

Rail regulator publishes 2017-18 rail funding and expenditure data

January 30, 2019



The Office of Rail and Road (ORR) has today published its annual report showing how the railway was funded in 2017-18 and how that money was spent.

The data shows that in 2017-18 the cost of running the railways rose 1.4% to £20.6bn and that overall the industry received 1.3% (£19.4bn) less income than in 2016-17. This is largely because falling passenger numbers meant that income from fares fell 2.4% compared to the previous year.

This fall, in turn, contributed to lower returns to governments from train operators, resulting in an 8% increase in governments' funding. However governments still received £0.4bn net from train operators.

Industry income in detail

- Industry received £19.4bn of income in 2017-18, a 1.3% decrease from 2016-17.
- Income from fares was £9.8bn, a decrease of 2.4% compared to 2016-17. This is due to a 1.4% fall in passenger journeys. The fall was largely because of the 8% decrease in journeys experienced by South West Trains largely due to the Waterloo platform closure in summer 2017 and strike action.
- Governments received £0.4bn net from train operators. This is a reduction of £0.3bn from the previous year. Franchise payments decreased due to a combination of planned changes as set out in franchise agreements, planned cost increases on some franchises, payments to some train operators for delays to infrastructure upgrades, and lower than expected revenue growth across the rail industry.
- Train operators received £0.9bn of income from on-board catering, car parking and other sources; an increase of 2.3% from 2016-17.
- Network Rail received £4.2bn of funding from governments.

Industry spending in detail

- Industry spent £20.6bn, a 1.4% increase from 2016-17.
- Network Rail's costs increased by 9.3% to £8.6bn, largely due to increased financing costs. Network Rail also paid £0.4bn in schedule 4&8 payments to train operators, a 4.6% increase from the previous year, reflecting poor performance.
- Franchised train operators' overall costs fell 1.6% to £12.9bn. This is largely because they paid 12.1% less to governments. However, operators saw their costs increase for staff (0.9%), rolling stock (5.5%) and other operating costs such as access charges (1.4%).
- Train operators' declared dividends totalled £0.2bn, a decrease of 27% from 2016-17, but an increase of 6.5% compared to five years ago. Over the last five years, dividends have remained equivalent to around 2.5% of passenger fares.