

Facts sheet 4 – Subsidy to Rail and profits from roads

Updated April 2009

The operating subsidy for the railways averages £2.5 billion per year for the period back to 1954. Since there is and always has been operating subsidy it is unreasonable to expect loans or capital expenditure to be repaid from the fare box. Instead the capital and loans should be added to subsidy as though both were current expenditure.

In the 20 years to 2015 subsidy to rail, including capital expenditure and loans guaranteed by the Government, is likely to amount to £100 billion.. Our sources for that are National Rail Trends, the White paper with the title 'Delivering a Sustainable Railway', July 2007, the proposed expenditure on Scottish railways (excluded from white paper), and Network Rail's annual reports.

The 100 billion subsidy amounts to £5 billion per year. Dividing the £5 billion by the nation's 25 million households or by the 32,000 km (20,000 miles) of track or by the circa 43 billion passenger-km or by the 62.5 billion passenger plus tonne-km yields:-

- (a) £200 per year for every household in the land (at a time when half of us use the train less than once a year)
- (b) £156,000 per year per track-km (£250,000 track-mile).
- (c) 12 pence per passenger-km (19 per passenger-mile) if freight is ignored
- (d) 8 pence per item-km if freight and passengers are added together.

In contrast to the bottomless pit that the railways are the Treasury takes close to £50 billion annually from motorists. That is made up of, fuel Excise duty, VAT on fuel, Road Tax, VAT on new cars, company car tax and Insurance Premium tax. £50 billion is equivalent to £2,000 per household. Deducting annual expenditure of circa £9 billion yields a net tax take of £41 bn, corresponding to a net annual take of £1,600 per household.

If the £41 billion is apportioned according to the 32% of all vehicle-miles driven on the strategic road network then that network contributed £13.1 billion to the exchequer. Dividing the £13.1 billion by the 25 million households or the lane lengths (50,000 -55,000 km) or by the flows [218 bn passenger-km or and 320 bn (passenger plus tonne)- km] yields:-

- (a) Net tax take per household £525
- (b) Tax take or profit per lane-km, £240,000.
- (c) Profit per passenger-km, 6 pence.
- (d) Profit per item-km if passengers and tonnes are combined, 4 pence.

The bar chart below enables the astonishing losses from rail set out above to be compared with the corresponding profits to the exchequer that may be attributed to the strategic road system.

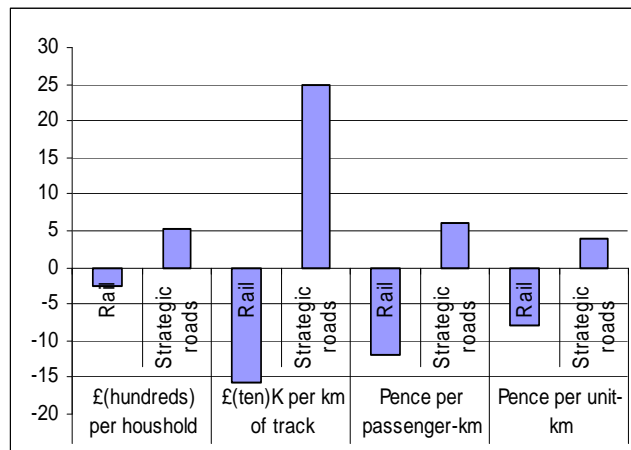


Figure 1 Profits from roads losses from rail