

## Respondent Information Form and Questions

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

### 1. Name/Organisation

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### 3. Permissions - I am responding as...

Individual /  Group/Organisation  
*Please tick as appropriate*

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

*Please tick as appropriate*  Yes  No

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

*Please tick ONE of the following boxes*

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

*Please tick as appropriate*  Yes  No

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

*Please tick as appropriate*

Yes

No



## **ASLEF Response to the Transport Scotland Rail 2014 Consultation**

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's train driver's union representing approximately 18,000 members in train operating companies and freight companies as well as London Underground and Overground. ASLEF has over 1,500 members in Scotland.
2. ASLEF would like to begin by stating that the Union is glad to have been consulted on this extremely important document. There was a great deal of concern over the lack of consultation after ScotRail was given an extension of its franchise by the Scottish Transport Minister which was announced in 2008. Decisions such as this have enormous ramifications for the railways in Scotland and relevant stakeholders should be consulted on these issues. There can be no more relevant stakeholders than the Unions representing those workers who provide these services and therefore have the detailed knowledge of the effect of these changes.
3. Not only is this consultation important because of the effect it has on transport for Scotland, it should also be remembered that it is the highest value contract tendered by the Scottish Government and therefore has the biggest single financial effect on Scottish taxpayers.
4. ASLEF supports the aims of the consultation and join the aspirations for the railway to be more affordable, to work better and to provide a better experience for passengers. The Union however has some major concerns regarding some of the suggestions within the document and will detail these in this submission as well as offering the Union's beliefs in what changes must take place.

5. Firstly, it is important to recognise that the nature of the Scottish railway means that it will always be very reliant on subsidies. The social benefit it gives to all Scots, not just regular passengers more than justifies this. Whilst recognising that there will always be an appetite to reduce the cost burden to the taxpayer, heaping the cost on to passengers or downgrading services would be counterproductive. Finding ways to stop money leaving the railway industry should be key.
  
6. Research commissioned by ASLEF and the other rail unions shows that since privatisation, more than £11 billion of public funds have been misspent: on debt write-offs, dividend payments to private investors, fragmentation costs including profit margins of complex tiers of contractors and sub-contractors, and higher interest payments in order to keep Network Rail's debts off the government balance sheet. Whilst this is across the UK, this leaking of money takes place within Scotland and whilst the Scottish Government has its hands tied in some aspects of the franchising process, it should do what it can to reduce this money being taken out of the railway.
  
7. It is ASLEF's strong belief that fragmentation and division on the railway that was introduced by privatisation has led to increased costs. This is also one of the few areas of the Rail Value for Money report by Sir Roy McNulty which the Union agreed with. McNulty explains that fragmentation has led to a lack of leadership in the industry. The report also suggests that fragmentation is the first barrier to efficiency. These arguments can also be levelled at Scottish rail transport to a certain extent. Whilst Scotland is fortunate to have one franchise which covers 95% of rail journeys in the country, it would be a huge mistake to consider breaking these up.
  
8. At a time when the Scottish Government is looking to create a "national" police force and a "national" fire service, this would seem to be going against the trend of service provision in Scotland.

9. For this reason, ASLEF would strongly resist any attempt to create separate franchises for the Sleeper service or the Glasgow - Edinburgh route. The Union believes that this would make little sense.
10. Firstly, this would simply exacerbate the issues of fragmentation and lead to less leadership and co-operation across the industry. Most important however, is the fact that by separating more profitable routes in the franchise from those which are less profitable, you remove all elements of cross subsidy. ASLEF would be concerned that by creating a separate franchise for the busy and profitable Glasgow to Edinburgh line, you would enable the owner to make enormous profits and take large sums of money away from the industry. Meanwhile, less profitable services such as the Caledonian Sleeper would rely on large subsidies from the taxpayer rather than from more profitable areas of the network. In short this enables companies to cherry pick.
11. At present, each sleeper service attracts a subsidy of £17,000 each time the train pulls off. This service is essential and must continue. However ASLEF fail to see any benefit in creating a separate franchise which will in turn make money directly from the taxpayer rather than from revenues. The current service on the Caledonian sleeper is deteriorating due to the age of the rolling stock which could do with upgrading. ASLEF agrees with the consultations view that accommodation falls short of the expectations of today's passengers.
12. The Union feels it would be wrong to cut either the Lowland Sleeper or the Highland Sleeper as both fulfil an important social function. Improving the service would increase passenger numbers thus reducing subsidy. Therefore an initial capital investment is necessary and the Union is glad that £50 million is being invested by the Westminster Government with another £50 million coming from the Scottish Government. This must however be the start of a complete refurbishment, not the end.
13. Equally a separate franchise for the Glasgow to Edinburgh route would give a franchise owner a virtually risk free licence to print money. The nature of the

line and its passengers would mean that no matter what service was provided, profit would be inevitable and this would not be considered in the context of the vast majority of the Scottish network. In short, the lines that rely on subsidies within the Scotrail franchise will receive funds, not from the profitable areas of the network, but from the Scottish taxpayer.

14. ASLEF believes that all forms of franchise ownership should be considered.

Section 25 of the Railways Act 1993 prevents any public sector ownership of franchises. This is unnecessarily restrictive. The Scottish government should have all options open to them. ASLEF firmly believes that alternative ownership models should be considered and this must include not for profit models and forms of public ownership. The Union would therefore call upon the Scottish Government to lobby Westminster to amend the Scotland Act so that the Scottish Government is no longer restrained by the unnecessary shackles of section 25 of the Railways Act.

15. The Union also welcomes the comment that “there is no presumption that the party supplying rail passenger services cannot be a mutual or a co-operative.” However the current franchising system is extremely expensive and prevents this from happening. For this to be genuine option alterations to the tendering process are needed.

16. The consultation suggests the possibility of longer franchise contracts. ASLEF are unsure whether this will provide any benefit to the Scottish traveling public. As the consultation states, “there is no conclusive evidence that longer contracts will increase the level of investment from train operating companies.”

17. ASLEF notes research on franchises by KPMG which found that ‘our comparative analysis of UK train operating companies (TOCs) has provided no conclusive evidence of the impact of contract length on performance across the sample of operators that were studied’. It also suggests that longer term franchises might lead to ‘increased financial risk’ affecting the agreement because bidders cannot foresee changes in economic circumstances.

Nonetheless should Transport Scotland recommend longer franchises ASLEF would advocate robust breakpoints to ensure that TOCs are meeting their obligations although the Union would caution against the inevitable additional costs associated with this.

18. Whilst ASLEF appreciates the need for a degree of flexibility in allowing a TOC the ability to amend services according to varying demand, there must also be certain safeguards to ensure that services that may be less profitable but fulfil an important public function are not threatened. Detailed specification will therefore be needed in many areas of the franchise. It is also positive that the consultation includes passenger satisfaction measures to ensure quality of services is a key target. Minimum specification must therefore be avoided.

19. ASLEF has a great deal of concerns over the suggestions regarding stations and their management. The Union appreciates the commitment not to reduce the total number of stations but notes there is no commitment to keep existing stations open. In fact the consultation speaks about “which current stations are no longer required.” It must be remembered that for many very small communities, although foot fall is not heavy, the station ensures a community’s survival. Therefore it is essential to look at the social cost of closing stations as well as the economic cost of them remaining open. The Union would also ask what alternative transport arrangements are put in place where stations are closed. To simply cut off communities entirely would be wrong and plans must be put in place to help deal with any station closure.

20. As a general rule, stations in Scotland are owned by Network Rail and leased to the relevant franchisee. ASLEF understands the concerns over some elements of stations being maintained by a franchisee and others by Network Rail. It is frankly ludicrous that a franchisee can be in a position where they must only maintain half of the height of a wall whilst Network Rail must maintain the other half. This often duplicates work and removes economies of scale with two separate call outs and contracts required for such work. The Union feels it would be far more cost efficient for all parts of stations to be

considered as one entity and ASLEF would support attempts to achieve this common sense measure.

21. One concern ASLEF does have is the short term thinking that comes from franchises managing stations. Stations long outlive franchise ownership. Giving maintenance control over to a franchise that is likely to have to return control after a few years does little to promote or incentivise the long term maintenance of this asset which ultimately belongs to Network Rail.
22. ASLEF understands that different routes may well have different priorities according to passenger numbers, revenue and costs. However the Union would have great concern over the proposal to operate under a dual-focus arrangement, with clearly defined economic and social routes.
23. Firstly, whilst the consultation explains that this may still be within one franchise, it would inevitably lead to a two tier system with focus and investment going on the “economic routes.” The feeder effect of smaller line on to larger lines should not be underestimated. Any reduction on “social routes” may well lead to reduced numbers on busier lines with many passengers using quieter lines to arrive at busy stations for onward journeys.
24. The prospect of labelling lines as “social routes” may well lead to the managed decline of rural lines. ASLEF welcomes local engagement in the running of services but feel that the statement that “local communities would be able to support the challenge of reducing the gap between revenue income and subsidy” demonstrates the real meaning of “social railway”. Whilst the consultation may not propose line closures, there is a concern that should services be reduced to shrink this gap, it may be the beginning of a death by a thousand cuts. If stations with infrequent services have these reduced further, they become less convenient and local residents begin to find alternatives and turn their back on rail. Therefore whilst ASLEF appreciates some adjustments may be needed on certain lines, investment may be needed on other rural lines. To create a whole category of “social routes” is therefore dangerous and may starve the oxygen to many parts of our Network in Scotland.

25. ASLEF is glad to see that the consultation considers the possibility of a management contract as opposed to a traditional franchise. This type of arrangement has benefits. The amount of money leaving the industry is clear from the outset with a management fee agreed. This means that excessive profits can be prevented and that the taxpayer can benefit from increased revenues if the contracts targets are met.
26. The cap and collar arrangements often create priorities which assist the profits of the franchise owner rather than the passenger. This has in fact been identified in the West Coast Franchise Specification which states “Cap and collar led to stronger concentration on revenue generation schemes rather than on cost reduction because support was available in the event of underperformance on revenue.” Management contracts are a clear way of dealing with this issue.
27. The consultation asks whether there should be a form of risk support if revenue growth is substantially less than forecast. The Union believes that if private franchise owners are happy to take enormous profits when they accurately assess revenue growth, they must be expected to take losses when their assessment is inaccurate. Whilst we are living through a period economic instability, this appears to have had a limited effect on profits for franchise owners. In addition the length of the franchise means that one must look beyond the next few years and the instability they may bring. Profit must be the reward for private risk taking in a privatised industry. If the benefits of profit are taken by shareholders, it must be them that take the cost of failure. Not the taxpayer.
28. The process of fare simplification was extremely productive and helpful to passengers. ASLEF strongly believes that there is still room for improvement with clearer information on ticket conditions such as refunds and the times covered by peak and off-peak tickets. Ensuring there are no anomalies is also important. Nothing frustrates passengers more than finding that a return ticket

they have purchased is more expensive than two singles. This makes the public feel cheated.

29. ASLEF strongly believes that improvements to cross border services are essential. Cross boarder services are of course operated under franchises managed by the Westminster Government but the Scottish Government must do what it can to ensure that passenger numbers between London and Scotland are increased and the route is not simply abandoned and handed over to airlines. Currently rail only enjoys a 15% market share in journeys between London and Scotland. These figures are disappointing and the greener option of rail must be incentivised with lower fares. Often flying becomes the far cheaper option on journeys between London and Scotland and this must be changed. High Speed rail would help to promote train travel on these routes which is why ASLEF strongly believes that it should not stop at the English border. The Scottish Government must work with Westminster to see this decision is reversed.

30. Rolling Stock Companies (ROSCOs) make enormous profits without introducing improved standards or innovation on our railways. They are in effect a license to print money. At the time of privatisation the transfer of rolling stock to ROSCOs was undersold by £1.1 billion and since then they have paid out £2.5 billion in dividends.

31. There was in fact an investigation into ROSCOs by the Competition Commission between 2002-2009 which concluded that there were “features of the market which ... prevent, restrict or distort competition in connection with the leasing of rolling stock”. An example of the excess in ROSCOs is Angel Trains who had a profit margin of 60% in the seven months to December 2010. The present absurdity of leasing rolling stock from leasing companies who enjoy a largely monopolistic market position should be ended as soon as possible. ASLEF strongly believes that new rolling stock should be publically owned and would endorse a publically owned ROSCO going forward. Ownership of rolling stock surely makes far more sense than the current extortionate leasing arrangement that we have.

32. The consultation explains that under the current franchise agreement, all ScotRail services should have a second member of staff on board the train in addition to the driver. This in reality is often not the case. The document then goes on to explain that “It is our intention for the next franchise that a driver and another member of staff shall be present on every service.” ASLEF are keen to ensure that the franchise insists on a second member of staff rather than using the word “should” to ensure the safety and smooth running of services.
33. ASLEF also call on Transport Scotland to ensure that consideration is given to an integrated transport system. Due to the varied terrain we have in Scotland, it is often the case that many forms of public transport are used in order to complete a journey. It is therefore essential that rail is not considered in isolation, but as part of a system that joins up with ferries and buses.
34. ASLEF are opposed to vertical integration for many reasons. Firstly the Union feels that rail infrastructure should not be managed by a profit making organisation. The effect this has on safety is evident from the experience of Railtrack. The Unions feels vertical integration would lead to several “mini Railtracks.” This may also have the damaging effect of differing standards across the network.
35. Whilst ASLEF can understand the consultation calling for greater integration of activities within the industry, the Union would be wary of any alliances which have recently been proposed by Network Rail. Whilst it is true that Scotrail cover the vast majority of Scottish rail passenger services, other services do you the Scottish rail network such as, CrossCountry, Virgin West Coast and East Coast, not to mention freight operators. The concern is that priority may be given to those services that are run by the “alliance” partner. This could have a particularly negative effect on Scottish rail freight which is often treated as an afterthought in the industry. Transport Scotland must safeguard routes and give assurances that rail freight will have the same access and given the same priorities as passenger rail.

36. ASLEF are pleased to see the consultation calling for more freight to be taken by rail. However very little of the document refers to freight specifically and how this will be achieved. ASLEF believes that it is essential that any changes to the structure of the railways in Scotland consider the effect it will have on freight. The promotion of rail freight is an essential tool in the reduction of carbon emissions, road congestion and road safety. The freight industry is essential to Scotland and is estimated to be worth over £4.5bn per year to the Scottish economy. Rail accounts for just over 11 per cent of freight tonne-kilometres in Scotland. Rail freight is therefore worth around £500 million. An average freight train can remove 50 HGVs journeys from our roads and per tonne carried, rail produces between five and ten times less emissions than road transport. Transport Scotland must therefore ensure its positive words are translated into positive action.

37. ASLEF is concerned over the timing of these proposals. Many of them could have long term implications for the railway and affect Scottish Rail for generations. Given the constitutional questions and the probable referendum on independence, it seems unwise to make these costly changes before this is resolved. The Union would therefore suggest Transport Scotland put on hold any long term changes that will be affected by constitutional change.

38. ASLEF welcomes the opportunity to discuss the future of Scottish Rail and feels that many areas of the consultation provide positive reading. The Union does however have concerns over many of the options within the document. Fragmentation and profiteering have damaged our railways. Scotland is in a unique position in the UK by which one franchise provides almost all services within the country. This is a strength that should be built upon, not broken up.

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