross-border services with the Republic of Ireland is included in its figures.

Rolling stock leasing company data

ROSCO data is from a combination of statutory accounts and bespoke returns. If a ROSCO is constructing rolling stock and maintenance facilities but has not begun charging for their use, it has been excluded from consolidation in our industry-level analysis. Such ROSCOs have been presented only for information (e.g. Agility trains).

Fares data
The majority of rail tickets issued are recorded on the LENNON database. LENNON is used to allocate the revenue from ticket sales between operating companies. Including when more than one company runs services for a particular origin/destination/ticket type/routing combination, or where more than one train is needed to complete a journey. LENNON also allocates revenue to Network Rail regulatory routes¹⁰².

¹⁰⁰ ORR, [regulatory accounting guidelines for CP5](#)

¹⁰¹ For operational management purposes, Network Rail uses 8 routes. London North East and East Midlands have merged. Kent and Sussex have merged to form the London South East route.

¹⁰² The LENNON database is the source of the passenger income figure published as part of the [ORR's Rail Usage Statistics](#).

Fares analysis

Our analysis of regulated and unregulated passenger income is based on LENNON data. The LENNON income data was mapped to regulated and unregulated ticket types to produce a Fares Index Dataset, which enabled an analysis of the contribution of regulated and unregulated ticket types for each train operator's total passenger income.

Our approach is sufficiently robust to provide a high level summary of the relative contribution of different ticket types to train operators' income but there are limitations. In particular, the Fares Index Dataset was only available for the calendar year January to December 2015, whereas the rest of our analysis is for the period April 2015 to March 2016. We considered changing to a financial year basis but a sample test showed that the analysis would only be marginally improved and it would have taken a disproportionate effort to re-map the data.

Network Rail borrowing

As a result of changes to the European System of Accounts, Network Rail was reclassified from the private sector to the central government sector in the UK national accounts with effect from 1 September 2014¹⁰³. Prior to that change, Network Rail borrowed on the capital markets. Its debt was guaranteed by the UK government and the company was therefore able to borrow at a lower rate. For this guarantee, Network Rail paid a Financial Indemnity Mechanism (FIM) fee to the Department for Transport (DfT). The FIM fee is still paid on this historic debt.

Following reclassification, Network Rail stopped issuing new debt on the capital markets and instead borrows from DfT. DfT charges a margin of 1.5 percentage points on the loans it makes to Network Rail, as well as a 0.1 percentage point drawdown fee.

In 2014-15, we did not include these payments as DfT income but we did note the amounts. In 2015-16, we have included the FIM fee, margin and drawdown fee as DfT income. This reduces DfT's net funding of Network Rail in the industry-level and other analysis.

¹⁰³ Office for National Statistics, [Reclassification of Network Rail under European System of Accounts 2010](#), 17 December 2013.

Financial analysis

We have analysed financial information from 3 perspectives:

- the **industry level** analysis consolidates income and expenditure for the parts of the UK rail industry in our scope;
- the **national** and **route-level** analysis set out to show what the combined income and expenditure of an integrated infrastructure manager and train operating company would look like for GB, England, Scotland, Wales and the 10 regulatory routes; and
- the **franchise area** analysis shows the finances of individual franchise areas, as well as allocating Network Rail's income and expenditure to each franchise area.

Tables 3.1 to 3.15 analyse franchised train operators and Network Rail from a national, route level and franchise area perspective. Freight operators, open access operators, High Speed 1, Northern Ireland Railways and rolling stock companies are not included in tables 3.1 to 3.15 because we do not have sufficient detail to show a sub-GB analysis at route level. They are shown separately in tables 3.15 to 3.20.

National and route-level analysis

Allocation of franchise area income and costs to routes

To ensure that different operators who have only operated a franchise for part of the year are comparable with other operators, we have presented financial information by franchise area, rather than by operator. Where different operators have each held the same franchise for a portion of the financial year, financial information for each operator's part-year operations is summed to give a full-year total for the franchise area.

We have allocated passenger franchise income between regulatory routes using the industry's Network Modelling Framework matrix, which is derived from LENNON data. This provides a better allocation of income than using train distance travelled because passenger loading can vary considerably between a train journey's origin and destination.

Passenger franchise expenditure has been allocated between regulatory routes and (therefore between England, Scotland and Wales) as a share of the total train distance travelled in each regulatory route¹⁰⁴. This is considered a reasonable approach for allocating expenditure across regulatory routes, as the majority of train operators' expenditure (staff, rolling stock, fuel and maintenance costs) varies more closely with train distance travelled, rather than passenger loading. A limitation of this approach is that trains run by the same operator may have very different lengths, with very different operating costs. However, we did not have the vehicle distance data to take account of this factor in our calculation.

We have allocated net government funding (subsidy less premium and profit share) on the basis of train distance travelled in each route. In the absence of more granular data, for this allocation we have had to assume that government subsidy or franchise premium is averaged across all services, even though in reality some parts of services generate a surplus, while others make a loss, to varying degrees.

Allocation of Network Rail costs to routes

This allocation has already been done by Network Rail in its regulatory financial statements.

Scotland and Wales are routes in their own right. The 8 other regulatory routes are added together for the England totals. Network Rail uses the following set of principles to attribute income and expenditure to routes:

- *directly attributed – route managed*. Income and expenditure in this category is currently managed at route level. As there is alignment between management responsibility and route, such items can be directly attributed to an individual regulatory route, e.g. signallers and maintenance;
- *centrally managed – directly influenced*. For these items, income and expenditure is the responsibility of the centre but decisions and actions taken by individual routes can affect the company wide costs, e.g. capital expenditure delivered by Network Rail's project delivery team;

¹⁰⁴ The train distance travelled information was provided to us by Network Rail and is considered the most appropriate currently available to the industry. There are occasional changes to route boundaries but these are likely to have only a minor effect on our analysis.

- *centrally managed – route identifiable*. For these items, income and expenditure is the responsibility of the centre, and individual routes have little direct influence over costs. However, the geographic location of business activity allows activity to be allocated to specific routes, e.g. train charges per train km, enhancements, property income; and
- *centrally managed – allocated by cost driver*. Income and expenditure in this category is incurred for the whole network, e.g. central HR costs. Network Rail has allocated network-wide income and expenditure to regulatory routes based on an appropriate cost driver. For example, for HR it is based on headcount in a particular route.

For statutory reporting purposes, Network Rail’s renewals and enhancements expenditure is capitalised and then depreciated over the useful economic life of its assets. This capital expenditure can be “lumpy”, i.e. it can vary significantly from year to year. However, if we used actual annual expenditure, the amounts used in our analysis could vary significantly from year to year. In our PR13 determination and for Network Rail’s regulatory accounts, we instead use the “amortisation” of the regulatory asset base. This is based on a forecast of the long-run annual average renewals expenditure that is required to maintain the network in a steady state over a 35-year-period, as adjusted if necessary, for financial sustainability¹⁰⁵. So, to be consistent with our PR13 determination, we have used this approach.

Enhancement expenditure is not separately amortised but the future renewals of that enhancement are included in the long-run renewals calculation¹⁰⁶.

Amortisation is directly allocated to routes based on the renewals work required in each route for each asset type. We have presented the actual costs in figure 2.11.

Franchise area analysis

The franchise area analysis shows the finances of individual franchise operators in a franchise area, as well as allocating Network Rail’s income and expenditure to each franchise area. Due to the overlapping geographies of franchises and operating routes there are many different approaches to the allocation of Network Rail’s income and expenditure and the allocation of government funding to franchised

¹⁰⁵ ORR’s PR13 determination increased funding by £400m per year for CP5 (2014-19), for financial sustainability.

¹⁰⁶ See Chapter 12 of Office of Rail and Road, [Final determination of Network Rail’s outputs and funding for 2014-19](#), October 2013, for further details of the changes to Network Rail’s financial framework as a result of PR13. Other key changes included the funding approach for Network Rail’s cost of capital, and the balance between network grant and fixed-track access charges.

areas. It is important that it is recognised that there is no definitive view on how this should be done and therefore care is required in understanding and interpreting our analysis.

Freight operators and open access operators are excluded from this analysis. But, based on the way we calculated charges in PR13, Network Rail's income from FOCs and OAOs is assumed to match Network Rail's expenditure for providing infrastructure to them. On that basis, Network Rail's income and expenditure relating to FOCs and OAOs cancels out.

Franchise area – franchised train operator income and expenditure

Franchised train operator income is made up of:

- *farebox income and other income*, which includes car parking, catering etc. For comparability between franchises, this also includes farebox income that is passed directly to franchising authorities; and
- *government support and/or management fee* is revenue support grant or a management fee, which is paid to the franchise if the franchise passes the farebox income directly to the franchising authority.

Franchise train operator expenditure is made up of:

- *franchise premium, profit share and TSGN fares paid to DfT*, which is paid to a franchising authority in accordance with the terms of a franchise agreement;
- *charges paid to Network Rail*, as specified in a track access contract; and
- *staff and other franchise costs*, which includes rolling stock costs.

The difference between income and expenditure gives the franchise train operator's surplus or deficit. However, because the data is sourced from management accounts, these figures may not match the company's profit or loss. **Care should be taken when interpreting this information.**

Network Rail's income from franchises

Charges paid by franchises to Network Rail are known at an aggregate level. We have allocated this income to each franchise area's route-level "account" in our calculations on the following basis:

- *variable usage charges (excluding electricity)* are known for each franchise in each route;

- *electricity charges* (including the electrification asset usage charge) have been allocated based on an operator's VUC in a route, if it uses electricity in that route; and
- *fixed and other charges* have been allocated based on that franchise's share of train distance travelled in that route.

Network Rail's expenditure allocated to franchises

The costs incurred by Network Rail in providing infrastructure have been attributed for the purposes of our consolidation to a route-level "account" in our calculations for each franchise on the following basis:

- *maintenance costs* in each regulatory route have been allocated to franchises in proportion to the total variable usage charge paid by each franchisee in that route. The variable usage charge rate (£ per train kilometre) is calculated based on a train's engineering characteristics and the wear and tear that a train causes to the track and is therefore an appropriate cost driver. In 2014-15, the allocation was based on train distance travelled in a route and a GB-level VUC figure for each franchise. This assumed that a franchise operating in more than one route had a homogeneous train fleet (train class and train length). For a given train class, if the franchise operated short, slow-running trains on one route and longer, fast trains on another, costs would have been over-allocated to the slow route. In 2015-16, we have refined the methodology to use a route-level VUC for each franchise, which overcomes some of this limitation;
- *electricity costs* (including the electrification asset usage charge) have been allocated based on an operator's VUC in a route, if it uses electricity in that route;
- *depreciation/amortisation* and *other costs* have been allocated in proportion to train distance travelled by each franchise in each regulatory route. We have adopted this simple approach because physical presence on the network is arguably a more meaningful way to allocate largely fixed costs which relate to long-life assets than measures which relate to short-term (variable) wear and tear; and

- *network grant* has been allocated at route level in proportion to the residual Network Rail income less expenditure that we have calculated in each franchise's route-level "account". In 2014-15 this calculation was done at GB level. In 2015-16 we have used the route-level grant figure, as published in Network Rail's regulatory financial statements.

Non-financial information

We have included some non-financial information in our analysis to inform users' interpretation of the financial information presented. This non-financial information has been taken from the ORR data portal, ORR's official database of railway statistics¹⁰⁷.

¹⁰⁷ Data covering a range of rail statistics is available at <http://orr.gov.uk/statistics/data-portal>

Annex A: High-level changes since the 2014-15 publication

We have changed the way we present the overview of the industry in the summary and figure 1. For 2015-16, there are more companies included in our analysis (figure 1 last year only included Network Rail and franchised passenger train operators) and we have changed our methodology.

To aid transparency in this annex we have shown what the rail industry income, expenditure, and government funding flows in 2015-16 would have looked like using last year's presentation format and methodology (see Figures A.1 and A.2 on the next page).

It is also useful to reconcile the consolidated income and expenditure numbers for 2014-15 with those for 2015-16. The tables on this page reconcile the 2014-15 figure 1 as published last year with the consolidated income and expenditure numbers included in the summary in 2015-16.

Simplified versions of these tables are included in the summary.

2014-15 to 2015-16 consolidated income reconciliation¹⁰⁸

	£bn
Consolidated industry income as per 2014-15 figure 1	13.5
Add: inflation	0.1
Consolidated industry income as per 2014-15 figure 1 in 2015-16 prices (see figure A.1)	13.7
Add: increased passenger fares	0.3
Add: increased government support to Network Rail and TOCs	0.1
Add: payments to government (which in 2014-15 were shown net under income)	3.0
Add: consolidated freight Income	0.9
Add: consolidated open access operators income	0.2
Add: consolidated High Speed 1 income	0.3
Add: consolidated Northern Ireland Railways income	0.1
Less: intra TOC income	0.2
Less: Network Rail income from open access and freight operators	0.1
Consolidated industry income per 2015-16 summary	18.4

2014-15 to 2015-16 consolidated expenditure reconciliation

	£bn
Consolidated industry expenditure as per 2014-15 figure 1	13.6
Add: inflation	0.1
Consolidated industry expenditure as per 2014-15 figure 1 in 2015-16 prices (see figure A.1)	13.7
Add: increased franchised train operator expenditure	0.4
Add: increased Network Rail expenditure	0.1
Add: payments to government (which in 2014-15 were shown net under income).	3.0
Add: ROSCO expenditure	1.2
Add: consolidated freight expenditure	0.9
Add: consolidated open access operators expenditure	0.1
Add: consolidated High Speed 1 expenditure	0.4
Add: consolidated Northern Ireland Railways expenditure	0.1
Less: intra TOC income	0.2
Less: franchised train operator rolling stock leasing charges	1.4
Consolidated industry expenditure per 2015-16 summary	18.4

¹⁰⁸ Numbers do not sum in the consolidated income and expenditure reconciliations due to rounding.

Figure A.1 - GB Industry income, expenditure and government funding flows in 2014-15 (in 2015-16 prices)

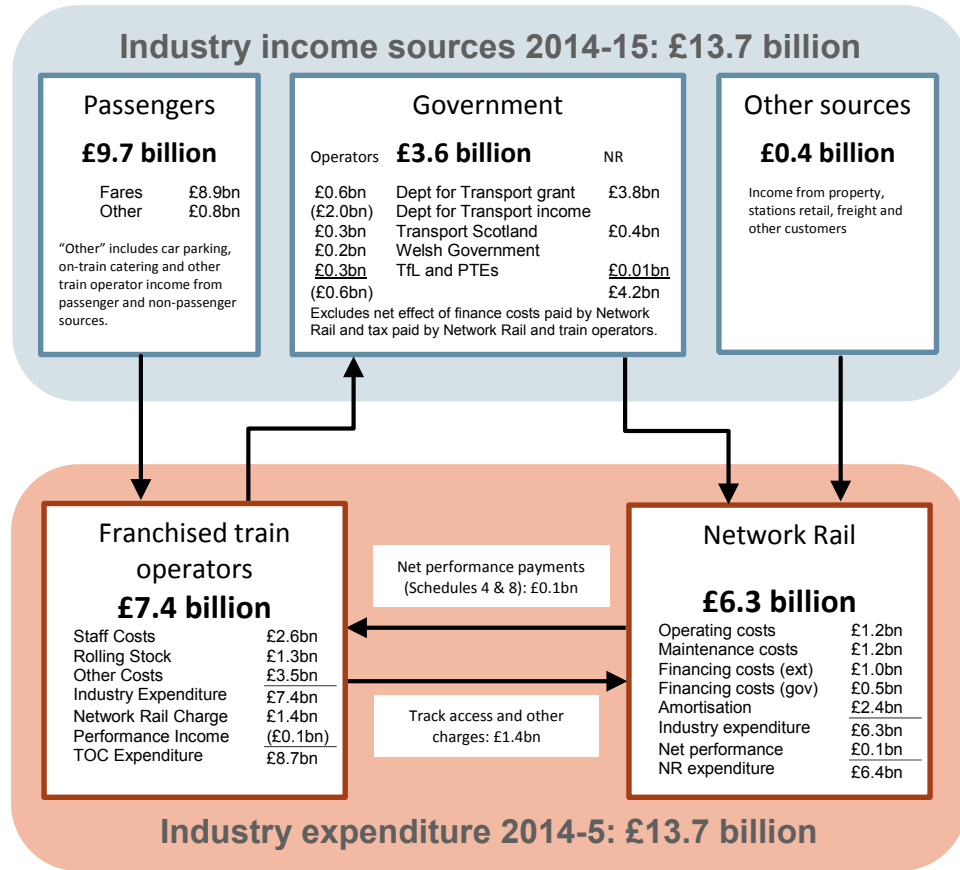
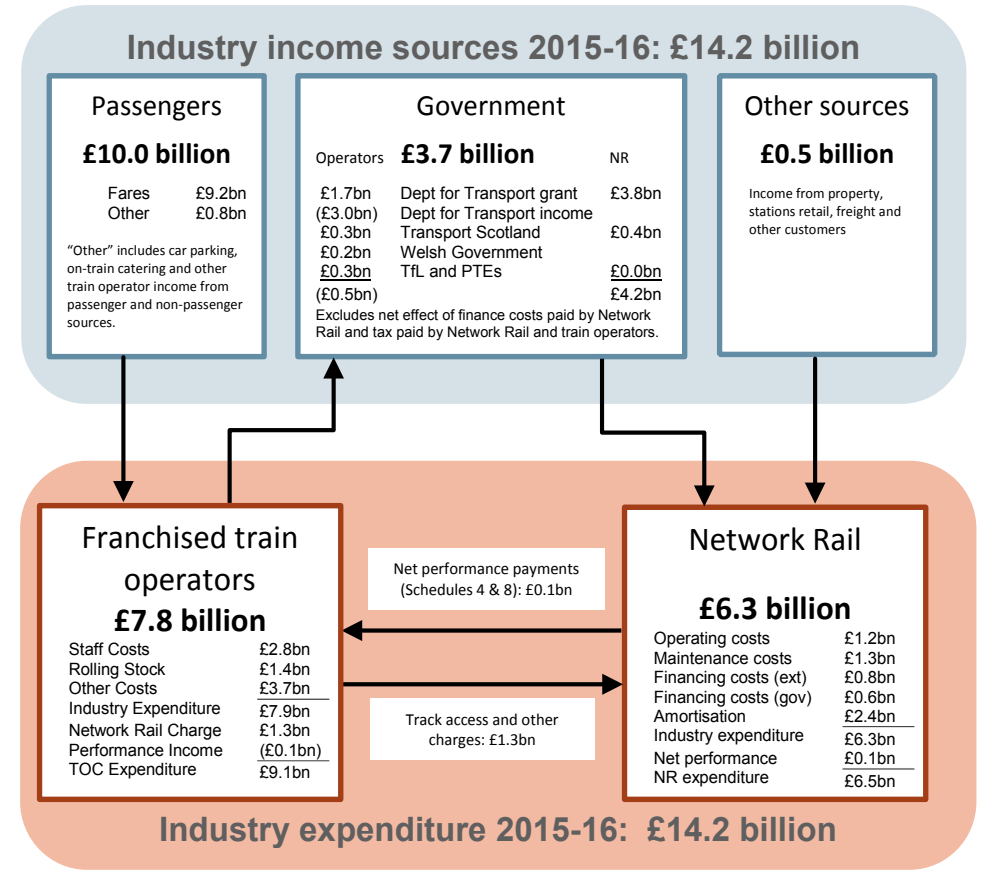


Figure A.2 - GB Industry income, expenditure and government funding flows in 2015-16 (in 2015-16 prices)



Annex B: Reconciliation between UK Rail Industry financial information and the Rail Finance 2015-16 annual statistical release

The ORR also provides financial information on the rail industry in the Rail Finance 2015-16 annual statistical release¹⁰⁹.

This release contains information on rail finance in Great Britain covering the period from 1985-86 to 2015-16. It focuses upon government support to the rail industry and private investment.

The rail finance annual statistical release is primarily sourced from government data whereas this publication is primarily sourced from industry data.

Total government funding is £4.8bn in the 2015-16 rail finance annual statistical release and £3.2bn in this publication. The difference is explained in the table on this page.

Reconciliation between Rail Industry financial information and the Rail Finance 2015-16 annual statistical release

	£bn
Government Funding per Rail Finance 2015-16 annual statistical release	4.8
Less: Crossrail funding	0.8
Less: HS2 funding	0.5
Less: financing flows to government	0.2
Less: miscellaneous costs, e.g. BTP	0.2
Add: differences in franchise support data	0.1
Government Funding per 2015-16 Rail Industry financial information	3.2

¹⁰⁹ http://orr.gov.uk/_data/assets/pdf_file/0005/22982/rail-finance-statistical-release-2015-16.pdf

Annex C: Industry structure

To varying degrees, national, regional and local **governments** provide funding to the rail industry, award contracts for public rail services and regulate fares. These include:

- Department for Transport (England).
- Transport Scotland.
- Department for Infrastructure in (NI). This is for Northern Ireland.
- Welsh Government.
- Transport for London (TfL).
- Passenger Transport Executives:
 - a. Transport for Greater Manchester;
 - b. Merseyside PTE;
 - c. South Yorkshire PTE;
 - d. Tyne and Wear PTE;
 - e. Transport for West Midlands; and
 - f. West Yorkshire PTE.

Franchised Passenger Train Operating Companies (TOCs) run services contracted by government bodies. Some

TOCs pay a premium to government to run services and other TOCs, which could not provide a financially viable service, require public subsidy. Some TOCs operate under management contracts, where the operator receives a fee for providing the service but does not keep the passenger fares.

Open access and Charter are train operators that provide passenger services outside the franchise system. They receive no direct support from government and operate on a commercial basis. Charter operators are not included in this publication.

Freight operating companies (FOCs) provide freight services in bulk or containerised forms. Mode Shift Revenue Support grants are available for some movements to FOCs and Customers moving freight by rail instead of road, where it would otherwise be commercially unviable to do so.

Rolling stock companies (ROSCOs) own, and in some cases maintain and upgrade, locomotives, passenger carriages and freight wagons.

Infrastructure managers operate, maintain, renew and enhance railway infrastructure, such as track, signals and structures. These include: Eurotunnel, Heathrow Airport (for the spur line), High Speed 1, Network Rail, Northern Ireland Railways and Transport for London (East London Line). The Crossrail central operating section will be part of TfL. The arrangements for HS2 have not yet been determined.

Network Rail owns the freehold to the vast majority of some 2,500 stations in Great Britain. Most of these are leased to the main TOC using the station but Network Rail operates the [major stations](#) in Great Britain. The international stations at St Pancras, Stratford, Ebsfleet and Ashford are owned by HS1 as part of its concession.

Figure D.1 – Network Rail Routes



The **Rail Safety and Standards Board (RSSB)** is a non-profit company owned by the rail industry. It collects data on safety incidents, undertakes research and develops standards. It is funded by a levy on the industry and government grant funding for research.

The **Rail Accident Investigation Branch (RAIB)** is funded by the Department for Transport to independently investigate

accidents. It is not a prosecuting authority and its investigations seek to identify the causes of accidents for the improvement of safety, rather than to apportion blame or liability.

The **Office of Rail and Road (ORR)** is a non-ministerial government department. It is the independent economic and safety regulator of the railways in GB and the economic regulator of the railways in Northern Ireland. It is also the monitor of strategic highways in England. It is a prosecuting authority and competition authority, as well as having statistics functions. Its railway functions are funded by a levy on the rail industry.

The **British Transport Police (BTP)** is the dedicated railway police force in Great Britain. It is sponsored by the Department for Transport but is largely funded by the rail industry through Police Service Agreements.

Transport Focus is the statutory independent transport user watchdog in Great Britain. It conducts the National Rail Passenger Survey and handles complaints

from rail users. It is sponsored and mostly funded by the Department for Transport.

London TravelWatch is the statutory independent watchdog for transport users in and around London. It is funded by the London Assembly.

London & Continental Railways (LCR) is a company owned by the Department for Transport. It originally delivered the HS1 project and is involved in the development of land along the HS1 and HS2 routes. It has also taken ownership of the former BRB (Residuary) properties and associated regeneration projects.

The **Rail Delivery Group (RDG)** (incorporating the Association of Train Operating Companies) provides ticketing, National Rail Enquiries and coordination functions.

This list of railway-related bodies is not exhaustive. The **industry supply chain**, such as engineering contractors and manufacturers are not analysed in this publication. Neither are **skills academies**.

Heritage, metro, light rail and trams are outside the scope of this publication.

Annex D: Official Statistics

The Office of Rail and Road is a producer of Official Statistics and follows the [Code of Practice for Official Statistics](#) produced by the UK Statistics Authority.

The *UK rail industry financial information 2015-16* report has been produced and published in line with the Code of Practice for Official Statistics. The principles and protocols of the Code are intended to ensure: official statistics meets the needs of users; that the statistics are produced, managed and disseminated to high standards; and that the statistics are well explained.

The pre-release access list for this report is published on the ORR [website](#) in accordance with the Pre-release Access to Official Statistics Order 2008.

ORR publishes a wide range of other rail statistics. These can be found at: <http://orr.gov.uk/statistics>

For more details on Official Statistics please contact ORR's Head of Profession for Statistics, Lyndsey Melbourne, at rail.stats@orr.gsi.gov.uk

For more details on this publication please contact the Customer Contact Team at customer.cct@orr.gsi.gov.uk

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