



ASLEF Response to Transport Select Committee Inquiry October 2009 - Update on the London Underground and the public-private partnership (PPP) agreements

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 20,000 members in train operating companies and freight companies as well as London Underground and Overground. With our long experience and extensive knowledge of the UK rail industry, ASLEF is well placed to comment on the current issues and developments in the sector.
2. ASLEF welcomes the opportunity to contribute to the Transport Select Committee's update on the London Underground and the PPP agreements.
3. ASLEF is opposed to Public-Private Partnerships in principle and believe that the collapse of Metronet gives a clear example of why such agreements are an inefficient and damaging way of developing much needed upgrades on the Underground system.
4. The union believes that the public contracts given to private companies are too often a risk free venture for the contractor who can only make profit from the public purse and have no danger of losses. This is quite clearly demonstrated by the fact that Metronet's demise cost its five parent companies (Atkins, Balfour Beatty, Bombardier, EDF Energy, and Thames Water) £70 million each. It cost the tax payer £1.7 billion. This means each parent company has lost just 4.1% in comparison to the public purse.
5. In addition to the huge financial drain the failed PPP with Metronet was to the taxpayer, it also meant that much needed work was delayed or not done. The collapse of Metronet had enormous implications for the London Underground system, the workforce and the travelling public. Contracts that were supposed to

deliver upgrades to 35 stations over three years in fact only delivered 14 (this is just 40%). Stations that were supposed to cost Metronet £2 million in fact cost £7.5 million, 375% of the original stated price. By November 2006, only 65% of scheduled track renewal had been achieved.

6. The union takes the view that within the flawed PPP system, there were additional errors such as Metronet having a tied supply chain which guaranteed the majority of work to its parent companies but without safeguards. This system also prevented any competitive tendering for the sub-contracted work.
7. ASLEF would point that the return anticipated by Metronet's shareholders appears to have been out of all proportion to the level of risk associated with the contract. The implication of this was that the Metronet contract was completely ineffective in transferring any risk from the public to the private sector. Therefore the contract has almost no benefits for the taxpayer but gives guaranteed money to the parent companies.
8. The committee previously stated that "it is worrying that the Government's confidence in such savings appears to stem from a belief that inefficiency is more endemic and irreversible in the public than the private sector."
9. ASLEF would urge the Government to learn that the private sector is not inherently more efficient than the public sector. This is especially the case when there is such limited risk for a company and there is no competition within the supply chain. In short, the company simply has a licence to take money from the public purse with no concern for the work taking place and no risk of financial loss from mismanagement or inefficiencies.
10. The union believes that lessons have clearly not been learnt as significant failings are now evident in the case of Tube Lines. London Underground has revealed that it has "grave doubts" over Tube Lines ability to deliver the upgrades needed on the Jubilee Line. They have had to extend their weekend closures, creating great inconvenience for the public and still look to be falling behind targets. Tube Lines is now claiming that works that had been priced at £4.1 billion to improve the Jubilee, Northern and Piccadilly Lines will cost £5.5 billion, leaving a gap of £1.4 billion.

Other estimates suggest costs could rise to £7.2 billion. ASLEF is deeply concerned at these develops both for its members on London Underground but also the travelling public.

11. It therefore looks like the one remaining PPP company is destined to fail in a similar way to Metronet. Lessons have clearly not been learnt and ASLEF believes this shows the fundamental flaw in PPP and its ability to ensure infrastructure upgrades.
12. It should be clear from the Metronet catastrophe that the optimum means of delivering Underground infrastructure improvements is within an internal, vertically integrated structured. PPP is simply a flawed model and we can only hope this expensive mistake can perhaps have one positive outcome, an end to the presumption that the private sector is good and the public sector is bad.
13. There are clear risks in the PPP Agreement with Tube Lines and as a result of the previous issues with Metronet. The lack of any real risk along with reduced competition means that innovation, competition and efficiency do not occur at any stage of the process with the resulting spiralling costs and taxpayer bailouts.
14. ASLEF believes that the current economic climate will have very grave implications for PPP and PFI schemes. Construction and infrastructure companies are being affected more than most during this recession. If they feel they cannot make money from their public contracts they will simply cut their losses, withdraw from the contracts and leave the taxpayer to pick up the bill and the mess. This is exactly what happened with Metronet and is more likely to happen during periods of economic instability and recession.
15. ASLEF would highlight that the previous Mayor of London opposed PPP but the scheme was pushed through by the Government. The Government's policy has since been proven wrong. It is therefore essential that the Government learn from this costly mistake and heavily scrutinise all PPP and PFI schemes in the light of the Metronet collapse.
16. To conclude, ASLEF welcomes the revisiting of this vitally important issue by the Transport Select Committee. The union believes that the PPP model as used on the

London Underground is utterly discredited, leaving the taxpayer saddled with huge debts while letting the companies involved walk away with minimum liabilities. We hope that lessons are learned by the Government for the future of all public sector infrastructure projects.

Keith Norman
General Secretary
ASLEF
9 Arkwright Road
London NW3 6AB