



**UK rail industry
financial information
2017-18**

30 January 2019

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Summary

Purpose of this document

1. Our annual UK rail industry financial information publications increase transparency and help strengthen the rail industry's accountability to its customers, passengers and funders. They provide an authoritative source of financial data to help inform debate about the rail industry's value for money.
2. Our analysis includes the industry's income from passenger fares, governments and other sources; and how the industry spends its money. The scope of this publication covers train operators, infrastructure managers, freight companies and Northern Ireland¹.
3. This report is structured as follows: Section 1 presents our key findings and Section 2 the underlying data tables. Section 3 explains our methodology. Annex A reconciles this analysis to our rail statistical financial release, Annex B details the structure of the industry and Annex C provides a list of the companies included in this publication. Unless otherwise stated, comparisons to prior years have been adjusted for inflation. Some numbers may not sum due to rounding.
4. We thank the rail industry and governments for their support in producing this report.

Summary of our findings

5. Figure 1 shows the rail industry's income and expenditure for the year 1 April 2017 to 31 March 2018 (2017-18)². Our analysis shows that:
 - Income from passenger fares was £9.8bn, a 2.4% decrease from 2016-17. This equates to an average fare of £5.65, or 15 pence per passenger kilometre travelled. Nationally, passenger journeys fell by 1.4% in 2017-18³ with the average passenger fare decreasing by 0.7% to £5.65 whilst the average length of a journey increased by 1.7% to 38.4 kilometres.
 - In total, governments contributed £3.8bn, an 8.0% increase from 2016-17 largely due to reduced franchise payments to UK government. The Department for Transport (DfT) also lent £8.4bn to Network Rail as debt funding, up from £6.1bn in 2016-17.
 - The cost of running the railways was £20.6bn, a 1.4% increase from 2016-17, mostly due to increased Network Rail financing costs. Around 57% of these costs were

¹ This publication does not include Crossrail, High Speed 2 (HS2), rolling stock companies and the supply chain.

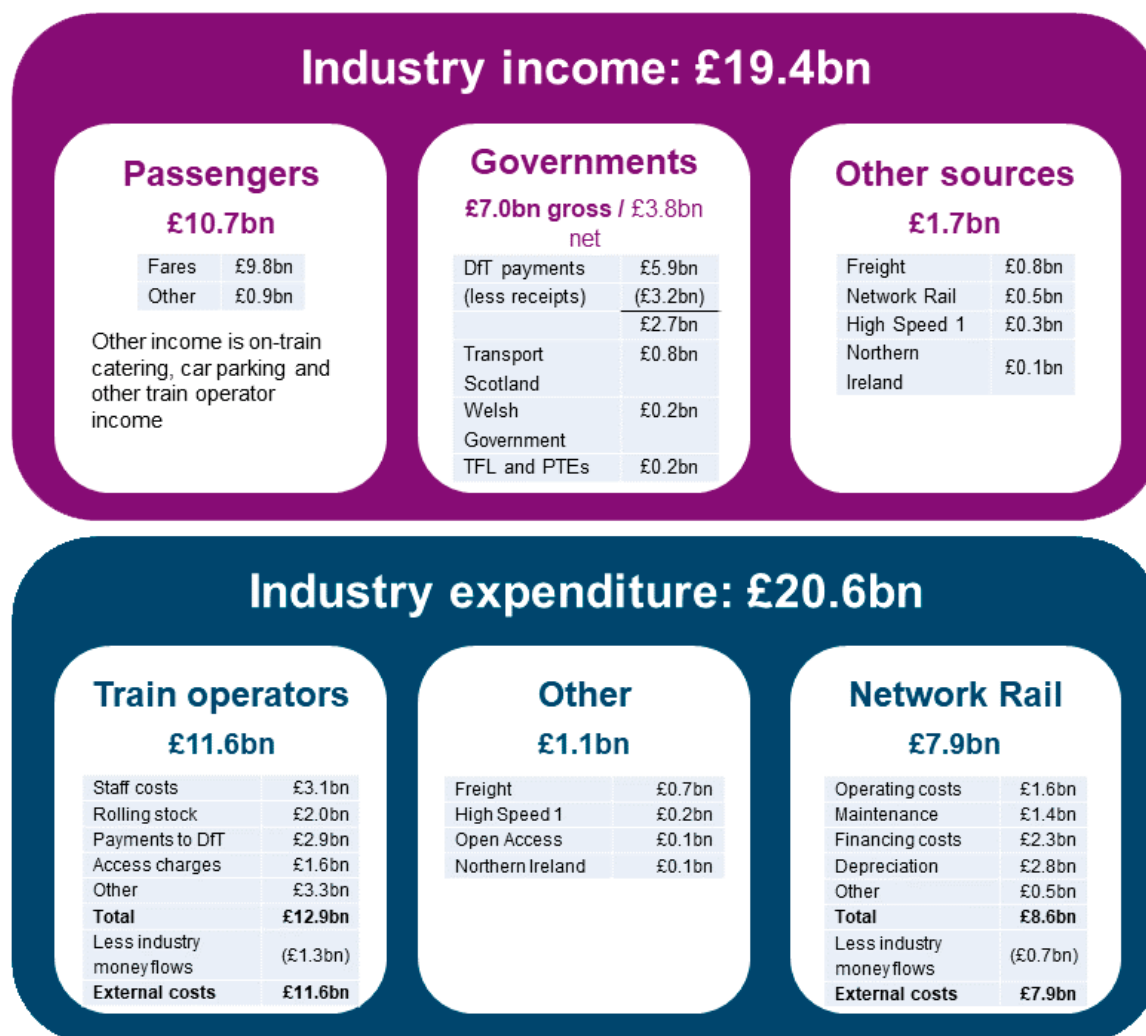
² Consistent with conventional financial reporting we have used an accruals accounting approach rather than a cash accounting one. So for example, a depreciation charge is shown instead of the cash spend on renewals by Network Rail, for more information see Section 3.

³ For more information see our Passenger Rail Usage 2017-18 Q4 Statistical release here http://orr.gov.uk/data/assets/pdf_file/0014/28013/passenger-rail-usage-2017-18-q4.pdf

incurred by train operators⁴, 38% managing the network, and 5% by freight, High Speed 1 and Northern Ireland Railways.

- Network Rail spent £3.3bn on enhancements to the network including Great Western electrification (£0.6bn), the Northern Hub (£0.6bn) and the Edinburgh Glasgow improvements programme (£0.1bn). This is the largest annual investment in rail infrastructure in recent years.

Figure 1: Industry income and expenditure in 2017-18



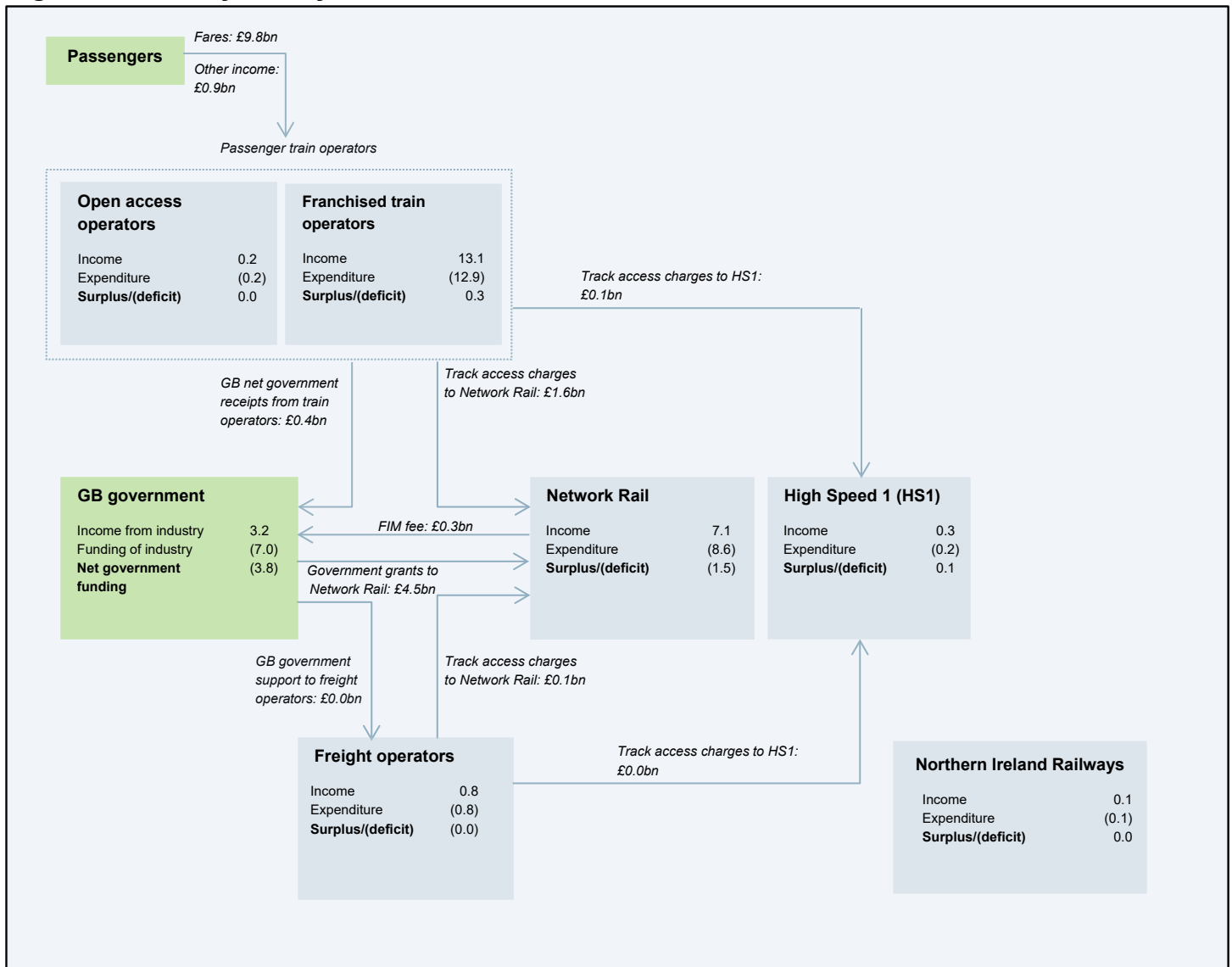
Notes

1. Industry income and expenditure are shown net of adjustments for money flows within the industry such as access charges. Removing these shows the industry's external income and expenditure. Section 3 has more detail.
2. Passenger income covers income from franchised operators (£9.6bn) and open access operators (£0.2bn). Annex B provides more information about the different types of train operators.
3. Governments provided £3.8bn of net funding to the industry. This comprised £7.0bn of funding less £3.2bn of receipts (paid to the DfT).
4. Network Rail income from other sources is mainly property income. Income from access charges etc. is not shown in the industry analysis as these are money flows within the industry.
5. TFL is Transport for London. PTEs are Passenger Transport Executives.
6. Expenditure is £1.2bn higher than income in Figure 1 largely because Network Rail was only funded for its cash financing costs in its PR13 funding settlement for CP5 (2014-15 to 2018-19). Included within the £2.3bn of financing costs is £0.7bn of accretion, which is a non-cash item and so not matched by income. Network Rail has also underperformed against its PR13 targets and borrowed funds from government which is not included in this analysis.

⁴ Including payments to governments as part of franchise agreements.

6. Figure 2 shows each of the rail industry's sectors and industry money flows.

Figure 2: Industry money flows in 2017-18



Notes:

1. Data in this figure reflects the finances of each sector of the rail industry. This is a different way of presenting information that is also summarised in Figure 1.
2. Net government funding of £3.8bn comprised franchise support of £2.5bn, less 2.9bn of franchise receipts, plus £4.5bn of Network Rail grants, less £0.3bn of receipts from Network Rail for the financial indemnity mechanism (FIM). For more information see tables 2.5 and 2.6 in Section 2.
3. Franchised train operator income (£13.1bn) comprised £9.6bn of passenger fares, £0.9bn of 'other' income (catering income etc.) and £2.5bn of funding from governments. Open access income was £0.2bn included in passenger fares income.
4. Network Rail income (£7.1bn) includes £4.5bn of government funding, £1.7bn of track access income and £1.0bn of other income (of which £0.5bn is external to the industry).
5. Freight expenditure in Figure 1 is £0.7bn, this is the £0.8bn in Figure 2 less industry level adjustments for track access charges (£0.1bn)
6. Figure 2 analysis only details the sectors included in our analysis, there are important parts of the industry not included, such as rolling stock companies and the industry's extensive supply chain.
7. The financial indemnity mechanism (FIM) fee is a payment by Network Rail to the Department for Transport (DfT) for the UK government's guarantee of Network Rail's legacy debt.

Industry income

7. The industry received £19.4bn of income, a 1.3% decrease from 2016-17. Key points to note:
- £9.8bn of passenger fares⁵. Passenger income decreased by 2.4% from 2016-17, largely because of £0.1bn lower income in the South Western franchise. This franchise experienced an 8% decrease in passenger journeys during the year largely because of industrial action and engineering work at London Waterloo. Nationally, passenger journeys fell by 1.4% in 2017-18⁶ with the average passenger fare decreasing by 0.7% to £5.65 whilst the average length of a journey increased by 1.7% to 38.4 kilometres.
 - Franchised train operators (TOCs) received £2.5bn from government in 2017-18 whilst also making franchise payments of £2.9bn to governments as part of their franchise agreements. Net of these the governments received £0.4bn in 2017-18, down from £0.7bn in 2016-17. Franchise payments decreased due to a combination of changing franchise payments as set out in franchise agreements, planned cost increases on some franchises, payments to some TOCs for delays to infrastructure upgrades, and lower than expected revenue growth across the rail industry.
 - Network Rail received £4.5bn of grant funding from the DfT and Transport Scotland. This was partially offset by £0.3bn that Network Rail paid to the DfT for the financial indemnity mechanism (FIM) guarantee for the company's debt. Net government funding of Network Rail decreased by 1.0% from 2016-17.
 - Our analysis shows that on average, governments contributed £1.79 per passenger journey in England, £6.14 in Scotland and £9.16 in Wales⁷.
 - Train operators received £0.9bn of income from on-board catering, car parking and other sources. This increased by 2.3% from 2016-17.

8. See Section 1 for further details.

Industry expenditure

9. The industry spent £20.6bn, a 1.4% increase from 2016-17. Key points to note:
- Network Rail's costs increased by 9.3% to £8.6bn. This increase was largely due to an increase in financing costs. Network Rail paid £2.3bn in financing costs, a 25.7%

⁵ This includes passenger income from both franchised train operators and open access operators.

⁶ For more information see our Passenger Rail Usage 2017-18 Q4 Statistical release here http://orr.gov.uk/data/assets/pdf_file/0014/28013/passenger-rail-usage-2017-18-q4.pdf.

⁷ This is Network Rail's Wales route, the boundary of which does not exactly reflect the constitutional border.

increase from 2016-17, mostly due to interest costs on additional government borrowing. Schedules 4 & 8 payments to train operators for delays to services⁸ increased by 4.6% to £0.4bn. This was largely due to poor operational performance on some parts of the rail network, with the London North West route making the largest payments (£82m).

- Franchised train operators' costs declined by 1.6% to £12.9bn. This is largely driven by payments to governments which decreased by 12.1% (£0.4bn) to £2.9bn, staff costs increased by 0.9%, rolling stock costs 5.5% and other operating costs (including access charges) 1.4%.

10. See Section 1 for further details.

One-year and five-year movements in income and expenditure

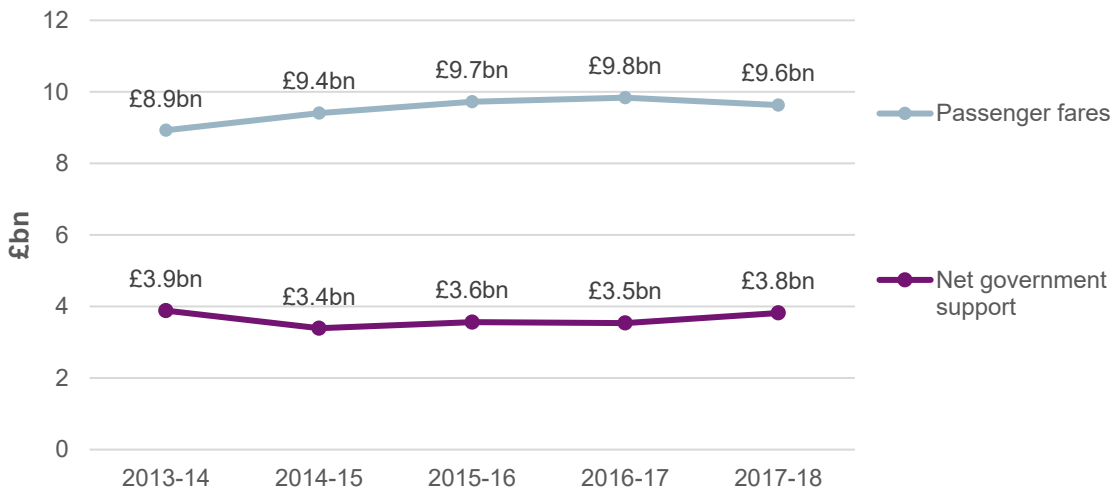
11. It is useful to compare the rail industry's income and expenditure over a longer five-year period. Table 1 shows movements for the main income and expenditure categories.

Table 1: One year and five movements in income and expenditure

	2017-18	Movement	
		One year	Five years
Fares income (franchised train operators only)	£9.6bn	-2.1%	+11.6%
Net government funding (excluding debt)	£3.8bn	+8.0%	-10.5%
Franchised train operators expenditure	£12.9bn	-1.6%	+11.9%
Network Rail expenditure	£8.6bn	+9.3%	+28.2%

⁸ Schedules 4 & 8 are the performance regimes in place between Network Rail and train operators.

Figure 3: Fares revenue and net government funding over the past five years



12. Our analysis shows that over the past five years⁹:

- Fares income has increased by 11.6%¹⁰, this is largely because passenger journeys have increased by 13.6% and the total distance travelled by passengers increased by 13.4%.
- Net government funding has decreased by 10.5%¹¹, which is largely due to franchised train operators paying more to governments. Overall, governments received £0.4bn more from train operators than in 2012-13 when net support to train operators was £43m.
- Franchised train operators' expenditure increased by 11.9% largely due to the increase in franchise payments to governments. Staff costs increased by 19.1% and rolling stock leasing costs by 21.3%.
- Network Rail's expenditure increased by 28.2%. Significant increases include depreciation (£0.8bn), maintenance (£0.3bn) and financing costs (£0.7bn). These increases were partly offset by a £0.1bn reduction in support costs.
- Dividends paid by franchise train operators have increased by 6.5% to £0.2bn. Over the past five years, dividends have remained at around 2.5% of total passenger fares.

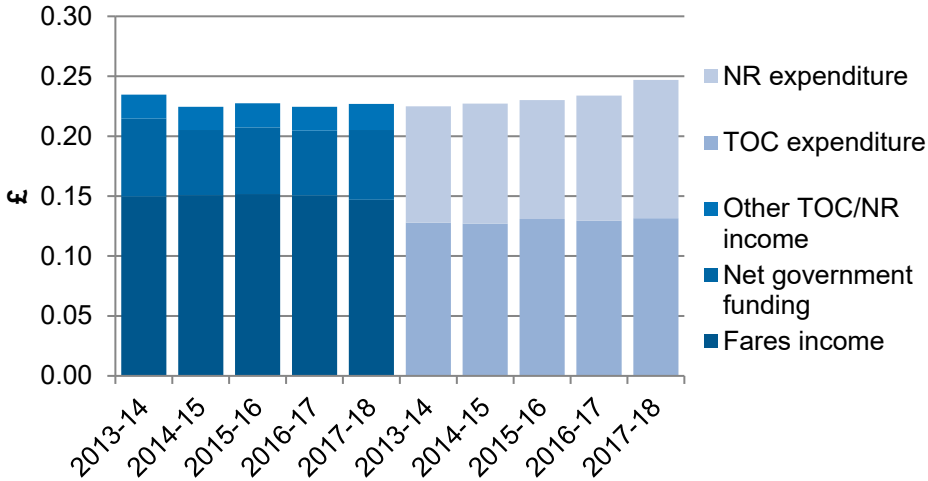
⁹ These are variances to the 2012-13 financial year.

¹⁰ For franchised train operators only.

¹¹ This does not include debt funding of Network Rail.

13. Figure 4 below shows that adjusted for the growth in passenger distance travelled, average industry income per km has decreased by 6.8% whilst average industry costs per km have increased by 6.9%.

Figure 4: Income and expenditure per passenger kilometre over the past five years



We welcome comments on the content of this document. General enquiries should be sent to:

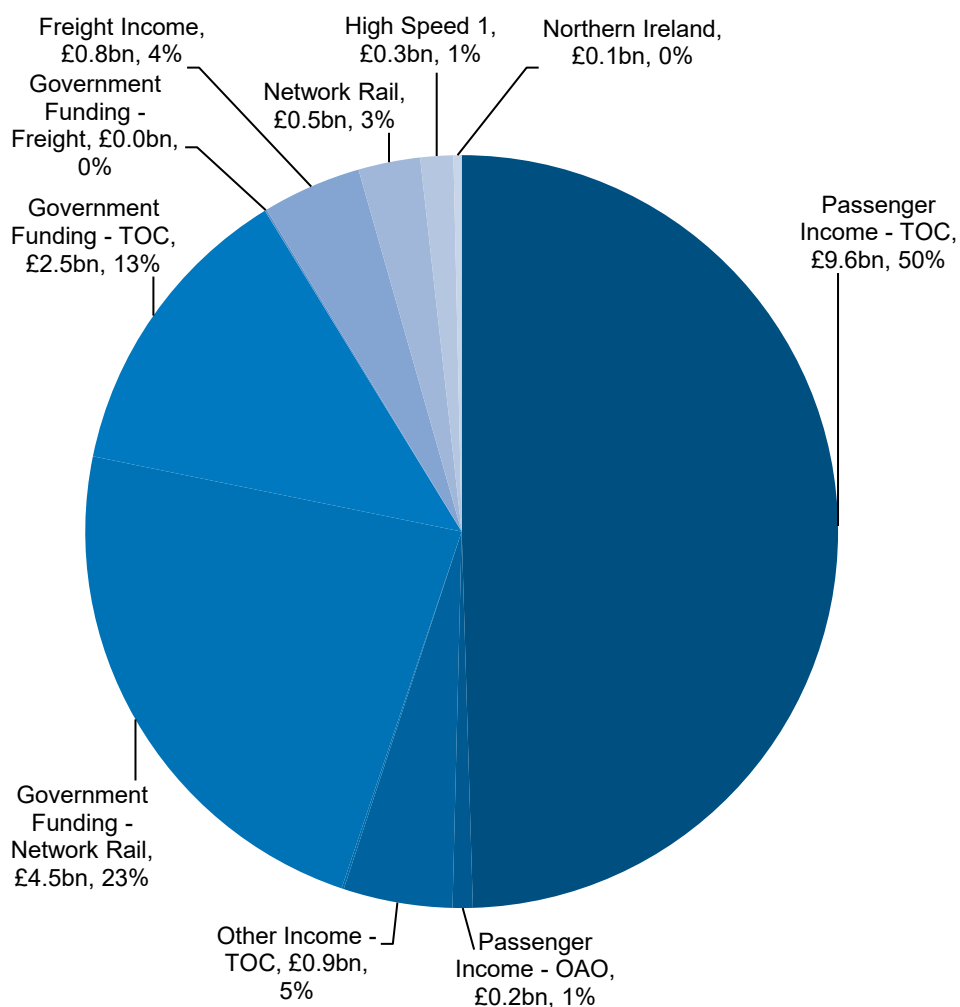
Customer correspondence team
 Office of Rail and Road
 One Kemble Street
 London
 WC2B 4AN
 Email: contact.cct@orr.gsi.gov.uk
 Tel: 020 7282 2018

1. Charts and analysis

Industry income

1.1 The rail industry received £19.4bn of income in 2017-18. The majority of this income was from passenger fares (£9.8bn, 51%) which has decreased by 2.4% since 2016-17.

Figure 1.1: Rail industry income in 2017-18¹²



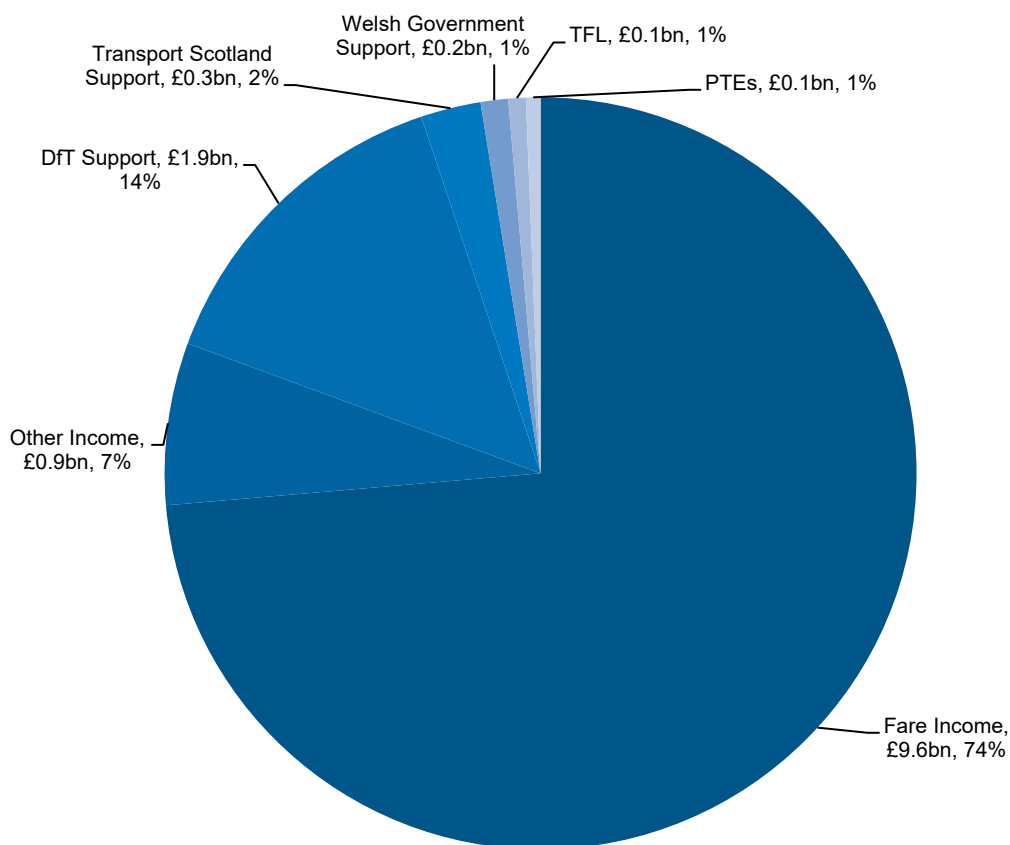
¹² Industry income is shown net of adjustments for money flows within the industry such as access charges. Removing these shows the industry's external income. Section 3 has more detail.

Franchised train operator income

1.2 Franchised train operators' income was £13.1bn in 2017-18. Fares income was £9.6bn¹³, a decrease of 2.1% since 2016-17. Government support was £2.5bn, a decrease of 3.0% since 2016-17. Income from car parking, catering and other sources was £0.9bn, a 2.3% increase since 2016-17.

1.3 See Table 2.9 for further details.

Figure 1.2: GB Gross franchised train operator income 2017-18



¹³ Previous figures of £9.8bn included income from franchised (£9.6bn) and open access (£0.2bn) operators. This section covers franchised operators only. Annex B has more details on the different types of train operators.

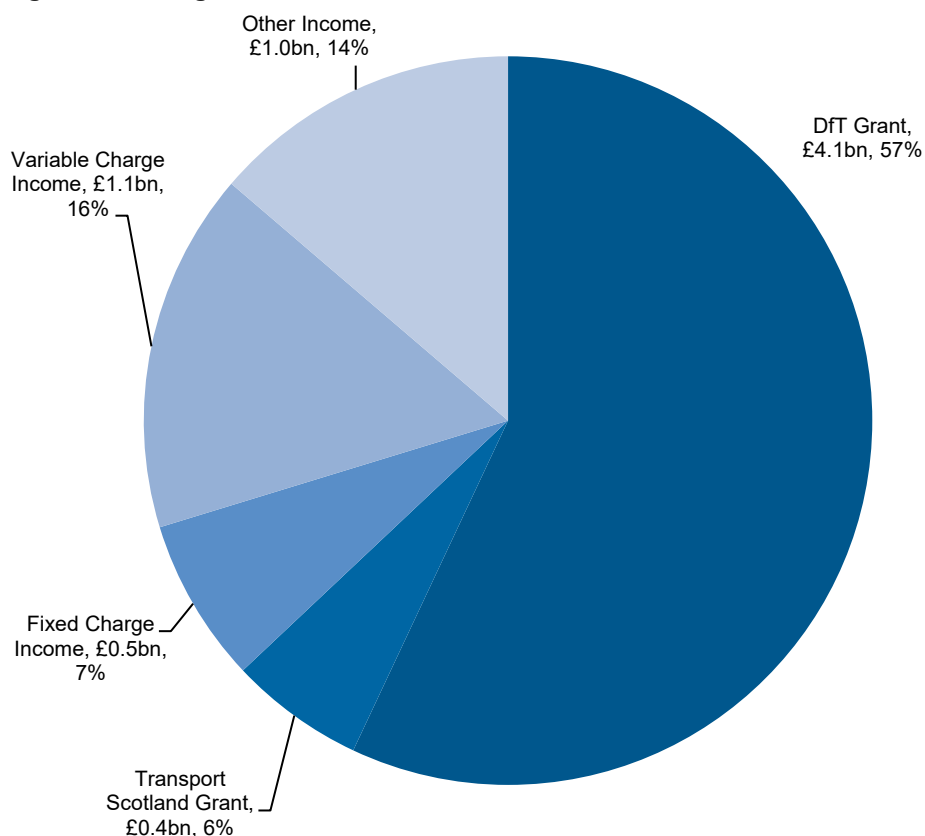
Network Rail income

1.4 Network Rail's income was £7.1bn in 2017-18 an increase of 1.5% from last year.

Government grants were £4.5bn, 63% of total income. Access charges¹⁴ paid by train and freight operators were £1.7bn¹⁵ (23%). Other income was £1.0bn¹⁶ (14%) an increase of 10% from last year.

1.5 See Table 2.9 for further details.

Figure 1.3: GB gross Network Rail income 2017-18



¹⁴ These are charges paid by operators to access the rail network and consist of fixed and variable charges. See [here](#) for further details about Network Rail's charging structure.

¹⁵ This is from passenger train operators (£1.6bn) and freight operators (£0.1bn).

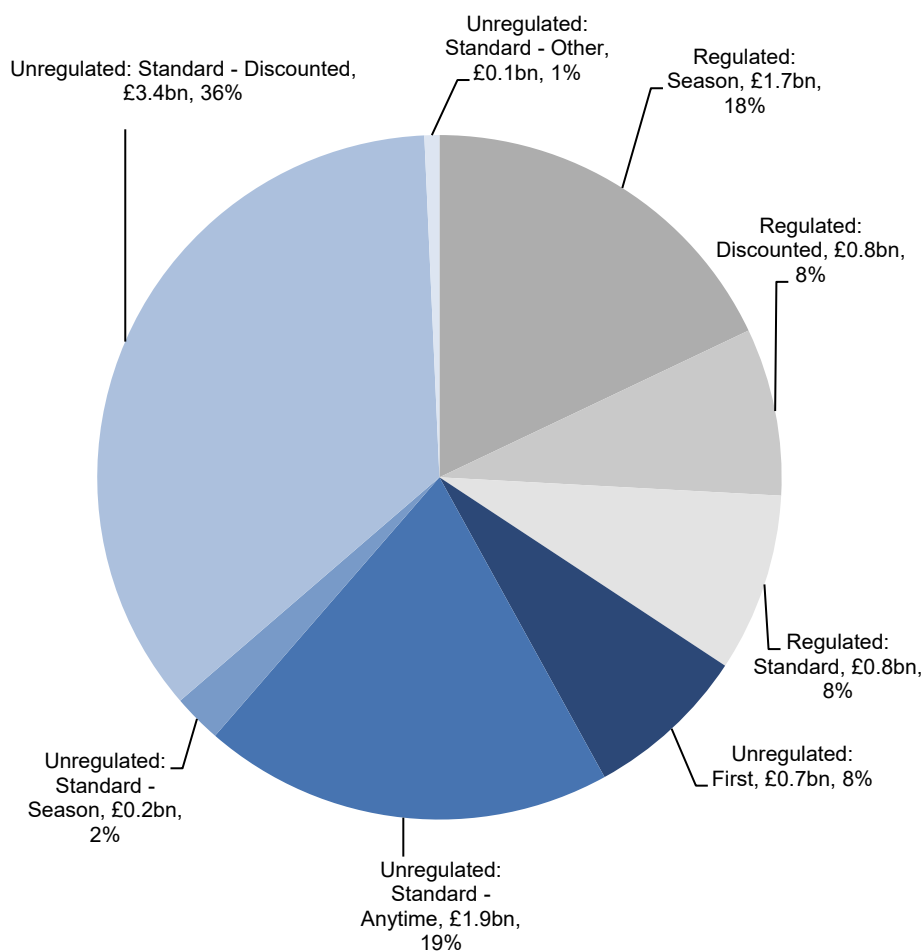
¹⁶ In Figure 1 this is £0.5bn. The number in Figure 1 is Network Rail's income from outside the industry (i.e. from its property portfolio), the rest of Network Rail's income is from within the industry (access charges) or grant funding from government.

Passenger fare income

1.6 Average passenger income per journey was £5.65 in 2017-18. The average passenger income per journey was £6.35 in Wales, £5.71 in England and £4.48 in Scotland¹⁷. See Table 2.12 for further information.

1.7 In England, Scotland and Wales, rail fares are either regulated (by DfT, Transport Scotland or the Welsh Government) or unregulated. Regulated fares income made up 34% of the total and unregulated fares income was 66%.

Figure 1.4: Contribution of ticket types to income from passenger fares (Great Britain)



¹⁷ Northern Ireland is not included in this analysis of passenger fare income.

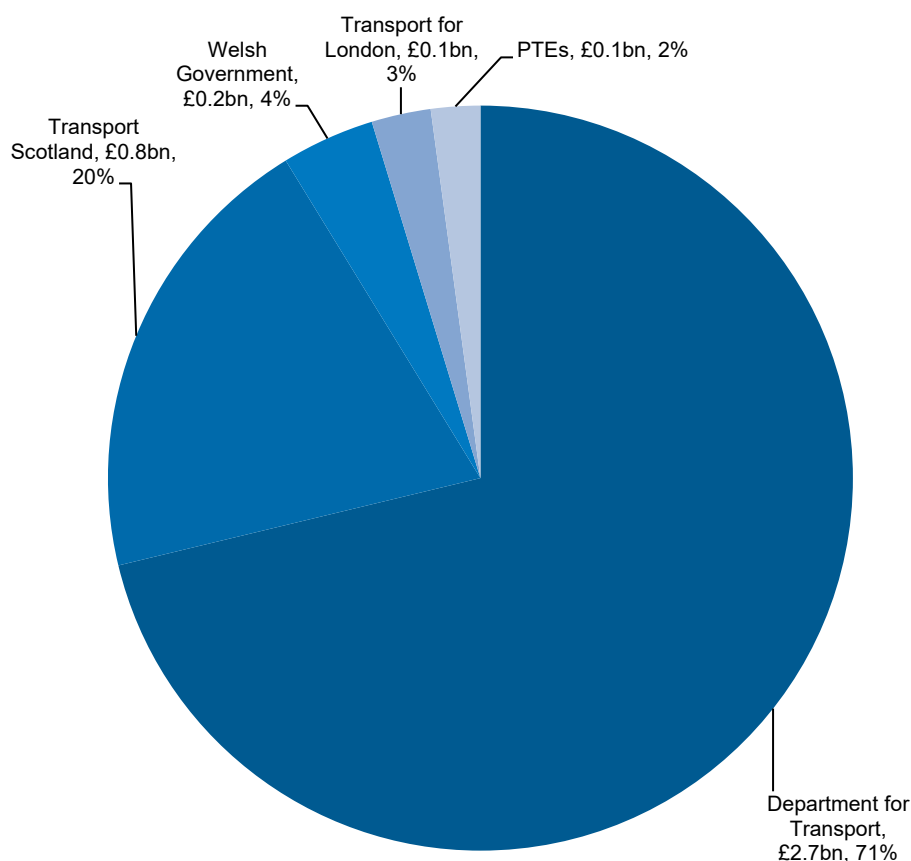
Net government funding

1.8 Overall, the industry received 36% of its total income from government.

1.9 Net government funding was £3.8bn in 2017-18 (£7.0bn of funding less £3.2bn of payments to government)¹⁸. This increased by 8.0% since 2016-17 which is largely because franchise payments have decreased due to a combination of changing franchise payments as set out in franchise agreements, planned cost increases on some franchises, payments to some TOCs for delays to infrastructure upgrades, and lower than expected revenue growth across the rail industry.

1.10 Government also funds the rail freight industry (around £20m in 2017-18). Open access operators (OAOs) receive no direct government funding.

Figure 1.5: Government funding of the GB rail industry in 2017-18¹⁹

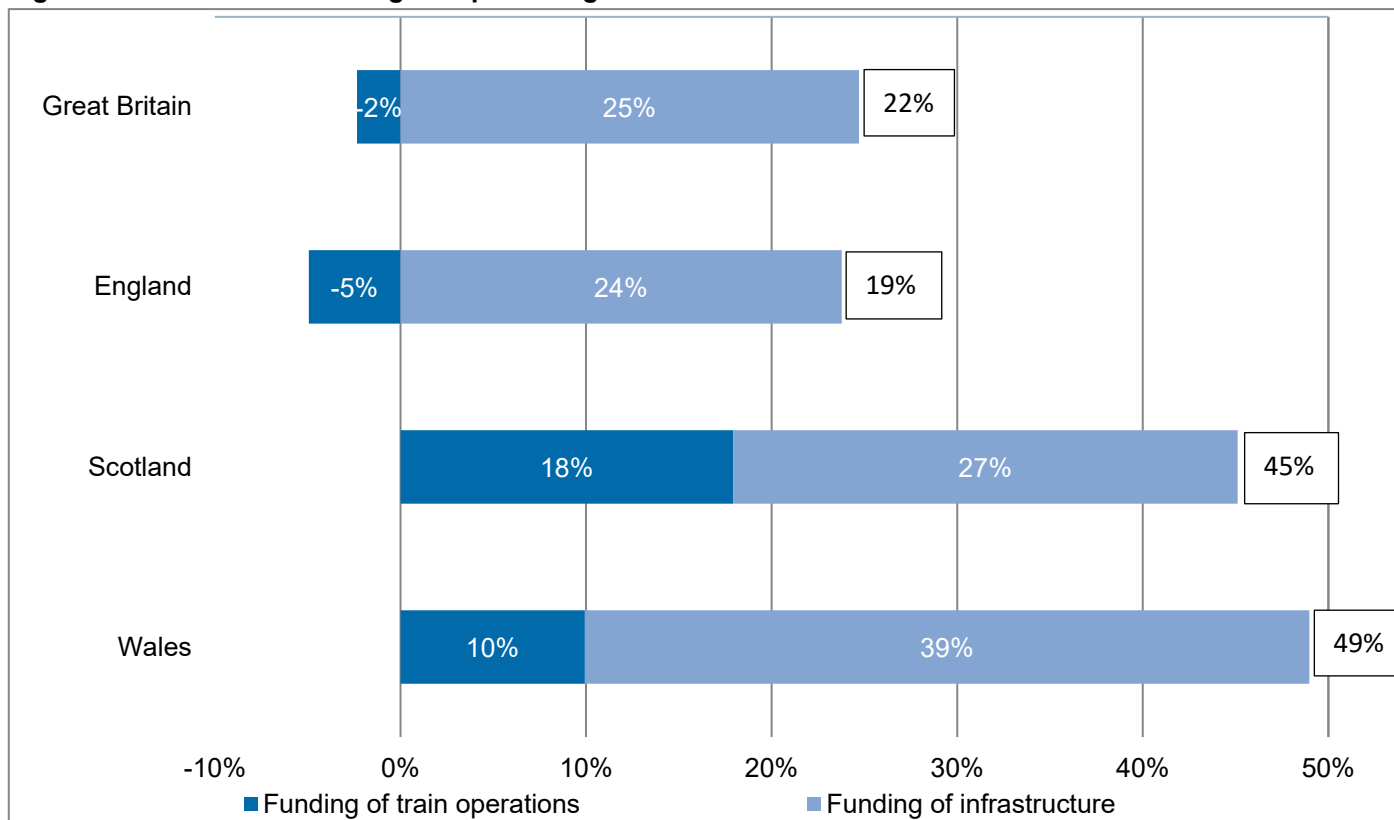


¹⁸ Funding of Northern Ireland Railways by the government of Northern Ireland is not shown in this table. The funding from the Northern Ireland government is included in Table 2.20.

¹⁹ PTEs are Passenger Transport Executives, for more information see Annex B (Industry Structure).

1.11 Figure 1.6 shows government funding as a percentage of the industry's total income in England, Scotland and Wales. The negative values in Figure 1.6 show net franchised train operator payments to government.

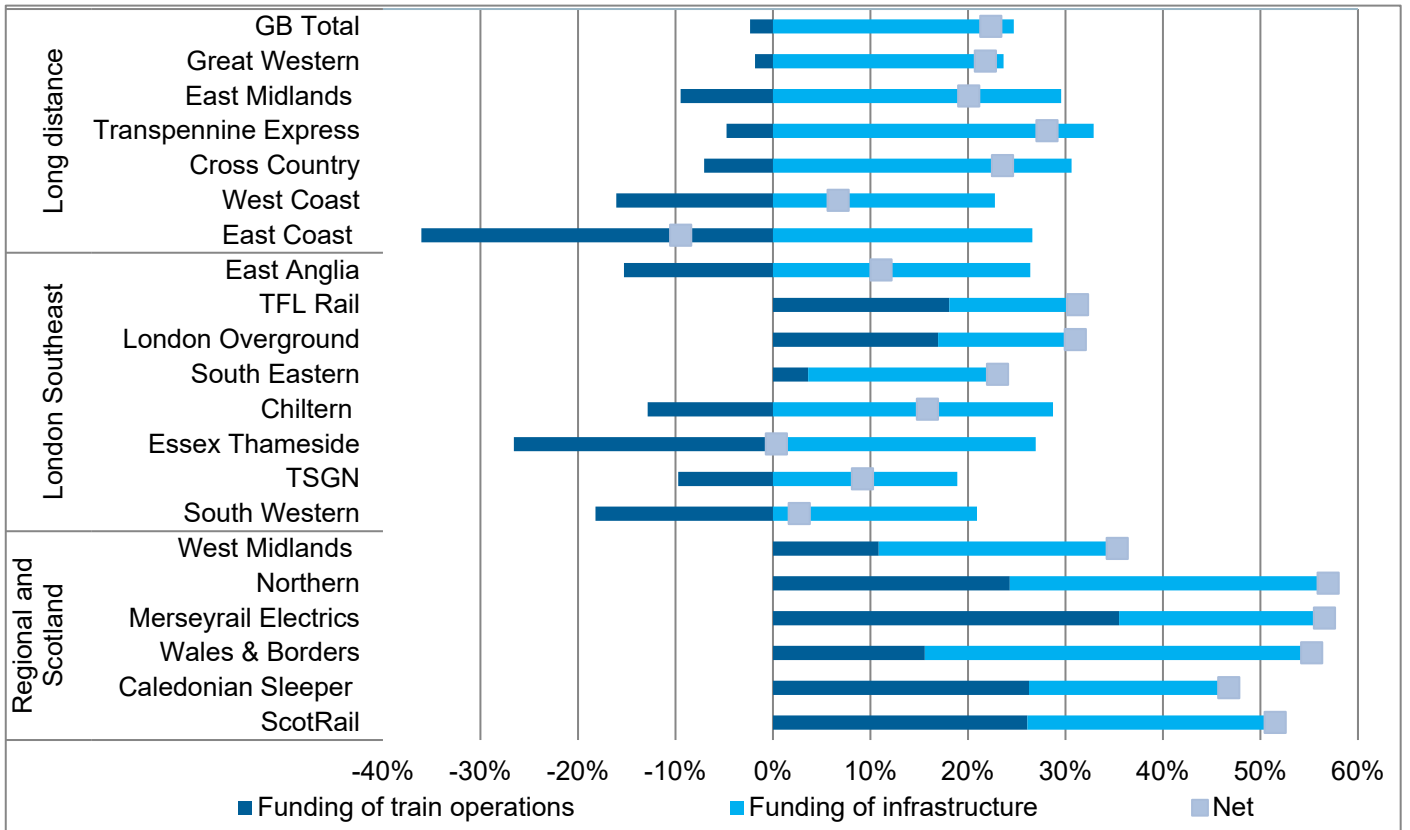
Figure 1.6 Government funding as a percentage of total income



1.12 The geographic route which received the most funding was London North West. This is also the largest of Network Rail's routes. However when passenger activity is also taken into account, the route received 7p per passenger km the third highest, with the Wales route having the highest government funding at 20p per passenger km.

1.13 Figure 1.7 shows the same data as Figure 1.6 but disaggregated by franchise. Where the net figure for a franchise is negative this means that franchise payments were higher than funding of infrastructure (e.g. East Coast).

Figure 1.7: Government funding as a percentage of total income in 2017-18



1.14 Table 1.1 below shows total government funding of the industry by franchise (this is the same data as used for figure 1.7 above). The table shows the £4.2bn of net funding for Network Rail offset by the £0.4bn of net franchise receipts (see GB total line).

Table 1.1 Government funding in 2017-18 by franchise area

£m	Franchise	Infrastructure ²⁰	Train Operations	Total Funding
	GB Total	4,199	-398	3,801
Long Distance	Great Western	397	-31	366
	East Midlands	192	-61	130
	TransPennine Express	149	-22	128
	Cross Country	275	-63	212
	West Coast	354	-250	104
	East Coast	245	-332	-87
London South East	East Anglia	235	-136	99
	TfL Rail	22	30	52
	London Overground	57	68	125
	South Eastern	264	49	313
	Chiltern	96	-43	53
	Essex Thameside	58	-57	1
	Thameslink, Southern and Great Northern	403	-207	196
	South Western	258	-225	34
Regional and Scotland	West Midlands	202	89	291
	Northern	383	285	668
	Merseyrail Electrics	46	77	123
	Wales & Borders	237	93	330
	Caledonian Sleeper	14	17	31
	ScotRail	312	321	633

²⁰ This is grant funding of Network Rail, allocated at a franchise level for the purposes of this publication only (see paragraph 1.15).

1.15 Network Rail does not receive grants by franchise²¹ so for the purposes of the above analysis we have used a methodology to allocate grant to franchises; which helps us make comparisons between different franchises (similar to Figure 1.6 above, which was by country). For example the £96m of infrastructure funding for the Chiltern franchise in Table 1.1 is purely an allocation for the purposes of this publication, Chiltern did not actually receive this funding.

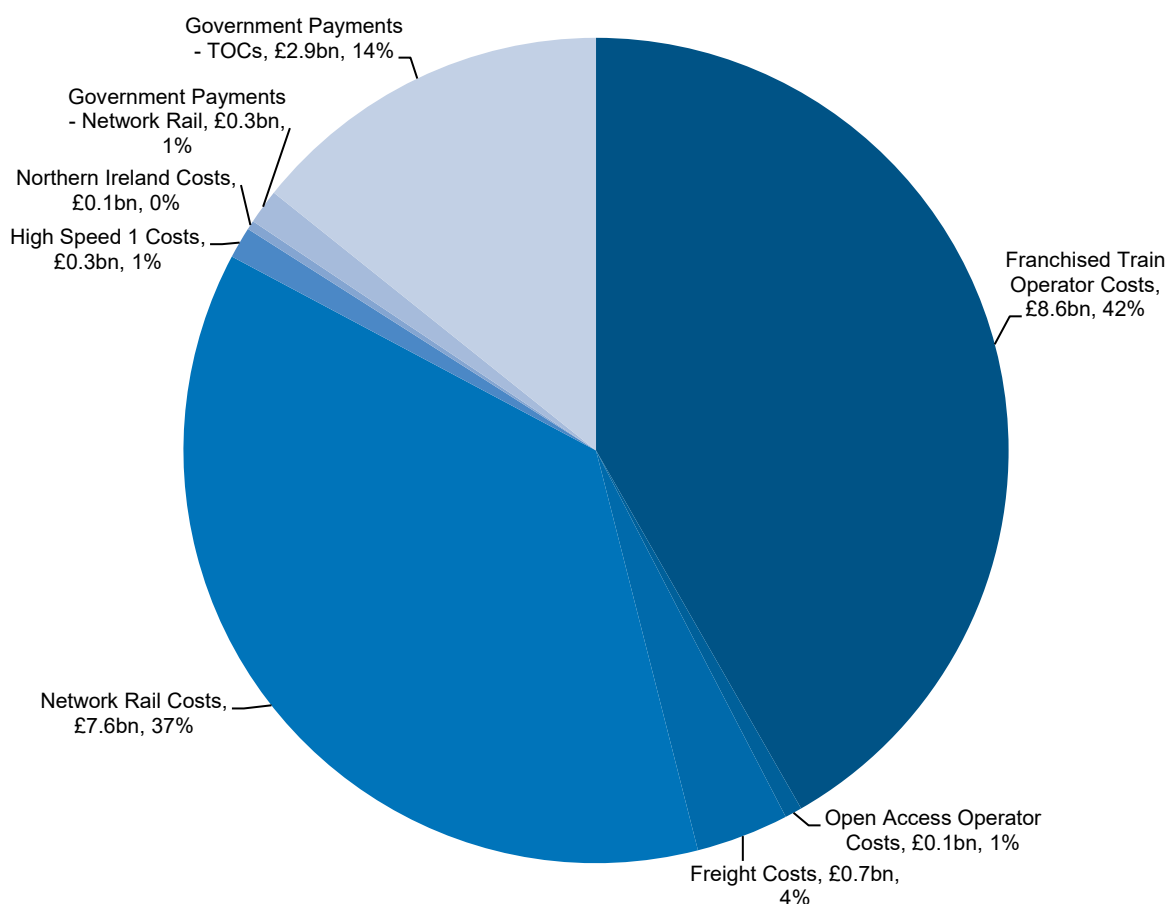
Industry expenditure

1.16 Industry expenditure in 2017-18 was £20.6bn of which £8.7bn (43%) was spent by train operators on operating services and £7.6bn (37%) was spent by Network Rail on the railway infrastructure.

1.17 Network Rail and train operators also made payments of £3.2bn to the DfT (15% of total expenditure)²².

1.18 See Table 2.10 for further information.

Figure 1.8: UK consolidated industry expenditure in 2017-18²³



²¹ Network Rail receives grants for England & Wales, and Scotland.

²² This is the £2.9bn of franchise premium from train operators and £0.3bn payment from Network Rail for the financial indemnity measure (FIM fee).

²³ Industry expenditure is shown net of adjustments for money flows within the industry such as access charges. Removing these shows the industry's external expenditure. Section 3 has more detail.

1.19 Expenditure²⁴ per passenger km was highest in the Wales route²⁵ at 46p per km, followed by Sussex at 43p per km and Scotland at 38p.

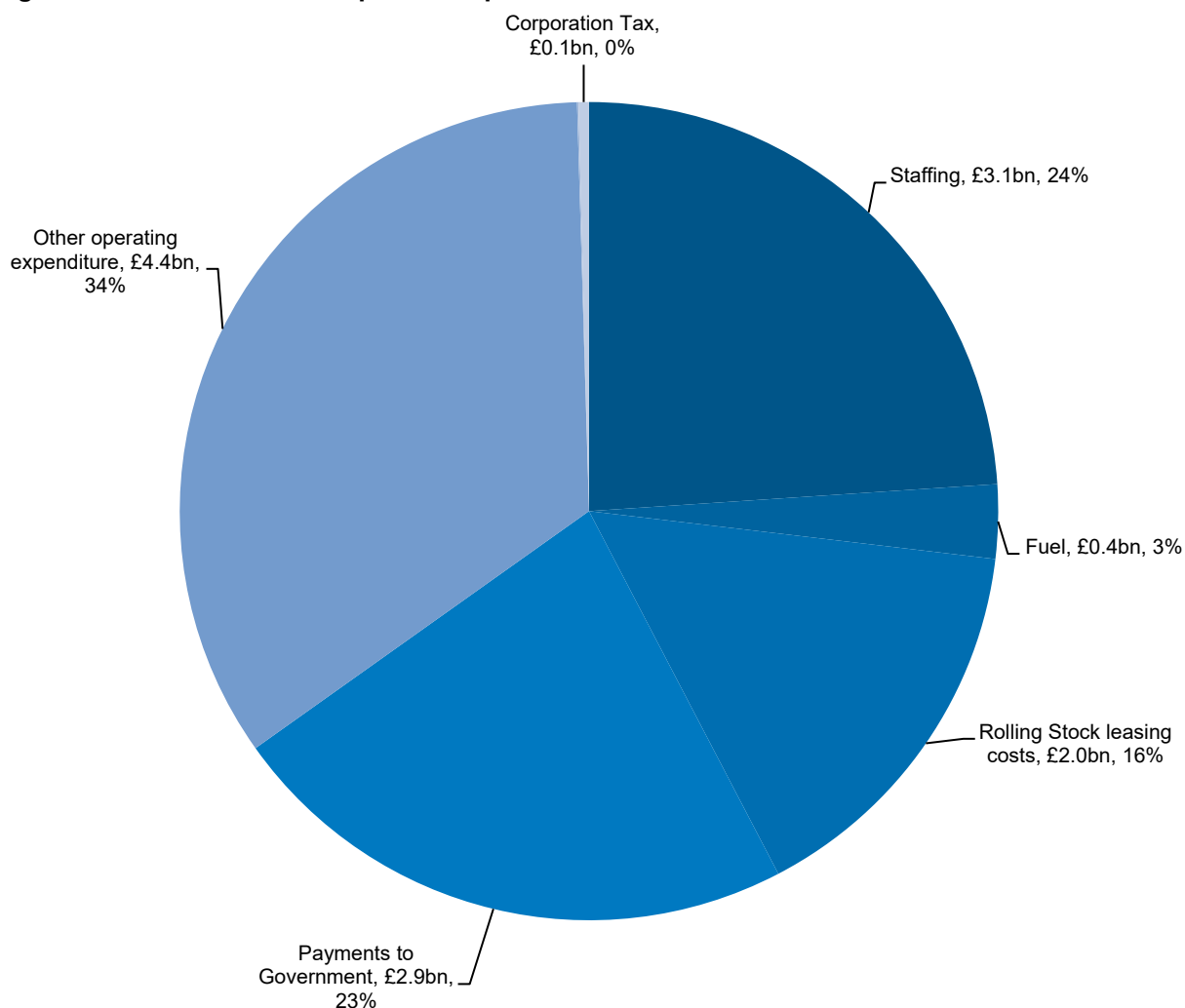
Franchised train operator expenditure

1.20 Franchised train operator expenditure was £12.9bn in 2017-18.

1.21 The operation of passenger rail services (staffing, leasing rolling stock and accessing the network²⁶) accounts for 77% of expenditure with 23% of that expenditure being payments to governments.

1.22 Some franchised train operators make payments to the governments and some receive support (see Table 2.13). The sum of these equals an overall payment from operators to the governments (£0.4bn).

Figure 1.9: Franchised train operator expenditure in 2017-18



²⁴ This is franchised train operator and Network Rail expenditure only.

²⁵ Network Rail route, for more information see Annex B.

²⁶ Access charges are included within 'other operating expenditure' which also includes other costs such as maintenance, marketing, fleet cleaning, office costs etc.

Franchised train operator expenditure over five years

1.23 Franchised train operator expenditure has increased by 11.9% over the last 5 years. The largest relative increase was in payments to government (34.7%), which are set as part of franchise agreements. Operationally, the largest increases were for rolling stock (21.3%), and staff costs (19.1%), whilst other operating expenditure decreased by 4%.

1.24 Use of the railway increased over the last five years (for example, passenger km increased by 13.4%). Once this is taken into account train operators expenditure per passenger km decreased by 1.3%. As shown in the following table, this is largely driven by a 15.8% decrease in 'other operating expenditure'²⁷ with payments to government still the largest increase, followed by rolling stock and staff costs.

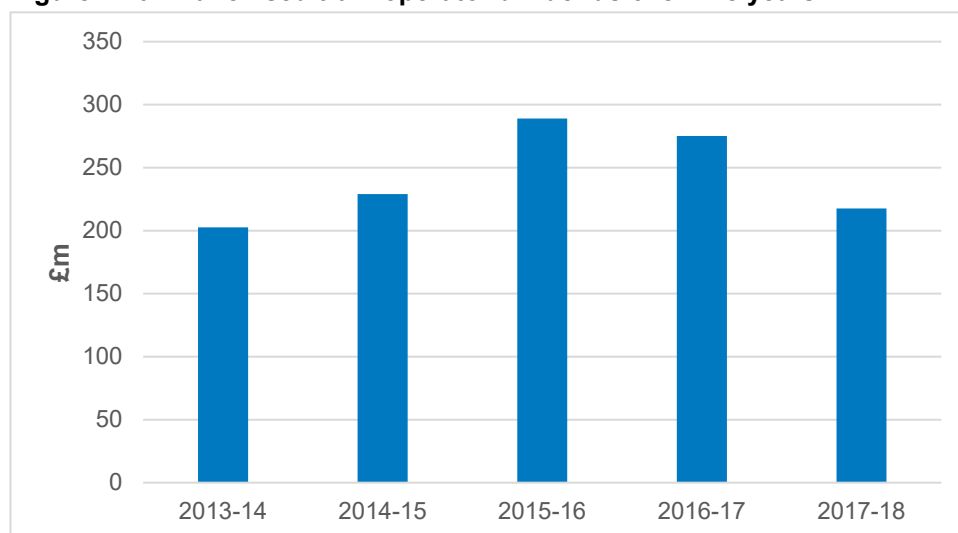
Table 1.2: Train operator expenditure per passenger km

Expenditure type	One year movement	Five year movement
Staff costs	0.6%	5.0%
Rolling stock costs	5.2%	7.0%
Other operating expenditure	1.1%	-15.8%
Payments to Government	-12.3%	18.8%
Total expenditure	-1.9%	-1.3%

Franchised train operator dividends

1.25 In 2017-18 total dividends paid by franchised train operators were £0.2bn²⁸. This has decreased by 27% since 2016-17 but increased by 6.5% since 2013-14.

Figure 1.10: Franchised train operator dividends over five years



²⁷ As already stated this includes a number of different types of operational expenditure such as Network Rail access charges, maintenance costs, marketing costs, fleet cleaning costs and accommodation costs etc.

²⁸ Please note that the 2017-18 data is based on proposed dividends as set out in train operator accounts. Some operators may also pay management fees or other similar payments to parent companies but we do not currently have sufficient information on these so have not separately identified them in our analysis.

1.26 On average over the last five years, dividends were around £0.25bn per year. This has been around 2.5% of passenger fares as shown in Table 1.3. See Table 2.14 for further details.

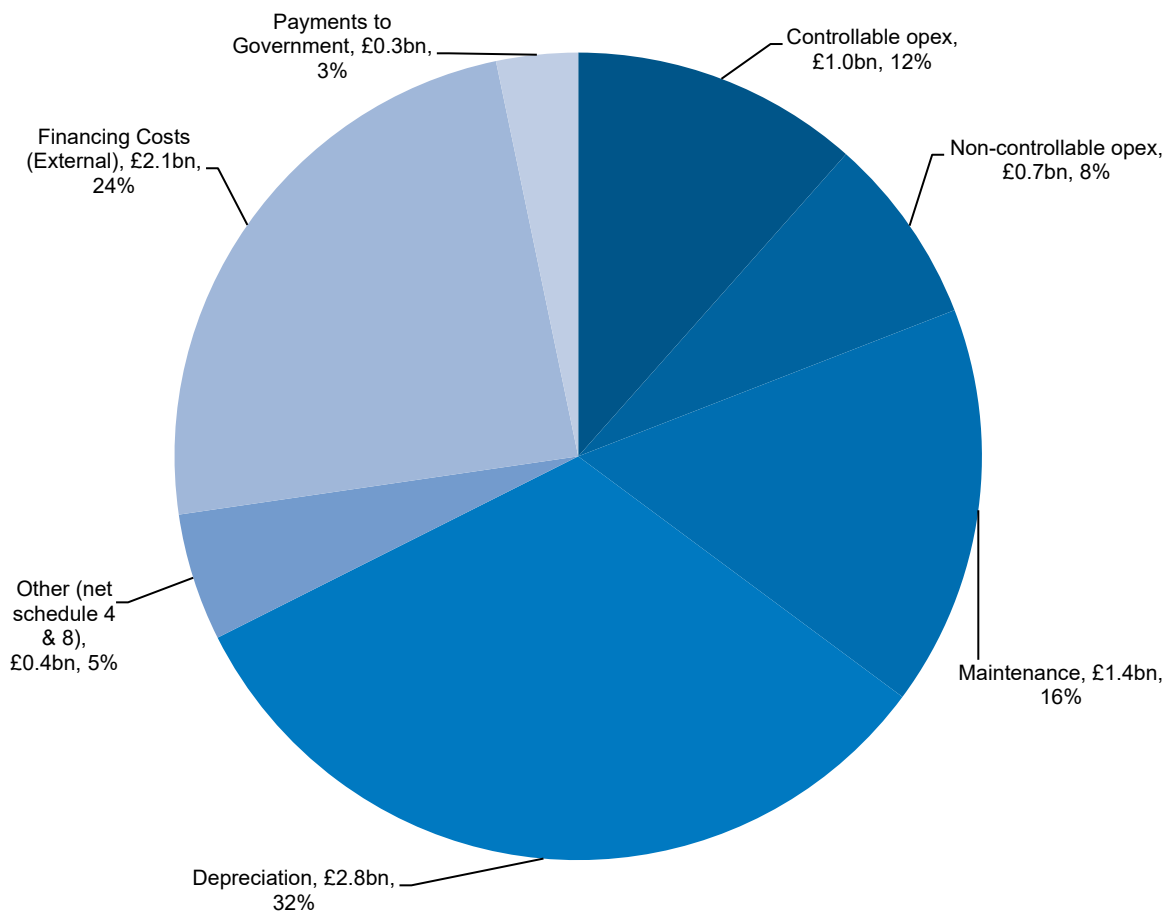
Table 1.3: GB franchised train operator dividends and fares over five years

£bn	2013-14	2014-15	2015-16	2016-17	2017-18
Fares	8.9	9.4	9.7	9.8	9.6
Dividends	0.2	0.2	0.3	0.3	0.2
Dividends/Fares	2.3%	2.6%	2.8%	3.0%	2.2%

Network Rail expenditure

1.27 Network Rail expenditure was £8.6bn in 2017-18. Operating and maintenance costs account for 35% of Network Rail expenditure with depreciation accounting for 32% and financing costs 24%. Schedules 4 & 8 payments were 5% and payments to governments were 3% of total expenditure, this is the FIM fee paid to DfT for guaranteeing part of Network Rail’s debt.

Figure 1.11: Network Rail expenditure in 2017-18



Network Rail expenditure over five years

1.28 Network Rail's expenditure has increased by 28.2% over the last 5 years. The largest relative increase was in payments made to operators as part of performance agreements (schedules 4 & 8 for planned and unplanned disruptions to services), however this still remains a small part of overall costs. The largest increases were in depreciation and financing costs.

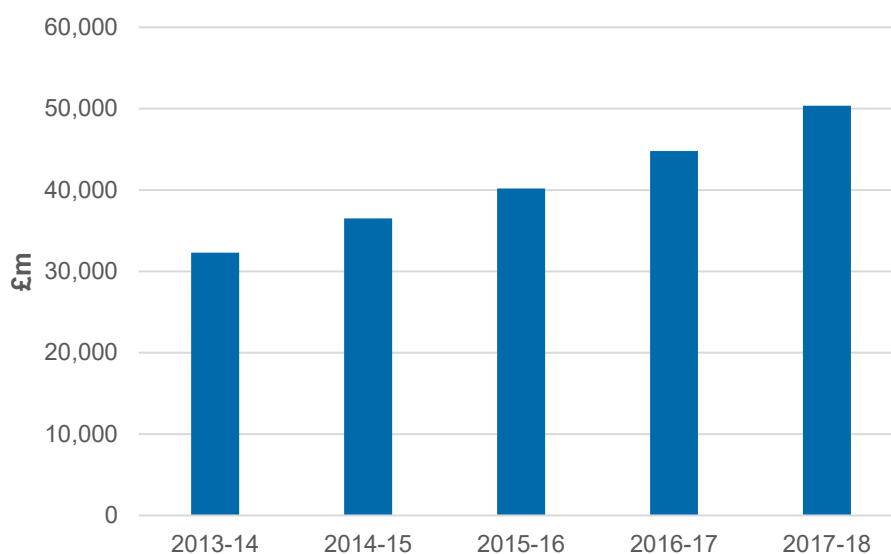
1.29 Use of the railway increased over the past five years (for example, passenger km increased by 13.4%). As shown in Table 1.4, costs per passenger km increased by 13.0%.

Table 1.4: Network Rail expenditure per passenger km

Expenditure type	One year movement	Five year movement
Controllable Operating Costs ²⁹	6.9%	-17.1%
Non-Controllable Operating Costs	7.2%	2.7%
Maintenance	0.4%	8.4%
Depreciation	3.9%	22.8%
Financing Costs	25.4%	23.1%
Performance Costs (Schedules 4 & 8)	4.3%	33.6%
Total expenditure	9.0%	13.0%

1.30 Network Rail borrows from government to fund investment in the rail network, as well as paying down legacy debt and funding underperformance against its CP5 funding settlement. Network Rail's total debt at March 2018 was £50.4bn, of which 51% was government debt and 49% legacy debt³⁰.

Figure 1.12: Network Rail total debt over five years



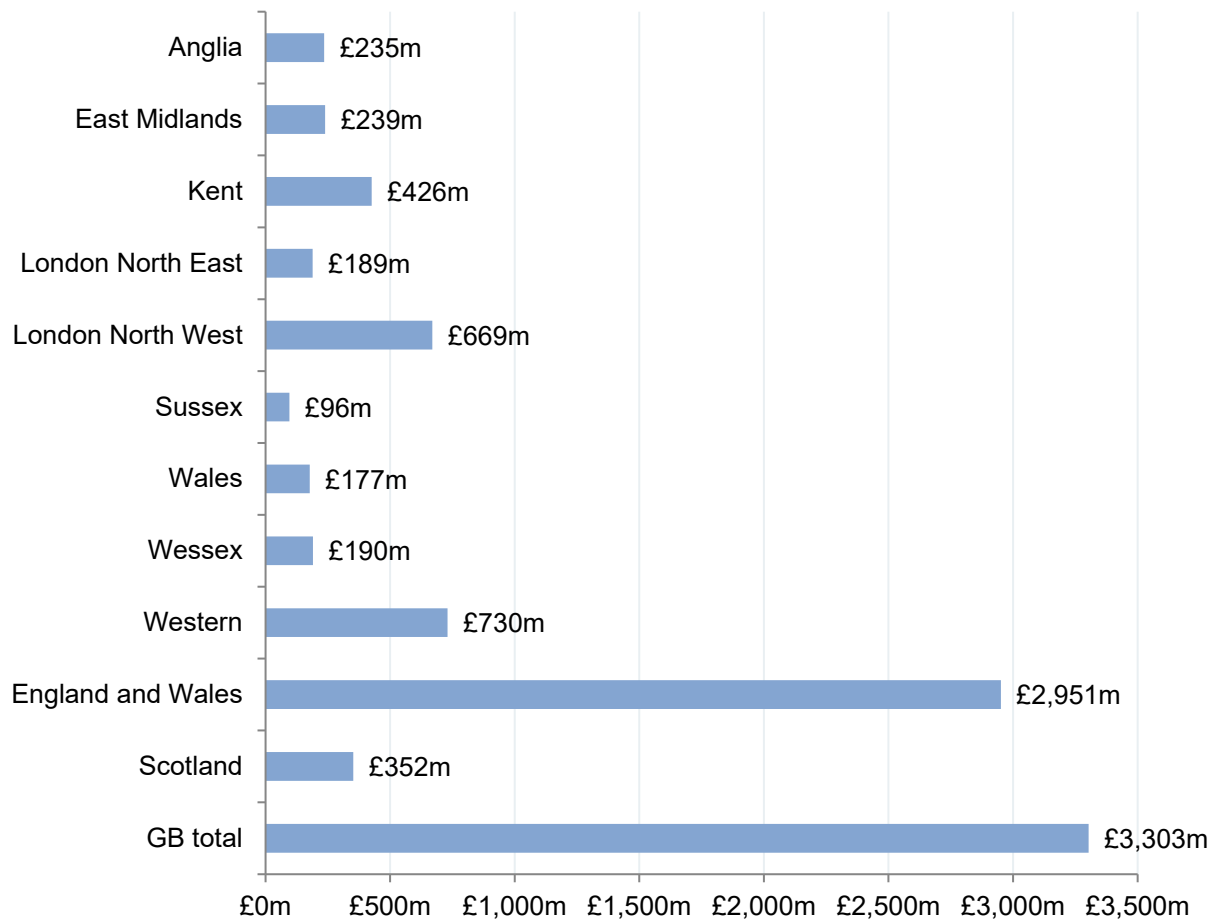
²⁹ Controllable costs include operations and support costs. Non-controllable costs include traction electricity, industry costs and business rates.

³⁰ Prior to reclassification in September 2013, Network Rail borrowed from the financial markets.

Network Rail enhancements expenditure

1.31 Figure 1.13 shows total Network Rail enhancements expenditure in 2017-18 by geographic route³¹.

Figure 1.13: Network Rail enhancements expenditure in 2017-18



³¹ Enhancements expenditure is not included in the industry analysis in Figure 1. Figure 1 reflects the finances of the operational railway in one financial year, whereas enhancements are long-term investments. A depreciation charge is included in Figure 1 to reflect the in-year usage of long-term assets.

2. Data tables

2.1 The data tables in this section provide detailed financial information for the rail industry. The tables are split into two parts, Tables 2.1 to 2.16 include data for train operators and Network Rail and we split this data by country (Tables 2.1 to 2.7), by route (Tables 2.8 to 2.12) and by franchise (Tables 2.13 to 2.16). These tables show the two largest parts of the industry and enable comparability across geographies. The following tables (2.17 to 2.20) cover other parts of the industry (freight, open access operators and High Speed 1) and Northern Ireland.

2.2 The analysis in this publication is either from the perspective of the industry (industry income and expenditure such as Figure 1) or the individual sectors which make up the industry (e.g. franchised train operators, such as in Figure 2). The tables in the following section show the financial information for each industry sector, there are no 'industry level' adjustments.

Data Tables: Network Rail and Franchised Train Operator

Table	Scope	Title
2.1	GB	Income and expenditure in 2017-18
2.1a	GB	Income and expenditure in 2017-18 (cash)
2.2	GB	Income and expenditure over the past five years
2.3	GB	Income in 2017-18
2.4	GB	Expenditure in 2017-18
2.5	GB	Government funding in 2017-18
2.6	GB	Sources of government funding in 2017-18
2.7	GB	High level analysis in 2017-18
2.8	Route	Income and expenditure in 2017-18
2.9	Route	Income in 2017-18
2.10	Route	Expenditure in 2017-18
2.11	Route	Government funding in 2017-18
2.12	Route	High level analysis in 2017-18
2.13	Franchise	Income and expenditure in 2017-18
2.14	Franchise	Franchised train operator dividends over the past five years
2.15	Franchise	Government funding in 2017-18
2.16	Franchise	High level analysis in 2017-18

Data Tables: Other rail sectors

Table	Scope	Title
2.17	Freight	Income and expenditure in 2017-18
2.18	Open Access	Income and expenditure in 2017-18
2.19	High Speed 1	Income and expenditure in 2017-18
2.20	Northern Ireland Railways	Income and expenditure in 2017-18

Table 2.1 Franchised train operator and Network Rail income and expenditure in 2017-18

£m	GB total	England	Scotland	Wales
Income				
Passenger income	9,632	8,908	484	240
Other TOC income ³²	912	827	33	52
Network Rail income ³³	2,652	2,292	291	69
Government funding ³⁴	7,016	5,841	755	420
TOC and Network Rail income	20,211	17,868	1,563	781
Expenditure				
Franchised train operators expenditure	9,923	8,670	922	331
Rail infrastructure expenditure	8,314	7,125	788	401
Government payments ³⁵	3,215	3,050	91	74
TOC and Network Rail expenditure	21,452	18,845	1,800	806
Income less expenditure	-1,240	-978	-237	-25

Additional notes for reconciliation to Figure 1

- These tables cover franchised train operators only, total fares income is £9.6bn, earlier in this publication fares income is £9.8bn which includes £0.2bn of open access operator income. Open access operator fares income is included in table 2.17.
- Network Rail income includes the totality of Network Rail income excluding government funding, so it includes access charges as well as other income such as property income. In Figure 1 Network Rail income is only the part external to the industry.
- Franchised train operator expenditure and rail infrastructure expenditure does not include government payments which are included under government payments. Franchised train operators expenditure and rail infrastructure expenditure includes access charge payments and net performance income/costs (Schedules 4 & 8). The rest of these tables are on a similar basis to these notes.

³² Other TOC income includes on-board catering, car parking charges and advertising etc.

³³ This income consists of charges received from operators and other income, such as property rental, etc.

³⁴ Governments provide grant funding for infrastructure (Network Rail) and other funding for franchised train operators.

³⁵ Governments receive franchise premiums, fares income (in some cases) and profit share from operators and DfT receives the FIM fee from Network Rail.

Table 2.1a Franchised train operator and Network Rail income and expenditure in 2017-18 using a cash based approach for Network Rail's capital expenditure³⁶

£m	GB total	England	Scotland	Wales
Income				
Passenger income	9,632	8,908	484	240
Other TOC income	912	827	33	52
Network Rail income	2,652	2,292	291	69
Government funding	7,016	5,841	755	420
TOC and Network Rail income	20,211	17,868	1,563	781
Expenditure				
Franchised train operators expenditure	9,923	8,670	922	331
Network Rail non-capex expenditure	5,808	5,025	516	267
Network Rail capex - renewals	2,413	1,875	352	186
Network Rail capex - enhancements	3,303	2,774	352	177
Government payments	3,215	3,050	91	74
TOC and Network Rail expenditure	24,662	21,394	2,232	1,035
Income less expenditure	-4,450	-3,527	-669	-254

³⁶ This approach shows Network Rail's actual expenditure during the year. Table 2.1 presents the information consistent with the accruals-based accounting approach recognising the cost of an asset over its useful life. Therefore Table 2.1 includes within infrastructure costs the depreciation of capital expenditure whereas Table 2.1a includes Network Rail capex (renewals and enhancements). The £5,808m of Network Rail non-capex expenditure is £8,314 (as per table 2.1) less £2,787m of depreciation (as per Table 2.4).

Table 2.2 Franchised train operator and Network Rail income and expenditure over the past five years

£m	2017-18	2016-17 ³⁷	2015-16 ³⁸	2014-15	2013-14
Income					
Passenger income	9,632	9,837	9,724	9,407	8,927
Other TOC income	912	891	884	853	845
Network Rail income	2,652	2,475	2,442	2,448	3,239
Government funding	7,016	7,164	7,090	6,310	6,241
TOC and Network Rail income	20,211	20,368	20,140	19,018	19,252
Expenditure					
Franchised train operators expenditure	9,923	9,725	9,644	9,304	9,724
Rail infrastructure expenditure	8,314	7,554	7,038	6,853	6,503
Government payments	3,215	3,646	3,550	2,936	2,376
TOC and Network Rail expenditure	21,452	20,925	20,233	19,093	18,603
Income less expenditure	-1,240	-557	-93	-75	649

³⁷ Prior year numbers have been adjusted for inflation and changes in methodology. For this reason data in this table will not match the data in previous publications.

³⁸ The current control period (CP5) started in 2014-15.

Table 2.3 Franchised train operator and Network Rail income in 2017-18

£m	GB total	England	Scotland	Wales
Franchised train operator income				
Passenger income	9,632	8,908	484	240
Other income	912	827	33	52
Government funding	2,536	2,077	329	130
Franchised train operator income	13,079	11,812	846	422
Network Rail income				
Fixed charges	519	338	157	24
Variable charges	1,138	1,035	80	23
Other Network Rail income	995	919	54	22
Government funding	4,480	3,764	426	290
Network Rail income	7,132	6,056	717	359
Total income	20,211	17,868	1,563	781

Table 2.4 Franchised train operator and Network Rail expenditure in 2017-18

£m	GB total	England	Scotland	Wales
Franchised train operators expenditure				
Staff costs	3,079	2,652	301	126
Fuel costs	376	305	49	22
Rolling stock charges	1,990	1,772	165	52
Payments to Government	2,934	2,809	65	60
Other operating expenditure	4,419	3,884	409	125
Interest and exceptional expenditure / (income)	7	6	2	0
Corporation Tax	53	51	-4	6
Franchised train operator expenditure	12,857	11,479	986	391
Rail infrastructure expenditure				
Controllable operating expenditure	992	854	85	53
Non controllable operating expenditure	650	577	56	17
Maintenance	1,380	1,187	124	69
Depreciation ³⁹	2,787	2,341	298	148
Other (net schedules 4 & 8)	439	393	36	10
Corporation Tax	0	0	0	0
Financing costs (external)	2,066	1,773	189	104
Payments to government	281	241	26	14
Network Rail expenditure	8,595	7,366	814	415
Total expenditure	21,452	18,845	1,800	806

³⁹ Depreciation (or amortisation) is an accounting charge to account for the utilisation of capital assets.

Table 2.5 Government funding of franchised train operators and Network Rail in 2017-18

£m	GB total	England	Scotland	Wales
Franchised passenger train operators				
Franchise receipts from government	2,454	1,996	329	130
Passenger Transport Executive (PTE) funding	82	82	0	0
Government funding	2,536	2,077	329	130
Government receipts	-2,934	-2,809	-65	-60
Total funding	-398	-732	264	70
Network Rail				
Network Rail grant	4,480	3,764	426	290
Government-related financing	-281	-241	-26	-14
Total funding	4,199	3,523	400	276
Total government funding of franchised train operators and Network Rail	3,801	2,791	664	346

Table 2.6 Sources of government funding to franchised train operators and Network Rail in 2017-18

£m	GB Total	Train Operators	Network Rail
Department for Transport	2,703	-1,070	3,773
Transport Scotland	764	338	426
Welsh Government	154	154	0
Transport for London	98	98	0
Passenger Transport Executives	82	82	0
Net government funding	3,801	-398	4,199

Table 2.7 Franchised train operator and Network Rail statistical analysis

£m	GB total	England	Scotland	Wales
Government funding⁴⁰				
Share of net government funding (%)	100.0%	73.4%	17.5%	9.1%
Government funding per passenger journey (£)	2.23	1.79	6.14	9.16
Government funding per passenger km (£)	0.06	0.05	0.14	0.20
Passenger income⁴¹				
Passenger income per passenger journey (£)	5.65	5.71	4.48	6.35
Passenger income per passenger km (£)	0.15	0.15	0.10	0.14
Expenditure⁴²				
Expenditure per passenger journey (£)	12.58	12.08	16.65	21.32
Expenditure per passenger km (£)	0.33	0.32	0.38	0.46
Income / expenditure				
Passenger income / total expenditure (%)	44.9%	47.3%	26.9%	29.8%
Income (excluding government funding) less expenditure per passenger journey (£)	-2.96	-2.42	-8.34	-9.82
Income (excluding government funding) less expenditure per passenger km (£)	-0.08	-0.06	-0.19	-0.21

⁴⁰ Government funding as per Table 2.5 only.

⁴¹ Passenger income as per Table 2.1 only.

⁴² Expenditure as per Table 2.4 only.

Table 2.8 Franchised train operator and Network Rail income and expenditure in 2017-18

£m	Anglia	Kent	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales	Scotland	GB Total
Income											
Passenger income	1,192	881	1,383	2,146	590	805	1,004	907	240	484	9,632
Other TOC income	110	85	141	209	61	79	75	67	52	33	912
Network Rail income	225	221	364	589	113	208	239	333	69	291	2,652
Government funding	521	476	1,172	1,423	393	877	529	451	420	755	7,016
TOC and Network Rail income	2,048	1,663	3,060	4,367	1,157	1,969	1,847	1,757	781	1,563	20,211
Expenditure											
Franchised train operators expenditure	1,020	955	1,391	2,206	473	825	871	930	331	922	9,923
Rail infrastructure expenditure	732	699	1,307	1,865	410	538	698	876	401	788	8,314
Government payments	270	142	654	397	242	795	464	87	74	91	3,215
TOC and Network Rail expenditure	2,022	1,795	3,352	4,467	1,125	2,158	2,034	1,892	806	1,800	21,452
Income less expenditure	26	-132	-292	-101	31	-189	-187	-135	-25	-237	-1,240

Table 2.9 Franchised train operator and Network Rail income in 2017-18

£m	Anglia	Kent	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales	Scotland	GB Total
Franchised train operator income											
Passenger income	1,192	881	1,383	2,146	590	805	1,004	907	240	484	9,632
Other income	110	85	141	209	61	79	75	67	52	33	912
Government funding	114	149	387	371	155	683	211	8	130	329	2,536
Franchised train operator income	1,416	1,115	1,911	2,726	806	1,567	1,290	981	422	846	13,079
Network Rail income											
Fixed charges	34	28	66	108	20	16	28	38	24	157	519
Variable charges	108	89	183	286	59	100	105	105	23	80	1,138
Other Network Rail income	83	104	115	195	34	92	106	190	22	54	995
Government funding	407	327	785	1,052	238	194	318	443	290	426	4,480
Network Rail income	632	548	1,149	1,641	351	402	557	776	359	717	7,132
Total income	2,048	1,663	3,060	4,367	1,157	1,969	1,847	1,757	781	1,563	20,211

Table 2.10 Franchised train operator and Network Rail expenditure in 2017-18

£m	Anglia	Kent	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales	Scotland	GB Total
Franchised train operators expenditure											
Staff costs	330	240	446	656	141	251	276	312	126	301	3,079
Fuel costs	50	0	53	104	24	2	11	61	22	49	376
Rolling stock charges	230	201	266	510	74	196	170	124	52	165	1,990
Payments to government	249	113	613	336	228	779	444	48	60	65	2,934
Other operating expenditure	412	504	631	913	226	369	402	426	125	409	4,419
Interest and exceptional expenditure / (income)	-7	1	4	-1	3	4	3	-2	0	2	7
Corporation tax	5	9	-11	24	4	3	9	9	6	-4	53
Franchised train operator expenditure	1,269	1,067	2,004	2,541	701	1,604	1,316	977	391	986	12,857
Rail infrastructure expenditure											
Controllable operating expenditure	94	71	155	220	44	97	76	97	53	85	992
Non controllable operating expenditure	71	65	97	151	30	51	67	45	17	56	650
Maintenance	131	106	207	347	73	75	112	136	69	124	1,380
Depreciation	227	220	497	620	145	158	219	255	148	298	2,787
Other (net schedules 4 & 8)	57	21	53	82	12	39	73	56	10	36	439
Corporation tax	0	0	0	0	0	0	0	0	0	0	0
Financing costs (external)	152	216	298	445	106	118	151	287	104	189	2,066
Payments to government	21	29	41	61	14	16	20	39	14	26	281
Network Rail expenditure	753	728	1,348	1,926	424	554	718	915	415	814	8,595
Total expenditure	2,022	1,795	3,352	4,467	1,125	2,158	2,034	1,892	806	1,800	21,452

Table 2.11 Franchised train operator and Network Rail government funding in 2017-18

£m	Anglia	Kent	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales	Scotland	GB Total
Franchised passenger train operators											
Franchise receipts from government	114	149	387	289	155	683	211	8	130	329	2,454
Passenger Transport Executive (PTE) funding	0	0	0	82	0	0	0	0	0	0	82
Government funding	114	149	387	371	155	683	211	8	130	329	2,536
Government receipts	-249	-113	-613	-336	-228	-779	-444	-48	-60	-65	-2,934
Total funding	-135	36	-226	35	-73	-96	-234	-40	70	264	-398
Network Rail											
Network Rail grant	407	327	785	1,052	238	194	318	443	290	426	4,480
Government-related financing	-21	-29	-41	-61	-14	-16	-20	-39	-14	-26	-281
Total funding	386	298	744	991	224	178	298	404	276	400	4,199
Total government funding of franchised train operators and Network Rail	251	334	518	1,026	151	82	64	364	346	664	3,801

Table 2.12 Franchised train operator and Network Rail statistical analysis

	Anglia	Kent ⁴³	London North East	London North West	East Midlands	Sussex	Wessex	Western	Wales	Scotland	GB Total
Government funding											
Share of net government funding (%)	6.6%	8.8%	13.6%	27.0%	4.0%	2.2%	1.7%	9.6%	9.1%	17.5%	100.0%
Government funding per passenger journey (£)	0.84	1.66	3.20	3.61	2.38	0.38	0.28	3.57	9.16	6.14	2.23
Government funding per passenger km (£)	0.04	0.07	0.05	0.07	0.05	0.02	0.01	0.06	0.20	0.14	0.06
Passenger income											
Passenger income per passenger journey (£)	3.96	4.37	8.54	7.56	9.27	3.78	4.32	8.87	6.35	4.48	5.65
Passenger income per passenger km (£)	0.17	0.17	0.13	0.14	0.18	0.16	0.15	0.15	0.14	0.10	0.15
Expenditure											
Expenditure per passenger journey (£)	6.72	8.89	20.70	15.73	17.70	10.14	8.75	18.52	21.32	16.65	12.58
Expenditure per passenger km (£)	0.29	0.35	0.32	0.29	0.35	0.43	0.30	0.31	0.46	0.38	0.33
Income / expenditure											
Passenger income / total expenditure (%)	58.9%	49.1%	41.3%	48.0%	52.4%	37.3%	49.4%	47.9%	29.8%	26.9%	44.9%
Income (excluding government funding) less expenditure per passenger journey (£)	-0.75	-2.31	-5.00	-3.97	-1.89	-1.27	-1.08	-4.88	-9.82	-8.34	-2.96
Income (excluding government funding) less expenditure per passenger km (£)	-0.03	-0.09	-0.08	-0.07	-0.04	-0.05	-0.04	-0.08	-0.21	-0.19	-0.08

⁴³ 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.

Table 2.13 Franchised train operator and Network Rail income and expenditure in 2017-18

£m	Essex Thameside	Chiltern	Cross Country	East Coast	East Midlands	East Anglia	Great Western	Northern	South Eastern	South Western	Thameslink Southern & Great Northern	TransPennine Express	Wales & Borders	West Coast	West Midlands	London Overground	Merseyrail Electrics	ScotRail	TFL Rail	Caledonian Sleeper	GB Total
Franchised train operators																					
Passenger income	172	214	530	762	385	599	948	298	774	914	1,463	239	146	1,108	347	225	54	346	84	24	9,632
Other income	9	20	7	84	47	51	77	46	75	69	145	20	57	61	65	18	18	24	19	1	912
Franchise receipts ⁴⁴	0	0	0	0	0	0	0	285	60	163	1,256	0	154	0	100	68	82	321	30	17	2,536
Operator income (a)	181	234	537	847	432	650	1,024	629	909	1,146	2,864	259	357	1,169	512	312	154	690	133	42	13,079
Staff costs	44	51	101	163	109	161	335	283	210	232	420	65	112	192	145	96	57	250	43	10	3,079
Fuel costs	9	14	36	23	28	32	63	25	0	4	3	12	18	53	9	0	0	38	5	2	376
Rolling stock charges	29	27	48	95	36	152	129	108	179	147	346	78	42	321	73	36	12	116	12	4	1,990
Franchise payments to government	57	43	63	332	61	136	31	0	11	387	1,463	22	61	250	11	0	4	0	0	0	2,934
Corporation tax	-1	1	5	-16	5	5	8	2	9	8	4	-1	6	9	8	1	4	-4	0	0	53
Other including Network Rail charges	50	92	260	316	174	141	422	200	463	341	611	91	94	289	234	173	61	308	69	38	4,426
Operator expenditure (c)	189	228	515	914	412	626	988	618	872	1,118	2,847	265	334	1,114	479	307	139	708	130	53	12,857
Operator income less expenditure⁴⁵ (a-c)	-8	6	22	-67	20	24	36	11	36	28	17	-6	23	55	32	5	15	-18	3	-11	223
Network Rail																					
Access charge income (fixed and variable)	21	26	82	127	55	94	125	88	105	125	194	40	40	228	77	18	13	181	8	9	1,657
Net government grant	61	102	294	257	203	248	432	407	290	275	434	159	250	372	215	60	49	334	23	14	4,480
Other	13	20	68	33	31	49	164	73	92	92	134	27	24	55	43	16	10	45	5	2	995
Network Rail income (b)	95	148	444	417	289	391	721	568	487	492	762	226	315	656	335	94	71	560	36	25	7,132
Network Rail expenditure (d)	114	176	528	482	348	464	856	674	647	630	986	266	366	754	393	117	85	636	43	29	8,595
Network Rail income less expenditure (b-d)	-18	-28	-84	-64	-59	-74	-135	-107	-160	-138	-224	-41	-51	-99	-58	-23	-13	-76	-7	-4	-1,463
Total income (a + b)	277	382	981	1,264	721	1,041	1,745	1,196	1,396	1,638	3,626	485	672	1,824	847	406	225	1,250	169	67	20,211
Total expenditure (c + d)	303	404	1,043	1,396	761	1,090	1,844	1,292	1,520	1,749	3,833	531	700	1,869	873	424	223	1,344	172	82	21,452
Total income less total expenditure	-26	-22	-62	-132	-40	-49	-99	-96	-124	-110	-207	-46	-28	-44	-26	-18	2	-94	-3	-15	-1,240

⁴⁴The TSGN franchise is operated under a management contract, and has a different arrangement for government funding than other franchises, as a management fee is received in place of fares, which are passed to government. In this table we show fares under 'passenger income', the management fee under 'franchise receipts' and the fares passed through to government as 'franchise payments to government'.

⁴⁵ This is not the same as statutory profit or loss as per statutory accounting requirements.

Table 2.14 Franchised train operator dividends over the past five years⁴⁶

£m	Essex Thameside	Chiltern	Cross Country	East Coast	East Midlands	East Anglia	Great Western	Northern	South Eastern	South Western	Thameslink Southern & Great Northern	TransPennine Express	Wales & Borders	West Coast	West Midlands	London Overground	Merseyrail Electrics	ScotRail	TFL Rail	Caledonian Sleeper	GB total
2013-14	11	0	0	0	0	0	0	31	5	18	34	33	18	11	0	5	15	23	n/a	n/a	203
2014-15	0	0	0	20	0	0	54	19	14	12	44	5	16	6	0	3	13	24	n/a	0	229
2015-16	0	0	0	0	11	0	41	13	52	27	18	21	16	58	0	6	13	12	0	0	289
2016-17	0	0	23	0	16	0	31	21	10	21	10	25	21	49	26	10	13	0	0	0	275
2017-18	0	0	0	0	35	0	40	0	30	0	0	0	20	51	25	0	15	0	2	0	218
Total	11	0	23	20	61	0	166	83	111	76	106	84	90	175	51	25	68	59	2	0	1,213

⁴⁶ Please note that prior year numbers have been restated for inflation. During this time some franchises have changed operators, for example the dividends for the Thameslink Southern & Great Northern franchise reflect the payments from three different companies, Southern Railway (£75m), First Capital Connect (£32m) and Govia Thameslink Railway (£Nil).

Table 2.15 Franchised train operator and Network Rail government funding in 2017-18

£m	Essex Thameside	Chiltern	Cross Country	East Coast	East Midlands	East Anglia	Great Western	Northern	South Eastern	South Western	Thameslink Southern & Great Northern ⁴⁷	TransPennine Express	Wales & Borders	West Coast	West Midlands	London Overground	Merseyrail Electrics	ScotRail	TFL Rail	Caledonian Sleeper	GB total	
Franchised passenger train operators																						
Franchise receipts from government	0	0	0	0	0	0	0	285	60	163	1,256	0	154	0	100	68	0	321	30	17	2,454	
Passenger Transport Executive (PTE) funding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	82	0	0	0	82	
Government funding	0	0	0	0	0	0	0	285	60	163	1,256	0	154	0	100	68	82	321	30	17	2,536	
Government receipts	-57	-43	-63	-332	-61	-136	-31	0	-11	-387	-1,463	-22	-61	-250	-11	0	-4	0	0	0	-2,934	
Total funding	-57	-43	-63	-332	-61	-136	-31	285	49	-225	-207	-22	93	-250	89	68	77	321	30	17	-398	
Network Rail																						
Network Rail grant	61	102	294	257	203	248	432	407	290	275	434	159	250	372	215	60	49	334	23	14	4,480	
Government-related financing	-3	-6	-19	-12	-12	-12	-35	-24	-26	-17	-31	-9	-13	-18	-13	-4	-3	-22	-1	-1	-281	
Total funding	58	96	275	245	192	235	397	383	264	258	403	149	237	354	202	57	46	312	22	14	4,199	
Total government funding of franchised train operators and Network Rail	1	53	212	-87	130	99	366	668	313	34	196	128	330	104	291	125	123	633	52	31	3,801	

⁴⁷ TSGN receipts are the management fee paid to TSGN, in exchange TSGN pass through the fares it collects to government.

Table 2.16 Franchised train operator and Network Rail statistical analysis

£m	Essex Thameside	Chiltern	Cross Country	East Coast	East Midlands	East Anglia	Great Western	Northern	South Eastern	South Western	Thameslink Southern & Great Northern	TransPennine 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 (%)	0.0%	1.4%	5.6%	-2.3%	3.4%	2.6%	9.6%	17.6%	8.2%	0.9%	5.2%	3.4%	8.7%	2.7%	7.7%	3.3%	3.2%	16.6%	1.4%	0.8%	100.0%	
Government funding per passenger journey (£)	0.02	1.88	5.28	-3.99	4.79	1.22	3.53	6.46	1.78	0.16	0.62	4.57	10.04	2.72	3.88	0.66	3.01	6.47	1.24	103.48	2.23	
Government funding per passenger km (£)	0.00	0.03	0.06	-0.02	0.05	0.03	0.06	0.26	0.07	0.01	0.02	0.06	0.26	0.01	0.10	0.10	0.19	0.21	0.10	0.16	0.06	
Passenger income																						
Passenger income per passenger journey (£)	3.59	7.61	13.21	34.98	14.14	7.37	9.14	2.89	4.39	4.32	4.59	8.58	4.43	28.92	4.63	1.19	1.33	3.54	1.97	78.95	5.65	
Passenger income per passenger km (£)	0.14	0.13	0.14	0.14	0.16	0.16	0.16	0.12	0.17	0.15	0.17	0.12	0.12	0.15	0.12	0.17	0.08	0.12	0.16	0.12	0.15	
Expenditure																						
Expenditure per passenger journey (£)	6.32	14.37	26.01	64.02	27.96	13.41	17.78	12.51	8.63	8.26	12.02	19.04	21.27	48.79	11.65	2.23	5.46	13.74	4.06	273.02	12.58	
Expenditure per passenger km (£)	0.25	0.25	0.28	0.25	0.31	0.29	0.31	0.50	0.33	0.29	0.44	0.26	0.56	0.25	0.31	0.33	0.34	0.45	0.32	0.42	0.33	
Income / expenditure																						
Passenger income / total expenditure (%)	56.8%	52.9%	50.8%	54.6%	50.6%	55.0%	51.4%	23.1%	50.9%	52.3%	38.2%	45.1%	20.8%	59.3%	39.8%	53.1%	24.4%	25.7%	48.5%	28.9%	44.9%	
Income (excluding government funding) less expenditure per passenger journey (£)	-0.56	-2.67	-6.83	-2.06	-6.24	-1.83	-4.48	-7.39	-2.48	-0.68	-1.27	-6.24	-10.88	-3.88	-4.23	-0.75	-2.97	-7.43	-1.32	-153.00	-2.96	
Income (excluding government funding) less expenditure per passenger km (£)	-0.02	-0.05	-0.07	-0.01	-0.07	-0.04	-0.08	-0.30	-0.10	-0.02	-0.05	-0.09	-0.29	-0.02	-0.11	-0.11	-0.18	-0.25	-0.10	-0.23	-0.08	

Table 2.17 Freight income and expenditure in 2017-18

£m	DB Cargo ⁴⁸	Direct Rail Services	Freightliner	Freightliner Heavy Haul	GB Railfreight	Adjustments	GB Total
Income							
Freight Income	333	78	204	81	147	-17	826
Government Funding ⁴⁹						17	17
Total Income	333	78	204	81	147	0	844
Total Expenditure	312	75	203	82	140	0	811
Income less Expenditure	22	3	2	-1	7	0	33

Table 2.18 Open access operator income and expenditure in 2017-18⁵⁰

£m	Grand Central	Heathrow Express/Connect	GB Total (excluding Eurostar)	Eurostar ⁵¹
Income				
Passenger income	43	125	168	
Other income	8	11	18	
Total Income	51	135	186	916
Expenditure				
Staff costs	8	26	34	101
Fuel	4	2	6	
Rolling stock	5	7	12	
Other expenditure	27	92	118	788
Total Expenditure	44	127	171	889
Income less expenditure	7	9	15	26

⁴⁸ Data for DB Cargo includes financial data for DB Cargo (UK) Ltd and DB Cargo International Ltd.

⁴⁹ An industry-level adjustment has been made so that the total agrees to the known industry-level government funding awarded.

⁵⁰ A detailed breakdown of Eurostar's financial data is not available, information is shown where available.

⁵¹ Eurostar is included in this table as it is an open access operator but the majority of its income is from international passenger services. Eurostar operates international only services to and from the UK. We do not have the data to show the UK and international components of Eurostar's income and expenditure. So no Eurostar income and expenditure is included in Figure 1 and in industry level income and expenditure.

Table 2.19 High Speed 1 income and expenditure in 2017-18⁵²

	£m
Income ⁵³	322
Operating expenditure	-252
Operating Profit	70
Interest receivable and similar income	50
Finance Charges ⁵⁴	-54
Corporation Tax	2
Surplus for the financial year	68

Table 2.20 Northern Ireland Railways income and expenditure in 2017-18⁵⁵

	£m
Passenger income	50
Other income	0
Revenue support from government	18
Total income	68
Staff costs	-43
Other operating expenditure	-28
Total operating costs	-71
Operating Profit	-3
Net interest	0
Other non-operational expenditure	-2
Corporation Tax	0
Profit/(loss) after Tax	-5

⁵² Data is based upon HS1's statutory accounts for the year ended 31 March 2018.

⁵³ Income is from regulated charges, unregulated charges and stations along the HS1 route (St Pancras International, Stratford International, Ebbsfleet International and Ashford International).

⁵⁴ Our analysis aims to show the operational costs of the railway; to that end, finance charges of £124m paid to parent and group undertakings have not been included in Table 2.19.

⁵⁵ Financial data is based upon statutory accounts for the 52 weeks ended 26th March 2018. Northern Ireland Railways accounting data is presented in aggregate for the 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.

3. Methodology

Source data

3.1 Financial information included in this publication comes from a variety of sources as follows:

- Franchised train operator data is based upon management information packs sent to franchising authorities.
- Open access operator data is based upon bespoke returns sent to the ORR.
- Freight Operators and Northern Ireland Railways data is based upon statutory financial statements.
- Network Rail and HS1 data is based on regulatory reports.
 - a. Network Rail Regulatory Financial Statements; and
 - b. HS1 AMAS report (Asset Management and Annual Statement).

3.2 Data is shown on a comparable basis where possible, however the financial data shown above will differ in the following ways.

- Accounting Standards – management accounting will differ from statutory reports and regulatory reports will present data as defined by the ORR (e.g. the regulatory accounting guidelines for Network Rail).
- Time Period, most companies prepare financial data on an April to March financial year basis, however some companies (e.g. freight) prepare accounts on a calendar basis (January to December). All time periods used in our analysis are the same length of 12 months regardless of period end.

3.3 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.

Scope

3.4 Some important areas of the industry are not included in this publication, such as rolling stock companies, engineering companies and other parts of the rail industry supply chain which have been excluded because financial data is either not available, or consolidation into the industry analysis is not yet possible. The funding and expenditure of the HS2 and Crossrail projects have also been excluded as they are not yet operational (however the operational part of Crossrail is included, as part of TFL Rail).

3.5 In previous years Hull Trains was included as part of the analysis, however data was not available for 2017-18. We have not restated previous years as the overall impact would be immaterial for the industry analysis (under £50m impact on income and expenditure and £5m on the overall surplus).

Financial analysis

3.7 In this publication we show financial information in 3 ways:

- **industry level** analysis consolidates income and expenditure for the parts of the UK rail industry in our scope;
- **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
- **franchise** analysis shows the finances of individual franchises, as well as allocating Network Rail's income and expenditure to each franchise.

3.8 Although all entities are included at industry level, we have not done a national or operator-level analysis for freight, open access, HS1 or Northern Ireland Railways. The industry level consolidation methodology is as described above.

Industry level analysis

3.9 Our industry level analysis as shown in Figure 1 is produced by bringing together the financial information from each of the industry's sectors into a 'consolidated' whole and making adjustments for money flows within the industry⁵⁶.

3.10 For example, Network Rail income from access charges and train operators expenditure on access charges are excluded from the industry analysis because these are money flows entirely within the industry. This eliminates the double counting of income, expenditure and other items that would otherwise occur because of transactions within the industry (such as access charges paid by train and freight operators to Network Rail or payments made under Schedules 4 & 8 performance regimes).

3.11 This contrasts with the 'gross' analysis shown in Figure 2 which shows the financial information of each sector prior to any adjustments.

3.12 Both 'consolidated' and 'gross' ways of showing industry financials are important. The 'consolidated' analysis helps us understand the total income and costs of the industry from outside it (for passengers and government) and the 'gross' analysis helps us understand the income and costs of each part of the industry.

⁵⁶ Figures 1, 4, 1.1 and 1.8 also reflect this 'industry level analysis'.

3.14 The main industry money flows excluded from industry finances in the consolidated analysis are as follows.

Table 3.1 Money flows within the industry (£bn)

Train and Freight Operator	1.5	Network Rail	0.7
<i>Of which</i>		<i>Of which</i>	
Access charges	1.7	Traction electricity	0.3
Performance Income	(0.2)	Performance costs	0.4

National and route-level analysis

Allocation of franchise income and costs to routes

3.15 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, rather than by operator.

3.16 We have allocated passenger franchise income between regulatory routes using the industry's Network Modelling Framework matrix, which is derived from LENNON⁵⁷ data.

3.17 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 route⁵⁸.

3.18 We have also allocated net government funding (subsidy less premium and profit share) on the basis of train distance travelled in each route.

Allocation of Network Rail costs to routes

3.19 This allocation has already been done by Network Rail in its regulatory financial statements⁵⁹. In this publication financial data is split geographically by 10 Network Rail routes as based upon the route structure at the beginning of CP5 (Control Period 5, starting in 2014-15). Network Rail subsequently merged the Sussex and Kent routes to form the 'South East' route and the London North Eastern and East Midlands routes to form the 'London North Eastern and East Midlands' route.

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

⁵⁷ The LENNON database is the source of the passenger income figure published as part of the [ORR's Rail Usage Statistics](#).

⁵⁸ 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.

⁵⁹ <https://www.networkrail.co.uk/who-we-are/publications-resources/financial/>

3.21 For statutory reporting purposes, Network Rail's renewals and enhancements expenditure is capitalised and then depreciated over the useful economic life of the assets. This capital expenditure can be "lumpy", i.e. it can vary significantly from year to year and if we used actual annual expenditure, the amounts in our analysis could vary from year to year. In our PR13 determination and its regulatory accounts, Network Rail's amortisation (depreciation) charge is based on the forecast long-run annual average renewals investment expenditure that is required to maintain the network in a steady state, as adjusted for financial sustainability⁶⁰. We use this amortisation charge in this publication (referred to, for simplicity sake, as depreciation).

3.22 Amortisation is directly allocated to routes based on the renewals work required in each route for each asset type. Enhancement expenditure is not separately depreciated but the future renewals of that enhancement are included in the long-run renewals calculation.

Franchise area analysis

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

3.24 Freight operators and open access operators are excluded from this analysis. Based on Network Rail's structure of charges, 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 cancel out.

Franchise train operator income and expenditure

3.25 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

⁶⁰ In PR13, ORR determined that Network Rail's total amortisation (depreciation) in CP5 would be the sum of the long-run renewals required to maintain the network in a steady state, as adjusted for financial sustainability (£400m) (as explained in Chapter 12 of our PR13 determination).

- *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 (as in the case with the Thameslink, Southern and Great Northern franchise).

3.26 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.

3.27 The difference between income and expenditure gives the franchise'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

3.28 Charges paid by franchises to Network Rail are known at an aggregate level. We have allocated this income to each franchise'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

3.29 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;

- *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; 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".

Inflation

3.7 The November to November retail prices index (RPI) is used throughout our analysis to adjust for the effect of inflation. This allows us to view prior year data on a consistent basis with all prior year numbers shown in a 2017-18 price base. The change in RPI from November 2016 to November 2017 was 3.9% (12.3% change over five years).

Fares analysis

3.8 Our analysis of regulated and unregulated passenger income is based on LENNON. 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.

3.9 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 e.g. the fares index dataset is only available on a January to December basis.

Network Rail borrowing

3.10 Network Rail was reclassified from the private sector to the central government sector in the UK national accounts with effect from 1 September 2014⁶¹. 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 than the rate available in the financial markets. 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 historical debt which we include as government income.

⁶¹ Office for National Statistics, [Reclassification of Network Rail under European System of Accounts 2010](#), 17 December 2013.

Non-financial information

3.11 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 statistics⁶².

⁶² Data covering a range of rail statistics is available at <http://orr.gov.uk/statistics/data-portal>

Annex A: ORR financial statistical release

A.1 The ORR also provides financial information on the rail industry in our Rail Finance 2017-18 annual statistical release⁶³.

Rail Finance 2017-18 annual statistical release

A.2 This release contains information on rail finance in Great Britain covering the period from 1985-86 to 2017-18. It focuses upon government support to the rail industry and private investment.

Differences between the ORR publications

A.3 The rail finance annual statistical release is primarily sourced from government data whereas this publication is primarily sourced from industry data.

A.4 Total government funding is £6.4bn in the rail finance annual statistical release and £3.8bn in this publication. This is largely because this publication does not include government support to the Crossrail and HS2 projects (see the table below).

A.5 Train operator payments to government also differ between the two publications because of a difference in accounting policies between the government and industry (which results in a timing difference in relation to when transactions are accounted for).

Reconciliation between Rail Finance 2017-18 annual statistical release and the 2017-18 Rail Industry financial information publications (£bn)

Government Funding per Rail Finance 2017-18 annual statistical release	6.4
HS2 investment	(2.1)
Miscellaneous costs.	(0.3)
Difference between government and industry data for net TOC premiums	(0.2)
Government Funding per 2017-18 Rail Industry financial information	3.8

⁶³ http://orr.gov.uk/data/assets/pdf_file/0005/22982/rail-finance-statistical-release-2017-18.pdf

Annex B: Industry structure

B.1 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 (NI).
- Welsh Government.
- Transport for London.
- Passenger Transport Executives

B.2 **Franchised Passenger Train Operating Companies** (TOCs) run services contracted by government bodies. Some operators pay a premium to government to run services. Services that provide a socioeconomic benefit but would not otherwise be financially viable are run with public support, known as “revenue support grant”. Some operators operate under management contracts, where the operator receives a fee for providing the service but does not keep the passenger fares. The fee is sometimes based on the fares collected.

B.3 **Open access and Charter** are train operators that provide passenger services outside the franchise system. They receive no direct government support.

B.4 **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.

B.5 **Rolling stock companies** (ROSCOs) own, and in some cases maintain and upgrade, locomotives, passenger carriages and freight wagons.

B.6 **Infrastructure managers** operate, maintain, renew and enhance railway infrastructure, such as track, signals and structures. These include: Network Rail, Northern Ireland Railways, High Speed 1, Transport for London (East London Line) and Heathrow Airport (for the spur line). The Crossrail central operating section will be part of TfL. The arrangements for HS2 have not yet been determined.

B.7 The **Rail Safety and Standards Board** 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.

B.8 The **Rail Accident Investigation Branch** is funded by the Department for Transport to independently investigate accidents.

B.9 The **Office of Rail and Road** is a non-ministerial government department. It is the independent economic and safety regulator of the GB and Northern Ireland’s railways and 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 industry.

B.10 The **British Transport Police** 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.

B.11 **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.

B.12 The **Rail Delivery Group** (incorporating the Association of Train Operating Companies) provides ticketing, National Rail Enquiries and coordination functions.

B.13 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**.

Annex C: Rail industry company information

This publication includes the following companies.

Franchised Train Operators

Company	Company Number
Abellio Greater Anglia Ltd	6428369
Abellio Scotrail Ltd	SC450732
Arriva Rail London	4165861
Arriva Rail North Ltd	4337712
Arriva Trains Wales Ltd	4337645
East Coast Main Line Ltd	4659708
East Midlands Trains Ltd	5340682
First Great Western Ltd	5113733
First MTR South Western Trains Ltd	7900320
First Transpennine Express Ltd	9111801
Govia Thameslink Railway Ltd	7934306
London & Birmingham Railway Ltd	5814584
London and South Eastern Rail Ltd	4860660
Merseyrail Electrics 2002 Ltd	4356933
MTR Corporation (Crossrail) Ltd	8754715
Trenitalia C2C Ltd	07897267
Serco Caledonian Sleepers Ltd	SC477821
Stagecoach South Western Trains Ltd	5599788
The Chiltern Railway Company Ltd	3007939
West Coast Trains Ltd	3007940
West Midlands Trains Ltd	9860466
XC Trains Ltd	4402048

Open Access Operators

Eurostar International Ltd	2462001
Grand Central Railway Company Ltd	3979826
Heathrow Express Operating Company	3145133

Freight Operating Company

DB Cargo (UK) Ltd	2938988
DB Cargo International Ltd	3232475
Freightliner Heavy Haul	3831229
Freightliner Ltd	3281655
GB Railfreight Ltd	3707899

Other

High Speed One (HS1) Ltd	6045862
Network Rail Infrastructure Ltd	2904587
Northern Ireland Railways Company Ltd	NI006929

Franchised train operator ownership as at 30 January 2019

Company	Operator	Owning Company
Abellio Greater Anglia Ltd	Greater Anglia	Abellio (60%), Mitsui (40%)
Abellio Scotrail Ltd	Scotrail	Abellio (100%)
Arriva Rail London	London Overground	Arriva (100%)
Arriva Rail North Ltd	Northern	Arriva (100%)
Arriva Trains Wales Ltd	Arriva Trains Wales	Arriva (100%)
East Coast Main Line Ltd	Virgin Trains East Coast	Stagecoach (90%), Virgin (10%)
East Midlands Trains Ltd	East Midlands	Stagecoach (100%)
First Great Western Ltd	Great Western Railway	First Group (100%)
First MTR South Western Trains Ltd	South Western Railway Trains	First Group (70%), MTR (30%)
First Transpennine Express Ltd	Transpennine Express	First Group (100%)
Govia Thameslink Railway Ltd	Great Northern, Southern and Thameslink	Go-Ahead (65%), Keolis (35%)
London & Birmingham Railway Ltd	London Midland*	Go-Ahead (65%), Keolis (35%)
London and South Eastern Rail Ltd	Southeastern	Go-Ahead (65%), Keolis (35%)
Merseyrail Electrics 2002 Ltd	Merseyrail	Abellio (50%), Serco (50%)
MTR Corporation (Crossrail) Ltd	TFL Rail	MTR (100%)
Serco Caledonian Sleepers Ltd	Caledonian Sleeper	Serco (100%)
Stagecoach South Western Trains Ltd	South West Trains*	Stagecoach (100%)
The Chiltern Railway Company Ltd	Chiltern	Arriva (100%)
Trenitalia C2C Ltd	c2c	Trenitalia (100%)
West Coast Trains Ltd	Virgin Trains	Virgin (51%), Stagecoach (49%)
West Midlands Trains Ltd	West Midlands Trains	Abellio (70%), Mitsui (15%), JR East (15%)
XC Trains Ltd	CrossCountry	Arriva (100%)

* These operators no longer run services.

Rail franchises in 2017-18⁶⁴

Franchise	2017-18											
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
East Midlands	East Midlands											
West Midlands	London Midland								West Midlands Trains			
Northern	Northern											
South Western	South West Trains					South Western Railway						
TransPennine	TransPennine Express											
East Coast	Virgin Trains East Coast											
Great Western	Great Western Railway											
West Coast	Virgin Trains											
Cross Country	CrossCountry											
Wales and Borders	Arriva Trains Wales											
Chiltern	Chiltern											
Essex Thameside	c2c											
East Anglia	Greater Anglia											
Thameslink, Southern and Great Northern	Govia Thameslink Railway ⁶⁵											
South Eastern	Southeastern											
London Overground	Arriva Rail London											
Merseyrail	Merseyrail											
Scotrail	Scotrail											
TFL Rail	TFL Rail											
Caledonian Sleeper	Caledonian Sleeper											

⁶⁴ Two franchises changed operators in 2017-18, South Western in September and West Midlands in December.

⁶⁵ Covering the Great Northern, Southern and Thameslink operators.



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