

Passenger rail:  
Dataset on financial performance,  
passenger benefits, and value of  
franchising model  
1997/98 – 2011/12

# Key data considerations

- In January, ATOC commissioned KPMG to collate the publicly-available industry data on passenger rail operations and analyse the key aspects of performance in the period since the introduction of franchising.
- This dataset has since then been presented by ATOC to a broad range of experts and academics to verify its content and their feedback has been taken into account. ATOC published its report “**Growth and prosperity: how franchising helped transform the railway into a British success story**” in July 2013, which is based upon this dataset and should be read alongside it.
- Retrospective annualised data is provided back to at least 1997/98 (the first full year of privatised rail operations), or as otherwise stated. Each graph and table is clearly labelled with its source.
- All prices are 2012 prices, or as otherwise stated.

# Financial performance – train companies

Since 1997-98, surplus generated from train operations has risen from £0.6bn to £2.0bn

## Aggregate TOC-controlled costs and revenue - 2012 prices

| £bn real                                     | 1997-98      | 2011-12      | Change       |
|--|--------------|--------------|--------------|
| Passenger revenue                            | 4.0          | 7.2          | +3.2         |
| Other TOC revenue                            | 0.6          | 0.7          | +0.1         |
| <b>Total TOC revenue</b>                     | <b>4.6</b>   | <b>7.9</b>   | <b>+3.3</b>  |
| Staff costs <sup>1</sup>                     | (1.3)        | (2.2)        | (0.9)        |
| ROSCOS                                       | (1.2)        | (1.5)        | (0.3)        |
| <b>Other operating costs<sup>2</sup></b>     | <b>(1.5)</b> | <b>(2.2)</b> | <b>(0.7)</b> |
| <b>Total TOC-owned costs</b>                 | <b>(4.0)</b> | <b>(5.9)</b> | <b>(1.9)</b> |
| <b>Surplus generated by train operations</b> | <b>0.6</b>   | <b>2.0</b>   | <b>+1.4</b>  |

- These figures are before access charges are taken into account. The access charge framework put in place by Government ensures that any changes are revenue neutral to train companies – i.e. any benefits due to a charge reduction are returned, pound-for-pound, to Government. This is part of contractual arrangements set out in each franchise agreement.

<sup>1</sup> Since 1997-98, the aggregate number of staff employed by train operating companies has increased by 26% from 39,721 to 50,136

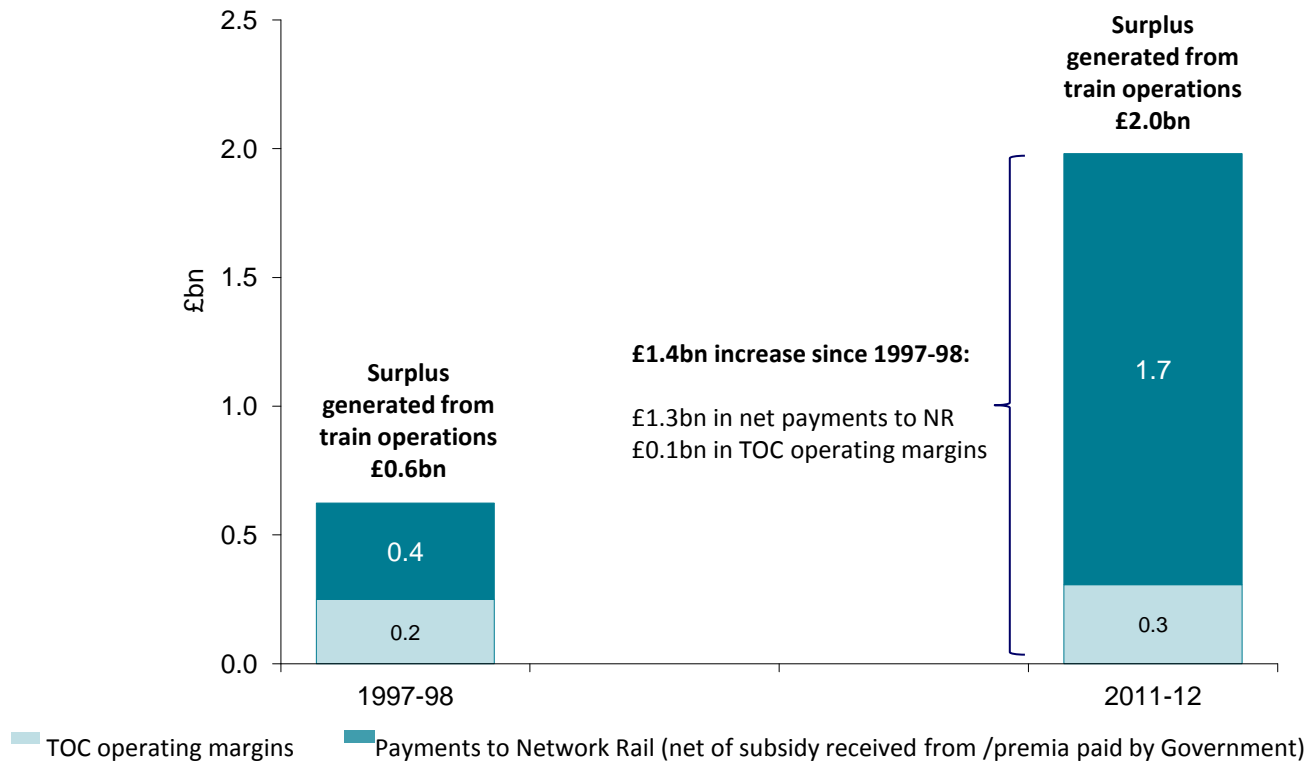
<sup>2</sup> These include fuel, train maintenance, HQ costs among others

Surplus generated by train operations comprises revenues generated by the train operators less those cost lines they can control (staff, rolling stock and other operating costs). It has been calculated to show the surplus generated by the TOCs before payments are made either towards the network's infrastructure costs, their own shareholders or to/from Government. Slide 4 on the next page splits the "surplus generated by train operations" between the operating margins of TOCs and the payments either to Network Rail or Government. The analysis covers all TOCs and concessions, including those managed by DfT, Merseytravel, Scottish Ministers, the Mayor of London and the Welsh Government.

Source: ATOC analysis of TOC accounts, ORR and GB Rail Financial Information 2011-12

Since 1997-98, 96% of the £3.2bn increase in passenger revenue has resulted from passenger growth (and 4% from changes in fares)

# Financial performance – train operations

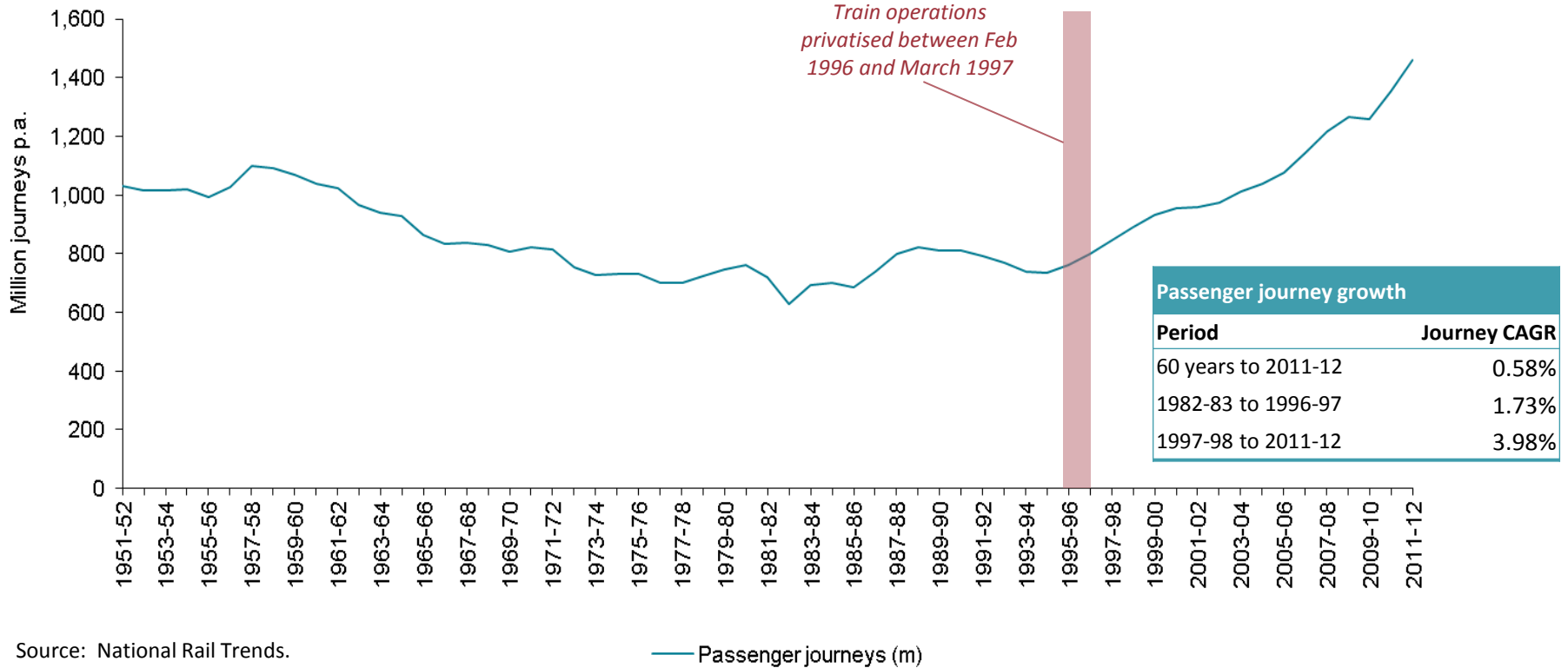


Source: ATOC analysis of TOC accounts, ORR and GB Rail Financial Information 2011-12

**The vast majority of the £1.4bn increase in surplus from operations has gone to Government, which has chosen to re-invest into the industry via Network Rail**

# Journey growth

Rail journeys (y/e 31 March)



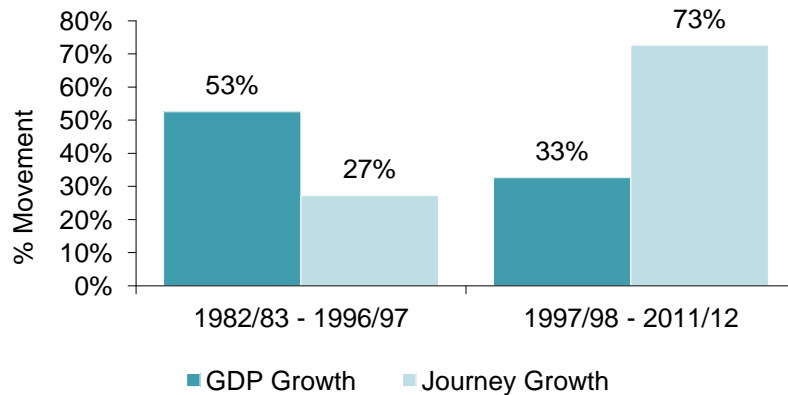
Source: National Rail Trends.

Since 1997-98, annual growth in journeys has grown on average by c4%, compared to c2% in the 15 years beforehand

# External demand drivers

The growth in journeys has out-performed key external demand drivers.

Rail journey and GDP growth



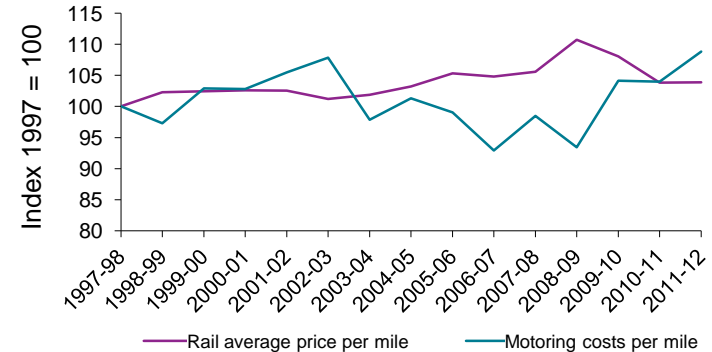
Source: National Rail Trends; ONS - GDP, Q4 2012 Dataset

Rail journeys per head of population

| Year    | Annual journeys per capita |
|---------|----------------------------|
| 1982-83 | 11.5                       |
| 1997-98 | 14.9                       |
| 2010-11 | 22.4                       |

Source: National Rail Trends; ONS Mid-year population estimates

Rail prices and motoring costs



Source: National Rail Trends; AA motoring annual motoring cost reports (data represents a car of 1,101-1,401cc price of £10k-£17k).

Rail market share

| Year    | Rail Journeys (billion passenger miles) | Market share |
|---------|---|--------------|
| 1982-83 | 18                                      | 5.8%         |
| 1997-98 | 21.5                                    | 4.7%         |
| 2010-11 | 33.8                                    | 6.9%         |

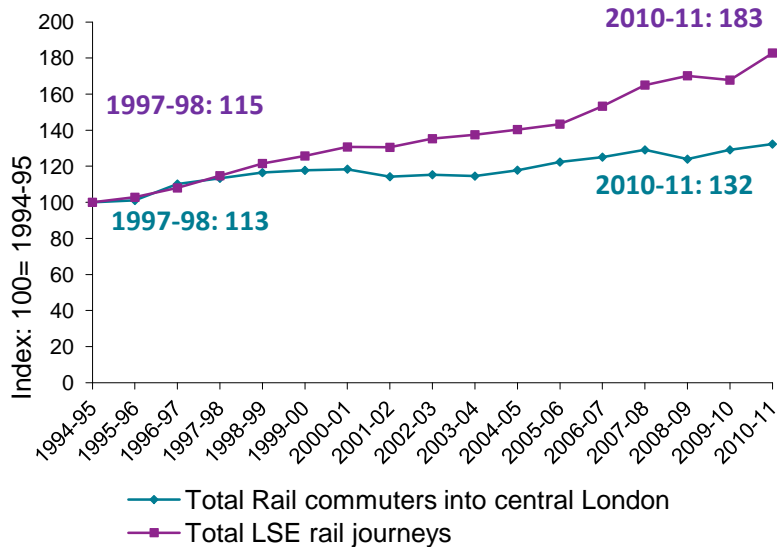
Source: ATOC analysis, based on TSGB, NRT and BR Annual Reports

Since privatisation journey growth has been more than double GDP growth and rail use per head of population has increased by 50%. At the same time, trends in rail fares and mileage-related motoring costs have been broadly comparable.

# Growth and London South East

Rail usage in London and the South East has increased at a quicker rate than both the general growth in commuter numbers in the peaks and the rate of journey growth achieved by London Underground.

Growth in rail journeys versus growth in commuter numbers



Rail compared to London Underground

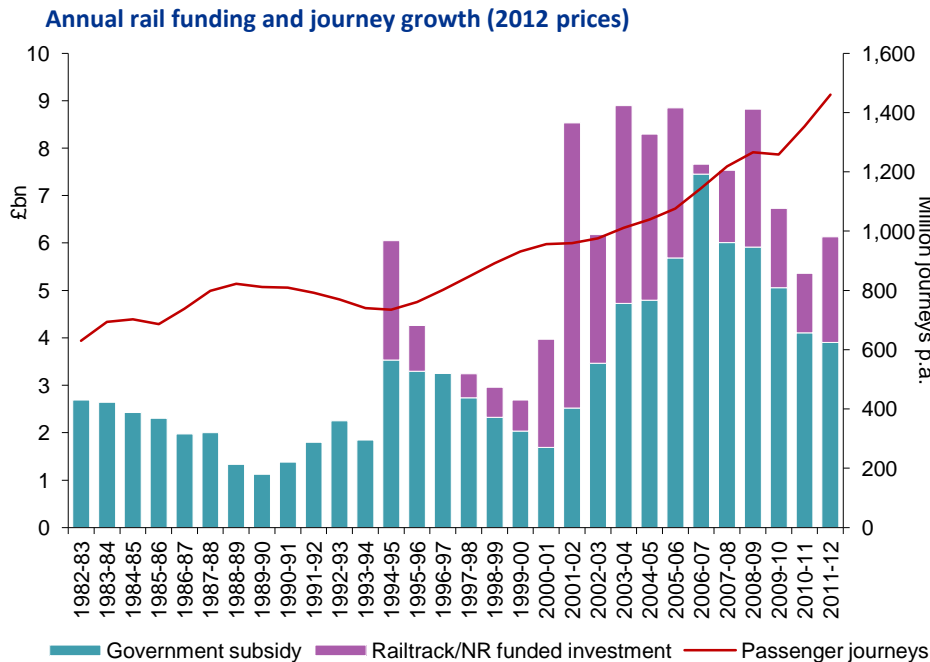
| Journey growth             |                |
|----------------------------|----------------|
| 1997-98 to 2011-12         | Journey growth |
| London Underground         | 41%            |
| London and South East rail | 73%*           |

\* LSE figure is 72.5%, as distinct from 72.6% for overall national rail.  
Source: National Rail Trends; LUL Statutory Accounts

Source: TfL, Travel in London Report 5 – Central London Peak Count (CAPC) Supplementary Report, Supporting Workbook

# Government investment

Increased Government support for the industry has helped fund infrastructure investment. This has contributed to the TOC growth story but does not fully explain it.



- The past decade has seen a major increase in the rate of spending on rail. This has come from both Government subsidy and grant and Network Rail funded investment from borrowing against the RAB. This has been used to support Network Rail’s major investment programme either through Network Grant or access charges.
- However, it is noticeable that the increase in investment and the growth in passenger journeys is not closely correlated:
  - The upturn in journey growth began between 1997-2001 in a period where investment in rail infrastructure actually declined; and
  - Most of the investment has been to address the maintenance backlog on the “steady state” Network inherited by Network Rail rather than on enhancements (see slide 10).

Source: National Rail Trends; Network Rail / Railtrack Plc Accounts., Terry Gourvish *British Rail 1974-1997* (data series compiled from BRB annual reports).

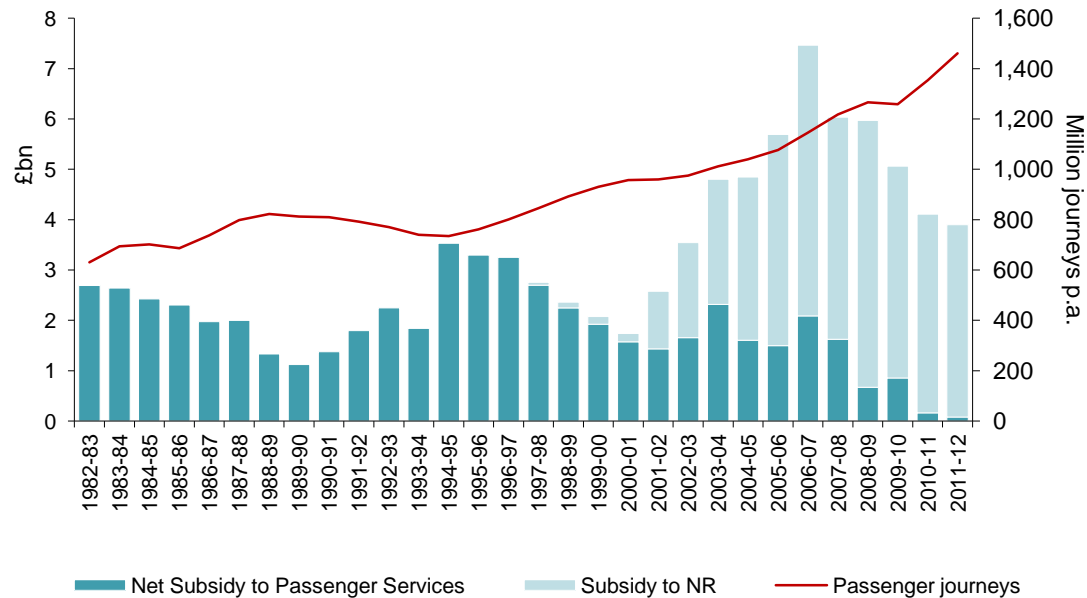
Government receipts from Railtrack / ROSCO sales have been excluded from figures.

Note: Government subsidy is the sum of the net subsidy to Passenger Services and the subsidy to Network Rail.



# Government support

Annual rail subsidy and journey growth (2012 prices)



Source: National Rail Trends; Network Rail / Railtrack Plc Accounts., Gourvish *British Rail 1974-1997* (data series compiled from BRB annual reports).

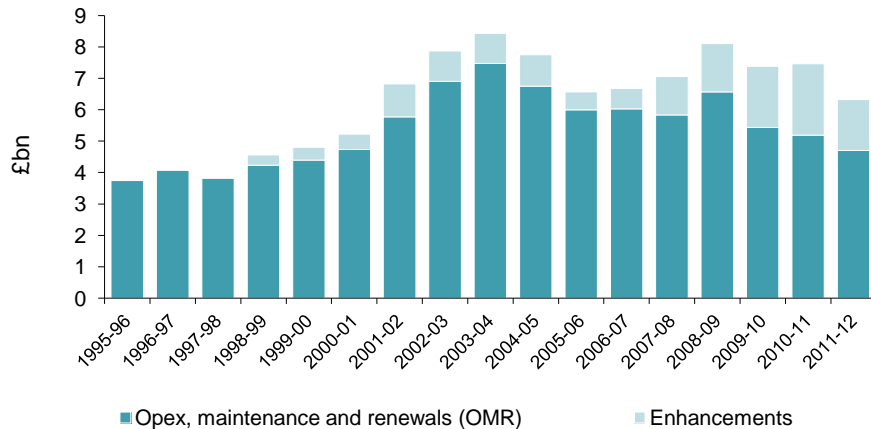
Government receipts from Railtrack / ROSCO sales have been excluded from figures.

**While overall Government support has gone up since privatisation, direct payments from Government to TOCs have declined from £1.4bn to £81m in a decade. Passenger growth has meant Government has had more money to spend on infrastructure investment.**

# Network expenditure

The majority of the increase in Network Rail's expenditure has been on OMR in order to clear the maintenance backlog inherited from British Rail and Railtrack.

Analysis of Network Rail/ Railtrack expenditure, 2012 prices



Railtrack / NR Expenditure since 1997-98

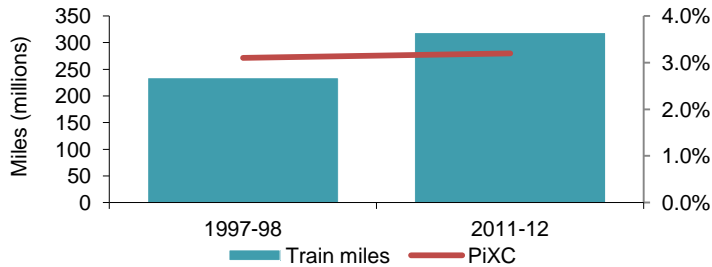
|                                 | 2011-12 prices | %   | £bn |
|---------------------------------|----------------|-----|-----|
| OMR on the steady state network | 83.8           | 85% |     |
| Enhancements                    | 15.0           | 15% |     |

Source: ATOC Rail Industry financial trends since privatisation, Gourvish *British Rail 1974-1997* (data series compiled from BRB annual reports)

Since privatisation, only 15% of expenditure on UK rail infrastructure has been on enhancements. Most of these enhancements (57% = £8.6bn) have occurred since 2007-08 so the benefits are only now being felt.

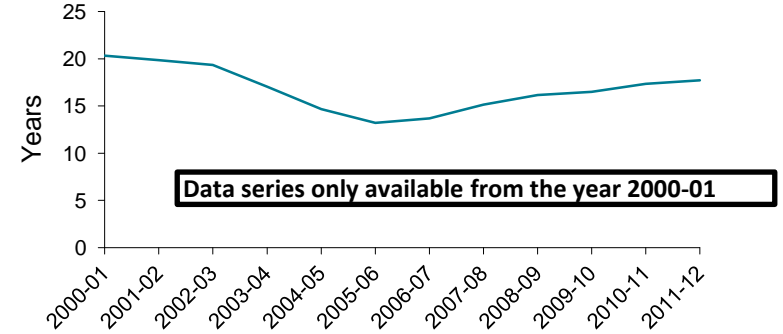
# Passenger services - capacity

Train miles up 36% since privatisation, PiXC maintained at 1997-98 levels



Source: National Rail Trends, Department for Transport statistics

Average rolling stock age



Source: National Rail Trends; ATOC analysis

| Inter-city frequencies              | Trains per day       |      | Off-peak hour frequency |      |
|-------------------------------------|----------------------|------|-------------------------|------|
|                                     | 1994                 | 2013 | 1994                    | 2013 |
|                                     | Manchester to London | 17   | 47                      | 1    |
| Leeds to Edinburgh                  | 2                    | 15   | 0                       | 1    |
| London to Norwich                   | 19                   | 37   | 1                       | 2    |
| Leeds to London                     | 17                   | 32   | 1                       | 2    |
| Birmingham New St. to London        | 31                   | 49   | 2                       | 3    |
| London to Sheffield                 | 15                   | 30   | 1                       | 2    |
| Bristol to London                   | 23                   | 33   | 1                       | 2    |
| Glasgow Queen Street to Edinburgh   | 37                   | 61   | 2                       | 4    |
| Leeds to Huddersfield to Manchester | 48                   | 63   | 3                       | 4    |
| Cardiff to London                   | 22                   | 31   | 1                       | 2    |

| Change in total fleet size      |         |         |        |
|---------------------------------|---------|---------|--------|
|                                 | 1996-97 | 2012-13 | Growth |
| Total vehicles in passenger use | 10,400  | 12,351  | 19%    |

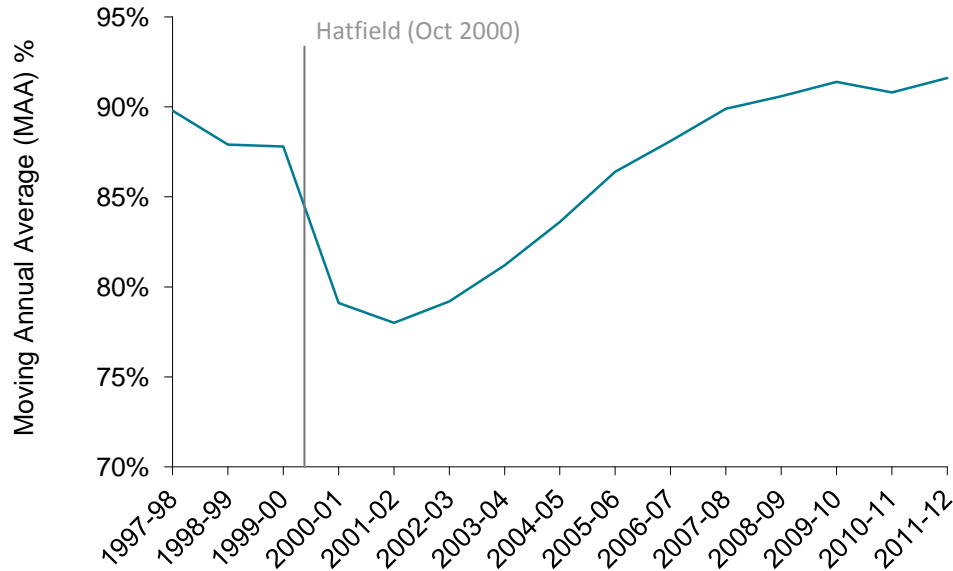
Source: OPRAF Passenger Rail Industry Overview; NR/ ROSCO/ ATOC Long Term Passenger Rolling Stock Strategy for the Rail Industry

Source: ATOC analysis

**TOCs are using the network more intensely, providing higher train frequencies with a growing fleet, but containing crowding at around 1997/98 levels despite huge passenger growth**

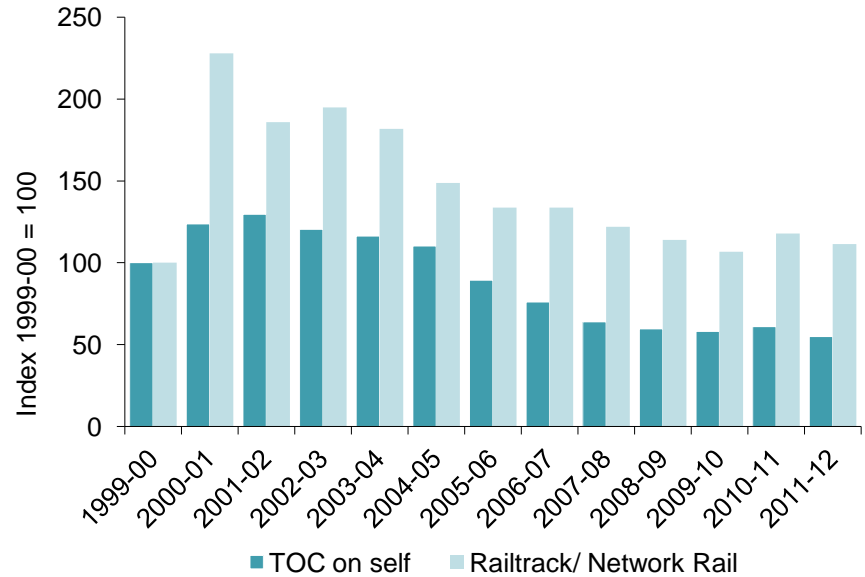
# Passenger services - performance

Public Performance Measure (PPM, y/e March)



Source: National Rail Trends (PPM was first published in June 2000, but was calculated back to 1997-98).

Delay minutes per 1,000 train miles

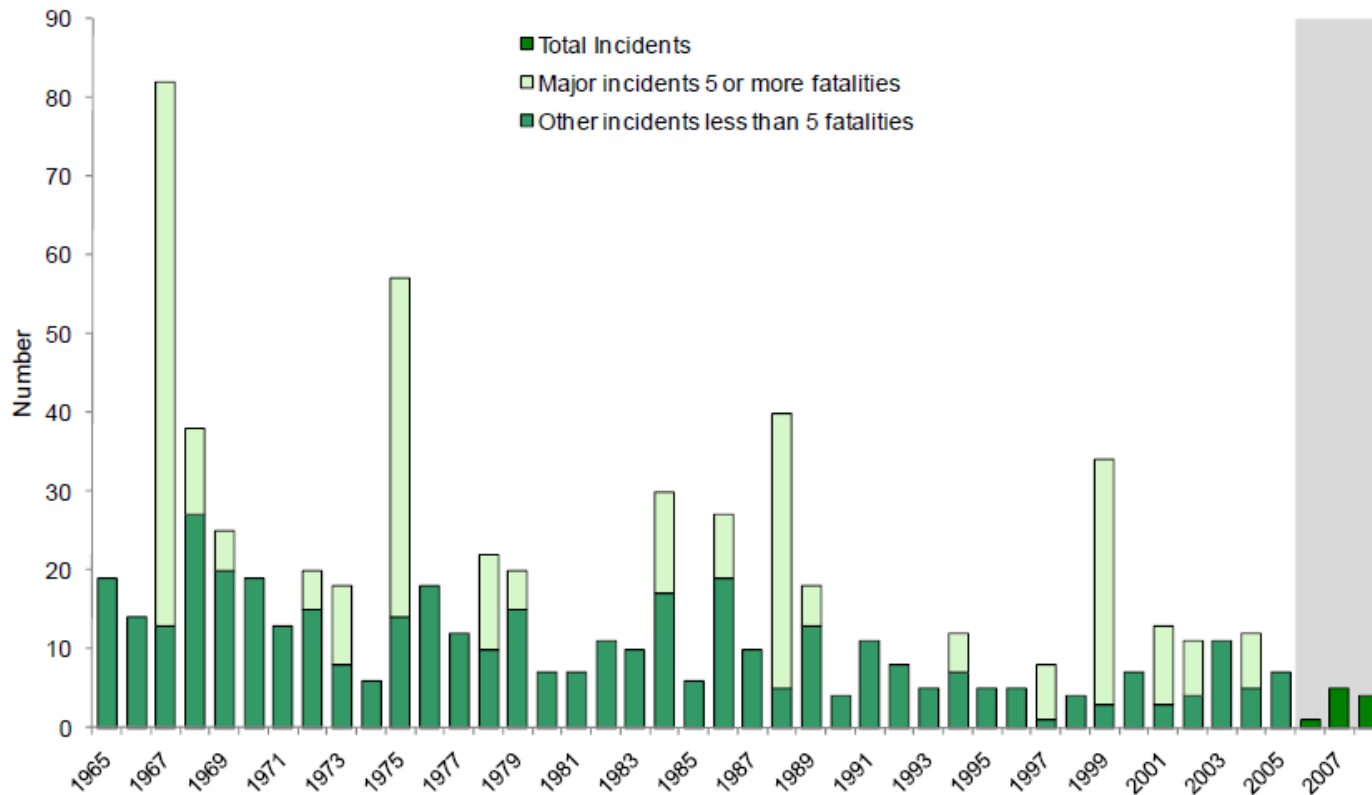


Source: ATOC analysis, earlier data could not be sourced

**In 2011/12, 91.6% of trains arrived as planned (short distance services within 5 minutes of scheduled arrival time; long distances within 10 minutes)**

# Safety

## Train incident fatalities in Great Britain, 1965-2008



The grey shaded area indicates a period where figures are collated on a different basis, i.e. not split out between '5 or more fatalities' and 'less than 5'

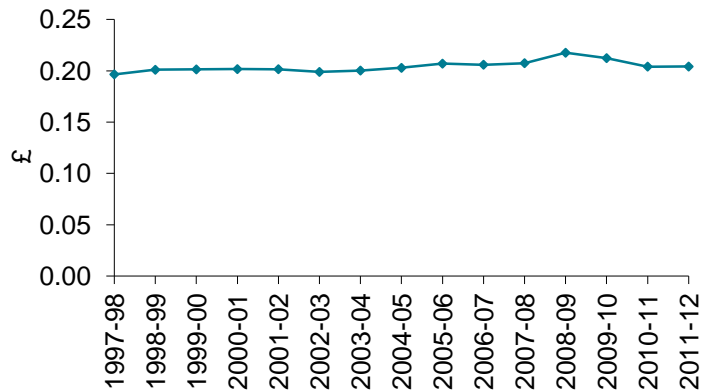
Source: Andrew Evans, Imperial College. The 1975 peak includes the Moorgate Underground station disaster.

Timeline provided from 1965 as consistent data is available to show the historic trend

**Safety has continued to improve, with frequency of passenger fatalities decreasing**

# Fares

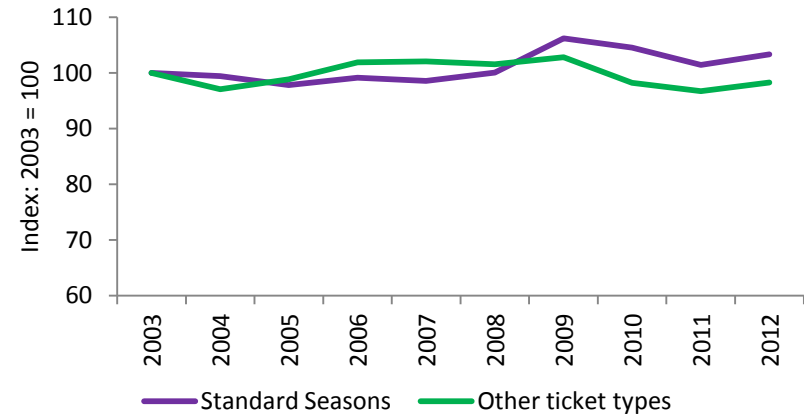
Average price paid per passenger mile (y/e March, 2012 prices)



Source: National Rail Trends

| Average price paid per passenger mile |                |                |
|---------------------------------------|----------------|----------------|
| 2012 prices                           | <b>1997-98</b> | <b>2011-12</b> |
| Pence per mile                        | 19.6p          | 20.4p          |

Price paid per passenger mile, Standard Season & other tickets (y/e Dec, 2012 prices)



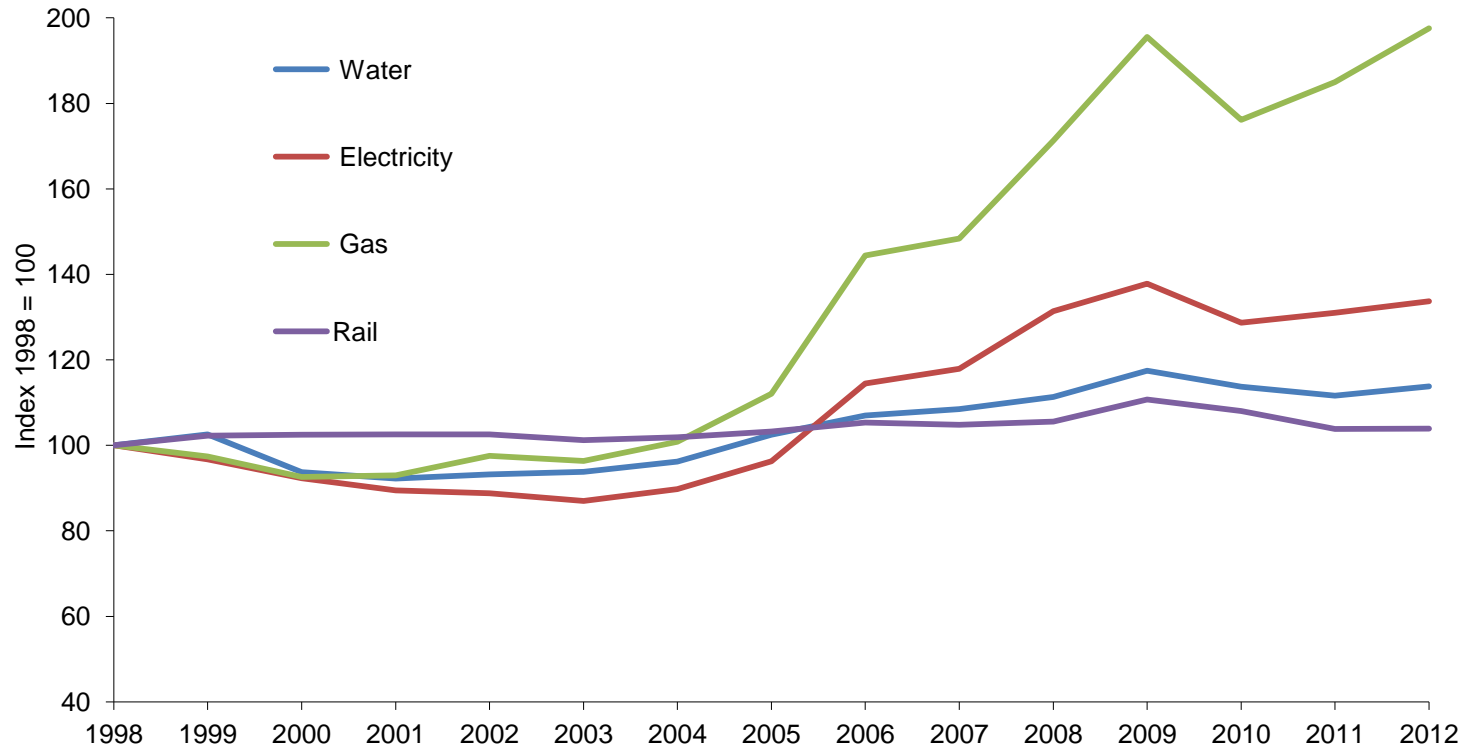
Source: Lennon (data only available from 2003)

| Growth analysis |                      |                      |                 |                 |                 |
|-----------------|----------------------|----------------------|-----------------|-----------------|-----------------|
|                 | Price 2003<br>£/mile | Price 2012<br>£/mile | Price<br>Growth | % miles<br>2003 | % miles<br>2012 |
| Std Season      | 18.0p                | 18.6p                | 3.3%            | 29.9%           | 27.3%           |
| Other types     | 22.2p                | 21.9p                | -1.7%           | 70.1%           | 72.7%           |

In real terms, the average price paid per passenger mile has been almost flat since 1997/98. The increase in price paid for Season Tickets (where most fares are linked to Government policy) is offset by lower price paid for other (mostly TOC-controlled) ticket types outside peak times

# Price comparisons

## Comparison of trends in rail fares and utility prices (2012 prices)

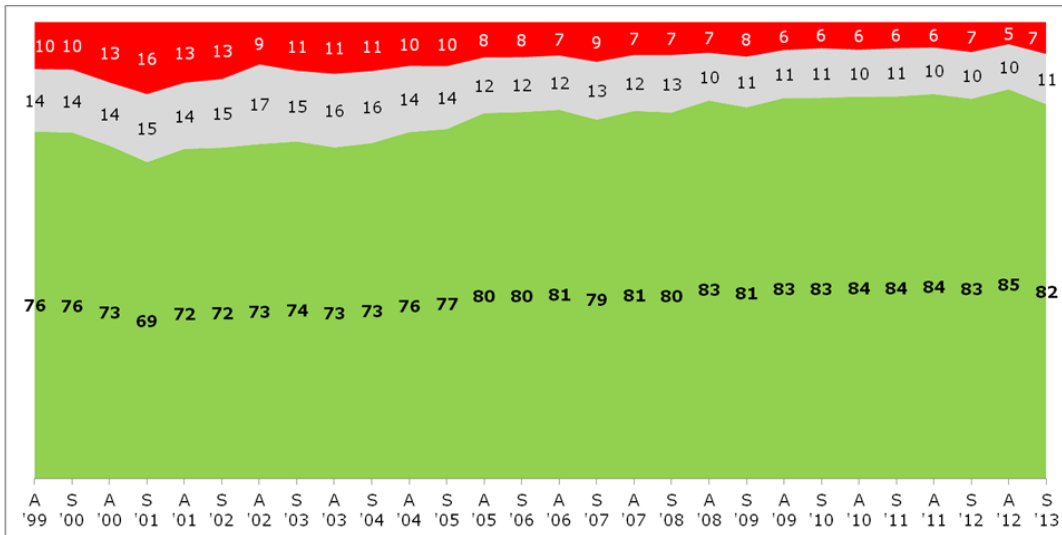


Source: Rail fares from National Rail Trends; Water, Electricity, and Gas from ONS, CPI and RPI Reference Tables

**Electricity and gas prices have increased by 34% and 98% respectively since 1998 in real terms. Average price paid per passenger mile only increased by 4% over the same period.**

# Passenger satisfaction

Trends in National Passenger Survey results



Customer satisfaction with ticket price value for money is greater outside the London commuter area where a smaller proportion of rail users are season ticket holders.

Spring 2013 NPS scores for Value for Money were 53% for Regional and 54% for Long Distance TOCs, compared to 38% for LSE operators.

| Annual-equivalent journeys rated 'satisfied' or 'good' |      |        |
|--|------|--------|
|  | 1999 | 2013   |
| Overall  | 708m | 1,232m |

Key: Passenger ratings per journey in %: Green - 'satisfied or good'; Grey - 'neither satisfied nor dissatisfied'; Red - 'dissatisfied or poor'

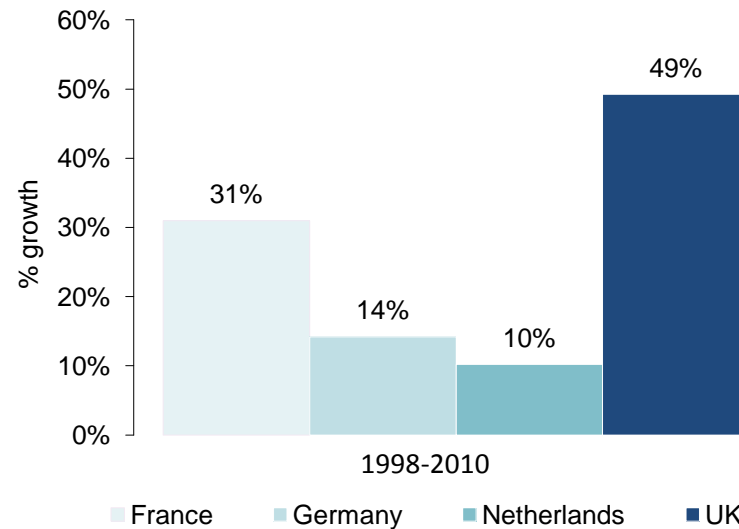
Source: Graph produced by ATOC based on National Passenger Survey (started in Autumn 1999).

**In 2013, over 500 million more journeys rated as 'satisfied' or 'good' were taken, compared to 1999 - on the same-sized network.**



# Europe comparison

Journey growth, UK and European networks



Source: UIC Railisa database

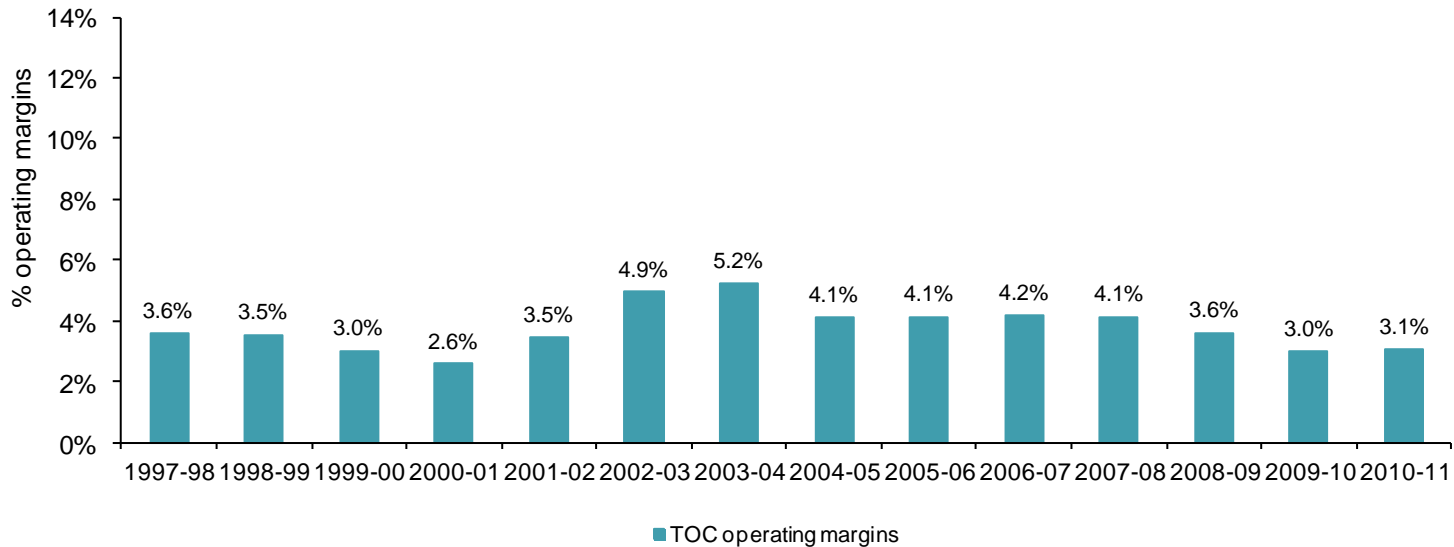
Note: The UK journey growth figure differs from that on slide 6 because this graph covers a shorter time period, with the UIC Railisa data only being available until 2010

**Since 1997/98, UK passenger growth has outstripped state-operated European comparators. GB Train companies are among the most efficient in Europe.**

**The 2011 Eurobarometer survey also shows the UK in the top quartile of European peers for satisfaction with punctuality/reliability, journey times, frequencies, connections and information provision.**

# Operating margins

## Average TOC operating margins



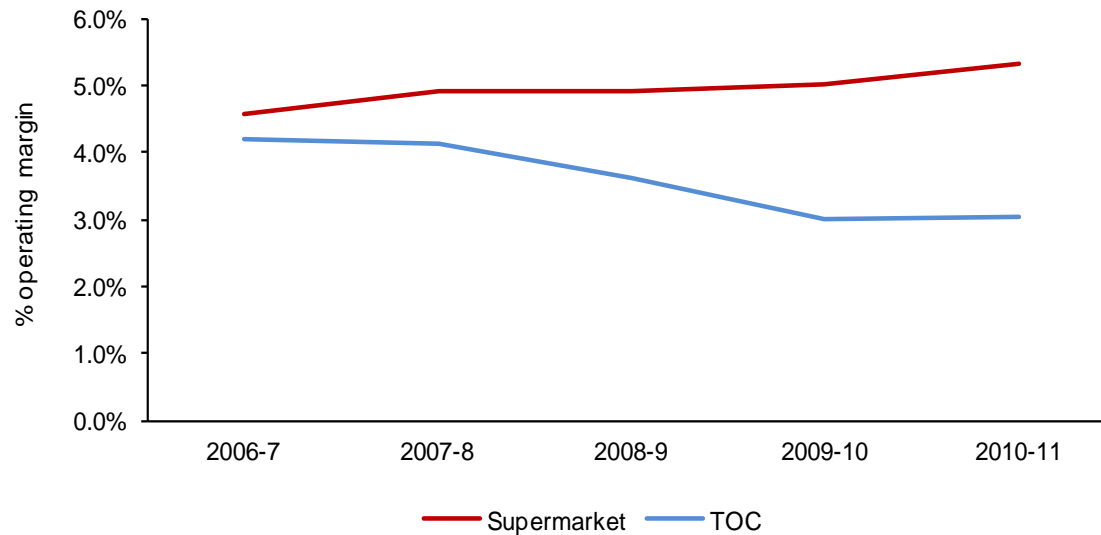
Note: Margins quoted are per TOC accounts. Where necessary reported results are pro-rata to meet a 31 March y/e.

Source: Analysis of TOC accounts.

**Operating margins have decreased by 15% since 1997-98. The combination of competitive bidding and the prolonged impact of the recession meant that in 2011 margins, were lower than in 1998.**

# Operating margins

Snapshot comparison of operating margins of TOCs and major supermarket groups



Note: Supermarket figures are an average for Tesco PLC, J, Sainsbury PLC and WM Morrison Supermarkets PLC

Source: Statutory accounts

**Average TOC operating margins are below those of the major supermarkets. In 2011, average TOC operating margins were 3.1% versus 5.3% for supermarkets**