ASLEF's Response: Periodic review 2013: Draft determination of Network Rail's outputs and funding for 2014-19

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 18,000 members in train operating companies and freight companies as well as London Underground and light rail systems.

2. ASLEF are pleased to have this opportunity to respond to the ORR's draft determination of Network Rail's outputs and funding for 2014-19. The Union endorses increased efficiency where it can be delivered without any compromises to safety and quality of service. Money saved through efficiencies should always be used to improve the rail network and therefore should be maximised were appropriate. However, experience shows that too often savings attributed to "efficiencies" translate as cuts which have a negative effect on our network.

3. For this reason, ASLEF is concerned that the ORR's belief that Network Rail can cut its costs by just shy of £2 billion than in PR08 and by £1.9 billion compared to the amount estimated by Network Rail does cause some concern.

4. ASLEF firmly supports many of the targets set by the ORR. We should be seeking greater punctuality with 92.5% of services running on time. The Railway should have no more than 2.2% of trains cancelled or very late. ASLEF would always seek to improve on safety standards and building capacity is also essential to our already overstretched network. However

the Union feels that this requires investment. Whilst there are many schemes and projects underway on the network, cuts of this scale could well have a detrimental effect on continuing upgrade and renewal work.

5. One of the areas that ASLEF has continued to campaign on is level crossings. The UK can be proud of its recent safety record. This has been achieved by improved governance since the creation of Network Rail, and extra funding for maintenance and renewal. However this improved record is no reason to feel the job is done and show less consideration to the issue. It goes to show that removing the profit motive, increasing funding and better leadership are essential in saving lives. However the biggest safety issue remains level crossings. Whilst Network Rail has closed 700 level crossings across Britain since 2009, there remains over 6,000 in operation. The target of closing 750 crossings by spring 2014 should be applauded and the ring fenced money for these projects is the correct way to achieve this. However ASLEF remains concerned that not enough is being done. Having a £67m ring-fenced fund is simply far too little to have any real effect on the risk of fatalities. In 2012/12 9 people lost lives at level crossings. This remains the biggest potential area of safety improvement on our Network and therefore should be a priority alongside capacity growth.

6. Where costs are currently reducing and can do so further, ASLEF supports the growth of efficiency. For example, the reduction of traction costs can only be a benefit to all stakeholders in the industry.

7. However the assumptions of greater efficiency costs represent a gamble by the ORR. The assumption that Network Rail can find efficiency savings of 17% compared to their projection of 13% suggests a whole new working method. This is also the case for the efficiencies of 16.5% on maintenance costs and 20.1% for renewals. Of concern to ASLEF is that the ORR have “made reductions where Network Rail’s justification of its plans is not

sufficient and where its unit cost calculations were not justified.” The Union can understand the concern of poor justification by Network Rail for funds for renewals. However, its failure to justify the need for funds on paper could point to a flawed presentation of its request rather than an over estimation of funds required.

8. Whilst being aware that the ORR sponsored Sir Roy McNulty’s Rail Value for Money study, the Union is wary of any bench marking against this report. ASLEF believes the report was correct in determining that fragmentation was the main cause of inefficiency within our railway but believes that most of the recommendations within the report would in fact have led to increased fragmentation and a dramatic reduction in the quality and capacity of the UK rail network. Therefore, whilst ASLEF is pleased that the ORR’s determination is above that of the McNulty report, the union would caution against its use for benchmarking purposes.

9. An area of significant concern for ASLEF in regards to the ORR’s draft determination and the management of infrastructure going forward is the concept of a new efficiency benefit sharing scheme. Like alliancing, this sees closer working between Network Rail and Train Operators. This of course in many ways can be seen as a positive thing. However it is the closer financial relationship, which sees operators sharing the savings created by Network Rail which creates potential issues. This could lead towards profit motive once again becoming part of Infrastructure management. In the UK, we learnt the hard way from Railtrack that this is a potentially fatal mistake. This was proven by the incidents at Southall, Ladbroke Grove and Hatfield which lead to the not-for-dividend Network Rail taking over the UK’s rail infrastructure. Whilst any motive for savings from Network Rail comes purely from an efficiency perspective, the profit making train operators may be seeking to maximise revenues at the expense of safety critical work. Improved safety has had been brought about by putting our network in the hands of an organisation who’s legal

priority is improving our infrastructure. Putting profit incentives back into this could be a catastrophic mistake.

10. ASLEF understands the desire of the ORR to ensure that access charges reflect costs. However it is important that the industry supports rail freight growth. ASLEF were highly concerned at the ORR's proposals to bring in a freight specific charge. ASLEF welcome the reduction in the previously announced charges for ESI coal, iron ore and spent nuclear. This is important to protect business, for example the Scottish coal producers had been under serious threat.

11. Retaining charges for intermodal traffic at current rates will allow this key traffic to grow four or five fold over the next 20 years whilst dropping the proposed 400% increase in capacity charges means that the sector can manage business better and reduce overall risks. The alternative solutions being assessed should be as affordable and simple as possible.

12. Perhaps most importantly, ASLEF are pleased that proposals to charge a freight specific charge or freight only line on biomass have been dropped. This is a potentially key area of growth for the freight sector as biomass looks increasingly likely to be crucial in the UK's electricity supply. A specific charge would have deprived the industry of a potentially significant area of growth.

13. ASLEF welcomes the re-affirmation of the on-going funding commitment to the Strategic Rail Freight Network by both the Westminster and Scottish. £200m has been allocated for freight in England and Wales and £30m for Scotland in Control Period 5.

14. That said, it is important to note that transparency and clarity over charging for the control periods after PR13 is also needed for the purpose of long

term planning and we call on the ORR and Network Rail to work with stakeholders to achieve this.

15. There is a great deal of concern over the continuing growth of debt at Network Rail. The ORR has removed the existing annual “risk buffers” (of around £250m a year) which Network Rail currently receives to protect it against financial risks. The determination explains that, “It can raise extra debt in the event that (say) costs are above forecast.”

16. ASLEF is highly concerned that Network Rail’s debt is becoming unsustainable. It is due to rise from £30,242m at the end of 2013-14 to £40,118m by 2019. Whilst its assets are also forecasted to grow, the expense of servicing this debt is of great concern. Network Rail will pay £1.2 billion a year servicing debt in the next control period. This is a huge amount of money leaving the industry and demonstrates a downward spiral which needs to be halted. Industry stakeholders and the Government therefore need to jointly discuss the future of Network Rail’s financing before this debt reaches a crises point.

17. ASLEF believes that the targets and aspirations of a better railway for less money are noble ones. However the Union is concerned the cost cutting may be prioritised over service provision. The reliance of the ORR on efficiencies is a gamble. It relies on new ways of working that cost less money but improve services. If this gamble does not pay off it will have a detrimental on the UK rail network. Alternatively it may mean Network Rail once again having to raise more debt, a situation which is becoming increasingly unsustainable.

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