



# Railways: Government support and public expenditure

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Author: Matthew Keep

Section Social and General Statistics

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Since the mid 2000s annual Government support to the rail industry has been significantly larger than in the 1980s and 1990s. A peak was reached in 2006/07, when real terms support of £7.3 billion was provided. Support in 2012/13 is around 30% lower than this peak, at £5.1 billion.

Since its recent peak in 2006/07, real terms public expenditure on railways has declined, and in 2012/13 totalled £6.8 billion. This expenditure includes Government support.

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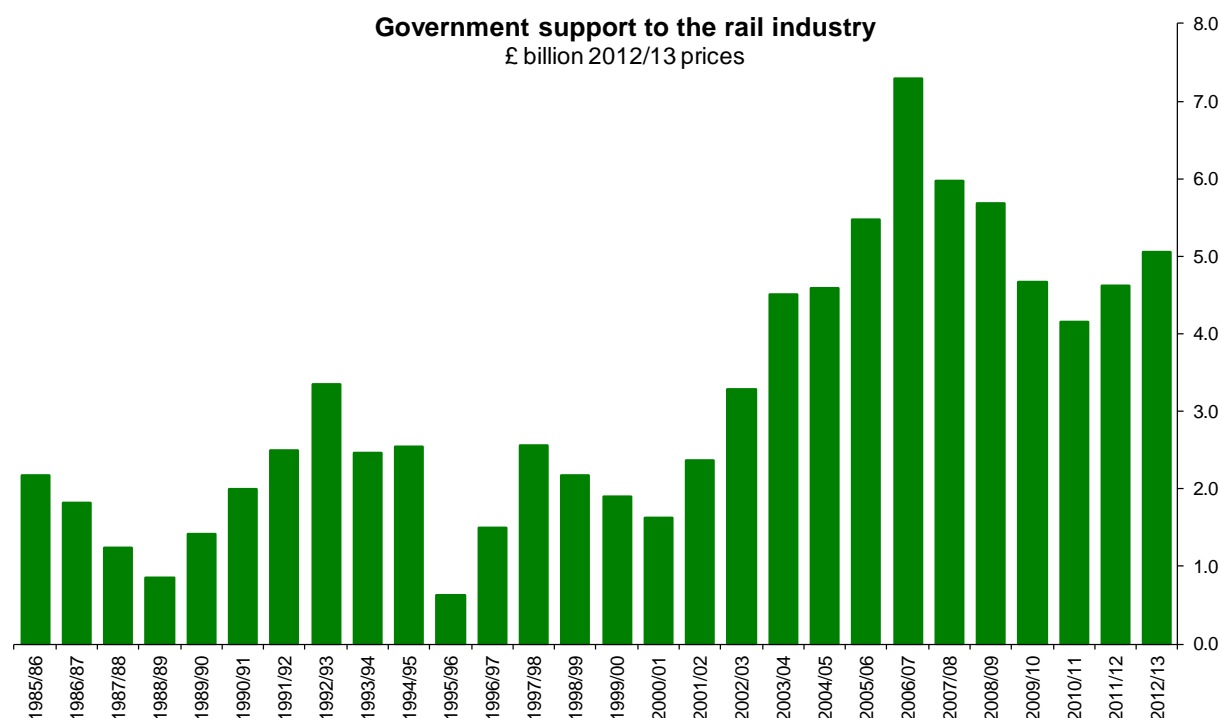
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## 1 Government support

Since the mid 2000s annual Government support to the rail industry has been significantly larger than in the 1980s and 1990s. A peak was reached in 2006/07, when real terms<sup>1</sup> support of £7.3 billion was provided. Support in 2012/13 is around 30% lower than this peak, at £5.1 billion.

Government support takes a number of forms and has changed substantially since the restructuring of the industry in the mid-1990s. Table 1 and the following chart detail net government support to the rail industry since 1985/86.



Prior to 1994/95, Government support to the rail industry comprised of grants to British Rail (BR) and the Passenger Transport Executives (PTEs), and borrowing by BR from the National Loans Fund. The peak in 1992/93 relates to the high level of investment on Channel Tunnel related assets in that year.

The restructuring of BR in April 1994 led to changes in the basis of Government funding. Grant levels were set to allow the newly formed rail companies to earn commercial returns. Support for passenger services was channelled through the Office of Passenger Rail Franchising (OPRAF) and the PTEs, who were funded by the Revenue Support Grant and an additional Metropolitan Rail Grant. Any cash surpluses that were earned were returned to the Exchequer and used to reduce the net level of support to the industry while the rail companies were still in the public sector. In addition, in 1995/96 and 1996/97 the net funding requirement for the industry was further reduced by the proceeds from the sales of the rolling stock leasing companies and BR non-passenger businesses.

Government support to the rail industry since 1997/98 has chiefly consisted of OPRAF (then Strategic Rail Authority and now Department for Transport) support grants, PTE Special grants and a grant to BR to finance its residual activities. Total support increased in the

<sup>1</sup> 2012/13 prices

period immediately before privatisation, before falling back in the period afterwards. This relatively low level continued until 2000/01, after which there was a rapid increase in support which reached £7.3 billion in 2006/07, considerably higher in real terms than in any of the previous 20 years. The main reason for the fall in support since privatisation was the reduced level of OPRAF/SRA grants which fell from £2.6 billion in 1996/97 to £0.9 billion in 2001/02.<sup>2</sup> Subsequent increases in these grants and, more importantly, large amounts of direct support to Railtrack/Network Rail are the reasons for the rapid increase in support to the 2006/07 peak.

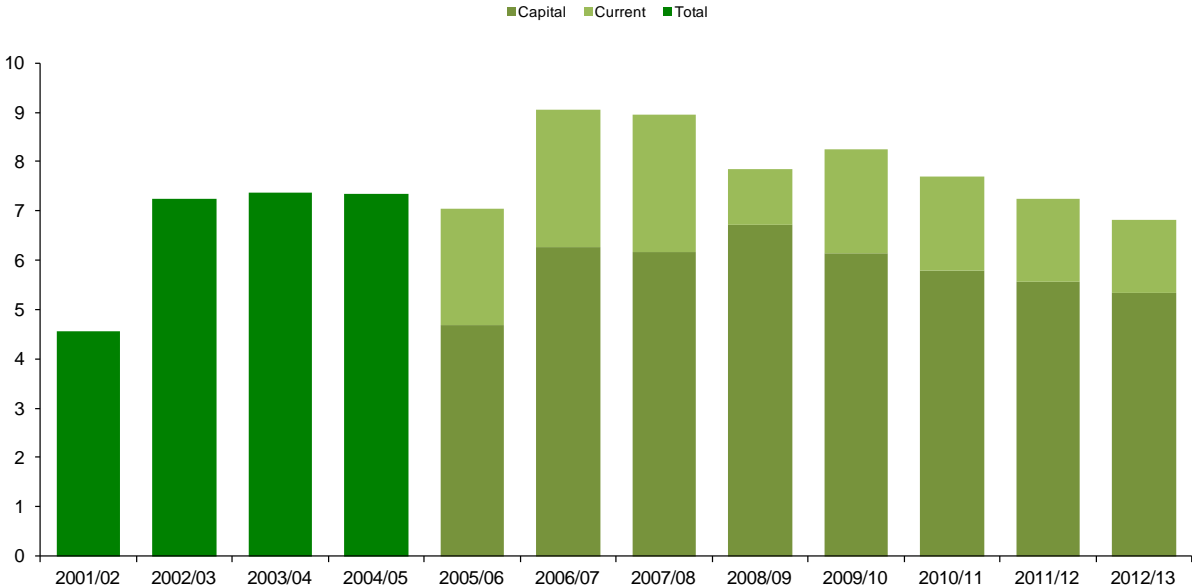
Despite increases in the last two years, support in 2012/13 is close to a third lower, in real terms, than in 2006/07.

## 2 Public Expenditure

Since its recent peak in 2006/07, real terms public expenditure on railways has declined, and in 2012/13 totalled £6.8 billion. These figures include Government support, discussed above.

Table 2 and the chart below show public expenditure on the railways in the UK. Figures include current and capital expenditure by: central government; local government; and, other public corporations.

**Public expenditure on railways, United Kingdom, 2001/02- 2012/13**  
 £ billion 2012/13 prices



Note: Figures for 2001/02 to 2004/05 are taken from separate editions of Public Expenditure Statistical Analysis. Changes in methodology between editions means that these figures are not strictly comparable; additionally they are not strictly comparable with figures for 2005/06 to 2012/13. Figures for 2005/06 to 2012/13 are from one edition of PESA and are directly comparable.

<sup>2</sup> Both in 2012/13 prices

### 3 Reference tables

**Table 1. Government support to the rail industry: 1985/86 - 2012/13**

<i>£million</i>	Central government grants	PTE grants	Direct rail support <sup>(a)</sup>	Other elements of government support	Total government support
<i>Cash</i>					
1985/86	849	78	-	61	988
1986/87	755	70	-	22	847
1987/88	796	68	-	-251	613
1988/89	551	70	-	-175	446
1989/90	479	84	-	232	795
1990/91	637	115	-	440	1,192
1991/92	902	120	-	562	1,584
1992/93	1,194	107	-	870	2,171
1993/94	926	166	-	535	1,627
1994/95	1,815	346	-	-464	1,697
1995/96	1,712	362	-	-1,643	431
1996/97	1,809	291	-	-1,044	1,056
1997/98	1,429	375	-	25	1,829
1998/99	1,196	337	-	53	1,586
1999/00	1,031	312	-	75	1,418
2000/01	847	283	-	84	1,214
2001/02	731	306	684	105	1,826
2002/03	935	304	1,166	183	2,588
2003/04	1,359	414	1,670	179	3,622
2004/05	878	389	2,370	154	3,791
2005/06	879	332	3,367	24	4,602
2006/07	1,456	313	4,463	76	6,308
2007/08	1,123	310	3,673	187	5,293
2008/09	237	317	4,266	356	5,176
2009/10	450	316	3,564	38	4,368
2010/11	-51	207	3,492	345	3,993
2011/12	-131	214	3,745	708	4,536
2012/13	-420	164	3,780	1,536	5,060
<i>Real terms (2012/13 prices)<sup>(b)</sup></i>					
1985/86	1,874	172	-	135	2,181
1986/87	1,621	150	-	47	1,819
1987/88	1,621	138	-	-511	1,248
1988/89	1,054	134	-	-335	853
1989/90	858	150	-	416	1,424
1990/91	1,065	192	-	736	1,994
1991/92	1,421	189	-	886	2,496
1992/93	1,845	165	-	1,345	3,355
1993/94	1,404	252	-	811	2,467
1994/95	2,718	518	-	-695	2,542
1995/96	2,501	529	-	-2,401	630
1996/97	2,572	414	-	-1,484	1,501
1997/98	1,996	524	-	35	2,554
1998/99	1,639	462	-	73	2,173
1999/00	1,385	419	-	101	1,906
2000/01	1,130	378	-	112	1,620
2001/02	950	397	889	136	2,372
2002/03	1,187	386	1,480	232	3,285
2003/04	1,692	516	2,080	223	4,511
2004/05	1,064	471	2,872	187	4,594
2005/06	1,046	395	4,007	29	5,477
2006/07	1,685	362	5,163	88	7,298
2007/08	1,267	350	4,145	211	5,973
2008/09	260	348	4,682	391	5,681
2009/10	481	338	3,807	41	4,666
2010/11	-53	215	3,635	359	4,157
2011/12	-133	218	3,811	721	4,616
2012/13	-420	164	3,780	1,536	5,060

(a) In 2001/02 comprised £499 million of netw ork grant paid to Railtrack and £185 million Channel Tunnel Rail Link (CTRL) capital grant. In 2002/03 comprised £792 million of netw ork grants paid to Railtrack/Netw ork Rail and £374 million CTRL capital grant. In 2003/04 comprised £1,448 million of netw ork grants paid to Netw ork Rail and £222 million capital grant to LCR for the CTRL. In 2004/05 £2,058million netw ork grants to Netw ork Rail and £312 million capital grant to LCR. In 2005/06 £1,984 million netw ork grant to Netw ork Rail and £1,382 million capital grant to LCR. In 2005/06 £3,398 netw ork grant to Netw ork Rail and £1,066 capital grant to LCR

(b) Adjusted using December 2013 GDP deflators

Source: Office of Rail Regulation, Data portal.

**Table 2. Public Expenditure<sup>(a)</sup> on Railways, UK, 2001/02 - 2012/13**

£million	Capital	Current	Total
<i>Cash prices</i>			
2001/02 <sup>(b)</sup>	...	...	3,518
2002/03 <sup>(b)</sup>	...	...	5,714
2003/04 <sup>(b)</sup>	...	...	5,916
2004/05 <sup>(b)</sup>	3,897	2,158	6,055
2005/06	3,937	1,984	5,921
2006/07	5,413	2,413	7,826
2007/08	5,460	2,484	7,943
2008/09	6,126	1,026	7,152
2009/10	5,744	1,983	7,728
2010/11	5,569	1,829	7,399
2011/12	5,479	1,653	7,132
2012/13	5,343	1,467	6,810
<i>Real terms (2012/13 prices)<sup>(c)</sup></i>			
2001/02 <sup>(b)</sup>	...	...	4,570
2002/03 <sup>(b)</sup>	...	...	7,254
2003/04 <sup>(b)</sup>	...	...	7,368
2004/05 <sup>(b)</sup>	4,723	2,615	7,338
2005/06	4,686	2,362	7,048
2006/07	6,263	2,792	9,054
2007/08	6,161	2,803	8,964
2008/09	6,723	1,127	7,850
2009/10	6,136	2,119	8,255
2010/11	5,798	1,904	7,702
2011/12	5,576	1,682	7,258
2012/13	5,343	1,467	6,810

**Notes:**

... Figures not available

(a) Expenditure by: central government; local government; and, public corporations.

(b) Data for years prior to 2005/06 are taken from individual editions of Public Expenditure Statistical Analyses. As methodology for counting and allocating expenditure changes from one edition to the next these figures may not be strictly comparable with one another, and with those figures shown for 2005/06 onwards.

(c) Adjusted using December 2013 GDP deflators

**Sources:**

Department for Transport. Transport Statistics Great Britain, Table TSGB1303

HM Treasury *PESA 2010*, and earlier editions, chapter 5