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**ASLEF Submission of Evidence for**  
**The House of Commons Transport Committee**  
**- The Public Private Partnership and the London Underground**

**About ASLEF**

ASLEF is Britain's trade union for train drivers. Its 18,500+ members are employed in the Train Operating Companies, the Freight Companies, London Underground and some Light Rapid Transport.

The union's day to day direction is overseen by its Executive Committee. Each of its 8 regions has a District Organiser and Committee, while the main negotiations with employers are undertaken by Company Council Representatives.

**Summary**

ASLEF believes that the PPP is and will be a failure. Both companies at the forefront of the PPP, Tube Lines and Metronet, have failed to deliver on their promises, as many predicted. The public, London Underground (LUL) and the Government have, and will, bear the consequences of an initiative widely condemned from its outset. ASLEF thus remains of the view that the LUL should be run as a not for profit service.

Although there have been some minor achievements, since the transfer to the PPP, these have been undermined by substantial unacceptable failures. Furthermore, it is viable to propose that these minor successes could also have been achieved by a publicly run LUL.

The recent collapse of Metronet illustrates all that can, and in this case has, gone wrong with the PPP. However, Metronet has not just failed in the business sense –i.e. it has

gone bankrupt. Both Metronet and Tube Lines have failed to improve LUL in a variety of ways to an unprecedented scale.

The financial cost of the PPP to the public has been vast and the Government is now locked into a 30 year legal agreement which involves funding LUL at an average of £1billion a year till 2009. Furthermore, despite Metronet and Tube Lines' failures, in the last few years they have raked in huge profits.

In terms of the LUL's performance since the PPP, it is widely acknowledged to have not matched up to the vast sums of money which have been invested in the network and has in fact been worse than what was promised.

The fragmentation caused by the PPP has led to a lack of accountability and responsibility. This has in turn caused disruption for passengers and confusion for drivers and their unions, as they are often not sure who they are supposed to address their issues to.

With regards to the maintenance and refurbishment of stations, aside from some minor success, the work which Metronet and Tube Lines (in particular their work on the Northern Line) have been responsible for is unacceptable. Furthermore, the majority has been over budget and has taken far longer than promised.

The results on safety since the implementation of the PPP are likewise unsatisfactory. Although safety is not significantly worse than before the PPP, incidents such as derailments have increased.

The recent collapse of Metronet is merely the pinnacle of an initiative which has failed on all fronts and one which is likely to have wider consequences to the public and possibly workers, through loss of guaranteed jobs, conditions and pensions. ASLEF thus concludes that the Government must push through the necessary legislation as soon as possible to put an end to the PPP.

## **Background**

On 7 February 2002 the Secretary of State for Transport announced approval of a decision by the board of London Regional Transport to enter into three Public Private Partnerships (PPPs) for the infrastructure of the London Underground.

As a result, in July 2003 London Underground Limited (LUL) was transferred to Transport for London (TfL) which was set up in July 2000 and reports to the London Mayor. Two companies, Metronet and Tube Lines acquired three separate infrastructure companies (Infracos), previously wholly owned subsidiaries of LUL, covering all 12 London Underground lines, as follows:

- BCV Infraco - Bakerloo, Central, Victoria and Waterloo & City lines (run by Metronet);
- JNP Infraco - Jubilee, Northern and Piccadilly lines (run by Tube Lines); and
- SSL Infraco - District, Circle, Metropolitan, Hammersmith & City and East London lines (run by Metronet).

Although Tube Lines are still functioning, Metronet, who were responsible for two thirds of the underground, went into administration in July 2007. Since this is a recent development it is not yet known what the cost of this might be for the public.

Between 2000 and 2003 the LUL trade unions - RMT, TSSA and ASLEF - organised a large scale campaign against the PPP. The unions' lack of faith in the PPP was shared by transport users, transport specialists, Transport for London (TfL), the London Mayor, the National Audit Office and private consultancy firms, who all expressed substantial concerns regarding the financial viability of the PPP and/or that it would ultimately not work. Nevertheless, the Government chose to ignore these observations and it has since been proved wrong to a high degree.

As early as February 2002 the House of Commons Transport, Local Government and the Regions Select Committee report warned that 'it is inevitable that the PPP will lead to significant and expensive disputes over the contracts and between staff and employers...The initial forecasts that the PPP would provide a saving of £4.5 billion over public sector management were inadequate and flawed.'

A month later, the Committee in its report, 'London Underground - The Public Private Partnership: Follow Up' concluded that 'evidence we have taken to date shows that the basis on which the decision has been taken is flawed. The shifting sands of the rationale for and the assessment of, the PPP have led to a process that has lost all credibility in the eyes of the public and professionals in the field. Parliament must now have the opportunity to have an unfettered debate on the decision to proceed with the PPP.'

The lack of financial viability of the PPP was also outlined by the National Audit Office, who stated that the Government 'had not established the value for money of the PPP.'

In February 2002 the Mayor of London correctly predicted that 'The PPP will saddle the travelling public and council-tax-payers of London with huge and unquantified liabilities while replicating the key mistakes of rail privatisation on the Underground'

Notably, distinguished private consultancy firm Deloitte and Touche also expressed a lack of faith in the financial viability of the project and stated that 'neither the 30 year nor the seven-and-a-half year [value for money test] provides a satisfactory basis for establishing value for money.' They also said that 'highly material adjustments to the [Public Sector Comparator] are judgmental, volatile or statistically simplistic.'

## **1. Financial Issues**

The PPP has had disastrous financial implications for all parties involved, without even taking into account the recent collapse of Metronet.

The Government has spent a fortune subsidising the PPP and has locked itself into an initiative which does not cap its contributions. On the other hand, the companies involved have limits on the amounts they will contribute and although the underground's performance remains poor they have raked in huge profits.

The House of Commons Transport Committee's first report on the PPP found that 'disregarding the costs of the Jubilee Line extension, central Government expenditure in constant terms has increased from £44.1m in 1997-98 to £1,048m in the current financial year (2004-05); an increase of 2,276% - over twenty fold'.<sup>1</sup> This is a shocking figure and, without even considering the potential costs to the Government that the collapse of Metronet might lead to, illustrates the extent to which the PPP is not a financially viable initiative.

Nevertheless, Metronet and Tube Lines have made vast profits along the way. Between 2003/04 and 2005/06 Metronet BCV, Metronet SSL and Tube Lines made pre-tax profits of £286 million and by July 2006 had been paid £3.3 billion in performance-adjusted Infrastructure Service Charge.

Aside from the possible costs involved with the collapse of Metronet, there is also the fact that despite the determined opposition of London's elected Mayor and Assembly, the PPP contracts have locked the Government into a 30-year legal agreement which involves funding LUL at an average of more than £1 billion a year up till 2009-10.<sup>2</sup> On the other hand, there is no significant binding agreements in place for the companies involved with in the PPP and in fact, 'members of the consortia can sell their share in the Underground relatively freely' whilst 'the taxpayer is committed to continued funding of the PPP whatever changes in ownership occur.'<sup>3</sup> Put simply, the Government has effectively signed a black cheque to the companies involved in the PPP which will last for 30 years

Whilst it has been claimed that since the implementation of the PPP the performance of LUL has improved, this 'could hardly be otherwise' given the sums involved, as a 2005 TfL report explained.<sup>1</sup>

## 2. Performance

In relation to the performance of the LU since the PPP, as explained in the previous section, it clearly does not equate to the levels of investment on the LU. Furthermore it is likely that any minor improvement in the performance of the LU could have been carried out by a publicly run initiative and almost certainly at a vastly lower cost.

The overall poor performance of LU has been acknowledged by an array of bodies and institutions, including the House of Commons Committee on Transport, who in 2005 reported:

*'All the Infracos needed to do to meet their availability benchmarks was to perform only a little worse than in the past. On most lines, they did not even manage that.'*<sup>4</sup>

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1 House of Commons Transport Select Committee report on the Performance of London Underground (March 2005)

2 London Assembly Transport Committee - A Tale of Two Infracos, The Transport Committee's Review of the PPP, (2007)

3 London Underground and the PPP: the third year 2005/06 (TfL Report)

4 House of Commons Transport Select Committee report on the Performance of London Underground (March 2005)

The 2005 TfL report describes how, 'in short, performance is not good enough and is less than what was promised'. The report goes on to say, 'the Infracos and their shareholders are earning significant sums through the PPP, but the volume of real work on the railway is not consistent with the payments being made.'

### **3. Poor Communication**

PPP has resulted in, what TfL describe as, 'a plethora of different arrangements with private partners all responsible for different bits of the infrastructure.'<sup>5</sup> This has led to poor communication between Infracos and their employees. Indeed, ASLEF LUL organisers have repeatedly complained that since the PPP there have been a number of personnel changes in LUL Human Resources Management that have disrupted the continuity of working relationships between ASLEF and LUL and often drivers 'don't know who they should be addressing union issues to. ASLEF LUL activists have also described how since the implementation of the Company Plan in 1992, LUL has gone full circle and returned to a line based management structure. This has led to disputes at local level, for example, at Arnos Grove depot, Acton Town depot, North Greenwich depot and line based disputes, for example on the District Line and East London Line.

Put simply, the PPP has meant that it is much more difficult to sort out problems faced by our members. As all the infrastructure is controlled by the PPP firms, getting even the smallest thing done, like getting a mess room painted, takes an unacceptable amount of time and effort.

One of the worst examples was the defective tripcocks on the Northern Line two years ago. The infrastructure is controlled by Tube Lines, the trains are owned by Alstom and no one would take responsibility for sorting out the problem until ASLEF members refused to drive on safety grounds.

At the very least, the infraco management and LUL need to ensure that all employees know that no matter who is employing them, the same standards of training are required for the same tasks. There must also be consistency in their personnel and line managers.

The array of companies involved in the PPP has also led to their being a lack of communication and accountability. As the London Assembly Transport committee commented in their 2007 report, 'the management of the preferred supplier contracting arrangements employed by Metronet has failed to impose this discipline. A clear line of responsibility and accountability needs to be established between the work being done on the ground and those charged with overseeing this work.'<sup>6</sup>

### **4. Maintenance and Upgrades**

Despite some minor achievements, on the whole, the maintenance and upgrading of the underground is widely recognised to be extremely disappointing and in the vast majority

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<sup>5</sup> London Underground and the PPP: the third year 2005/06 (TfL Report)

<sup>6</sup> London Assembly Transport Committee - A Tale of Two Infracos, The Transport Committee's Review of the PPP, (2007)

of cases it has been both over budget and behind schedule. As the most recent LU report on PPP states:

*'After three years we are now 10% of the way through these PPP contracts, but basic day-to-day maintenance of the trains, tracks and signalling systems is still not good enough and must improve.'*<sup>7</sup>

In addition, following the signing of the deals, work to improve the Tube started in 2003, two years later than planned.<sup>8</sup> Station maintenance and upgrades has been so poor that both Tube Lines and Metronet have been issued Corrective Action Notices (CAN) for their repeated failures to deliver their station renewal programmes.

### **a. Tube Lines**

Although Tube Lines have achieved some successes on their station refurbishment programmes, such as their work on the Piccadilly Line around Heathrow which was completed in time and within budget, these have been exceptions to the rule.

Tube Lines have failed in their main task, to sort out the Northern Line and bring it up to an acceptable standard. As LUL put it, 'Tube Lines have failed to maintain the Northern line to the standards we and the PPP contracts demand.'<sup>9</sup> In fact, even by the third year the Northern Line 'remained significantly worse than benchmark.'<sup>10</sup> Performance of the Northern Line was such that in December LUL issued Tube Lines with a CAN, 'which requires Tube Lines to restore Northern line performance to at least the contract benchmark in the fourth year.'<sup>11</sup>

### **b. Metronet**

Metronet's refurbishment and upgrading performance is also widely acknowledged to have been unacceptable – far worse than Tube Lines'.

Before Metronet's collapse, its station renewal programme was way behind schedule, with only 14 out of a scheduled 35 delivered, all of which were late.<sup>12</sup> Furthermore, Metronet failed to properly prepare sections of the District and Metropolitan line track ahead of warmer summer temperatures, which resulted in a series of disruptive speed restrictions. There were also disruptive incidents on the Victoria and Central Lines.

The same TfL report goes on to say that the upgrade of the Waterloo and City Line 'is an acid-test of Metronet's capability to manage major projects'. The Waterloo and City Line re-opened over a week late on 11 September 2006, which led to fines. In addition, the line has since been closed twice due to dust, caused by engineering works, which caused visibility problems for drivers.

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7 Press Release: London Underground publishes third Annual PPP Report (24 July 2006)

8 London Underground : Are the Public Private Partnerships likely to work successfully?, 2003/04 (National Audit Office)

9 Press Release: London Underground publishes third Annual PPP Report (24 July 2006)

10 London Underground and the PPP: the third year 2005/06 (TfL Report)

11 Press Release: London Underground publishes third Annual PPP Report (24 July 2006)

12 Press Release: London Underground publishes third Annual PPP Report (24 July 2006)

Metronet's performance was a failure to the point that TfL effectively stated that there was no point in Metronet carrying out anymore upgrades. TfL stated:

*'Unless existing assets are maintained to a higher standard that yields a more stable operating environment, the coming line upgrades will be hopelessly disruptive.... If the existing network is failing at the same time as we are installing the new system and addressing the inevitable design deficiencies, we shall face even worse levels of disruption.'*<sup>13</sup>

## **5. Safety**

Since the transfer to the PPP safety on the LUL has got worse and there have been a number of serious derailments (Chancery Lane, 25 January 2003 – Hammersmith, 17 October 2003 - Camden Town, 19 October 2003 - White City, 11 May 2004).<sup>14</sup> Furthermore, derailments in recent years have increased from 4, in 2002/03, to 9, in 2004/05.

ASLEF believes this is at least in part due to the infracos, whose priority is not safety but profits and have thus in all likelihood put pressure on LUL managers to adhere to this notion.

Indeed, the Chancery Lane derailment, for instance was, according to the London Assembly, an 'accident waiting to happen' and raised serious concerns about the management of LUL and the lack of full-time maintenance staff and the limited availability of qualified experts able to respond

More specifically the London Assembly's inquiry into the incident criticised LUL for failing to tackle a problem relating to faulty bracket bolts and accuses officials of taking action 'more in line with maintaining a service than solving the underlying problem.'<sup>15</sup>

John Biggs, Chairman of the committee's Chancery Lane hearings, said: 'The Chancery Lane incident has raised very real concerns about the safe management of the system, about Tube management structures and about the corporate response of LUL to the incident.'

## **6. Metronet – Who Will Pay?**

Aside from Metronet's collapse illustrating the detrimental financial and logistical costs of what happens when the PPP goes wrong, it also exemplifies the personal loss associated. Indeed, the bankrupt company's administrators have failed to provide guarantees that there will be no job losses, pension cuts or forced transfers.

## **Conclusion**

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13 London Underground and the PPP: the third year 2005/06 (TfL Report)

14 London Underground and the PPP: the third year 2005/06 (TfL Report)

15 An accident waiting to happen?, A Transport Committee investigation into the Chancery Lane derailment (2003)

It is clear that the PPP and the resulting fragmentation of the Tube's maintenance has in many instances resulted in a deterioration in services, value for money for passengers and possibly workers' pay and conditions. ASLEF thus believes that necessary improvement on the LUL will only be achieved by dissolving the PPP.

Gordon Brown insisted that the PPP was the way forward for LUL despite the opposition of Mayor Ken Livingstone, amongst many others. ASLEF believes that private capital is driven by entirely different concerns than public investment. One is about making money; the other is about providing service. PPP is a failure to reconcile two opposites. It is time it was ended on LUL

### **The only solution – a public utility that is publicly owned**

European metros prove that well-funded publicly owned networks deliver world class public transport.

ASLEF believes that London needs the following:

### **An integrated, publicly owned, publicly accountable underground**

Keeping LU as a vertically integrated network is essential – the experience of rail privatisation proves this. The tube, like any other metro, cannot make a commercial profit, so its economic nature means it is best served by remaining wholly in the public sector. The social, economic and environmental benefits provided by the network are best delivered through the elected London Authority, where responsibility and accountability are best placed. The Mayor and the GLA should decide on how the Tube should be funded – whether the PPP or another method based on the best value and the best structure for safety and efficiency

### **Cheaper more flexible finance**

TfL should be given powers to issue bonds over seven year investment periods. This would allow the Mayor and the GLA the flexibility in the short-term to access direct funding to address the investment backlog and specific maintenance and renewals, in the medium term to relieve congestion through the construction of new lines and over the longer term to reintroduce passenger subsidies

### **It can be done**

In June 1998 Treasury rules were updated so that public borrowing would not automatically be included in the Public Sector Borrowing Requirement (PSBR), providing that the borrowing is for investment and not current expenditure

There is no obstacle and many good reasons why the existing public subsidy cannot instead be used to back a cheaper bond option. The bond option could be further enhanced by a combination of fare revenues and congestion charges.