

### Subsidy to Rail

The previous version of this facts sheet assessed the subsidy to rail by reference to (a) the then capital programme, requiring in excess of £100 bn, and (b) Government and PTE Grant. Since national rail has required operating subsidy every year for over 50 years we regarded the £100 bn as effectively subsidy. Repaying that sum over 30 years coupled with the Grant itself, provided an annual subsidy of nearly £10 billion per year. Against that background we cited the range £5 billion to £10 billion. Today we take a different approach.

We have available the annual operating subsidy back to 1954. (see link below) The average for the period at 2004 prices is £2.5bn compared with £2.0 bn for the 10 years to 2003 and £3.7bn for the single year 2003. The data for the years from 1986 is from Table 2 of annex B of the DfT's Bulletin of Public Transport Statistics 2004. (See link below). Discussions with Jacob Wilcock of the DfT suggest that the data in that table may be regarded as **operating** subsidy. Since there is indeed operating subsidy it is unreasonable to expect that loans or capital expenditure can ever be repaid or recouped from the fare box. Instead the capital and loans should be added to subsidy as though both were current expenditure. There appear to be at least two approaches to estimating the values, namely:

1. Table 1 of Annex B of the above cited bulletin provides "investment" amounting to close to £3 billion annually at 2004 prices for the period 1994 to 2003 or, if rolling stock is excluded, £2.5 billion. Some of that may be funded from other than Government but if in broad terms it is regarded as all subsidy or funded from guaranteed borrowing then the total of capital and the operating subsidy provides the range £4.5bn to £5.0 bn annually for the decade.
2. The Memorandum "Statutory contingent liabilities in support of Network Rail" provided by the DfT to the Government says that borrowing guaranteed by the Government will rise to £22 bn by 2009 with no guarantee that it will not continue to rise. (see link below). Strangely, in view of the past 50 years, there is a belief that the guarantees will never be called in. However we feel confident that nothing can be further from the truth. Hence the £22 billion will inevitably turn out to be the taxpayer's liability - equivalent to £2.2 bn annually, which is broadly consistent with (1) above.

Separately from that the memorandum with the title Spending on Rail, February 2005, the written statement to Parliament by the Transport Secretary, Alistair Darling, provides total Government commitments (void of loan guarantees) of £4.55 bn in 2005/06, £5.81 bn in 2006/07, £4.59 bn in 2007/08 and 4.39 bn in 2008/09 (see link below). The average for the 4 years is £4.83 billion. Probably £2.2 billion for loans should be added providing £7 billion annually for the period.

Against that background it is fair to say that subsidy to national rail is running at between £4.5 bn and £6.5 bn annually for the decade ending 2009. £5 billion is equivalent to:

- £200 per year for every household in the land (at a time when half of us use the train less than once a year)
- £250,000 per year per track-mile.
- 19 pence per passenger mile – implying subsidy of £42 for the round trip from London to Birmingham at a time when the distance travelled by surface rail by those in highest income quintile is more than double the distance travelled by those in the next highest quintile and over 4 times that for either of the two lowest quintiles, reference the National Travel Survey (see link below).

(In comparison Appendix 5 of the SRA's Annual Report for 2005 provides operating subsidies of 5.28 pence per passenger-mile in 2002/3, 8 pence in 2003/4 and 3.8 pence in 2004/5. Multiplying the value of 8 pence for 2003/04 by passenger-miles provides a total of £2 billion for that year. That compares with the £3.6 bn available from Table 2 of Annex B of the Bulletin of Transport Statistics 2004 edition, to which an allowance for capital expenditure should be added. The reason for the discrepancy is that the SRA value represents payments direct to the Train Operating Companies - ignoring support and grant to Network Rail and (of course) ignoring all capital expenditure and loans guaranteed by the Government).

### Profits from roads

Table 7.15 of the TSGB 2004 editions provides Fuel Tax (excluding VAT) plus Vehicle Excise Duty in 2002/03 of £26.517 bn. Dawn Wolley of HM Revenue & Customs provided a figure of £8.42 bn for VAT on private motoring. Some £0.3 bn of fuel duty is reclaimed by the bus industry. Hence the total tax revenue from motoring is close to £35 bn. Deducting expenditure of circa £7 billion yields £28 bn. Possibly tax on motor insurance should be added but we have no figure for that.

Table 7.3 of Transport Statistics Great Britain 2004 shows that 32% of vehicle-miles are on the motorway and Trunk Road Network. Hence if the tax take is proportional to vehicle-miles the Strategic Road Network earns the exchequer £9 billion annually. The **lane** length for that network is between 40,000 **km** and 52,000 **km** (see facts sheet 1). On that basis the contribution per **lane-mile** made to the exchequer has the range £275,600 to £360,000 annually.

Alternatively dividing the net tax take of £28 bn by the network wide vehicle-miles (306 bn) yields a net payment to the Exchequer of 9 pence per vehicle-mile.

### **Comment**

The contrast between the contribution made to the Exchequer by road traffic and the drain on the Exchequer from the rail industry is telling.

### **Links**

- 1 Transport-Watch subsidy to Rail from 1954: xxxxxx
- 2 “Statutory contingent liabilities in support of Network Rail”: yyy
- 3 “Spending on Rail” xxx
- 4 Table 5.5 Travel by household income quintile and main mode: 2004. (Source: National Travel survey with London Underground and Surface Rail disaggregated by special request to the DfT). xxx
- 5 Bulletin of Public Transport Statistics 2004. (Note at the time of writing the 2005 edition is available on the web but will be void of financial data until late November 2005).

## Appendix 1 Subsidies to National Rail

Year	RTPI	Out turn prices £M	Public Service Obligation Grant (f)	June 2004 Prices £M totals (g)
1954	10.42	25		448
1955	11	52		883
1956	11.51	80		1298
1957	11.89	107		1680
1958	12.4	134		2018
1959	12.29	161		2446
1960-65	55.67	976		3273
1965-70	55.67	5959		19985
1970-75	55.67	2539		8515
1975-80	55.67	3093	485	12000
1980-81	67.35	634	575	3351
1981	74.98	933	749	4188
1982	81.85	1002	817	4149
1983	84.84	1003	854	4087
1984	89.2	1013	1066	4351
1985	95	995	820	3567
1986	98	852	680	2919
1987	101.9	615	761	2521
1988	106.9	448	534	1715
1989	115.2	796	499	2099
1990	126.1	1196	600	2659
1991	133.5	1585	900	3475
1992	138.5	2173	1150	4479
1993	140.7	1631	930	3398
1994	144.1	1700		2203
1995	149.1	435		545
1996	152.7	1071		1309
1997	157.5	1858		2202
1998	162.9	1615		1851
1999	165.4	1441		1627
2000	171	1250		1365
2001	173	1883		2032
2002	176.2	2637		2794
2003	181.3	3607		3714
Averages				
1954-2003				2482.2
1994-2003				1964.22

### Notes:

- (a) The figure of £25m for 1954/5 is from the British Transport Commission's accounts.
- (b) The figure from the same source for 1958/59 is £90m. However interest charges were relegated to a "special account", depreciation was under estimated and some track changes were transferred to a maintenance expenditure account. The true figure, excluding the loss of the British Rail pension fund was £134m.
- (c) Figures for the years 1955, 1958 and 1957 have been obtained by interpolation. The figure for 1959 has been obtained by extending the series for previous years.
- (d) Values for the years 1960 through to 1980 are from Robert Millar of the Institute of Economic Affairs writing in February 1982. That data is quoted at 1979 prices.
- (e) Data for the years from 1980-1984 are from Transport Statistics Great Britain.
- (f) Data for 1985 to 2000 are from the DfT Transport Statistics Bulletin and include Freight Grants except that the Public Service Obligation Grant for the years 1979 to 1994. The latter are from a letter from Dr Pritchard of the Department of Transport writing to Gabriel Roth on 5th January 1995. Clearly the PSO should be added.
- (g) The 2004 prices are the outturn values multiplied by the RTPI index. That produced slightly different numbers from the GDP deflator.