



The Great British Gravy Train

Fat cat profiteering from the pandemic

The rail industry and its friends in the government talk about the need for 'reform' and cuts, meaning that staff should work harder and get less. But what they try to hide is the extent to which the rail industry has become geared toward further enriching super-rich big businesses and their chief executives.

The rail industry has become a cash cow for a group of big businesses who are now vested interests in the defence of a failed model of privatisation.

The current attempts to drive down staff pay, cut jobs, services and maintenance work, close ticket offices and empty trains and stations of staff, which lie at the heart of the rail dispute, are being driven by the fact that the industry, supported by the government, owe their primary allegiance to the interests of big business shareholders.

The annual leakage of private profits from rail

- Under the government's reheated privatisation regime, the various private companies living off taxpayers' money and passenger fares will extract, on average, in excess of £500 million every year (Table 1).

Taking us for a ride – the train operating companies

- The train operating companies had a good pandemic. At the height of Covid, between March 2020 and April 2022, the train operating companies and their owners made nearly **£300 million in profits**, thanks to the government giving them contracts that guaranteed them returns between 1.5 and 2% (Table 2).
- Over the next few years, with their new National Contracts from the government, the train operating companies, will make **£124 million in management fees every year**, all of which they can turn into dividends (Table 2).
- This money will go to 7 owning groups and **50%** of it will go through private companies owned by foreign state rail companies, meaning that it will subsidise transport systems in France, the Netherlands, Germany, Italy and China (Figure 1).
- The other 50% will go to Go-Ahead and FirstGroup's investors, mainly a group of 13 major asset management funds, some of whom have holdings in both companies (Table 3).

Rolling stock racketeers – the train leasing companies

- Three rolling stock companies (known as Roscos) who own 88% of Britain’s trains make average pre-tax profits of more than £200 million every year and pay **average dividends of £220 million** every year.
- In the pandemic year of 2020, these Roscos paid out a whopping **£949 million in dividends**. Angel paid an **£822 million** dividend to its Jersey-based parent company, Willow Topco Ltd.
- Most of the money the Roscos make flows overseas through low tax regimes like Luxembourg and Jersey (Figure 2)

Profteering from Network Rail sub-contracting renewals work

- It’s been a good pandemic for companies who contract with Network Rail to renew its track and infrastructure too.
- Last year, Network Rail spent £2.9 billion on renewals, the vast majority of which will have been outsourced contracts. Commercial profit margins in renewals are reported to be around 6%.
- That means that around £234 million of Network Rail’s funding leaked out of the industry into commercial profits to outsourcing companies doing renewals work, up from the previous year’s figure of £174 million.

Tables and graphics

Table 1: Annual profit leakage out of rail

Rail industry sub-sector	Annual profits
Private companies operating trains	£124,000,000
Private companies owning and leasing trains	£220,000,000
Private companies doing outsourced renewals work on Network Rail track, signals and other infrastructure	£234,000,000
Total	£578,000,000

Table 2: Pandemic profits among the train operators

Owning Group	Train operating companies	Pandemic profits (March 2020-April 2022)	Forward looking annual profits	Ultimate owner
Abellio	East Midlands, Greater Anglia, West Midlands	£53,114,000	£24,640,000	Nederlandse Spoorwegen (Dutch state railway)
Arriva	Chiltern, Cross Country	£24,617,000	£11,564,000	Deutsche Bahn (German state railway)
FirstGroup	Great Western, South Western (70%), Transpennine Express, Avanti West Coast (65%)	£102,422,850	£47,506,200	FirstGroup shareholders, including Coast Capital, Schrodgers, Threadneeds Asset Management, Aberforth Partners
Go-Ahead	Govia Thameslink Railway (65%)	£62,959,300	£18,300,100	Go-Ahead shareholders, including Jupiter Asset Management, Threadneedle Asset Management, Aberforth Partners
Keolis	Govia Thameslink Railway (35%)	£29,393,350	£9,853,900	SNCF (French state railway)
MTR	South-Western (30%)	£9,782,400	£4,515,000	MTR Corporation Limited (Chinese state railway)
Trenitalia	c2c, Avanti West Coast (35%)	£17,508,750	£8,080,800	Ferrovie dello Stato Italiane (Italian State railway)
TOTAL		£299,797,650	£124,460,000	

Figure 1: Where do the Train Operating Company profits go?

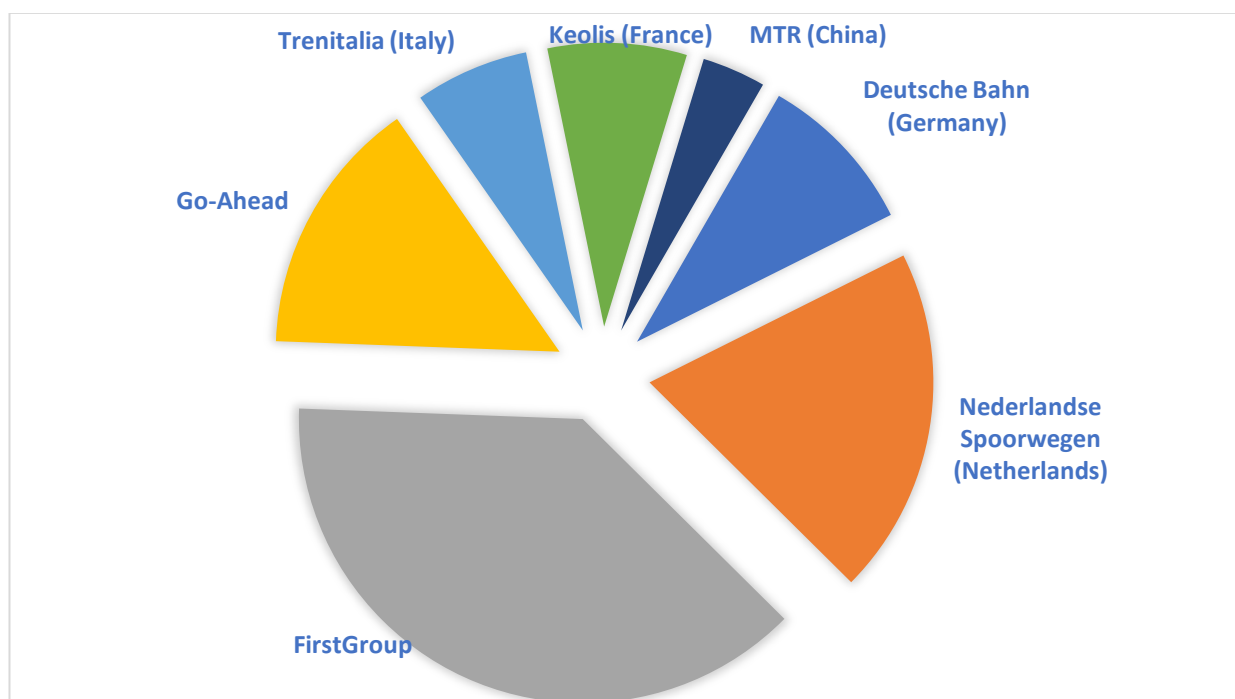


Table 3: Rolling stock racket: average profits and dividends up to the pandemic

ROSCO profits (2016-21)	Average pre-tax profits	Average annual dividends	Ultimate owner
Angel Trains	£111,240,000	£94,460,000	AMP Capital (via Willow Topco Ltd, Jersey)
Eversholt	£27,754,200	£37,192,630	UK Rails S.a.r.l (Luxembourg)
Porterbrook	£69,101,800	£89,107,600	Aimco, Allianz Infrastructrue (Luxembourg) 1, Dalmore Capital, EDF, Generation Capital
Total	£208,096,000	£220,760,230	

Figure 2: Where do the Rosco dividends go?

