

Annex 1 Subsidy to rail and profits from roads.

Subsidy to Rail

1. Table 1 provides National Rail's annual operating subsidy back to 1954. The annual 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 1986-03 is from Table 2 of annex B of the DfT's Bulletin of Public Transport Statistics 2004. Discussions with 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 the loans or capital can ever be recouped from the fare box. Instead the amounts should be added to subsidy as though were current expenditure. There appear to be at least three approaches to estimating the values, namely:
 - (a) 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/borrowing plus the operating subsidy for the decade has the range £4.5bn to £5.5 bn annually for the decade.
 - (b) 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. 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 for the decade. Adding operating subsidy of £2.5 bn provides £4.7 bn, which is broadly consistent with the (a) above.
 - (c) The written statement to Parliament by the Transport Secretary, Alistair Darling, with the title "Spending on Rail", dated February 2005 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. Probably the annual loan of £2.2 billion from (2) above should be added to those numbers providing £6.8 bn in 2007/08.
2. Against that background it is fair to say that subsidy to national rail may amount to 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 £38 for a £100 mile return trip.

Profits from roads

3. Table 7.15 of the TSGB 2004 editions provides Fuel Tax (excluding VAT) plus Vehicle Excise Duty in 2002/03 of £26.517 bn. 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 £7 billion yields £28 bn. Possibly tax on motor insurance should be added but we have no figure for that.
4. 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). Hence 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

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

Table 1 Subsidies to National Rail

Year	RPI	Out turn Prices £M	Public Service Obligation Grant	June 2004 Prices £M
1954	10.42	25		448
1955	11.00	52		883
1956	11.51	80		1298
1957	11.89	107		1680
1958	12.40	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	89.20	1013	1066	4351
1985	95.00	995	820	3567
1986	98.00	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	171.0	1250		1365
2001	173.0	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, 1956 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 ratio of the 2004 RPI (186.7) to the index for the year. That produced slightly different numbers from the GDP deflator.