ASLEF Response to the Network Rail Consultation on the Proposed Acquisition of DB Schenker Rail (UK) Ltd/English Welsh & Scottish Railway International Ltd Freight Sites

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train drivers' union representing approximately 18,000 members in train operating companies and freight companies as well as London Underground and light rail systems. ASLEF have over 2,000 members in Rail Freight.

2. ASLEF believes that the infrastructure of the railway should be publically owned and not in the hands of those whose priority is to make profit. Railway infrastructure and its upkeep is essential in the long term delivery of a railway that benefits passengers and freight customers as well as the British public. Strategic upkeep and ownership is paramount. ASLEF therefore supports the sale of these freight sites to quasi-public ownership in principle. This will also level the playing field to allow other Freight Operating Companies equal access to these facilities rather than offering a particular operator commercial advantage due to the process of privatisation in the mid 1990's.

3. ASLEF strongly supports any preservation of Strategic Freight Sites which could be of great use to the industry in the future. They must be protected and should not be compromised by short term profit making and asset stripping.

4. ASLEF agrees with Network Rail that this move could unlock the significant operational potential of many key freight sites. Handing control

to Network Rail means strategic decisions can be made benefiting the whole industry rather than one particular company.

5. However ASLEF has major concerns over the practicalities of these sales and hopes that lessons will be learnt. Firstly, as so often is the case with rail privatisation, private companies appear to do very well financially out of this deal at the cost of the taxpayer. The document explains that “a premium payment would be paid to DBS to reflect the significant contractual changes proposed and in particular the fact that Network Rail is to become the party entitled to the entire rental income from tenants.” However the document does not stipulate what this figure will be. The lease’s were sold at extremely low prices in the first place. Therefore to now pay a high premium would mean a significant cost to Network Rail and therefore indirectly the taxpayer, yet create a windfall for DB Schenker. The union therefore hopes that all transactions are undertaken in a transparent fashion with this cost considered.

6. The consultation explains that there is a business case for the process based on the annual rental income and projected income growth into control period 5, commercial development potential and rental cost savings for Network Rail on sites currently sub-let from DBS. However it fails to explain in pounds and pence the true cost of such a transaction and when Network Rail will recoup any initial costs.

7. There may also be significant effects on the DB Schenker pension scheme. The strength of the company’s finances and assets are used when the pension administrator, trustees and ultimately the pension’s regulator work out the companies covenant. Assets such as those being transferred and future income arising from them strengthen the covenant and allow more flexibility in dealing with deficits. The stronger the company’s assets the more flexibility they are legally given to deal with pension shortfalls. If DB Schenker were to sell these assets in return for

cash, what assurances can pension scheme members get that this will not have a negative effect on their scheme? A weaker covenant could easily lead to higher contribution rates or reduced benefits. This is just one of many potential indirect issues that could arise from this transaction.

8. ASLEF supports the safeguarding of freight sites and creating the opportunity for more Freight Operating Companies to use the facilities currently held by DB Schenker. But this must be done at minimum cost to the taxpayer. It must also be a lesson learnt in terms of selling railway infrastructure to the private sector in the future. It does not work and it is costly. ASLEF would however ask that a full and thorough review of potential consequences to staff is undertaken, in particular the effect to the DB Schenker pension scheme. This is a sensible measure, but must be undertaken in a thoughtful way.

Mick Whelan
General Secretary
ASLEF
77 St John Street
London
EC1M 4NN