The facts about rail fares

**Rail’s contribution to our economy:**
- 212,000 rail industry & supply chain jobs
- £9.3bn gross value added per year
- £3.9bn returned in a tax year

**Keeping Britain’s trains running is a big job:**
- 13,000 trains
- 20,000 miles of track
- 40,000 bridges & tunnels
- 2,500 stations
- 1.69bn passenger journeys

**How Britain’s railway is funded:**
- Britain’s railway is funded by a mix of taxpayer receipts and passenger fares - government decides the proportion that each contributes.
- Train companies cover all of their costs and return a surplus to government to reinvest in the railway.
- Money from fares and other commercial activity covers all day to day running costs, including Network Rail track and signalling costs.

Since 2004, successive UK governments have decided passengers should pay a bigger share of the costs of the railway and taxpayers less. Many other countries in Europe have chosen to have higher taxpayer subsidies of rail fares, which means passengers pay less.

**How fares are set:**
- Government
  - Sets around 50% of fares, including season tickets
  - July RPI inflation rate used as the benchmark for any changes
- Train companies
  - Set remaining 50% of fares
  - Fares reflect changes to operating costs, strong competition from car, air and coach travel, and contracted financial payments to government

Every year, some fares may go up, some will stay the same and some may reduce in price.

**Where profits go:**
- **Government**
  - Train companies make franchise payments to taxpayer
- **Shareholders**
  - Stagecoach payments in 2015-16 - over 10 times level of profits
  - Get return on their investment which helps fund the railway

Sources: Rail Delivery Group, Office of Rail and Road, Department for Transport, Oxera, Railway Research Group, Imperial College, London.

Fares under nationalised British Rail:
- British Rail fares increases by sector, 1984-1991:
  - InterCity (long distance services):
    - Pre-2004 – fall in real terms (RPI inflation minus 1%)
    - 2004-2013 – rise in real terms (RPI inflation plus 1%)
    - Since 2014 – in line with RPI inflation
  - Network South East (London and south east commuter services):
    - 76%
  - Regional (all other passenger services):
    - 83%
  - 75%

Fares under current system:
- Changing government policy on regulated fares:
  - Pre-2004 – fall in real terms (RPI inflation minus 1%)
  - 2004-2013 – rise in real terms (RPI inflation plus 1%)
  - Since 2014 – in line with RPI inflation

Average price of single journey:
- Mid-90s £5.14
- 2015-16 £5.46

**Operating margins of consumer goods and services companies**
- Reckitt Benckiser (home, health and hygiene products)
  - 26.8%
- Procter and Gamble (beauty, household and health products)
  - 22.1%
- Kraft Heinz (food and beverage company)
  - 21.8%
- Nestle (food and beverage company)
  - 15.8%
- Unilever (foods, refreshment, home and personal care products)
  - 14.9%
- Danone (dairy, baby food, beverage, nutrition products)
  - 13.1%
- Aldi UK (supermarket)
  - 3.3%
- UK train companies
  - 3%

**What fares pay for:**
- Investment in the rail network: 26%
- Industry staff costs: 26%
- Maintaining track and trains: 22%
- Leasing trains: 11%
- Interest payments and other costs: 9%
- Fuel for trains: 4%
- Profits: 3%

Of fare income is spent on day-to-day running costs and investment in more trains, better stations and faster journeys.

Money from fares and other commercial activity covers all day to day running costs, including Network Rail track and signalling costs.

How rail profits compare:
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- Procter and Gamble (beauty, household and health products) 22.1%
- Kraft Heinz (food and beverage company) 21.8%
- Nestle (food and beverage company) 15.8%
- Unilever (foods, refreshment, home and personal care products) 14.9%
- Danone (dairy, baby food, beverage, nutrition products) 13.1%
- Aldi UK (supermarket) 3.3%
- UK train companies 3%

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