

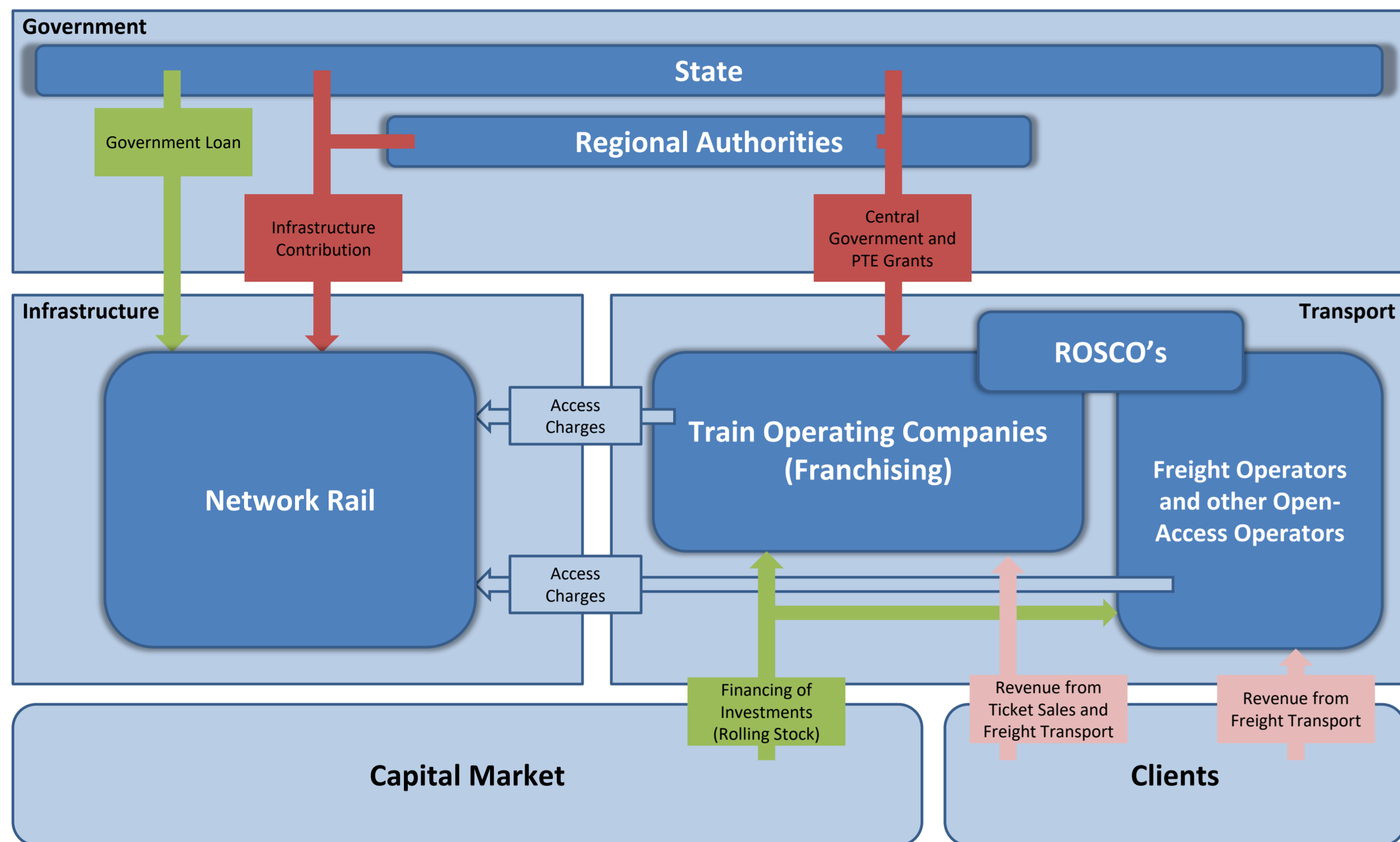
# Public Budget Contributions to the British Rail Sector

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## Organizational Structure

### Main Operators

Great Britain is one of the few countries in Europe in which transport operators have been fully privatized. Therefore, the British railway sector is characterized by one of the highest degrees of private sector operators compared to other countries. Network Rail, a limited company with guarantee of the state, owns, operates and manages the national rail infrastructure.



### Infrastructure

Network Rail receives revenue grants as well as capital grants for investments. The Revenue grant covers operational expenditures as well as renewals and enhancements. The height of the revenue grant is determined by the Office of Rail Regulation. Since 2014-15 Network Rail receives a government loan replacing borrowings from the capital market.

### Transport

Passenger transport services are provided by Train Operating Companies (TOCs) on an open access basis or after applying for a franchise service of the Department for Transport, Transport Scotland or a local Passenger Transport authority (PTE). PTEs manage and plan local rail services in partnership with the Department for Transport. Outside the franchise arrangements passenger and freight rail services (FOCs) are operated on an open-access basis. The TOCs receive franchise payments if revenue doesn't cover cost or need to pay for the franchise allowance if services can be run on a profitable basis. Rolling stock is typically leased from Rolling Stock Leasing Companies (ROSCOs).

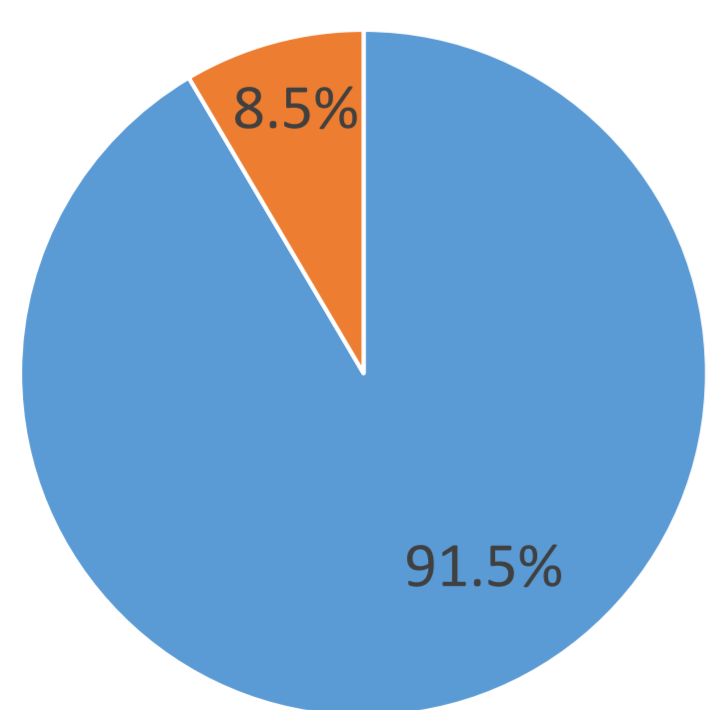
### Other

The British railway sector has been privatized in the mid-90s. However, the bankrupt infrastructure manager Railtrack has been replaced by Network Rail in 2002. Before no public funds have been transferred to the infrastructure stage. Data for the industry is usually provided for financial years (April-March).

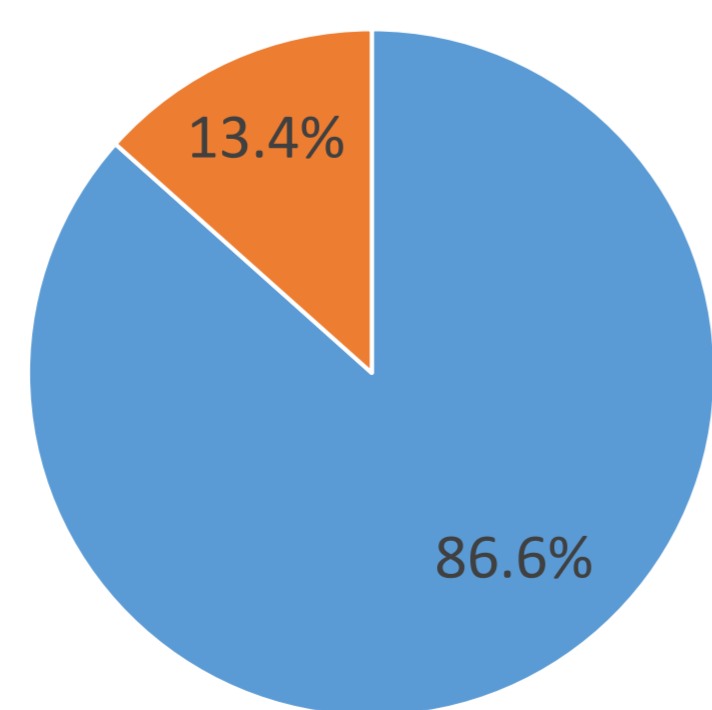
## Industry Characteristics (2015)

Length of Line in use:	16,209 Kilometer (2014)
Passenger-Kilometer:	66.399 billion
Ton-Kilometer:	21.990 billion
Passenger-Ton-Kilometer:	88.389 billion
Modal Split Freight Transport:	13.4 % (2014)
Modal Split Passenger Transport:	8.5 % (2014)

Modal Split Passenger Transport



Modal Split Freight Transport

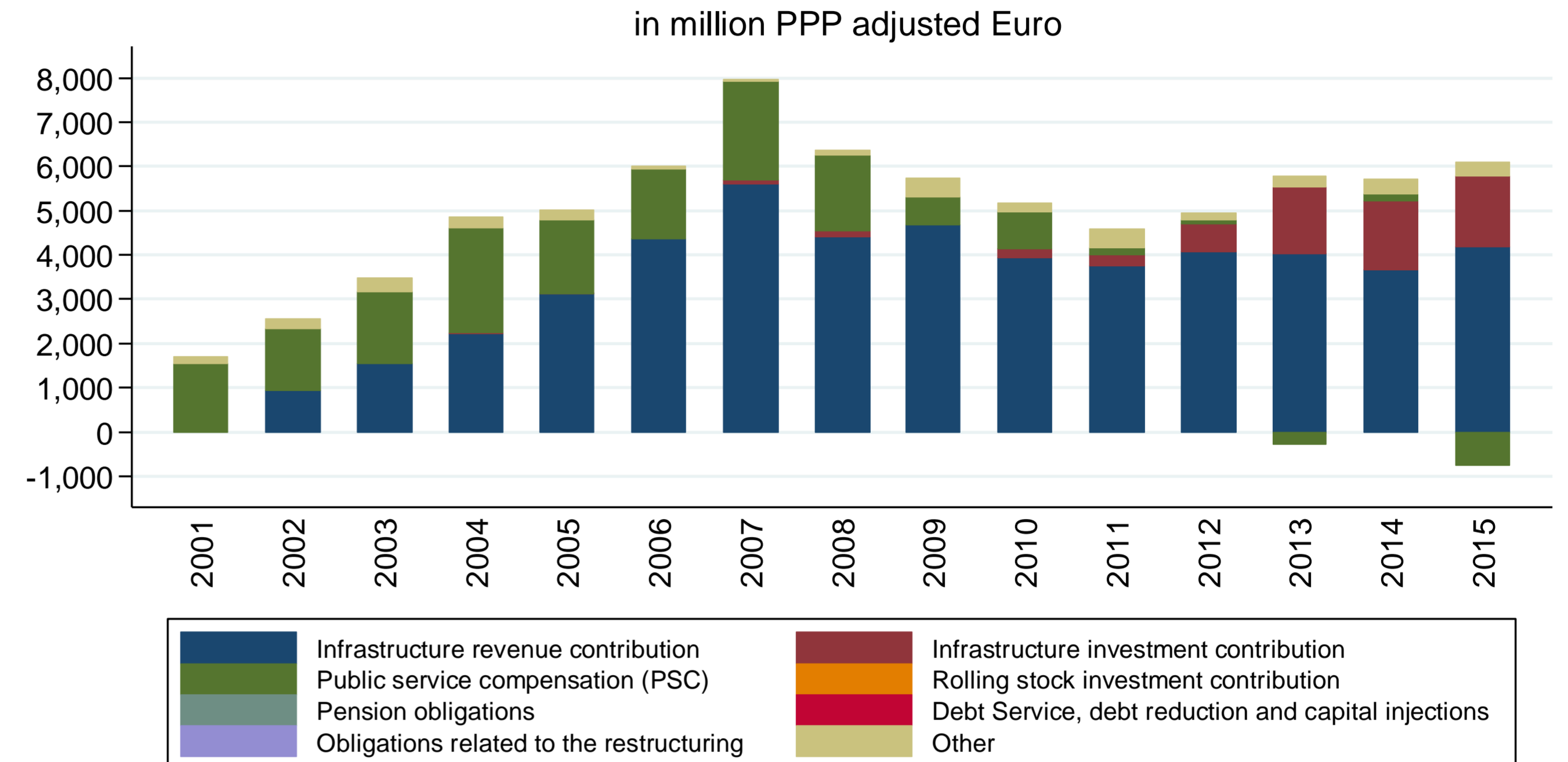


■ Roads and Inland Waterways ■ Railways

Source: European Commission - Transport in Figures, Eurostat

## Financing

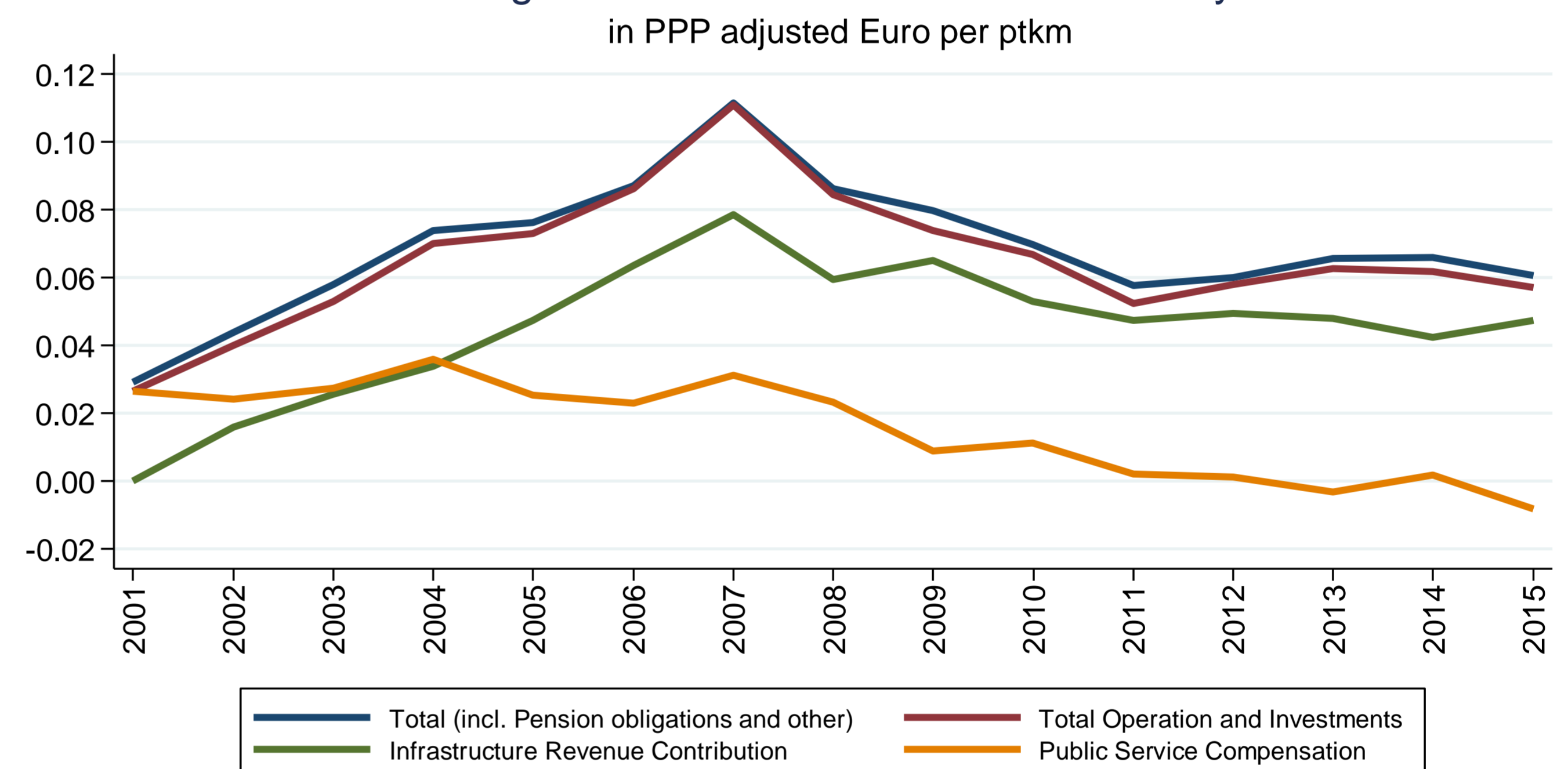
Public budget contributions to the British railway sector



### Development of Public Budget Contributions

In Great-Britain we observe a strong increase in (infrastructure revenue) contributions since the foundation of Network Rail in 2002. Figures reach their peak in 2007, since 2012 contributions continue to climb. The development is being dampened by repayments of franchises. For 2013 and 2015, there are surpluses from the franchise contracts. Investment contributions have been increasing in recent years, mostly driven by the CrossRail and H2 projects. However, the majority of funds is granted for infrastructure operation (4.2 billion Euro in 2015). In 2015 each passenger-ton-kilometer was subsidized with 5.7 cents of which 4.7 cents relate to infrastructure operation.

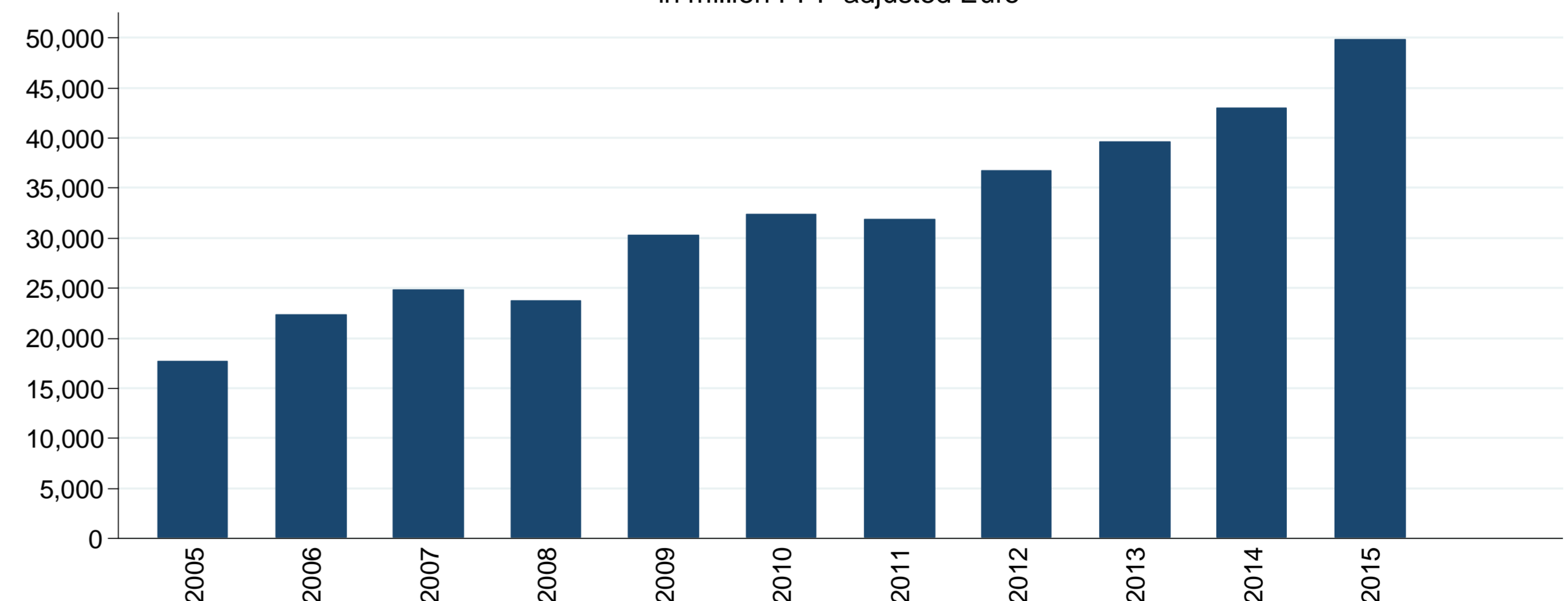
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### Financing Structure

The focus of funding is on the operation of the infrastructure. However, a large part of revenue contributions is used to finance the debt of Network Rail rather than to finance the operation of the network. Even though Public Service Compensations reached negative values in 2013 and 2015, there might be a different picture when taking into account gross data. However, figures are not available for all years. In the 2010/11 period they amounted to approximately 1.3 billion £.

Liabilities Network Rail in million PPP adjusted Euro



### Financing of Investments and Sustainability

Infrastructure investments are almost entirely financed through debt issued by Network Rail. Debt service payments are financed from revenue and operating contributions. Therefore Great-Britain is the country receiving the highest infrastructure revenue contribution in our data-set. When looking at differences in the height of contributions for the operation of the network, one should therefore adjust payments by the part that is used to finance debt or investments. Also, debt of Network Rail has more than doubled over the observation period. Even though debt is already recognized as part of government debt, a debt relief might become necessary in the future.