



OFFICE OF RAIL REGULATION

2013-14 Annual Statistical Release

Rail Finance

This release includes the Rail Fares Index (January 2014) data, for the latest fares data please refer the Rail Fares Index (January 2015) statistical release published on the ORR website on 14 May 2015.

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Government support to the rail industry, Government subsidy per passenger kilometre by train operating company, Rail fares index, and Private investment

2013 – 14 Annual (1 April 2013 to 31 March 2014)

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Introduction

This release contains information on rail finance in Great Britain covering the period from 1985-86 with the latest data in this release referring to 2013-14 (1st April 2013 to 31st March 2014), with the exception of the rail fares index which measures the annual change in fares between January 2013 and January 2014. The data covered within the release are:

- Government support to the rail industry – Government grants to support domestic passenger and freight services in Great Britain and other Government expenditure on the railways;
- Government subsidy per passenger kilometre by train operating company – the Government subsidy paid to or premiums received from each train operating company, subsidy per passenger kilometre by train operating company, and Government support to Passenger Transport Executives¹;
- Rail fares index – the rail fares price index provides a measure of the change in prices charged by train operating companies to rail passengers; and
- Private investment in the railway industry – private investment data showing the expenditure and disposal of fixed assets on the railway industry, excluding Network Rail and Government investment;

Measures of rail financing are important in understanding how the rail network and delivery of services is financed in Great Britain with data on Government support to the rail industry providing an insight into the burden of the rail industry on public finances. Comparisons of the levels of financing over the time series with railway outputs presented in other statistical releases and sources provides an insight into the efficiency of service delivery over time. Data on the changes in rail fares provides passengers and policy makers with important information on the cost of travel by rail both within the industry and in comparison to the wider cost of living.

The data contained within this release are sourced from:

- Department for Transport (DfT), Transport Scotland and the Welsh Government for Government support to the rail industry and subsidy per passenger kilometre by train operating company;
- The LENNON (Latest Earnings Nationally Networked Over Night) database and Office of National Statistics (ONS) for the rail fares index and real terms change in average ticket price; and

¹ PTE's are strategic transport bodies serving the six largest city regions outside London. They cover the West Midlands (Centro), Greater Manchester (GMPTE), Merseyside (Merseytravel), West Yorkshire (Metro), Tyne and Wear (Nexus) and South Yorkshire (South Yorkshire PTE)

- ONS for private investment in the railway industry.

For more detail on railway reporting periods, data collection and the methodology used to calculate the data within this release please see the accompanying rail finance quality report which can be found at: [Quality Reports](#).

This is an annual release and the latest data in this release refer to 2013-14, 1st April 2013 to 31st March 2014, with the exception of the rail fares index which covers January 2013 to January 2014. All the data contained and referred to within this release can be accessed via the ORR [Data Portal](#).

This is a National Statistic. For more details please contact the Statistics Head of Profession Faz Dar at Fazilat.Dar@orr.gsi.gov.uk or on 020 7282 3705 or contact rstats@orr.gsi.gov.uk

The other statistical releases are:

- Passenger and freight rail performance;
- Passenger rail usage;
- Freight rail usage;
- Passenger rail service satisfaction;
- Regional usage;
- Safety key statistics; and
- Rail infrastructure, assets and environmental.

Summary of key results

- Government support to the rail industry increased in 2013-14 for the third year in succession but remains lower than the highest level of Government support which was during 2006-07. For the fourth year running, the Government received a net payment from train operating companies through their franchise agreements, with train operators paying the Government £40 million in 2013-14, down from the £420 million they paid back to Government in 2012-13. Following the creation of Network Rail, Government support has shifted so that it is now primarily provided directly to Network Rail rather than to the TOCs. Central Government grants have fallen since the mid-2000s, when a number of the current franchises were let, and as passenger revenue has increased, this has led to more TOCs returning a premium to Government.
- The increase in Government support to the rail industry was mainly due to the reduction in payments from train operators to Government but there were also increases in the level of Government support for Passenger Transport Executives (PTEs) and other elements of Government spending. This has increased in recent years largely due to capital spending on the Crossrail project.
- During 2013-14 nine of the franchised passenger train companies made premium payments to the Department for Transport, with the highest amount, £312.0 million, being paid by South West Trains.
- As has been the case in recent years, First Scotrail received the highest subsidy of all operators with £493.8 million in 2013-14. First Scotrail also had the highest level of subsidy per passenger kilometre, 17.5p followed by Arriva Trains Wales, whose subsidy per passenger kilometres grew to 13.1p in 2013-14.
- £423 million was invested into the railways by private companies during 2013-14. This is 10.0% lower than the previous year and, in real terms, a fall of 12.7% when re-based to 2013-14 prices. The highest level of investment seen during the time series was £743 million in 2006-07, which at today's prices is equivalent to £939 million.
- The average change in rail fares between January 2013 and January 2014 was 2.7%. This represented a decrease in real terms of 0.1% as over the same time period the Retail Prices Index increased by 2.8%.
- Overall, fares in London and the South East grew by 2.8% with season ticket prices increasing by 3.1%. The increase in season ticket prices was offset by lower increases on anytime and off peak fares. In the Long Distance sector, ticket prices rose by 2.5%. The largest expenditure in the sector is on advance fares, which increased by 2.3% on January 2013. Within the Regional sector (including Scotland), prices rose by 2.4%. Anytime and off peak travel together account for over 70% of expenditure in the sector and these categories rose by 2.6% and 2.1% respectively.

1. Government support to the rail industry

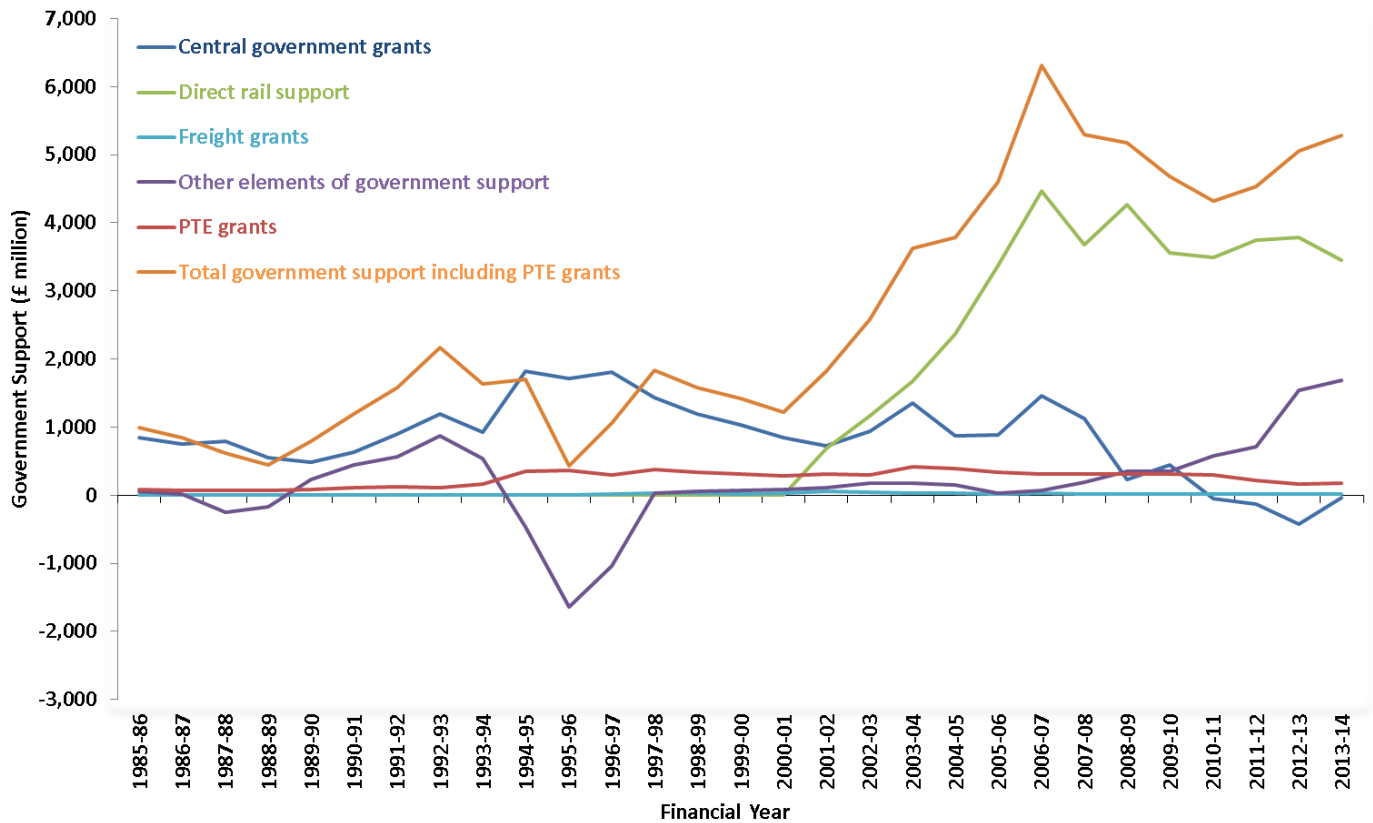
About government support to the rail industry

Government support to the rail industry shows the revenue support grants to domestic passenger and freight services. Government support to the rail industry is presented by five different categories:

- Central government grants – net payments to/from train operating companies (TOCs);
- Passenger Transport Executive (PTE) grants – net payments to PTE's;
- Direct rail support – the grant payment to Network Rail and, in prior years, to London and Continental Railways;
- Other elements of government support - miscellaneous elements of Government support, including for major projects; and
- Freight grants – grants paid by Government to encourage the movement of freight by rail.

1.1 Government support to the rail industry

Government support including PTE grants to the rail industry – chart
Great Britain annual data 1985-86 to 2013-14



- Government support to the rail industry in 2013-14 was £5,287 million (£5.3 billion); this is £227 million greater than the previous year and is at its highest level since 2007-08. Government support to the rail industry peaked in 2006-07 with £6,308 million.
- Central Government received a net payment of £40 million in 2013-14 from train operators. This reflects money which was received by Government from the various train operating companies as part of their franchise agreement. Following the creation of Network Rail, Government support has shifted so that it is now primarily provided directly to Network Rail rather than to the TOCs. Central Government grants have fallen since the mid-2000s, when a number of the current franchises were let, and as passenger revenue has increased, this has led to more TOCs returning a premium to Government.
- Passenger Transport Executive (PTE) grants were £182 million in 2013-14, an increase of £18 million compared to the previous year. Each PTE experienced an increase in grant payments during 2013-14 with Greater Manchester receiving the largest subsidy, £71.3 million, followed by West Yorkshire with £64.2 million. These payments are for the rail services each of the PTE's purchase from Northern Rail.

- Direct rail support, which is the grant payment to Network Rail, was £3,453 million in 2013-14 a decrease of £327 million on the previous year and represents the lowest grant payment since 2005-06. Network Rail uses this money to run, maintain and develop the core physical infrastructure and ensure efficient management of the assets over the short, medium and long-term.
- Other elements of Government support reached £1,692 million in 2013-14, up £156 million from the previous year. This element of Government support has increased every year since 2009-10, primarily due to capital spending on Crossrail, which made up £1.1 billion of the total in 2013-14.
- The Government provided £17 million in support to the rail industry through freight grants during 2013-14. These grants are incentives to take freight off congested roads and move it by rail and are currently secured through the Mode Shift Revenue Support (MSRS) Scheme². Further details on the recipients and levels of freight grants awarded by DfT can be found at [Grant funding to transport freight by rail and water](#).

Annual Government support to the rail industry data is presented here: [Table 1.6](#)

A list of pre-created Government support tables available on the data portal is presented in Annex 2.

Revisions:

Details of any future revisions will be found at: [Revisions Log](#)

² Department for Transport [Guide to Mode Shift Revenue Support \(MSRS\) Scheme](#)

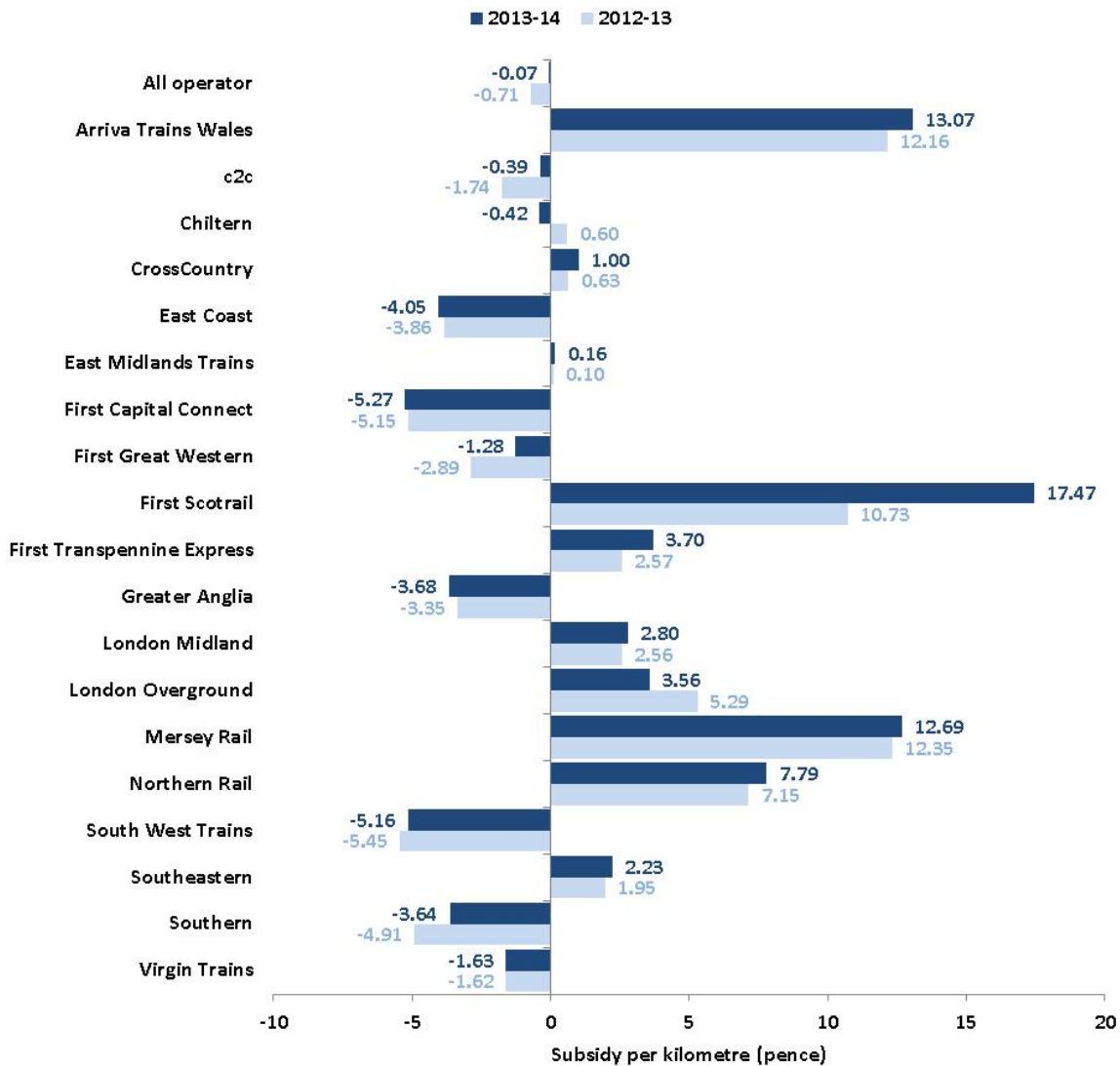
2. Subsidy per passenger kilometre by train operating company

About subsidy per passenger kilometre by train operating company

Subsidy per passenger kilometre by train operating company is calculated from the Government subsidy received by each train operating company and the passenger kilometres for each train operating company. The data is presented for all active train operating companies and those inactive train operating companies where appropriate. The levels of Government subsidy to each of the PTEs are also presented.

2.1 Subsidy per passenger kilometre by train operating company

Subsidy per passenger kilometre by train operating company – chart
Great Britain data 2013-14 on 2012-13



- Excluding payments to PTEs, the Government received a net payment of £40.1 million from passenger train operators in 2013-14. The Government paid a total of £182.5 million in subsidy to passenger transport executives in 2013-14, an increase of 11.4% on 2012-13.
- During 2013-14 nine of the franchised passenger train companies made premium payments to the Department for Transport, with the highest amount, £312.0 million, being paid by South West Trains. For South West Trains, who operated just over 6 billion passenger kilometres during 2013-14, this equates to a payment of 5.2p per passenger kilometre. Whilst they pay the highest actual premium to Government, First Capital Connect pays the highest rate of 5.3p per passenger kilometre.

- As has been the case in recent years, First Scotrail received the highest subsidy of all operators with £493.8 million in 2013-14; an increase of 69.7% on 2012-13. This is due to the phasing of subsidy payments during the five year control period which ended in 2013-14. First ScotRail also had the highest level of subsidy per passenger kilometre, 17.5p followed by Arriva Trains Wales, whose subsidy per passenger kilometres grew to 13.1p in 2013-14. Furthermore, the general trend is for regional operators to receive a subsidy whilst those paying a premium to Government are within the London and South East or long-distance sectors.

Annual Government support to the rail industry data is presented here: [Table 1.7](#)

The Department for Transport publish further data on rail subsidy per passenger mile which also includes the allocation of the network grant (that is, payments made directly to Network Rail), apportioned according to each franchise's share of fixed track access charges. This information is available at [rail subsidy per passenger mile](#), up to and including 2013-14. Note that the data produced by DfT is based on passenger miles, whilst the data in this release is based on passenger kilometres.

Further train operator financial information is published by the ORR in the report [“GB rail industry financial information 2012-13”](#). The data presented the GB rail industry financial 2012-13 report are based on TOC's management accounts and therefore may differ from the data in this release which are based on DfT, Transport Scotland and Welsh Government audited accounts.

A list of pre-created Government support tables available on the data portal is presented in Annex 2.

Revisions: Details of any future revisions will be found at: [Revisions Log](#)

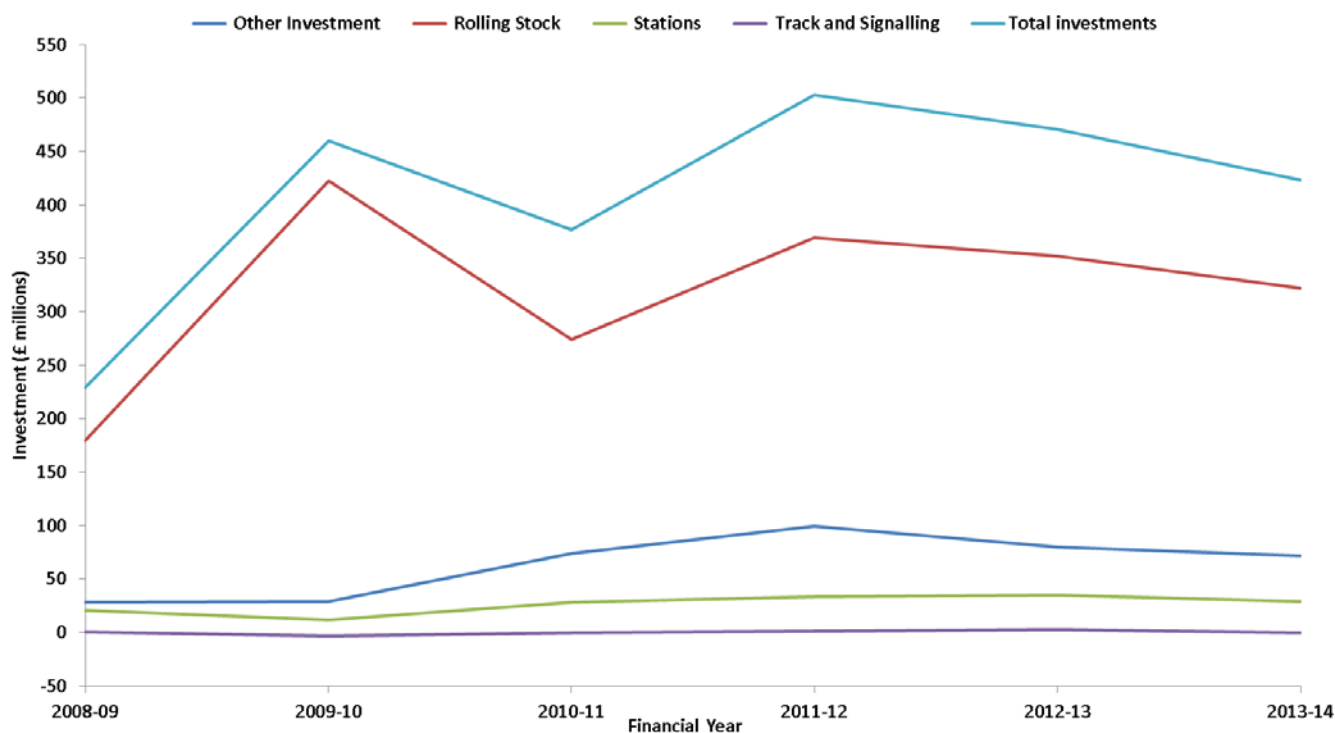
3. Private investment in the railway industry

About private investment in the railway industry

Private investment data shows the expenditure and disposal of fixed assets in the railway industry, excluding investment by Network Rail or Government.

3.1 Private investment in the railway industry

Private investment in the rail industry – chart
Great Britain data 2008-09 to 2013-14



- £423 million was invested into the railways by private companies during 2013-14. This is 10.0% lower than the previous year and, in real terms, a fall of 12.7% when re-based to 2013-14 prices. The highest level of investment seen during the time series was £743 million in 2006-07, which at today's prices is equivalent to £939 million.
- During each year of the time series rolling stock investment has accounted for the highest proportion of private investment peaking at 92% of all private investment during 2009-10. During 2013-14, over £323 million was invested in rolling stock, accounting for 76.2% of private

investment, which could include payments by leasing companies for new rolling stock which will be leased to TOC's.

- In 2013-14 no private investment was made in track and signalling, which includes new routes and new electrification. Investment by Network Rail, who is responsible for running, maintaining and developing Britain's rail track and signalling, is not included within this data and therefore this element of private investment is typically expected to be small.
- Private investment in stations, including retail outlet buildings, during 2013-14 was £28.6 million accounting for 6.8% of total private investment. The levels of investment have been fairly consistent in the last four years. Spending on stations peaked in 2006-07 at £155 million.
- During 2013-14 other investment, which includes all other investment associated with the rail business, such as non-rail vehicles and business related costs such as IT and web related cost, was just over £72 million, accounting for 17.0% of total private investment. This represented the lowest level of other investment since 2009-10.

Annual private investment in the railway industry data are presented here: [Table 1.9](#)

A list of pre-created private investment in the railway industry tables available on the data portal is presented in Annex 2.

Revisions: Details of any future revisions will be found at: [Revisions Log](#)

4. Rail fares index

About rail fares index

The rail fares price index provides a measure of the change in the prices charged by train operating companies (TOCs) to rail passengers. The index shows the average change in prices since January 2004 and is calculated from transaction data held in LENNON (Latest Earnings Nationally Networked Over Night), the rail industry's ticketing and revenue database. The rail fares index includes regulated and unregulated fares.

Before 2004, government policy was to set regulated fares at July retail prices index (RPI) minus one per cent, resulting in below inflation rises. Since 2004, the annual change in these fares has been set by the government at July RPI plus one per cent³, leading to average fare rises higher than the rate of inflation. For 2014, regulated fare increases were capped at RPI⁴, which stood at 3.1% in July 2013. Regulated fares include season tickets for most commuter journeys and Off-Peak fares on most journeys between major cities. Unregulated fares are those which operators are free to determine.

In 2014, ORR undertook a review of the rail fares index, which was carried out by the Office for National Statistics (ONS) Methodology Advisory Service. They made a number of recommendations which we have implemented from this year.

- Sampling – ONS recommended that we calculate the index based on a sample rather than the population dataset which was resource intensive and required a lot of manual input. The sample size for 2014 is approximately 97,000.
- Advance fares – ONS recommended that an average advance fare for each origin destination pair be used to calculate the change in advance fares. This is due to the greater product turnover in this category resulting in a fewer number of matched prices from one year to the next.
- Price change thresholds – ONS recommended that switching to a sample would enable ORR to carry out a greater level of quality assurance on price changes that were 'suspicious'. Therefore, price change thresholds have been amended from -40% to +60% to -20% to +20%.

³ Merseyrail, Northern Rail and Southern have different limits for regulated fares average increases. These along with further details on fare regulation can be found at: [ORR Fares](#)

⁴ More details on fares regulation policy can be found at: <http://www.parliament.uk/briefing-papers/SN01904/railways-fares>

- Excluded revenue – ONS recommended that revenue on tickets that did not have a matched price in both years or exceeded the price change thresholds should be included in the final index calculation; previously they had been excluded resulting in between 10-15% of total revenue being excluded. The aggregated figures at sector / Great Britain level and the ‘all operators’ ticket types include that previously excluded revenue, which means 97% of revenue is now included.

More details on the methodology changes are in the accompanying rail finance [Quality Report](#). The full ONS report is available on the user engagement section of the ORR website: [Rail fares index methodology review](#)

The average change in fares is weighted by earnings and is presented alongside the January 2014 all items retail prices index to illustrate how the average change in rail fares compares with the average change in the cost of goods and services. Furthermore, the data portal also shows a comparison between the rail fares index and revenue per passenger journey.

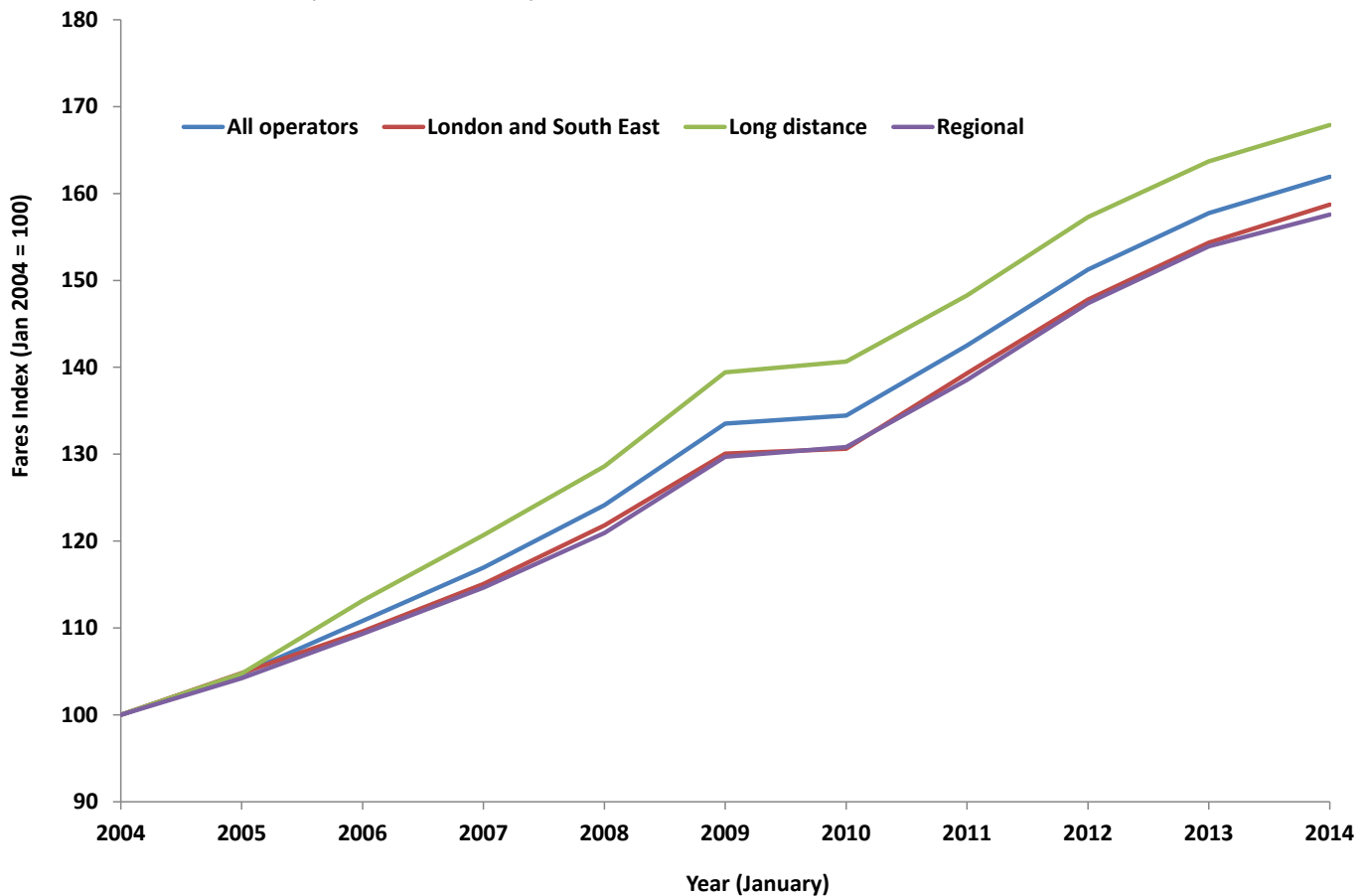
When comparing the rail fares index and revenue per passenger journey it is important to understand the difference between the two measures. The rail fares index is constructed so that it covers the cost of travel only. This is done by excluding fares that include ‘extras’, such as multi tickets and tickets which include entrance to attractions etc. Also excluded are short-term temporary fares/promotions and flows for which we are unable to find price information for either of the two reference years. Furthermore, the revenue per journey reflects changes in customer behaviour and captures changes caused when passengers switch to cheaper tickets. The purpose of the rail fares index is to capture the change in price of a specific set of products so does not capture this phenomenon, other than in the expenditure weighting for those products in the following year.

Given these differences in scope, we would expect revenue per passenger journey to grow at a slower rate than a matched price index although this is not always the case. For more detail on the exclusions from the rail fares index and the differences between the two measures please see the associated [Quality Report](#).

4.1 Rail fares index

Rail fares index – chart

Great Britain data January 2004 to January 2014



- Since 2004 the growth in rail fares for each of the three sectors has followed a similar pattern, with the index of Long Distance fares at a higher level than the London and South East and Regional sectors since 2005. Between 2004 and 2014 fares in the Long Distance sector have risen by an average of 67.9% compared to 58.7% and 57.6% in the London and South East and Regional sectors respectively.
- The smallest increase in the rail fares was between January 2009 and January 2010 when the index of all tickets increased from 133.5 to 134.4, which equated to a 0.7% increase in fares. In part, this was because the all items RPI in July 2009 stood at -1.4%, meaning that regulated fares actually fell by 0.4% in January 2010.

Annual rail fares index data are presented here: [Table 1.8](#)

A list of pre-created rail finance tables available on the data portal is presented in Annex 2.

Revisions: Details of any future revisions will be found at: [Revisions Log](#)

4.2 Average change in price and revenue per journey

Average change in price – table

Great Britain data January 2014 on January 2013 and January 2004

Sector	Category	Average change in price (%) - 2014 on 2013	Real terms change in average price - 2014 on 2013	Real terms change in average price - 2014 on 2004
London and South East	All tickets	2.8	0.0	15.0
	Revenue per passenger journey	-1.4	-4.1	-6.5
Long Distance	All tickets	2.5	-0.3	21.7
	Revenue per passenger journey	2.9	0.1	-7.6
Regional	All tickets	2.4	-0.4	14.2
	Revenue per passenger journey	2.1	-0.7	7.4
All operators	All tickets	2.7	-0.1	17.3
	Revenue per passenger journey	-1.1	-3.8	-6.0
Retail Prices Index	All items	2.8		

- The average change in rail fares between January 2013 and January 2014 was 2.7%. This represented a decrease in real terms of 0.1% as over the same time period the Retail Prices Index increased by 2.8%.
- Overall, fares in London and the South East increased by 2.8%. Season ticket prices increased by 3.1% but these were offset by lower increases on anytime and off peak fares.
- In the Long Distance sector, ticket prices rose by 2.5%. The largest expenditure in the sector is on advance fares, which increased by 2.3% on January 2013.
- Within the Regional sector (including Scotland), prices rose by 2.4%. Anytime and off peak travel together account for over 70% of expenditure in the sector and these categories rose by 2.6% and 2.1% respectively.
- Despite the average increase in the cost of fares, revenue per passenger journey fell by 1.1% compared to 2013, suggesting that passengers are switching to either cheaper fares or longer term tickets which generally represent the lowest price per journey. This is borne out by the most recent passenger rail usage statistics that showed growth in excess of 10% for season ticket journeys.

Annual rail fares index data are presented here: [Table 1.8](#)

A list of pre-created rail finance tables available on the data portal is presented in Annex 2.

Revisions: Details of any future revisions will be found at: [Revisions Log](#)

Annex 1 – Statistical release themes and publication timetable

Statistical release	Data	Publication schedule
Passenger and Freight Rail Performance - Quarterly	Public performance measure Freight performance measure Cancellations and significant lateness	Q1: 4 th September 2014 Q2: 13 th November 2014 Q3: 5 th February 2015 Q4: 7 th May 2015
Passenger Rail Usage – Quarterly	Passenger kilometres Passenger journeys Passenger revenue Timetabled train kilometres	Q1: 2 nd October 2014 Q2: 11 th December 2014 Q3: 3 rd March 2015 Q4: 4 th June 2015
Freight Rail Usage - Quarterly	Freight moved Freight lifted Freight delay minutes per 100 train kilometres Freight market indicators (Q4 only)	Q1: 18 th September 2014 Q2: 27 th November 2014 Q3: 19 th February 2015 Q4: 21 st May 2015
Passenger Rail Service Satisfaction - Quarterly	Complaints Complaints comments received by London TravelWatch and Passenger Focus National rail enquiries	Q1: 16 th October 2014 Q2: 18 th December 2014 Q3: 19 th March 2015 Q4: 18 th June 2015
Regional Usage - Annual	Regional usage profiles	2013-14: TBC 2012-13: 24 th April 2014
Key Safety Statistics - Annual	Key safety facts Passenger key safety facts Public key safety facts Workforce key safety facts Train accident facts	28 th August 2014
Rail Finance - Annual	Government support to the rail industry Rail fares index Private investment TOC subsidy per passenger kilometre	21 st August 2014

<p>Rail Infrastructure, Assets and Environmental - Annual</p>	<p>Infrastructure on the railways Average age of rolling stock Sustainable development</p>	<p>23rd October 2014</p>
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Annex 2 – List of pre-created reports available on ORR Data Portal

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

Government support to the rail industry

- Government support to the rail industry – [Table 1.6](#)

Subsidy per passenger kilometre by train operating company

- Government support to the rail industry by TOC – [Table 1.7](#)

Rail fares index

- Index showing average change in price of rail fares – [Table 1.8](#)

The rail fares index showing average change in regulated and unregulated fares will be made available on the data portal in September 2014.

Private investment in the railway industry

- Private investment in railways – [Table 1.9](#)

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