



House of Commons  
Transport Committee

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# The Performance of the London Underground

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**Sixth Report of Session 2004–05**

*Report, together with formal minutes, oral and  
written evidence*

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## The Transport Committee

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All correspondence should be addressed to the Clerk of the Transport Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6263; the Committee's email address is [transcom@parliament.uk](mailto:transcom@parliament.uk)

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# 1 Introduction

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1. The Public Private Partnership (PPP) for London Underground was completed some two years ago. The contract with Tube Lines was signed on 31 December 2002, and those with Metronet BCV and Metronet SSL on 4 April 2003. Responsibility for running the Tube remains with London Underground Limited; the three infrastructure companies (“infracos”) are responsible for the maintenance and renewal of the infrastructure. Their contract runs for 30 years, but the contract is reviewed each 7½ years, when adjustments can be made to the performance required or the pricing of the contracts.

2. Tube Lines, a consortium consisting of Bechtel, Jarvis and Amey assumed responsibility for the Jubilee, Northern and Piccadilly lines on 31 December 2002; on 4 April 2003, Metronet, a consortium consisting of Balfour Beatty, W. S. Atkins, Thames Water, Bombardier Transportation and Seaboard assumed responsibility for the remainder of the network. Metronet has two entities – Metronet Rail BCV looks after the Bakerloo, Central Victoria and Waterloo and City lines, and Metronet Rail SSL (Sub-Surface Lines) deals with the District, Circle, Metropolitan, Hammersmith and City and East London Lines.

3. On 8 December 2004 we took evidence on the performance of London Underground. We heard from Mr Bob Crow and Mr Tony Donaghey, the General Secretary and President of the Rail, Maritime and Transport Union (RMT); Mr Gerry Doherty and Mr Mike Katz, the General Secretary and Head of Communications at the Transport Salaried Staffs’ Association (TSSA); Mr Tim O’Toole the Managing Director of London Underground Ltd (LUL), and Mr John Weight and Mr Terry Morgan, the Chief Executives of Metronet and Tube Lines respectively. We are grateful to our witnesses for their help.

4. Our predecessor Committees closely followed the lengthy process which led to the PPP. We, too, have monitored progress, both on the PPP itself and on the state of the network, taking evidence in 2002 and 2003.<sup>1</sup> In 2002, the Select Committee on Transport, Environment and the Regions considered that “it was not possible to establish that the PPP offered value for money”.<sup>2</sup> We agree. Nonetheless, the PPP has now been established. The Report from the NAO *London Underground PPP: Were they good deals?*<sup>3</sup> sets out the bidding process comprehensively. Our concern now is to monitor how the deals are working in practice. This report and the evidence printed with it are part of that process. We regret to say that on the evidence we received, improvements in facilities and performance are not in proportion to the huge sums of money flowing through the PPP.

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1 *London Underground PPP: New Developments*, Minutes of Evidence and Appendices, Wednesday 18 December 2002 HC(2002-03)200-i, *Crisis on the Central Line*, Minutes of Evidence, Tuesday 1 April 2003, HC (2002-03)592-i

2 Second Report from the Transport, Local Government and the Regions Committee, *London Underground* (HC (2001-02) 387-i)

3 Report by the Comptroller and Auditor General, HC (2003-04)645, 17 June 2004

## 2 Major works

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5. As the National Audit Office says, “Whether the PPPs will deliver real benefits to passengers, and provide appropriate returns on investment, will be determined over the 30 year life of the contracts”.<sup>4</sup> Affordability constraints mean that many of the major improvements sought from the PPP have been deferred until after the first 7½ year contract period, when pricing and terms will need to be renegotiated.<sup>5</sup> Mr O’Toole told us that this delay meant there was a risk that future funding from Government would be withheld.

What I do not want to happen is for people to get to the seven and a half year period and say, just when we are about to get all this rehabilitated kit delivered, “You know, it actually did not get that much better. Why would we want to put more money into that?” I want to make sure people are bought into the schedule that we have all agreed to.<sup>6</sup>

**6. The Government set an affordability threshold for the London Underground PPP which meant that work had to be delayed until after the first seven and a half year contract period. The Transport, Local Government and the Regions Committee warned that there was a real prospect that this would recur at future reviews: it must not happen.**

7. Ensuring that the Tube gets the major upgrades it needs is not the same as paying any price that the private sector demands. There is potentially a problem in securing a fair price for upgrades: many of the major infrastructure companies which could undertake them are currently involved in the PPPs. There has already been some experience of this circular relationship. Under the current contract, London Underground has the right to specify extra works, which can be undertaken either by the relevant infraco, at a price negotiated between the parties, or by a third party. Transport for London has published a Report on the first year of the PPP which makes it clear that there have been delays in securing additional services and works through the infracos, and that some of the costs have been considered excessive by London Underground.<sup>7</sup>

8. We discussed the contract for improvements to Wembley Park Station which had been carried out by Tube Lines. Although the high cost of this project was caused in part by the need to complete the work in time for the opening of the National Stadium,<sup>8</sup> Mr O’Toole was clear that he had effectively had a choice of one supplier and that he did not wish to be in that position again.<sup>9</sup> To prevent it, London Underground is putting in place framework agreements with alternative suppliers, to ensure competition in future.<sup>10</sup>

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4 National Audit Office; London Underground: Are the Public Private Partnerships likely to work successfully?, HC (2003-04) 644, 17 June 2004, p 8

5 HC(2003-04) 645, paras 2.14-18

6 Q 108

7 London Underground and the PPP: The first Year 2003/4, TfL, June 2004, p21

8 Q 75, Q109, Ev 58

9 Q77

10 Qq 71, 77

9. A further complexity is that there was too little knowledge about the state of some of the Underground's assets to price their maintenance. Although this is a risk for the private sector, the periodic reviews provide a mechanism for the contract to be adjusted as more becomes known about the risks involved.<sup>11</sup> The PPP contract provides for an Arbiter to set a price for the work specified in a particular review period if the two parties to the contract cannot agree. The Committee on the Environment, Transport and Regional Affairs noted:

We are concerned that the incumbent infrastructure companies will be in a strong negotiating position to press for more favourable terms when performance requirements are reviewed at 7½ year intervals. The operating company and the arbiter must be given sufficient powers to prevent the infrastructure companies from exploiting their positions and to ensure that their charges are fair and reasonable.<sup>12</sup>

The National Audit Office has also commented that “the lack of competition in the Tube PPPs – two companies running three Infracos – may reduce the Arbiter's ability to collect comparative data.”<sup>13</sup> **We strongly support London Underground Ltd's initiatives to establish alternative suppliers to the infracos for infrastructure improvements. Not only will this help to reduce the cost of additional works in the short term, it should help the PPP Arbiter determine a fair price for the PPP if there is disagreement during the future reviews.**

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11 HC(2003-04)645, para s 2.26-2.27, para 4.11

12 Fourteenth Report of Session 1999-2000, *Funding of London Underground*, HC 411 para 46

13 HC 644, p 55

## 3 Performance

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10. The deferment of major projects has meant that “In the first contract period of 7.5 years the infracos focus on reliability improvements, station works and on Line upgrades”<sup>14</sup>, although some of these are long term projects which will continue into the second period. The infracos drew attention to their achievements in procuring extra trains and carriages, and making infrastructure improvements, such as renewing signalling and refurbishing track. Clearly a great deal of work is being undertaken by the companies involved, and a significant investment is being made. Nonetheless, the TfL Report on the first year of the partnership suggested that not all was progressing smoothly: we note that Tube Lines’s plans for station enhancements “have been rejected by London Underground as inadequate”,<sup>15</sup> and that information from Metronet BCV on the Victoria Line Phase 1 upgrade and the Central Line upgrade was lacking. This is disappointing considering that the private sector was expected to bring project management skills to the Underground. However, by the time we took evidence, Mr Terry Morgan of Tube Lines told us that he was not aware of a single large project that was running late.<sup>16</sup>

11. The Transport for London Report noted

Based on the limited information available, London Underground has some concerns regarding progress on major projects and track renewal work. The Infracos accounts for the penultimate period of 2003/04 indicate actual capital expenditure at 80-85 per cent of budgeted capital expenditure for all three Infracos for the year. The concern in this area is not so much the absolute levels of spend, it is the amount of work being produced per pound spent. For example, completing 50 per cent of a given length of track renewal work in the time allotted due to poor planning and inefficient working still incurs the budgeted cost for the full scope of work.<sup>17</sup>

12. The TfL Report noted that the infracos were failing to invest in new equipment which would enable them to work more efficiently. Mr O’Toole told us that he had very little power to force such investment and that it was “a constant cajoling and negotiation”, even though the companies’ need to manage their assets on a whole life basis should give them an incentive to introduce new equipment once they decided it would be more efficient to do so.<sup>18</sup>

### Day to day experience

13. The passenger is interested in whether the Tube is running reliably, rather than how that reliability is achieved. On day to day performance the infracos are judged on three outcomes; availability (assessed in lost customer hours, weighted according to the type of service disruption), the ambience of the network (the quality of the passenger experience)

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14 Office of the PPP Arbiter, Introduction to Public Private Partnerships, [http://www.ppparbiter.org.uk/int\\_to\\_ppps.html](http://www.ppparbiter.org.uk/int_to_ppps.html)

15 p 19

16 Q190

17 p 20

18 Q 122

and the speed and quality of fault rectification. Here the performance of the infracos has been mixed.

14. The infracos present their performance positively. Tube Lines told us that “We believe that, through our improvements in performance, innovation and infrastructure enhancements, we are beginning to make the transformations necessary to reverse decades of under-investment and deliver a better railway for London.”<sup>19</sup> Similarly, Metronet asserted “Overall, Metronet’s performance developed a positive trend during the seven periods of 2004/5 and whilst there is much progress still to be made, a more reliable service to passengers is now becoming evident.”<sup>20</sup>

15. It is clear that both companies have now improved the ambience of the trains and stations for which they are responsible.<sup>21</sup> New cleaning schedules have been introduced, and the frequencies of deep cleans increased. Graffiti on trains has been almost eliminated. We welcome this, but ambience is the easiest of the three performance measures to improve, and although it is important to customers, it is less important than a speedy, reliable service.

16. The evidence on availability of assets and lost customer hours is more mixed. Although the companies both claimed that availability measures were improving, their figures tended to be based on an average over an extended period.<sup>22</sup> In contrast, Transport for London’s Report on the first year of the PPP looked at availability in individual control periods. Performance below a benchmark triggers abatements to the payments made to infracos; performance worse than an “unacceptable” level triggers a higher degree of abatement. TfL’s figures showed that only the District Line had consistently produced performance that met the benchmark; on most other lines London Underground had considered performance had frequently fallen below benchmark and for several periods had been at the level considered “unacceptable”.

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19 Ev 30

20 Ev 46

21 London Underground and the PPP: The first year 2003-4, pp 14-6

22 Ev 33

Table 1: Lost Customer Hours: Performance against Benchmark, 31 March 2003-March 2004

Line	Number of periods in which performance was below benchmark (out of 13)	Number of periods in which performance was "unacceptable"*
Bakerloo	4	2
Central	8	5
Victoria	9	5
Waterloo and City	9	6
Metropolitan, Circle and Hammersmith	1	0
District	0	0
East London	6	3
Jubilee	8	5
Northern	7	6
Piccadilly	7	2

**Note: TfL figures for lost hours have been used; some lost hours were in "abeyance", that is subject to dispute between LUL and the infraco concerned, and it is possible that settlement of those disputes might slightly improve these performance figures.**

Data Source: London Underground and the PPP, TfL

Since we took evidence there have, of course, been further frequent, widely reported engineering overruns and repeated failures of signalling equipment, which have had a severe impact on the travelling public.

17. It should be remembered that the benchmarks are set separately for each line; and the benchmark for lost customer hours was initially set at 105 per cent of London Underground's historic level. In other words, the benchmark for a line with historically poor performance is set low to reflect past performance, and the benchmarks at the beginning of the PPP were lower than performance under shadow running. Mr Weight told us that this was done to take account of the disruption caused by the introduction of the PPP, and that the target would rapidly become more demanding.<sup>23</sup> The improvement expected by Tube Lines is as follows:

Year	Per period target for lost customer hours <sup>24</sup>
2005	345,869.2
2006	340,012.8
3007	337,230.8
2008	334,923.1
2009	333,451.3

23 QQ180 -182

24 Ev 35

The improvements expected on each of the Metronet lines is printed with the evidence.<sup>25</sup> Performance during shadow running was abysmal. **Availability is the most important factor for Tube travellers. 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. We hope that they will be able to meet the more demanding targets for availability expected in future; we have no confidence that will be the case.**

18. Mr Morgan of Tube Lines assured us that the penalty payments incurred by engineering overruns affected managers' judgements. Although the penalties were small in relation to the total service charges, they flow "right the way to the bottom line".<sup>26</sup> We believe that this should not be the only discipline on the infracos. Since the funding for the Underground ultimately comes from the public purse there should be absolute clarity about the degree to which the infracos are meeting their targets. Although this information is eventually published, there can be significant delays before it is available. **One of the reasons for the PPP was to introduce private sector disciplines. We need to be able to judge whether this has successfully improved performance. London Underground already publishes some information about performance on its web site; it should do so in a much clearer way. In addition, Transport for London should continue to give a detailed report on the performance of the PPP each year.**

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25 Ev 54-57

26 Q 185

## 4 Safety

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19. Our precursor committee reported:

Transport for London believes that the management arrangements for the PPP are so complex that they will jeopardise safety. The trade unions agreed, suggesting that the complex contractual management regimes would blur the lines of responsibility and accountability.<sup>27</sup>

When we took evidence, it was clear that concerns still remained.

20. The London Underground is one of the safest underground railways in the world, but its assets are ageing, and problems are increasing.<sup>28</sup> London Underground has overall responsibility for safety. Mr O'Toole told us:

The safety case for all four companies comes back to me. London Underground holds the safety case. It is our job to make sure that they work safely and it is our job to put the systems in place that establish safety assurance. As a result I can say to you that I believe they will maintain safety because I intend to ensure, and I know anyone in this chair would ensure, that they do.<sup>29</sup>

21. The Health and Safety Executive told us that “there is currently no evidence that London Underground’s safety record has suffered directly as a result of operating under the PPP regime”<sup>30</sup>, although the number of adverse incidents had increased over the past four years.<sup>31</sup> Since the PPP began there have been 4 derailments, and the numbers both of broken rails and of signals passed at danger because of equipment problems have increased.<sup>32</sup>

**Table 2: Safety on London Underground**

<b>Type of incidents on LUL network:</b>	<b>(Shadow run PPP) 2001/02</b>	<b>(Shadow run PPP) 2002/03</b>	<b>Under PPP 2003/04</b>
Major incidents (derailments)	0	1 (Chancery Lane)	2 (Camden, Hammersmith)
Broken rails	25	29	33
'Technical' SPADs (Category B)	150	166	197

*Ev 45 Since the period to which the table relates there have been derailments at White City and at Barons Court.*

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27 Transport, Local Government and the Regions Committee, *London Underground* HC(2001-02)387, para 19

28 London Underground Public Private Partnership: the offer to Londoners: DTLR, April 11 2001, [http://www.dft.gov.uk/stellent/groups/dft\\_railways/documents/page/dft\\_railways\\_504024.hcsp](http://www.dft.gov.uk/stellent/groups/dft_railways/documents/page/dft_railways_504024.hcsp)

29 Q123

30 Ev 46

31 Ev 46

32 Ev 45

22. The White City derailment in May 2004 appears to have been caused by inadequate communication. A Chief Engineer's Regulatory Notice had set out remedial work required to the type of points involved in the derailment. Although the measures required had been communicated to the infracos' chief engineers by LUL that information "had not been adequately communicated or explained to individuals within the Metronet Rail BCV Ltd Central line track team" and LUL itself did not have the systems in place to assure itself that safety critical information was being adequately acted upon.<sup>33</sup>

**23. The HSE noted that there had been an increase in the number of incidents with potential for an adverse effect on safety over the last three years. Many of these may have been an unavoidable consequence of the ageing assets, rather than a direct result of infraction performance. Nonetheless an increase in the number of incidents has potential to become an increase in the number of accidents. The infracos and LUL must ensure that the complex interfaces between the many organisations involved in the underground do not increase the risks.**

24. The unions were concerned that infracos had made changes to safety procedures without consultation, and that there was little consistent dialogue between all parties on safety, although they welcomed Metronet's introduction of health and safety coordinators.<sup>34</sup>

25. The Trades Unions told us that there was no consistent safety training for the employees of the different infracos and of LUL itself; the charge was denied by Mr O'Toole and Mr Weight, the Chief Executive of Metronet, told us that his staff underwent the same safety training as London Underground "for the skill sets they need".<sup>35</sup> However, the TSSA later told us that the fact that training was being delivered by each organisation meant that the delivery and emphasis would vary. Previously London Underground had been able to highlight the issues which it considered important. It is particularly disturbing that Mr Crow told us that there is little or no information available to staff about what they should do in a major emergency "there is supposed to be a plan but we do not know what the plan is. We have not been told."<sup>36</sup>

**26. It is clear that the fragmentation of the system has led to inconsistent communications between the infracos and their employees. Much better communication and consultation is needed. At the very least, the infraction 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.**

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33 Final Report: Formal Investigation into the derailment of a Central line train at White City on 11th May 2004, August 2004,

34 Ev 61

35 Q244

36 Ev 7

## 5 London Underground's powers

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27. Transport for London and the current chief executive of London Underground Ltd were not involved in negotiating the PPP contracts. In his introduction to the TfL report on London Underground and PPP Mr O'Toole said "I have...been disappointed by the overly convoluted processes that the contracts require, the limitations on London Underground's rights and inadequacies of real-world technical planning analysis that went into the PPP."<sup>37</sup> Not only does LUL have to work with the infracos; it has also to deal with three separate PFIs for important services which were entered into before the PPP, and which were not taken into account when the PPP was negotiated. The Prestige PFI covers ticketing; the Power PFI with Seeboard Powerlink was entered into in connection with the decommissioning of the Underground's Lots Road power plant; the Connect PFI is for maintaining and the current radio system and delivering a new system. The PFIs and the PPPs are interdependent – the Connect PFI will, for example, only meet the deadline for introducing a new system if it shares engineering hours with the infracos and draws on their engineering trains, protection personnel and other assets.<sup>38</sup>

28. Unlike most PFI deals, the PPP does not contain a provision allowing for voluntary termination on a no fault basis. The NAO reported that :

4.10 One of Transport for London's major concerns was over the absence of arrangements for voluntary termination on a no fault basis, which is usually found in PFI contracts. Ernst & Young in their report echoed this concern because the provision enforces a duty on the PFI contractor to mitigate costs in such an event. We find that the PPP's pervasive requirement for "economic & efficient" behaviour captures the duty to mitigate costs, but the absence of pre-agreed contract provisions leaves considerable room for argument.<sup>39</sup>

In 2002, London Underground said that it was decided not to include such a right, because the PPP bidders would have found it unacceptable, and the Department later told the National Audit Office that a decision was taken not to include such a provision since the bidders would have added a premium to their prices to reflect the greater political uncertainty.<sup>40</sup>

29. If the only ground for termination is that the companies are in default of their obligations, then it is clearly essential that those responsible for the assessing performance get the information they need. Yet LUL complained that the infracos were not providing satisfactory information about the planning and delivery of projects. By the time he gave evidence, Mr O'Toole told us that London Underground had reached agreement with the infracos about the information they would provide, although it was still not available "Because it has taken us the better part of the year to argue over what it is and what it should look like".<sup>41</sup> Tube Lines told us that they were not aware of the information that

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37 TfL Report, p5

38 TFL Report, p6

39 HC(2003-04)645, p 37

40 HC(2003-04)645, p 37

41 Q 135

London Underground required until three months after the contract was signed. As the result of the PPP, London Underground is left with a plethora of different arrangements with private partners all responsible for different bits of the infrastructure. It has no public interest right to terminate the PPP contracts. It is responsible for the overall running of the Underground and for managing the performance of the infracos. It vital that it has the information it needs to do its job. It is astonishing that it took a year to negotiate access to the information London Underground needed.

## 6 Ownership

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30. During our inquiry Jarvis sold its shares in Tube Lines. At the point when we took evidence, it was clear that Jarvis wished to make a sale, but no final deal had been reached. London Underground has the right to object to the transfer of shares in an *infraco*, although it does not have right of veto. The extent of London Underground's rights depends on the nature of the deal proposed. It could in principle have objected to transfers of shares to "undesirable" persons, and on the grounds that such a transfer would have affected Tube Lines's ability to perform its obligations under its contract.<sup>42</sup> As the transfer was ultimately to Amey plc, who were already members of the consortium, there were no such objections. However, we were disturbed to hear that the companies involved at the time of our hearing had "obviously spent some time and money trying to structure a deal that got round our power to do something about it".<sup>43</sup> In fact, LUL was able to negotiate an enhancement of its contractual rights on subsequent disposal of the shares.<sup>44</sup>

31. As a result of the sale, Tube Lines is ultimately owned by the Spanish conglomerate, Grupo Ferrovial S.A and Bechtel. The two Metronet Companies have a wider ownership, being held in equal shares by:

- Atkins Metro Limited (a wholly owned subsidiary of WS Atkins plc)
- Balfour Beatty Infrastructure Investments Ltd (a wholly owned subsidiary of Balfour Beatty plc)
- Bombardier Transportation (Holdings) Uk Ltd (an indirect wholly owned subsidiary of Bombardier inc)
- SEEBOARD Metro Holdings Ltd (a subsidiary of London Electricity Group, which is itself a subsidiary of Electricité de France)
- Thames Water plc (a subsidiary of RWE AG).<sup>45</sup>

32. A particular problem would arise if one of the consortia's member companies went into administration. We were told that a buyer would be sought and "it is not possible suddenly to find buyers for ... equity that are unacceptable to London Underground" and that if an entire company was taken over, there would be a new owner for the shareholding in the consortium.<sup>46</sup> But when we discussed the possible transfer of Jarvis's stake in Tube Lines with Mr O'Toole he was certainly concerned to ensure "that the entire structure is not made more fragile as a result in the change of ownership".<sup>47</sup> London Underground might well have less scope to ensure stability if the company being sold was in administration at the time. If a consortium as a whole went bust London Underground would gain its assets,

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42 Ev 61

43 Q 131

44 Ev 62

45 Ev 62

46 Q 205

47 Q 154

but would also assume responsibility for a high proportion of its debt. The impact of either situation on London Underground and on the taxpaying passenger would be potentially extremely serious. **The PPP was drawn up in the expectation that shareholders in the infracos might change during the 30 year life of the partnership. When it was in difficulties, Jarvis was able to use its share in Tube Lines as a source of funds. On this occasion, London Underground Ltd was able to ensure that the change was acceptable, but we agree with them that the PPP contract is susceptible to the changes in the commitment of the members of the consortia to the London Underground. Future transfers might not have such a satisfactory outcome. Members of the consortia can sell their share in the Underground relatively freely; the taxpayer is committed to continued funding of the PPP whatever changes in ownership occur.**

## 7 Conclusion

33. It would be wrong to claim that the PPP had produced no benefits for the Tube. Stations are being refurbished; new trains and carriages are being ordered or delivered; lines are being upgraded and failing equipment replaced. This is hardly surprising. David Rowlands, now Permanent Secretary of the Department of Transport, described current government expenditure as investment “at around twice the level seen over the last 10 years”.<sup>48</sup> This is a wild underestimate, unless the costs of the Jubilee Line Extension are included in the figures for spending before PPP.

34. When we investigated, we found there were no easily accessible figures giving the amount of central government grant for the Underground. Our Chairman obtained a breakdown of figures through a written question, and we include them here.

**Table 3: Government funding for the London Underground, 1997-98 –2004-05, cash prices**

<b>£m (cash)</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02<sup>2</sup></b>	<b>2002-03</b>	<b>2003-04<sup>3</sup></b>	<b>2004-05<sup>4</sup></b>
London Regional Transport	630	411	816	315	484	767	867	-
London Underground <sup>1</sup>	544	313	640	267	460	767	1,218	1,070
<i>Of which Jubilee Line extension construction</i>	<i>506</i>	<i>267</i>	<i>478</i>					
Source: London Underground accounts for 1997-98 to 2003-04 In 2001-02, LRT spent £24m on the re-structuring and re-organising LT Group In 2003-04, the grant for LU was paid to LRT until July 2003 with the balance of £346 million being paid as part of the GLA Transport Grant from August 2003. The element of the GLA transport grant identified by Government for London Underground								

**Table 4: Government Funding for the London Underground, 1997-98–2004-05, current prices**

<b>£m (constant 2003-04 prices<sup>1</sup>)</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
London Regional Transport	730.9	463.4	900.7	343.5	514.9	789.1	867	-
London Underground*	631.1	352.9	706.4	291.2	489.4	789.1	1,218	1,048.0
<i>Of which Jubilee Line extension construction</i>	<i>587.0</i>	<i>301.0</i>	<i>527.6</i>					
1. HMT GDP Deflator								

<sup>48</sup> letter from David Rowlands to Bob Kiley, Commissioner for transport for London, 4 Dec 2002, [http://www.dft.gov.uk/stellent/groups/dft\\_localtrans/documents/page/dft\\_localtrans\\_032862.pdf](http://www.dft.gov.uk/stellent/groups/dft_localtrans/documents/page/dft_localtrans_032862.pdf)

They show 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; a increase of 2,276% – over twentyfold. We acknowledge that the funds available for general Tube maintenance increased once the Jubilee Line Extension was completed, but even so, funding from central government has more than tripled since 2000-01. Government funding for the Tube in 2007-08 will be over £1.3 billion.

35. In addition to this extra public sector funding, the PPP produces about £5 billion of long term private finance, through the infracos. But they are handsomely paid for their work through the infrastructure service charge paid by London Underground—over £1 billion in 2003-04.<sup>49</sup> It remains to be seen whether the PPP has given the private sector incentives to upgrade the Tube more efficiently and effectively than would have been possible through the public sector, but at this stage we believe its major achievement has been to ensure that the Government commits itself to providing sustained funding for London Underground; a commitment which, given the political will, could have been made without any PPP.

## Conclusions and recommendations

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### Major works

1. The Government set an affordability threshold for the London Underground PPP which meant that work had to be delayed until after the first seven and a half year contract period. The Transport, Local Government and the Regions Committee warned that there was a real prospect that this would recur at future reviews: it must not happen. (Paragraph 6)
2. We strongly support London Underground Ltd's initiatives to establish alternative suppliers to the infracos for infrastructure improvements. Not only will this help to reduce the cost of additional works in the short term, it should help the PPP Arbiter determine a fair price for the PPP if there is disagreement during the future reviews. (Paragraph 9)

### Performance

3. Availability is the most important factor for Tube travellers. 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. We hope that they will be able to meet the more demanding targets for availability expected in future; we have no confidence that will be the case. (Paragraph 17)
4. One of the reasons for the PPP was to introduce private sector disciplines. We need to be able to judge whether this has successfully improved performance. London Underground already publishes some information about performance on its web site; it should do so in a much clearer way. In addition, Transport for London should

continue to give a detailed report on the performance of the PPP each year. (Paragraph 18)

## Safety

5. The HSE noted that there had been an increase in the number of incidents with potential for an adverse effect on safety over the last three years. Many of these may have been an unavoidable consequence of the ageing assets, rather than a direct result of infraco performance. Nonetheless an increase in the number of incidents has potential to become an increase in the number of accidents. The infracos and LUL must ensure that the complex interfaces between the many organisations involved in the underground do not increase the risks. (Paragraph 23)
6. It is clear that the fragmentation of the system has led to inconsistent communications between the infracos and their employees. Much better communication and consultation is needed. 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. (Paragraph 26)

## London Underground's powers

7. As the result of the PPP, London Underground is left with a plethora of different arrangements with private partners all responsible for different bits of the infrastructure. It has no public interest right to terminate the PPP contracts. It is responsible for the overall running of the Underground and for managing the performance of the infracos. It vital that it has the information it needs to do its job. It is astonishing that it took a year to negotiate access to the information London Underground needed. (Paragraph 29)

## Ownership

8. The PPP was drawn up in the expectation that shareholders in the infracos might change during the 30 year life of the partnership. When it was in difficulties, Jarvis was able to use its share in Tube Lines as a source of funds. On this occasion, London Underground Ltd was able to ensure that the change was acceptable, but we agree with them that the PPP contract is susceptible to the changes in the commitment of the members of the consortia to the London Underground. Future transfers might not have such a satisfactory outcome. Members of the consortia can sell their share in the Underground relatively freely; the taxpayer is committed to continued funding of the PPP whatever changes in ownership occur. (Paragraph 32)

## Formal minutes

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*The following Declarations of Interest were made:*

Mrs Gwyneth Dunwoody, Member, Associated Society of Locomotive Engineers and Firemen

Clive Efford and Mrs Louise Ellman, Members of the Transport and General Workers' Union

Ian Lucas, Member of Amicus

Mr Graham Stringer, Member of Amicus and Director of Centre for Local Economic Strategies

### Wednesday 9 March 2005

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Jeffrey M. Donaldson

Clive Efford

Mrs Louise Ellman

Ian Lucas

Miss Anne McIntosh

Mr Graham Stringer

The Committee deliberated.

Draft Report (*The Performance of the London Underground*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Paragraph 17 read, amended and agreed to.

Paragraphs 18 to 31 read and agreed to.

Paragraphs 32 and 33 read, amended and agreed to.

A paragraph—(*The Chairman*)—brought up, read the first and second time and inserted (now paragraph 34).

Paragraph 34 (now paragraph 35) read and agreed to.

*Resolved*, That the Report be the Sixth Report from the Committee to the House.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

*Ordered,* That the provisions of Standing Order No. 134 (Select committee (reports)) be applied to the Report.

*Ordered,* That the Chairman do make the Report to the House.

[Adjourned till Monday 14 March at Four o'clock.

## Witnesses

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Date	Page
<b>Mr Bob Crew</b> , General Secretary, and <b>Mr Tony Donaghey</b> , President, Rail, Maritime and Transport Union; <b>Mr Gerry Doherty</b> , General Secretary, and <b>Mr Mike Katz</b> , Head of Communications and Marketing, Transport Salaried Staffs' Association (TSSA)	Ev 1
<b>Mr Tim O'Toole</b> , Managing Director of London Underground	Ev 9
<b>Mr John Weight</b> , Chief Executive, Metronet; and <b>Mr Terry Morgan</b> , Chief Executive, Tube Lines	Ev 18

## List of written evidence

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LU 01	Tube Lines	Ev 29
LU 01A	Supplementary memorandum by Tube Lines	Ev 31
LU 02	TSSA	Ev 37
LU 02A	Supplementary memorandum by TSSA	Ev 39
LU 03	RMT	Ev 40
LU 04	Health & Safety Executive (HSE)	Ev 44
LU 05	Metronet	Ev 46
LU 05A	Supplementary memorandum by Metronet	Ev 49
LU 06	Corporation of London	Ev 57
LU 07	Supplementary memorandum by London Underground	Ev 58
LU 02B	Supplementary memorandum by TSSA	Ev 61
LU 07A	Supplementary memorandum by London Underground	Ev 61

# Reports from the Transport Committee since 2002

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## Session 2004–05

First Report	Work of the Committee in 2004	HC 251
Second Report	Tonnage Tax	HC 299
Third Report	Disabled People's Access to Transport: A year's worth of improvements?	HC 93
First Special Report	Government Response to the Seventeenth Report of the Committee: Cars of the Future	HC 377
Fourth Report	The Departmental Annual Report 2004	HC 409
Second Special Report	Government Response to the Eighteenth Report of the Committee: Galileo	HC 410
Fifth Report	Rural Railways	HC 169-I

## Session 2003–04

First Report	Traffic Management Bill	HC 144
Second Report	The Departmental Annual Report	HC 249
Third Report	The Regulation of Licensed Taxis and Private Hire Vehicle Services in the UK	HC 215-I
Fourth Report	Transport Committee Annual Report 2002-03	HC 317
Fifth Report	The Office of Fair Trading's Response to the Third Report of the Committee: The Regulation of Licensed Taxis and Private Hire Vehicle Services in the UK	HC 418
Sixth Report	Disabled People's Access to Transport	HC 439
Seventh Report	The Future of the Railway	HC 145-I
Eighth Report	School Transport	HC 318-I
Ninth Report	Navigational Hazards and the Energy Bill	HC 555
Tenth Report	The Work of the Vehicle and Operator Services Agency and The Vehicle Certification Agency	HC 250
Eleventh Report	National Rail Enquiry Service	HC 580
Twelfth Report	British Transport Police	HC 488
Thirteenth Report	The Rail Regulator's Last Consultations	HC 805
Fourteenth Report	The Work of the Maritime and Coastguard Agency	HC 500
First Special Report	Government Response to the Eleventh Report of the Committee: National Rail Enquiry Service	HC 1132
Second Special Report	Government Response to the Ninth Report of the Committee: Navigational Hazards and the Energy Bill	HC 1133
Third Special Report	Government Response to the Twelfth Report of the Committee: British Transport Police	HC 1134
Fifteenth Report	Financial Protection for Air Travellers	HC 806-I
Sixteenth Report	Traffic Law and its Enforcement	HC 105-I
Seventeenth Report	Cars of the Future	HC 319-I
Fourth Special Report	Government, Health and Safety Commission and Executive, and Office of the Rail Regulator Responses to the Seventh Report from the Committee, on the Future of the Railway	HC 1209
Eighteenth Report	Galileo	HC 1210

**Session 2002–03**

First Report	Urban Charging Schemes	HC 390-I
Second Report	Transport Committee: Annual Report 2002	HC 410
Third Report	Jam Tomorrow?: The Multi Modal Study Investment Plans	HC 38-I
Fourth Report	Railways in the North of England	HC 782-I
Fifth Report	Local Roads and Pathways	HC 407-I
Sixth Report	Aviation	HC 454-I
Seventh Report	Overcrowding on Public Transport	HC 201-I
Eighth Report	The Work of the Highways Agency	HC 453
Ninth Report	Ports	HC 783-I
First Special Report	Government and Office of Fair Trading Responses to the Seventeenth Report of the Transport, Local Government and the Regions Committee, The Bus Industry	HC 97
Second Special Report	Government Response to the Committee's Fourth Report, Railways in the North of England	HC 1212

**Session 2001-02**

First Special Report	The Attendance of a Minister from HM Treasury before the Transport, Local Government and The Regions Committee	HC 771
Second Special Report	Government Response to the to the Fifth Report of the Transport, Local Government and the Regions Committee, Session 2001-02, European Transport White Paper	HC 1285
Third Special Report	Government Response to the Eighteenth Report of the Transport, Local Government and the Regions Committee, Session 2001-02, National Air Traffic Services Finances	HC 1305







# Oral evidence

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## Taken before the Transport Committee

on Wednesday 8 December 2004

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Mr Brian H Donohoe  
Clive Efford  
Mrs Louise Ellman

Miss Anne McIntosh  
Mr John Randall  
Mr Graham Stringer

*Witnesses:* **Mr Bob Crow**, General Secretary, and **Mr Tony Donaghey**, President, Rail, Maritime and Transport Union; **Mr Gerry Doherty**, General Secretary, and **Mr Mike Katz**, Head of Communications and Marketing, TSSA, examined.

**Chairman:** Members having an interest to declare. Mr Efford.

**Clive Efford:** Member of the Transport and General Workers Union.

**Chairman:** Mr Stringer.

**Mr Stringer:** Member of Amicus and Director of Centre for Local Economic Strategies.

**Chairman:** Member of Amicus. Mrs Dunwoody, ASLEF.

**Mr Donohoe:** Transport and General Workers Union.

**Chairman:** Mrs Ellman.

**Mrs Ellman:** Member of the Transport and General Workers Union.

**Q1 Chairman:** Thank you very much. Good afternoon, gentlemen, you are most warmly welcome. May I ask you to identify yourselves, starting with my left and your right?

**Mr Donaghey:** Tony Donaghey, President of the Rail, Maritime and Transport Union.

**Mr Crow:** Bob Crow, General Secretary of the National Union of Rail, Maritime and Transport Workers.

**Mr Doherty:** Gerry Doherty, General Secretary, Transport Salaried Staffs' Association.

**Mr Katz:** Mike Katz, Head of Communications, Transport Salaried Staffs' Association.

**Q2 Chairman:** I should tell the Committee that unfortunately colleagues from ASLEF are unable to be with us, and also from the Mayor of London's Office because of illness. They have not only signified their apologies but also given us very clear indications that this is genuinely the case. Did any of you gentlemen have anything you wanted to say before we begin? Gentlemen, if you would bear in mind that the microphones of you do not project your voices, they are to record your voices. So if you could remember that this is a room that absorbs sound and if we could have a lot of voice projection, that would be helpful. Mr Crow, I should not have to tell you that!

**Mr Crow:** Thanks for studying me so well. The Public Private Partnership was one of the most unpopular and widely condemned policies

introduced in London in recent memory. Before sell-off in early 2003 the scheme was opposed by your Committee, the Railway Unions, the Mayor of London, Transport for London and the vast majority of Tube users. Regrettably, the government pressed ahead and we are now locked into process where the private sector has a licence to print money. Combined operating profits in the first full year of the Public Private Partnership were 13%. In the past 18 months some good decisions have been taken on the main line in relation to maintenance contracts and Network Rail successfully brought them in house. In the areas where contracts were stripped from companies like Balfour Beatty and Amey, delays caused by infrastructure problems have tumbled in some areas as much as 50%. I believe that following Network Rail's welcome decision it is now untenable to have fragmented, privatised maintenance on the Underground, while to allow the same companies that have been removed from maintenance contracts on the national railways to continue to make profits from London's Tube. The government should now reconsider the old rationale of the Public Private Partnership with a view to bringing forward legislation which will allow the Mayor the flexibility to create a unified, streamlined Underground network, bringing benefits to both Tube passengers and the Underground workforce.

**Q3 Chairman:** Thank you, Mr Crow. Mr Doherty, since we have heard Mr Crow's views, would you like to tell us whether your members are confident that levels of safety on the Tube are being satisfactorily maintained?

**Mr Doherty:** As far as the TSSA is concerned, Madam Chair, there has always been a dichotomy between profit motive and the implications of that for safety. There have not been any major accidents but we have had some train failures, we have had some derailments. Actually pinning failures either on the Mainline Rail or on the Underground against privatisation is very, very difficult. There is

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always in the back of the mind the question that if the profit motive is there is it impinging on safety standards?

**Q4 Chairman:** The Health and Safety Executive has said that although the number of incidents with potential for an adverse effect on safety has increased, there is no evidence that the Underground's safety record has suffered as a direct result of the PPP regime. Is that right?

**Mr Doherty:** The more potential there is—and it is always the case in risk aversion—eventually one of those potentials becomes an accident. The question is how do you manage the potentials and getting the numbers of potentials down? Because if the potentials keep arising eventually one of these will end in an accident.

**Q5 Chairman:** You have said that temperature and ventilation have caused health scares. Are those conditions changing? Have they changed recently?

**Mr Doherty:** There has not been anything that we are aware of to actually start addressing these issues.

**Q6 Chairman:** Mr Crow, are you satisfied that the level of safety is being satisfactorily maintained?

**Mr Crow:** No, I am not satisfied at all. There was the incident that took place on the Northern Line last year, a derailment took place, and also the broken rail down on the west end of the Piccadilly/District Line took place. We are concerned about not just the company's safety record but also the interfaces that took place. Where before London Underground Managing Director was responsible for the safety from top to tail, he or she, whoever holds that position, now has to ask the infrastructure company, and the infrastructure company then has to decide whether its their own direct workforce that is getting it or the sub-contracted workforce that gets it, and what you end up with is two or three interfaces before the actual work is done, and what that leads to, in our opinion, is that there is not a commonality of safety measures that are applied across the board.

**Q7 Chairman:** And you have a specific instance that you would quote, which would give us evidence about it? That is a general comment, and whether one agrees with it or does not agree with it, it is a general comment. But what evidence do you have that that dichotomy is producing a problem?

**Mr Crow:** I would not say that there is a direct result that the infrastructure companies have gone out of their way to lower safety standards, what I would say is that the application of their systems are different to the ones that London Underground have, and what that leads to is a situation where on the actual crossing, or the stop and switch that was involved in the derailment that took place at Camden, it was found out afterwards that there were a number of these crossings, or stop and switches, throughout the combine which were similar to the ones at Camden, but because

different infrastructure companies own those different sets of stops and switches there was want the same application applied.

**Q8 Chairman:** And that was different from the way it was when it was a unified organisation, is that what you say?

**Mr Crow:** It was a unified organisation and at the end of the day the Managing Director had sole control for safety, he had one Chief Civil Engineer—

**Q9 Chairman:** No, on the specific point of the switches and the points. Are you saying that that would be different now?

**Mr Crow:** Yes, because there would be one standard set about and that is the standard that would be applied.

**Q10 Chairman:** You have said, Mr Doherty, that Infraco staff and London Underground staff do not receive the same safety training.

**Mr Doherty:** Yes.

**Q11 Chairman:** Are you suggesting that the Infraco staff are not trained to the same level?

**Mr Doherty:** We are, yes. Whether they are adequately trained is a different question, Madam Chairman.

**Q12 Chairman:** What are the differences in training?

**Mr Doherty:** I am not sure; I would have to get back to you on that. But it is not standardised training, that is the problem. People are singing from different hymn sheets, and we see that as a difficulty.

**Q13 Chairman:** Standardised in the sense that it is not the *old* London Underground training which was an agreed standard throughout the industry?

**Mr Doherty:** Yes.

**Q14 Chairman:** Is there an agreed standard for training for the Underground that is always adhered to?

**Mr Doherty:** For example, there is no forum for safety representatives from different parts of the now fragmented Underground to meet together to share common concerns. There is no forum for that and we have been pressing for that for some time.  
**Chairman:** Mr Donohue.

**Q15 Mr Donohoe:** Going back to the ventilation question, what representations have you made to management in connection with ventilation?

**Mr Doherty:** Our representatives have regular discussions with management and we have raised the issue of what can be done. It is a very difficult problem, particularly in deep lines; it is a very expensive issue. Recently, for example, we were in Thailand—and Mr Crow was with us—and when you go on the Sky Train there—and I know it is not the same comparison—but if a country like Thailand can afford air conditioned services in

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Bangkok, it really begs the question if the fourth largest economy in the world cannot find the money to take care of carrying citizens of this great city from A to B in comfort.

**Q16 Mr Donohoe:** What specific pressure have you brought to bear on employers to introduce the option of air ventilation, particularly air conditioning on the whole track?

**Mr Doherty:** It is the same pressure that we bring to bear on all of the issues that we have. Our pressure is limited. We can raise the issues with the companies, the companies will undoubtedly tell us the costs that are involved in this and, like everything else, Mr Donohoe, there are priorities; it depends whether or not one sees this as a priority.

**Q17 Mr Donohoe:** So you do not think the management see it as a priority, is that what you are saying?

**Mr Doherty:** I think they have other priorities before that.

**Q18 Mr Donohoe:** Can I take you on to the next question? In terms of Tube Lines, there has been introduced a 0800 incident line for reporting problems, for the employees to use for reporting problems. Have your members found this initiative useful?

**Mr Doherty:** I could not answer that, Mr Donohoe.

**Q19 Mr Donohoe:** What about Mr Crow?

**Mr Crow:** I have never heard of it; no one has told me from the companies that there is an 0800 number.

**Q20 Mr Donohoe:** Kings Cross Thames Link is undergoing major engineering work, I think you are aware of that, and it is going to be going on until March 2005. That is putting a lot more pressure on to Kings Cross Underground. What specifically is being done to control that crowd control that has come about? Who is undertaking that crowd control?

**Mr Crow:** CTRL, Mr Donohoe. They are called road marshals, they are actually on the road, and what the problem is in the morning time—because obviously you can stop people coming into Kings Cross Station from Kings Cross Thames Link, Kings Cross Mainline, but what you cannot stop is people coming from the tube out of the station, and what is happening, because it is like a warren's den down there, at the moment in time, with different tunnels, there are problems now with people leaving Kings Cross Station to get up the temporary outlet, and there are queues now must be 200 yards long at 8 o'clock to 9 o'clock in the morning for people to get down.

**Q21 Mr Donohoe:** Have you made representations about that because that is a fairly significant safety problem, and in a station that had a major fire a number of years ago and one would have presumed that would be something that would be taken into account?

**Mr Crow:** The Health and Safety reps of both RMT and TSSA have raised these under risk assessments, which are done. But at the end of the day I would point out, Mr Donohoe, that management tell us that when it comes to the bottom line management are responsible for safety, and as soon as we threaten to take any kind of industrial action we are condemned for taking action. But by the same token, what are we expected to do? All we can do is to make representations. At the end of the day management are responsible for safety, not the Trade Unions. Our job at the end of the day is to make management have a safe system at work and it is up to the management to implement it.

**Q22 Chairman:** Is it true, Mr Doherty, that the Infraco safety cases are contractual but not statutory?

**Mr Doherty:** It is, yes. One of the difficulties we have, Madam, is that some changes to the safety case seem to be made without any reference whatsoever to staff representatives. It is after the case that we are informed. So the consultation, as far as we are concerned, is a sham; it is information rather than consultation.

**Q23 Chairman:** Can you point to a particular change that has posed some kind of danger?

**Mr Doherty:** I could not, but I will find out and write to you on that.

**Q24 Chairman:** Do you think that if I were to ask you to give me a supplementary note you could find examples?

**Mr Doherty:** Yes.

**Q25 Chairman:** You would do that for me?

**Mr Doherty:** Yes, I will.

**Chairman:** Mr Stringer.

**Q26 Mr Stringer:** Is enough being done to protect people working on the Underground from attacks by the public and customers?

**Mr Crow:** No, I do not think so at all. What normally happens, Mr Stringer, take for instance today, for the third day there has been a fault on the radios on the Northern Line and we have just got off the train now and the Circle Line eastbound has been completely shut down, and there are problems on the Bakerloo Line, and the first thing that people normally get is that they see a member of staff and they take out their frustrations on that member of staff. What we find is that staff are left in isolated areas, especially in the outlying stations; and secondly, the British Transport Police fail in their response rate to get to these incidents and to prosecute.

**Q27 Mr Stringer:** Mr Doherty?

**Mr Doherty:** The incidences of assaults on staff, whether they are verbal or physical assaults is increasing on both the Underground and on the Mainline Rail. You may well say that there are more people using the services and therefore

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everything would increase, but our view is that the duty of care that London Underground has is something where we question what priority they give to it. As Bob has said, the frontline staff are the ones who face the frustrations whenever anything goes wrong. I am a commuter myself and I see the abuse that staff have to take. One of the issues that we have raised constantly with both Mainline Rail and with London Underground is that it is the poor person at the frontline who takes all of this—you never see any managers who are willing to stand in front of the passengers and take the brunt of those frustrations. We would want to see much more management interface with passengers when things go wrong.

**Q28 Mr Stringer:** You say that assaults are increasing; do you have hard figures on that?

**Mr Doherty:** Yes.

**Q29 Mr Stringer:** And you can supply them?

**Mr Doherty:** Yes.<sup>1</sup>

**Q30 Mr Stringer:** London Underground took an initiative in East London with the British Transport Police in order to cut crime and they claim that assaults were reduced by a third and that vandalism was reduced. Are you aware of that operation?

**Mr Crow:** What we are aware of, they set up a new police station at West Ham and also they have these helicopters going into the sky to see about people getting on to the railway banks and one thing and another. They may well have decreased staff assaults in East London but the problem is that they have a brand new police control centre at West Ham, and on top of that all the rest of London Underground do not get the same service that that part of East London does because of the new control centre.

**Q31 Mr Stringer:** So East London is atypical?

**Mr Crow:** We welcome it, but it just shows that where the resources have gone into one particular area staff assaults have gone down. What we want is the same resources across the rest of London Underground trains.

**Q32 Mr Stringer:** You said at the beginning, and I was not surprised that you were against the PPP and that you would like to see the position reversed, but given that it is there, what in terms of the operation of the PPP has been better than you expected and what has been worse than you expected?

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<sup>1</sup> *Note by witness:* Launching the British Transport Police 2003–04 Annual Report a BTP press release of 24 August 2004 said; “Violent crime on London Underground rose by 22.1%, an additional 415 crimes. Much of this is due to increased reporting of staff assaults, which rose by 29%, an additional 239 crimes. BTP has targeted staff assaults setting up a dedicated unit to encourage reporting and London Underground has issued DNA kits to staff for collecting evidence should they be spat at. Staff assaults now represent over a third of all reported assaults”.

**Mr Crow:** I am not being cynical, but I cannot see any difference. All I can see is they have changed the name from London Underground to an Infraco, and a few individuals are making a few quid out of it where before it went back into the coffers of London Underground.

**Mr Doherty:** What has changed is, there are three standards that the Infracos are judged by. One is the capacity, which has not changed to a discernible effect; one is the day-to-day availability, which has not changed; and one is ambience, and I assume by ambience they mean that stations are cleaner and there is a brighter travelling environment for the public. One has to question if that is what the public actually wants; do they want stand about in stations with no graffiti but the trains taking longer to arrive? I would suggest that the priority should be to have an efficient and fast service, and that is what Londoners want. There is no discernible effect that the PPP has improved that, and indeed some of the contracts and some of the targets, the timescales are mind boggling—2025 before we actually get things back to a decent standard. To have a private contractor that says it will take 20 odd years to improve the underground in the City of London is mind-boggling.

**Q33 Mr Stringer:** I do not want to put words into anybody’s mouth but when you say that you cannot see a difference, can we imply from that that the different partners are working more closely together?

**Mr Crow:** We have not got the figures, but I am sure the Mayor of London can provide the figures. The amount of delays there are now on Monday mornings. For instance, the engineering work being done at weekends is now over spilling onto a Monday morning, and that is causing delays for passengers to get to work, causing delay to commerce and industry, and we believe it is being done on purpose because it is cheaper to pay a fine if the trains are delayed on a Monday morning rather than getting the work completed at the weekend.

**Q34 Mr Stringer:** So do you think that different partners are working closer together or not?

**Mr Crow:** I cannot see the partnerships working together at all.

**Mr Katz:** As we have already said, Mr Stringer, there is now an artificial divide certainly on the ground between members of the Health and Safety representatives of the Infracos and the members of the Health and Safety representatives of London Underground and that makes an ongoing dialogue over issues of safety and risk assessment, whether to do with staff or the state of stations or track or stock, makes it very difficult for there to be the kind of coordination there naturally would be under a unified structure, and that is a clear difference that PPP has brought about.

**Q35 Mr Stringer:** It is quite clear that you do not like that PPP and wish it away, but if it is not going to happen do you have any suggestions about how

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it could be improved in the short term? How could the different bodies within the PPP work more effectively together?

**Mr Crow:** As you say, Mr Stringer, we would like PPP to come back under the Mayor's control, but a better solution than it is now is to have one Infraco.

**Q36 Chairman:** A little louder, Mr Crow, please, and I never thought I would hear myself say that to you!

**Mr Crow:** Sorry, I missed that!

**Q37 Chairman:** Louder, Mr Crow, louder.

**Mr Crow:** I think the fact is to have one Infraco rather than three Infracos because you have Metronet, which is one company that operates two infrastructure companies, and Tube Lines, and to have one would be far better because you would have one engineering company to deal with, rather than interfaces. It is not directly the privatised company that we deal with; we are not saying here that because they are privatised they are completely bad, only nothing but bad comes out of the building of them; but what we are saying is it is the interfaces and different communications from different companies that cause the problems.

**Q38 Mr Stringer:** Mr Doherty, do you agree with Mr Crow?

**Mr Doherty:** One has to question how companies that are not improving performance to any measurable performance effect can end up being fined a total of £32 million for not reaching targets, but in the same hand get £12 million in bonuses for improved performance. So obviously if there is something that has to be done I think the contracts have to be looked at. Are the contracts hard enough? Are the targets set challenging enough? £93 million in the first year in profits for the three Infracos is not chicken feed; there is money in there to be made and are the targets stiff enough for it?

**Q39 Mr Stringer:** That is an interesting point, Mr Doherty. Are those bonuses making industrial relations worse between the Underground System? Is there a great deal of resentment from ordinary employees about those bonuses?

**Mr Crow:** There is always a deal of resentment because at the end of the day where is that £93 million coming from? It has to come from somewhere; it has to come from fare paying passengers, squeezing the terms and conditions of employees, of the taxpayer. That is where the money is coming from. There is a great deal of resentment that money that should be spent on improving the infrastructure is finding its way into private pockets, because that is what is happening at the end of the day.

**Mr Katz:** If I could just add, Madam Chair, staff can see these systems, which are slightly ludicrous, where on the one hand they have money taken off them because of poor performance when it comes to punctuality and reliability, but then they can have money given back to them and have the penalties offset by concentrating on measures to

improve ambience, and whilst it is an important part of the equation it is certainly not the be all and end all. It is certainly an issue that when the Infracos have access, say, after one of the derailments, at White City, they use their access period whilst White City was not working, to spend money improving ambience, rather than making good the repairs to get the service back up operating, because they realised it was an opportunity to offset some of the penalties they would be forfeit by the bonuses that they would make to improve ambience.

**Mr Crow:** Can I make a point on Mr Stringer's point about resentment? What a person gets for their contract is a matter between them and their individual employer. But just to show you what is taking place with our members, for instance Tube Lines, Tube Lines failed to reach their targets in February, but the Chief Executive got £100,000 bonus and in the same breath shut down the pension fund for the new entrants. Is that fair? That leads to bitterness and resentment. People see if you have done well the Chief Executive gets a bonus, that is fine; but do we get a reward? And you would not think that the pension fund would be shut down.

**Chairman:** Mrs Ellman.

**Q40 Mrs Ellman:** Are you satisfied with the work of the Rail Inspectorate?

**Mr Crow:** No, not at all.

**Q41 Mrs Ellman:** Could you give a reason?

**Mr Crow:** I think they are a spineless bunch of individuals, to be honest with you.

**Q42 Mrs Ellman:** Are there any examples you can give us?

**Mr Crow:** I will give you examples: Paddington, Ladbroke Grove, Hatfield, Potters Bar. No action taken against the individuals concerned; all they will do is have a report, they will give a big 50-page document to say this should not happen, that should not happen, but they actually have power to bring the people responsible for the safety of the travelling public and our members to bear, and they refuse to do it.

**Q43 Mrs Ellman:** Does anyone have any other views on the Rail Inspectorate?

**Mr Doherty:** I concur with Mr Crow.

**Q44 Mrs Ellman:** Metronet say they have reached agreement with the Unions on good health and safety best practice. Has that produced anything?

**Mr Doherty:** I would need to go back and check on that.

**Mr Crow:** All I can say about Metronet, to be fair they have introduced these safety coordinators, which are people elected by the Health and Safety representatives, whose job is basically to be like trouble-shooters when there are problems that our members receive, and get on a safety issue. So we do welcome that fact. That was not there with London Underground for the infrastructure

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workers, but Metronet have brought that in, so I would not knock them on that. They have made progress about that valuable piece of work.

**Q45 Mrs Ellman:** Has it produced anything constructive apart from being pleased it does exist?

**Mr Crow:** I think what it has produced is that people now, good, experienced safety representatives, can actually go and see management very quickly, whereas before we had to wait for a committee to do something, and they can sort the safety matter out as quickly as possible. So we do welcome that.

**Q46 Mrs Ellman:** What are the problems of staff shortages?

**Mr Crow:** Staff shortages? I think the problems that the companies will have is basically if they go down the road of having apprenticeships or not. The highly skilled people in the signal and telecommunications area and highly skilled people in the lifts and escalators and also in train maintenance, where there has been a total decrease in safety skills over the course of the years—I know Tube Lines are now going to go down the road of having an apprenticeship school—but unless apprenticeships come in what is going to happen is that there will be a shortage of these people concerned, and what will happen is they will have to take people on, sub-contract people in at very, very high premium rates of pay from agencies because they will not be able to attract the skilled workers for the individual companies.

**Q47 Mrs Ellman:** Tube Lines have invested £7.5 million in constructing a training school for their staff. Has that produced anything good yet? Can any effects be seen?

**Mr Crow:** I do not think the effects of it have been seen yet, but I do know for a fact that they are intending to have this training academy down there which obviously, whether the company is private or nationalised, we would want any of our members working in the industry to have the proper and appropriate training and the best training going.

**Q48 Mrs Ellman:** You mentioned sub-contractors. What are your impressions about the extent of the use of sub-contracting now? Has it increased a great deal? What are your views.

**Mr Doherty:** There is no hard evidence to say it has increased. There is anecdotal evidence of larger staff turnovers and that is what happened in the National Rail Network, because you create a market place for marketable skills, particularly with engineers. It happened in the Main Line and evidence is coming through that it is beginning to happen on the Underground as well. You create a need for the job and the price goes up. That is one of the reasons we want to bring this back in-house, because what was happening was that the private maintenance contractors were poaching staff from one to another; they were not training their own staff, they were going to other companies' staff and poaching them and taking them in, cranking up the

rate, cranking up the cost and the whole industry was losing out. That is the same evidence that is starting to come through on the Underground. It is early days yet but what we will end up with is what we have on the National Rail Network, a two-tier workforce, and we have been arguing against it throughout. We are getting that on the railway and if this continues on the Underground we will have the same again, with people doing the same jobs, getting different terms and conditions, standing in the same booking office getting different terms and conditions, which does not help in terms of an integrated system because railways, whether underground or over ground, they need everybody working together; they need somebody to tell the passenger what time the train leaves and somebody to sell the tickets; they need drivers; they need somebody to maintain the trains, they need somebody to maintain the track. It is a team game and when you fragment it like this the passengers suffer; the whole of the service suffers.

**Mr Crow:** As Gerry says, it is a two-tier workforce. What we have after a year, year and a half after PPP are brought, we now have our London Underground staff working on platforms alongside Infraco staff working for one Infraco, that get travel facilities, those that were there before privatisation came in. We now have a new group of people that come in that do not get staff facilities at all in Metronet. Then you get groups of workers who work in Tube Lines, those before privatisation get travel facilities and, subsequently to the agreement we reached with them, that they get 75% off travel from next year. So you have people doing exactly the same job get a different pension, different travel facilities, different rates of pay, and all that leads to is bitterness and jealousy and pressure on the Trade Unions to say, "If it is good enough for one worker to get those terms and conditions it should be good enough for me."

**Q49 Mrs Ellman:** What would you say are the main issues of dispute between London Ground and the Trade Unions?

**Mr Crow:** London Underground or the Infracos?

**Q50 Mrs Ellman:** Take London Underground first?

**Mr Crow:** With London Underground we have not got a particular dispute with the majority of the staff; we have a dispute at this moment in time with signalling control staff over the implementation of a 35-hour week. But with London Underground, apart from the station staff, who are the bulk of the people who work there, we have recently concluded agreement with them and we now have the situation where one group of staff will be having more annual leave than the others, which once again will lead to resentment and bitterness, which is why we are arguing for company wide pay and negotiations and company-wide conditions, so that you do not get resentment. If you all work for the same company, yes, there will be different rates of pay but due to the responsibility of the job you do, but conditions of service should be near enough identical.

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**Q51 Mrs Ellman:** Does anybody else want to say anything?

**Mr Doherty:** I would concur with what Bob says. We do not have industrial relationship difficulties with London Underground, by and large we have harmonious relationships with them, but that is not to say that we do not have points of dispute and pressure, but we do try and work through them, and in my experience London Underground work well with us.

**Q52 Mrs Ellman:** What about the Infracos?

**Mr Doherty:** The Infracos have only been there really for a year, 18 months and we are still developing a relationship with them. The difficulty we have—and it is not specifically about any Infraco—is this fragmentation. The whole industry—and it happened on the Mainline—when you get blame cultures coming in, and that is what you get when there are penalties, somebody has to find out who is to blame because somebody has to apportion penalties, and it does not help when staff actually consider themselves not working for the industry any more, but they are working for a particular private company. I did speak to one of the Chief Executives of one of the major bus companies that came into the railway, and he is having great difficulty trying to get the railway staff he has taken over. He is trying to get them more aligned with the company brand rather than with the industry, which he said he was very successful in doing when he took over privatised bus services, but he is finding it more difficulty on the railway. There is nothing worse than sitting on a train which is stopped somewhere, and somebody comes round says that there is a Virgin train stuck in front of us. The passengers are not interested; they want to know they are going to get to their destination.

**Q53 Mrs Ellman:** Have you any specific suggestions of what can be done so that people work together more effectively to avoid the blame culture?

**Mr Doherty:** Re-nationalise it.

**Q54 Mrs Ellman:** If that is not going to happen?

**Mr Doherty:** Quite seriously, bring it back into public ownership; stop the fragmentation, both National Rail and Underground. The problem that we had before—and it is a difficulty for Trade Unions—was lack of investment, and I do recognise the private sector coming in the argument is that there would be more money being spent and there is more money being spent on National Rail because of the taxpayer. The taxpayers have put in a hell of a lot more in National Rail than they were when it was nationalised and one has to ask the question what sort of return have you had from that? Which is why it is particularly disappointing that the experiment was repeated on the Underground. Perhaps not to the same extent but still the same experiment. It does not work in public transport as far as we are concerned.

**Mr Crow:** Following on from what Gerry says. It is a bit of a contradiction taking place. You have the Infraco, the same companies, the Balfour

Beattys and the Jarvises of the world, that used to maintain, which Mr Donohoe said earlier, Kings Cross Station up there on the top and 30 feet below them, where they have taken Jarvis and Balfour Beatty off the mainline railway, they have allowed them to join the consortium and do the Underground underneath. What is the difference? Surely they recognise on Network Rail that by bringing the maintenance in-house it has saved taxpayers' money and the money it has saved can be reinvested in a better railway network. If it is good enough for the Mainline Railway it surely should be good enough for London's capital.

**Chairman:** Mr Efford.

**Q55 Clive Efford:** Are your members satisfied with the response to major incidents like derailments on the network? We have had three in the last year—Hammersmith, Camden Town and White City. Are your members happy with the way that those issues were followed up?

**Mr Crow:** I think the emergency services were exemplary. The ambulance staff, the fire brigade staff and our own emergency response unit, which is run by one of the Infracos, were in there in very good time. I do not think we can complain at all about the actual emergency services, about what took place; we are more concerned about why the incidents took place in the first place.

**Q56 Clive Efford:** I accept what you say about the emergency services, but that was not actually what I was alluding to. It is actually learning the lessons and making sure that the recommendations are fed down to grass roots level so that people understand where changes need to be made.

**Mr Crow:** I think myself that there are briefings afterwards, there is work done after an incident, and people do learn lessons from it. The biggest concern for staff in London at the moment is obviously a terrorist attack because there is supposed to be a plan but we do not know what the plan is. We have not been told. We have had consultation with the people concerned running the plan, but our staff have genuine concerns that in the event of a *major* operation that takes place on London Underground, would we have the ability? And what Mr Donohoe said earlier on recognises the fact that if you want to see panic taking place then stand at Kings Cross Station between eight and nine in the morning because that is an area where panic would take place.

**Mr Doherty:** One of the difficulties we observe is that whenever an accident takes place on the railway there is always an investigation into it—and it does not have to be an accident, any incident—and when you have a privatised system you have the blame culture and therefore the commercial reality is that someone who is to blame has to pick up whatever are the consequences on a commercial basis, and so there is, in our view, a vested interest in not getting to the root cause of what caused the problem in the first place. For instance, Potters Bar, we have the crazy situation that Network Rail and Jarvis accepted liability for

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Potters Bar but not responsibility. When Clapham happened in 1988 the British Railways Board accepted responsibility within two hours; they identified it was their responsibility. What you have now is teams of lawyers rushing off and telling the supposed persons from their companies, whenever an incident happens, frankly, from our point of view, to say nothing, certainly in the first instance, because they realise the commercial liabilities. Our concern is the lessons learnt from incidents on the railways in the past, which actually changed methods of operation in numerous cases, are not being learnt because of the commercial responsibilities that these private people may have to pick up on and they are huge.

**Mr Crow:** Madam Chair, in our submission, on the reference to the derailment at White City, “However, the investigation into the White City derailment found that these lessons were not being learnt. Metronet managers had not been fully conversant with the terms of the Chief Engineer’s Regularity Notice (CERN) issued following the Camden Town derailment. In consequence measures required to avoid serious incident had not been adequately related to track operatives. The White City report said in relation to LUL that ‘ . . . although significant management attention had been employed within London Underground to ensure that complete and full understanding of the conditions of the CERN had been established by those individuals accountable for its implementation, little attention was placed on seeking or providing assurance that robust processes were implemented on the ground.’” That was from their report and not ours.

**Q57 Clive Efford:** You have talked about fragmentation in the system and you have talked about the differential in pay and working conditions and difference in training on safety. Across the whole network, the three Infracos, is there a body where you can take all of these issues and try and get some uniformity of resolution?

**Mr Doherty:** No.

**Mr Crow:** No.

**Q58 Clive Efford:** Do you see that as a failing in the system, given that we are not going to get one Infraco to cover the whole system, and that that will create problems in the future?

**Mr Crow:** Yes, it is a big problem. For instance, Metronet, who have the ability to do something now—they are one infrastructure company—split into two so run two different Infracos with two lots of separate negotiations with the same consortium in charge. So we have one set of pay negotiations in the morning with one and other negotiations with the other in the afternoon. So you can actually have two sets of terms and conditions for two groups of workers working for the same company.

**Mr Doherty:** The point you are making is actually to do with safety. We have been pressing to have one forum for safety, and that is the obvious one.

**Q59 Clive Efford:** Has there been any attempt in the industry on the Underground to bring about a body where you can negotiate things, particularly around safety of staff, safety of passengers, so that there can be some uniformity in approach?

**Mr Crow:** On the safety one there is. Before the PPP came in there was a London Underground Safety Forum where representatives of the Infracos were supposed to turn up with London Underground to talk about safety issues that affected all the combine. I do not know of that meeting at all within the last 12 months whatsoever. I do not think there is any significant responsibility being placed on either the Infracos or London Underground to bring them together on a regular basis.

**Q60 Clive Efford:** Do you feel that there is a need for that sort of forum?

**Mr Crow:** Definitely. It is one opportunity where we can talk to all the industry about safety.

**Q61 Chairman:** When can passengers expect to see some late night operation of tube services on Friday and Saturday evenings?

**Mr Crow:** You are okay this year because it is New Year’s Eve, but beyond that I do not know.

**Q62 Chairman:** What about other Fridays and Saturdays—other than New Year’s Eve?

**Mr Crow:** We have not got a problem working later on New Year’s Eve; the Mayor has a particular problem, which he can speak for himself. He is doing a consultation exercise at the moment because the figures that came back said that if you keep the Underground running an extra hour at night it will perhaps attract an extra 140,000 people to the Tube, but the Tube will have to start an extra hour later in the mornings for the maintenance to be done, and 40,000 key workers might not be able to get to work. So nurses and doctors that rely on the early trains in might not be able to come in. And we would say that if it comes to the crunch between the key workers getting to work or people coming home from their cocktail parties or wherever they want to go, key workers getting to work is far more crucial.

**Q63 Chairman:** But as you and I know, Mr Crow, there are people who work late at night who are still essential workers.

**Mr Crow:** No, they are still essential workers, but what I am saying is that the majority of shift patterns start at 11 o’clock or they start at six in the morning, or seven, in that period. What we would like to see is the trains running an hour later at night and also to start at the same time in the morning. We do not have a problem at all with the trains running later at night, providing a service to the travelling public, and then we are happy with that.

**Q64 Chairman:** Is the Underground being run efficiently with value for money?

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**Mr Crow:** The London Underground?

**Q65 Chairman:** The Underground system as a whole. I am not specifying *the* London Underground company, but is the whole system being run with value for money or not?

**Mr Crow:** I do not know if it is. I have not been one to believe everything you read in the Evening Standard, but on the front page of the Evening Standard today it was saying they are actually buying parts off e-Bay because they cannot get the parts. Now, is that efficient? That is the nonsense

that we are getting into. It is not me writing that story, but I know you must believe it because it is in the Evening Standard. But as far as we are concerned the Railways run a service and probably 70% to 80% of the operations they are being run efficiently, but it can be more efficient. We are all in favour of efficiency, and from our point of view instead of four train and hour we want five trains an hour. That is the sort of efficiency we want.

**Chairman:** You have been very helpful, gentlemen; thank you very much indeed. Could we have our next witness, please?

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*Witness:* **Mr Tim O'Toole**, Managing Director of London Underground, examined.

**Q66 Chairman:** Good afternoon. May I ask you to be kind enough to identify yourself, please?

**Mr O'Toole:** I am Tim O'Toole, the Managing Director of London Underground.

**Q67 Chairman:** Do you have something that you want to say before you begin?

**Mr O'Toole:** Madam Chair, I just wanted to thank you for taking your time and the time of this Committee to look into this, with all the changes in front of you, with the many matters in your remit, it would be so easy to dismiss the Underground and the PPP as yesterday's news. But it is so important for me and the people who work there that this be kept in front of us because PPP did not solve and will not solve London Underground's issues with one favourable spending round decision, this will require examination and support for many, many years if we are going to turn this system around, and the only way that will happen is if people like you take the time to focus attention on it. For that I am grateful.

**Q68 Chairman:** That is extraordinarily tactful of you, Mr O'Toole, and I think I can assure you that you are not going to escape our close attention over the coming years.

**Mr O'Toole:** I shall look forward to it.

**Chairman:** Mr Efford.

**Q69 Clive Efford:** Before the PPPs were signed you were concerned by a reported "funding gap". Has this gap been closed?

**Mr O'Toole:** Before the PPP was signed, you say I was concerned about the funding gap?

**Q70 Clive Efford:** "You" in terms of TfL were concerned, prior to taking over the contracts. I accept that this may be a more appropriate question for the Mayor, who cannot be with us, so if it causes you a problem perhaps you can send a note on that?

**Mr O'Toole:** I did come after most of the PPP wars were over with the mandate from the Mayor and the Commissioner to make it work. But I will say that it was plain from the start that PPP was only a partial solution. It had been de-scoped in many

ways; there were obligations that were implied in the arrangements that did not seem to be addressed in the PPP. In that respect the Department signed the Letter of Agreement with the Mayor at the time of transfer that said some of these uncertainties would be addressed by them as those liabilities materialised. And so far, in fact, they have been good to their word and that Agreement has been lived up to, the most obvious example being the expanding pension obligations of London Underground. Similarly there was much work that has to be done with the Underground if it is going to be truly rehabilitated that we do not get out of the PPP. The most obvious example is something like Victoria Station. Victoria Station simply cannot deliver the throughput required in order to take advantage of the line upgrade if it happens. If we do not do something about that station we have wasted money on the upgrade. With the government's agreement with the Mayor to allow prudential borrowing we now have the possibility, the capacity to bring new money into play to repair things and address things like Victoria Station, so that we can fill out the whole picture.

**Q71 Clive Efford:** You say that you are using prudential borrowing to upgrade Victoria Station. Is there any input into that from the Infracos, the contracts for the PPP? Are any additional resources coming through from the PPP that were anticipated, and do they assist with schemes like Victoria Station?

**Mr O'Toole:** That is a key question, for this reason. In many ways, for my money the real problem with the PPP is that it was kind of a failure of imagination. People assumed that this is as good as we are going to get so we might as well sign up to this, we cannot find anyone who will say this is the greatest thing in the world but the thing people will say is that at least it meant some money for the Underground where there was none before. Now we are in quite a different environment; we are in an environment of the East London Line extension, we are in an environment of maybe Crossrail; we are in an environment of prudential borrowing where we can bring more money to bear to fix some of these problems. And yet we have the structure through which I have to deal that may not prove

flexible; it is yet to be tested. There is no obligation for that work to be done by the Infracos. You can see there would be obvious efficiencies, however, if they did. So what we have done is to put in place—or we are putting in place right now—framework agreements with alternative suppliers. We will bid this, give the Infracos a chance for some of this new work and if the prices and the schedules are unsatisfactory we shall bring in other companies.

**Q72 Chairman:** You have sufficient flexibility to do that. You can, when you are in a situation where you have problems, begin to offer work outside in a way which you think will contribute to efficiencies; is that what you are telling us?

**Mr O'Toole:** Only work that is outside of PPP, not the PPP work itself. I will say that there is the further complication—and I do not want to make it sound simple—that when the new asset is created, is brought into service, it has to then be given to the Infracos to maintain. So there is a further negotiation that you could see would be an advantage to them in bidding for the work, but the fact that that barrier is there is no reason, I think, not to expand our choices.

**Q73 Clive Efford:** Who manages the contracts and how closely are they monitored?

**Mr O'Toole:** Obviously they manage their own business. We manage the contracts in the sense that I have a Chief Programmes Officer with a team that is assigned to each of the Infracos and they work with them to help them get their capital work done, to keep score under the various measures that the prior witnesses talked about; to make sure that incidents are attributed to the companies accurately so that the right company pays for a failure, et cetera.

**Q74 Clive Efford:** There are contracts for additional works that are let; are they let by the Infracos?

**Mr O'Toole:** What do you mean by additional?

**Q75 Clive Efford:** The National Audit Office was not sure that the PPP gave good value for money and they make reference to the fact that the additional works that have been carried out have been more expensive than had been anticipated. These additional works presumably go beyond the detail of the PPP.

**Mr O'Toole:** I assume they are referring to things like the transition projects and the like that were delivered, or things like Wembley Park, where we have given a contract to Tube Lines to deliver Wembley Park in time for the opening of the national stadium, where the cost of that project was more than we anticipated it would be. To answer your question directly, we give out that business.

**Q76 Clive Efford:** But they seem to be part of the PPP in the reference that I have in front of me from the National Audit Office, but you have control over who gets those contracts?

**Mr O'Toole:** That is correct.

**Q77 Clive Efford:** Are you concerned, as the National Audit Office seems to be, about whether we are getting value for money and the increasing costs of those contracts?

**Mr O'Toole:** Naturally I am concerned. I am paid to always have that in front of me, which is why, as I said, we want to provide for alternative suppliers, so if I face another Wembley Park I do not have a choice of one, which is what I faced in this case. The only way I could make that deadline for the national stadium was to give that work to Tube Lines; there was no one else who could have pulled it off in time. If I face that decision again, once I have this framework of suppliers in place—and I had to go through an OJEU Notice to put them in place—I will have alternatives.

**Q78 Chairman:** Do Tube Lines accept that? You must have had talks with them both on the urgency, the timetable and the ability to do the work. Do they really accept that you are now in a position where you have much more flexibility and do not have to go back to Tube Lines?

**Mr O'Toole:** I am sure they accept the proposition that I am not required to give them the work; I am also sure that they would believe that in any similar project in the future, they would be able to deliver greater efficiency since they are ones who maintain the assets.

**Q79 Clive Efford:** I am still not clear because if these are additional works they are not part of the money paid through the PPP to the Infracos?

**Mr O'Toole:** That is correct.

**Q80 Clive Efford:** It is additional money?

**Mr O'Toole:** That is correct.

**Q81 Clive Efford:** I am confused because the National Audit Office—this is London Underground PPP, were they good deals, this is the report of the National Audit Office, and they are making reference to these additional works that are increasing in price, but these are not part of the PPP?

**Mr O'Toole:** I think they are alluding to this point I began with, which was that when the PPP was put in place it was not envisioned that there would be additional money or additional works, and so to my mind there was not enough thought given to how exactly would these additional works be negotiated. Now we have an example, Wembley Park, which did come in at more than we expected. In Tube Lines' defence, obviously the dispute was not over the actual construction costs, it is the risk element that went into, it has to be delivered within the time frame. This is a mini Jubilee line extension.

**Q82 Clive Efford:** And it is you that oversees the letting of those contracts?

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*Mr O'Toole:* That is correct.

**Q83 Clive Efford:** And you can go to companies outside the consortia to do that work?

*Mr O'Toole:* Once these framework contracts are in place I can. I cannot at the moment but give me three more weeks.

**Q84 Mr Donohoe:** How are you tackling overcrowding on the trains?

*Mr O'Toole:* The only way to deal with overcrowding on the trains is to provide a more reliable service, until we have the line upgrades. When we have the line upgrades obviously we will be able to force more trains through the pipe which will deal with overcrowding on the trains. But it is the reliability of the service. When you do not have the bunching of the trains you have some opportunity to address it, and every time there is a signal failure or there is an incident with a passenger, or whatever, which if you have one train delayed that delay will amplify right down the line and you will end up with one very, very crowded train and three trains that are not used to capacity behind it.

**Q85 Mr Donohoe:** Are you measuring these? Do you monitor the overcrowding aspect of the trains?

*Mr O'Toole:* We do, but it is a kind of a derivative measurement in that. We do something called a Journey Time Measurement. That is an analysis of how long it takes to move from one point to another on a typical journey on a particular line, and there is a penalty in time added to that to measure overcrowding which really addresses the people left behind and the people who are forced to stand in circumstances that are much tighter than they would feel comfortable with.

**Q86 Mr Donohoe:** Does anyone bear the brunt of that in terms of a hit for a penalty of any description? Do the Infracos have to pay a penalty for overcrowding at any point?

*Mr O'Toole:* No, they do not, not strictly speaking.

**Q87 Mr Donohoe:** Should they?

*Mr O'Toole:* I am measured by the government, based on how we are doing on this Journey Time Measure.

**Q88 Mr Donohoe:** But should they be?

*Mr O'Toole:* They will in the long run, in the sense that where the really big money comes in, either penalty or in reward for them, will be in the line upgrades. If they deliver the line upgrades they are going to deal with overcrowding in the long run. In the short run they deal with it in the sense that if there is a signal failure and it occurs at Oxford Circus, say, at eight o'clock in the morning, the penalty on them is huge because that is the incident that causes gross overcrowding for me. So in that sense their penalties are in a way tied to that phenomenon but not directly.

**Q89 Mr Donohoe:** To change the subject: are you satisfied with the Prestige PFI and the introduction of the Oyster Card system?

*Mr O'Toole:* In one respect I think it has been a tremendous accomplishment that we have delivered Oyster Card without significant operational problems; they have been much less severe than I would have anticipated. It is, however, critical that we roll out full functionality in order for it to be taken up. In other words, there has to be capping; it has to be prepay, so that we can introduce it everywhere, and that is still in front of us. We hope to introduce that in February/March or some time of this coming year. I think at that point it will be easier to say positive things about that PFI.

**Q90 Mr Donohoe:** Have you had any negotiations in the interim to extend these, perhaps with TOCs (Train Operating Companies); has there been any discussion?

*Mr O'Toole:* Yes. It is done at TfL level; I want to point out, not by London Underground. It is done by Jay Walder and some folks working for them, Charlie Monheim principally. We have had extensive discussions with the train companies, trying to get them to come in within the Oyster Card technology. They were pursuing a different technology for a long time, but the fact of the matter is that we have a couple of million Oyster Cards out there, and we are creating the market. The smart thing, it seems to me, is to come with us. This is one of the interesting things about the Mayor getting greater authority over commuter rail, it is to find a way that will allow us to spread the Oyster Card, and I think it will be better for everyone. It will also allow me, by the way, to simplify the zonal structure.

**Q91 Mr Donohoe:** So you do not accept the present zonal structure, is that what you are saying?

*Mr O'Toole:* I think that the existing zonal structure is far too complex. I think nobody designs a business with a product list some 40 pages long, and people are supposed to comprehend it. It is not the way to deliver a simple straight system for people. The reason it largely exists is because of the elaborate permutations of pricing involved with the London Underground together with the TOCs.

**Q92 Mr Donohoe:** So you are empowered to change that?

*Mr O'Toole:* No, I am not, but I am saying that it is the new legislation that is being passed that suggested that the Mayor may get additional powers with regard to commuter rail, that offers perhaps a foot in the door to deal with that subject.

**Q93 Mr Donohoe:** When will the Smart Pre-Pay Oyster cards become available?

*Mr O'Toole:* You can get Pre Pay now but it will not have the take up until you have capping because until people know that they are getting the cheapest journey I think they are going to be resistant.

**Q94 Mr Donohoe:** The ones at present charge the maximum fare, they do not charge the best fare.

**Mr O'Toole:** No, that is not correct. Right now they still charge the minimum. We will go to maximum when we are ready to roll out the capping, but right now we are not penalising people.

**Q95 Miss McIntosh:** Do you expect to take the Oyster Card technology in the direction of some systems overseas, which have incorporated a travel card chip in mobile phones, for instance, and in credit cards? Is that something that you think to develop?

**Mr O'Toole:** Again, I do not want to steal the thunder, take the credit for the goals someone else kicked.

**Q96 Chairman:** Why not, Mr O'Toole—everybody around here does!

**Mr O'Toole:** There are people at TfL working very hard in that direction because it makes so much sense to have a single card that will do everything; a card that lets you get into a building you are trying to get into, a card that lets you buy your milk, a card that lets you pay your congestion charge and a card that lets you pay your parking fee.

**Q97 Mr Donohoe:** Some kind of ID card perhaps!

**Mr O'Toole:** We do not have to go to that extent, but certainly the Octopus Card in Hong Kong, people even have chips installed in their watches and are able to walk right through the station.

**Q98 Miss McIntosh:** How far ahead are you in recruiting and training a further 100 British Transport Police officers?

**Mr O'Toole:** I am sorry, I do not know the exact number; I do not have that in front of me. But we have made very good progress and of the 200 officers that we have funded new from the 470 inherited, I believe we are at somewhere like 130. But I can give you the exact number.

**Q99 Miss McIntosh:** I understand from the union evidence that was given that there is concern that even though there is a new police control centre at West Ham it is not operating uniformly across the system. Do you wish to make a comment about the policing of the Underground?

**Mr O'Toole:** I take their concerns very seriously and I know they are quite sincere because the place where crime has gone up on the Underground is not with regard to our passengers; it is with regard to our staff and it is one of the reasons why the Mayor not only funded 200 additional officers, something like a 40% increase, but additionally we worked on them to completely change the deployment strategy. We have gone to this reassurance policing model where we put in officers who are assigned to groups of stations so that their deployment can be as a result of the agreement with the local management. If you are at a place like Elm Park and your problem is kids hanging around

on Friday night, that is when you want the BTP there, so you work that sort of thing out. To kick-start this we assigned the redeployed officers to the east end first, so, for example, the group of stations at the east end of the network are all filled in. As these other officers come on board we are filling in the other areas, so there are parts of the Underground that still feel neglected under this redeployment. As was alluded to in that prior question, this has been a tremendous success. We did not expect to see results this soon and yet attacks on our staff are down, morale is up, property crime is down all on the east end of the District Line. I think it proves you do not have to be defeated by these people. You just have to put the resources in to deal with them.

**Q100 Miss McIntosh:** Is it true that you still have a major problem with graffiti? Your document shows that it costs £12 million a year to clear it up. If you had more police officers do you think that the graffiti problem also would go down?

**Mr O'Toole:** I hope so. There is a continuing dialogue with the police because they are trying to support us with the graffiti, but they have many other issues: crimes against people and the like. We do have a problem with graffiti but I think we are making some progress. I will give a compliment to the Infracos in this respect, that the work they have done to remove graffiti from the trains has been a tremendous success. The fact of the matter is that trains still get hit, and I think the current estimates are something like 800 tags a night. That requires the police to help us do something about that. Those tags are not being applied in the depot; they are being applied in service. It is mostly kids riding late at night hitting trailing cars and the like.

**Q101 Chairman:** Do you not have CCTV?

**Mr O'Toole:** We have CCTV on the stations, which is largely why we have licked the problem in stations. Unlike the Network Rail stations, our stations are largely clean if you think about them. We do not have CCTV in the train carriages themselves. The new train carriages will have CCTV, so that will be a big leg up. We are also starting an experiment with painting out line-side graffiti. This is a very hard one to do. We are looking for partnerships with boroughs and local people. If you look at the section of track between Barons Court and Hammersmith you will know that we have completely painted that out because we just wanted to see what would happen. It has been hit twice since. We have painted it again and since then it has been left clean. We are now going to paint out an entire line and see what happens. We are going to experiment with that and we are going to keep after it because we do believe that unless you are comprehensive in taking on these problems they just creep back at you.

**Q102 Miss McIntosh:** Do you have a problem with homeless people riding on the trains at night?

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**Mr O'Toole:** I do not know whether they are homeless or not, to be honest with you. I do not have the statistics.

**Q103 Miss McIntosh:** I was going to call them tramps.

**Mr O'Toole:** There are difficulties in removing people, especially on the late night trains, and that is often where station staff run into assault situations, when they are trying to remove people who are sleeping on trains, often not entirely in control of their faculties.

**Q104 Miss McIntosh:** Is that something that is going down?

**Mr O'Toole:** I do not know what the numbers are on that. In fact, I do not know that we keep that specific category separate.

**Q105 Miss McIntosh:** In the first 12–24 months you identified focusing on the signals passed at “danger”. Have they gone down?

**Mr O'Toole:** They have gone down very marginally but we have a lot of work to do there. Though they have gone down I would not take credit for that. I would say it is more like they are fluctuating and we are just lucky where we are right now. We have a company-wide programme to do something about this. It is a very touchy subject. The drivers feel that it is a persecution and it is very important that we deliver a comprehensive effort about moving signals that are spad traps, about providing retraining that is actually useful, about making sure we have training for our instructor operators that is comprehensive. Finally, it is about the drivers living up to their responsibilities. This will take a while to tackle but we will.

**Q106 Miss McIntosh:** Can I ask you specifically, are you saying that the drivers are not co-operating with you on this?

**Mr O'Toole:** No; they are co-operating. I suppose there is enough bad blood from the past that when they hear of initiatives like this they think it is just an excuse to apply discipline. The thing I always say to them is, “Do you have any idea how much it costs me to create a driver? Why would I want to get rid of them?”, but we do have to do something about spads. On the Underground, as you know, it is not primarily a safety issue because the trains are stopped if they go through a signal, but every time this happens the service is destroyed because it is a minimum three minutes and often it is 20 minutes in order to rectify the situation, so we have got to do something about this problem.

**Q107 Chairman:** How much of it is ancient signalling?

**Mr O'Toole:** Sometimes it is a function of the old signalling in the sense that the signalling bobs. We get what we call a category B spad and a category B spad, technical spads, spads that the driver could do nothing about, have increased over the past year

as the assets continue to degrade, but the larger part of it has to do with the operation of the railway.

**Q108 Miss McIntosh:** Many of the improvements that you have planned will not be delivered until after the first seven and a half year period, yet there appears to be no committed funding beyond the first seven and a half years. Do you want to comment on that?

**Mr O'Toole:** That is why I said, and I was not being disingenuous, that I am happy for the spotlight because what concerns me is that a deal was struck to rehabilitate the Underground this way. That is what we have and that is what we are going to make work. What I do not want to happen is for people to get to the seven and a half year period and say, just when we are about to get all this rehabilitated kit delivered, “You know, it actually did not get that much better. Why would we want to put more money into that?” I want to make sure people are bought into the schedule that we have all agreed to.

**Chairman:** Did you have an interest to declare, Ms McIntosh?

**Miss McIntosh:** I did and I do apologise. I have a past interest to declare in Railtrack. I am currently doing a programme with Network Rail, I have interests in First Group and Eurotunnel and I travel frequently by train.

**Q109 Mr Stringer:** You were describing the Wembley Park overspend as a mini Jubilee Line. Can you tell us what the exact overspend was?

**Mr O'Toole:** It was not an overspend. All I meant by that was that the price was also largely a function of the arbitrary deadline placed on people who have to deliver the project, and if you ask for something sooner it costs more. That is all I meant by that allusion.

**Q110 Mr Stringer:** How much more?

**Mr O'Toole:** Terry and I could debate that for a long time, I imagine. The total price is going to come in somewhere around £60 million, and if you take away the £25 million (or whatever it is) actual construction costs and then another £15 million for the other PFIs that have to be installed that are nothing to do with Tube Lines problems, somewhere in that delta is the risk of the extra expense of doing things faster.

**Q111 Mr Stringer:** Did you ask the project team of the national stadium to make a contribution because that is why you are having to do it so quickly, is it not?

**Mr O'Toole:** Those negotiations predate me. There is some contribution out of the public agencies that are involved in that or the local borough but I could not tell you. That all predates me.

**Q112 Mr Stringer:** Can you let us have a note on that?

**Mr O'Toole:** Sure I can let you know. In fact, I can also let you know what the funding is from each source on that.

**Q113 Mr Stringer:** That would be excellent. How would you describe industrial relations?

**Mr O'Toole:** The actual amount of industrial action has been quite limited by historical standards but I must say I seem to be in this arms race of PR releases threatening me with industrial action on a regular basis. I was pleased to hear Bob say that most of the things are going well. It is just that about every fortnight I am told that I am going to be balloted. I think there is a natural period of feeling ourselves out here between the two groups in that this is a new management team. I feel like I get credibility that otherwise I would not have because of the Mayor. I think there is a sense among the trade unions that ultimately they will be treated fairly. If you are a trade union employee at London Underground I would defy them to say that they have not been treated fairly in the deals that I have struck since I have been here.

**Q114 Mr Stringer:** Is the two-year deal going to bring peace in our time?

**Mr O'Toole:** We will certainly avoid a wage negotiation in the spring. I cannot say they will deliver any more peace than that.

**Q115 Mr Stringer:** Do you think it is reasonable or efficient to allow station staff 52 days' holiday a year?

**Mr O'Toole:** Obviously, I think the deal I struck is reasonable and efficient. I am not responsible for the weekends they get off or the bank holidays and all the rest of it that I have been credited with in that press release, but what we faced was the following. We wanted to do a long term deal. The trade unions were very plain. They said, "Until London Underground lives up to its requirement"—which was, they believe, agreed to back in 1999—"to deliver a 35-hour week for station staff"—the same as the train staff already had—"you can forget about a long term deal", so we set about agreeing to that. Ultimately what we said was, "We will agree to a wage increase but the reduction in hours has to be paid for with efficiencies", and we will move to 36 hours in the first year and then down to 35 after the second, depending on whether we can find efficiencies and if we can find them sooner we will go all at once, because actually it is cheaper for us only to re-roster the one time. The teams worked together. They came up with the efficiencies and it was then that the unions suggested an already existing procedure to use, and that is that the workers work the longer week and be allowed to bank the extra hours to be used as a rest day. For me it is slightly cheaper to roster it that way, so it sounds like a spectacular number but it is just the maths of going from a 37½-hour week to a 35-hour week.

**Q116 Mr Stringer:** Was this a negotiation that just focused on the Underground or did you look for external industrial comparators in terms of both pay and holidays?

**Mr O'Toole:** In this one negotiation I have had so far and in every labour negotiation I have ever been in in the States, we begin the negotiations by setting forth those comparators. I would say most of the deals pale in comparison to the working conditions on London Underground.

**Q117 Mr Stringer:** So they were not very helpful to your case?

**Mr O'Toole:** The trade unions did not feel they were very relevant to the discussions.

**Q118 Mr Stringer:** So how much around the industrial norm are you on this particular deal?

**Mr O'Toole:** If you look at the train operating companies' pay, if you look at the top, say, 30 companies, on engineers we are, I think, in the top 10%.

**Q119 Mr Stringer:** And station staff?

**Mr O'Toole:** I am not quite sure of the number. I can give you that but it is somewhere similar.

**Q120 Mr Stringer:** Do the large bonuses paid to the management of the private sector companies operating in the Tube system cause problems with industrial relations? Do they make it more difficult to come to a deal?

**Mr O'Toole:** They have not been raised with me.

**Q121 Mr Stringer:** Do you have a sense that they are pushing things along?

**Mr O'Toole:** I think that they are obviously a fun thing to make headlines with but once people made the decision to go with private sector companies I think they were buying into the way they broadly went.

**Q122 Mrs Ellman:** In your first year report you expressed disappointment that the Infracos had not invested in more modern equipment. What powers do you have to do anything about that?

**Mr O'Toole:** Very little other than to enforce the contract. We do expect, however, that they are obligated to set forth on this whole life asset strategy which includes the way they would maintain those assets and we have been pushing them, and with their co-operation, quite frankly, for a complete articulation of this. It is all provided for under the contract. It is mostly a constant cajoling and negotiation. There is no reason for them not to do it once they decide it will deliver work more efficiently.

**Q123 Mrs Ellman:** Are you satisfied that the companies will maintain safety as the assets age?

**Mr O'Toole:** Yes, I am. One thing that was said here earlier that actually is inaccurate was about safety. Safety is unified. It is all under me, actually. The safety case for all four companies comes back to me. London Underground holds the safety case.

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It is our job to make sure that they work safely and it is our job to put the systems in place that establish safety assurance. As a result I can say to you that I believe they will maintain safety because I intend to ensure, and I know anyone in this chair would ensure, that they do.

**Q124 Mrs Ellman:** Are you concerned about the complexity of the number of interfaces in relation to safety?

**Mr O'Toole:** I am concerned, and I was also concerned about the fact that this was run around so much prior to the PPP that it was just kind of hanging out there. If you think about it, if something happened it would be very easy for people to say, "You never dealt with that allegation", so one of the first things I did when I came in here was to engage A D Little, a completely disinterested expert, to come in and examine those interfaces themselves. They did about a six-month study and came back and while they did comment on the complicated structure they also found that the interfaces were explicitly dealt with. To deal with them requires more work. There are no two ways about it. They do present safety risks but the risks have been dealt with within the safety case of the design.

**Q125 Mrs Ellman:** I would just like to clarify what was said and minuted to. Are you saying that you are responsible for safety matters?

**Mr O'Toole:** That is correct.

**Q126 Mrs Ellman:** So if anything is wrong it is your responsibility, not the Infracos'?

**Mr O'Toole:** Obviously, I look to them under our contract with them, but under the statutory regime that is set up the safety case that reports to the file with HMRI and HSE is a London Underground safety case.

**Q127 Mrs Ellman:** What is the current position concerning Jarvis apparently wishing to sell off its stake in Tube Lines?

**Mr O'Toole:** They have had some preliminary negotiations with us. I can only tell you that we were not impressed with them. We are led to believe that some further proposal will be made and we have a right to object to anything they may do though we do not exactly have a veto right. It is very unclear the extent of our rights and it will be a function of the deal they present. For the last few days it has been quite quiet on that front.

**Q128 Mrs Ellman:** You say you were not impressed with the case they made. What were the criteria that you were looking at?

**Mr O'Toole:** It was not obvious how it was in the interests of London Underground.

**Q129 Mrs Ellman:** And you are confident you will be able to maintain the interests of the public in making any future decision?

**Mr O'Toole:** I can only assure you we are going to expend a lot of energy doing that.

**Q130 Mrs Ellman:** Do you believe you have sufficient powers to achieve that?

**Mr O'Toole:** Based on what I have been presented with so far I like to think so, yes.

**Q131 Mrs Ellman:** You would like to think so? Do you think so?

**Mr O'Toole:** I am sorry; I do not mean to be coy. The point is that they obviously spent some time and money trying to structure a deal so that it got around our power to do something about it. We do not think it succeeded and told them so. We think that at the end of the day common sense will prevail and the rights we are supposed to have will be honoured, but on the other hand I have spent a lot of my time in the finance sector and I know how clever people can be.

**Q132 Mrs Ellman:** Do you think you have the powers to deal with the public interest despite how clever people may be?

**Mr O'Toole:** I believe I do, but we will see.

**Q133 Mrs Ellman:** What are your views on the PPP's ability to deliver step-free access to Underground stations?

**Mr O'Toole:** The PPP delivers very little step-free access. I think at the end of the day of 255 stations of the stations we serve only 16 will receive step-free access as a result of the PPP work. It was explicitly taken out of the deal. That is one of the primary things we hope to deliver through this new work via the prudential borrowing. It is very difficult. The engineering on this is really tough but the Mayor is absolutely determined to do something about this and it is clear; I have my marching orders. What we are doing is looking at every single station project and we are not trying to design the perfect system. We are trying to make use of the works that are going to go on anyway to figure out where is it we can put in an MIP lift, where is it we can do something about the platforms and try to be very opportunistic. Our hope is that at least by 2010 25% of the network will be cleared and we will keep going from there. We are ultimately hoping to get half the network step-free.

**Q134 Chairman:** Have you got enough information to scrutinise the Infracos' performance?

**Mr O'Toole:** No. We have final agreement on the information we will get. We are finishing the creation of the systems that will supply it, but I still do not have the information.

**Q135 Chairman:** Why not?

**Mr O'Toole:** Because it has taken us the better part of the year to argue over what it is and what it should look like between us and the Infracos. Peace has finally broken out all over but, as I say, it is still to be finalised.

**Q136 Chairman:** London Underground did not have a register of the condition of its assets before it handed over the infrastructure to the PPP, did it?

*Mr O'Toole:* No, it did not.

**Q137 Chairman:** So how are you going to solve many of the problems which will undoubtedly arise from that lack of information?

*Mr O'Toole:* Fortunately, unlike the Railtrack situation, this deal provided for the creation of what are called asset catalogues by each of them. Tube Lines was required to deliver theirs within two years and Metronet was supposed to try to do it in two years but ultimately four. This is one area where there has been co-operation because what has happened is that the companies have pulled together. They are delivering those catalogues on time but then they have worked with us and we are separately funding what we modestly call the single source of truth that will be an asset register for all the assets they maintain, the assets we maintain and the assets the PFI contractors, who you cannot forget because they have a big slug of this too, maintain. There will be a single asset register so that anyone will be able to tell the state of the assets, when they were last touched, etc, the very things that should tell us how to maintain the assets.

**Q138 Chairman:** How long will it be before that magic state is achieved?

*Mr O'Toole:* It is starting to come on line now. We are not waiting to do it as one big bang.

**Q139 Chairman:** A final date? What are we talking about?

*Mr O'Toole:* The final date is another year from now but it will have limited functionality within the next few months.

**Q140 Chairman:** I want to know about performance scores. Why are they going to dispute resolution in quite such numbers?

*Mr O'Toole:* Why do we have so many disputes?

**Q141 Chairman:** Yes.

*Mr O'Toole:* If you think about the number of attributions we go through it is a miracle how few do go to dispute.

**Q142 Chairman:** How long does it normally take?

*Mr O'Toole:* Outside it can take as much as four to five months to get through adjudication. That is a theoretical possibility. There have only been to my mind two or three disputes that have even gone that far. Some disputes are listed as disputes but are not being actively pursued while I think people wait to see how this gets defined and whether it gets resolved another way. Some of these disputes are currency to solve other problems. I will say that as more and more money starts to get involved here disputes are going up.

**Q143 Chairman:** What about the PPP arbiter? Is it a good process? Is it producing fair results?

*Mr O'Toole:* The PPP Arbiter does not have a role in the disputes you are talking about. This is a separate process. He as yet has not been called on to settle anything.

**Q144 Chairman:** At all? Not even though he has had a first year?

*Mr O'Toole:* No.

**Q145 Chairman:** You did talk about the engineering overruns and you criticised the private companies. Have they got worse under the PPP?

*Mr O'Toole:* They did for a period. The second half of last year they got far worse if you measure them in the kind of service point system that is used in the PPP. They have now come back down again and they are performing at about the level that they did prior to the PPP and a lot more work is being done.

**Q146 Chairman:** Do they walk away with the money, these Infracos, if the work is not completed in the way it should be?

*Mr O'Toole:* Ultimately if the assets fail they have to pay for that.

**Q147 Chairman:** Yes, but that is a rather long way down the line. Are they walking away with the money in the interim? You will understand, Mr O'Toole, that the taxpayer looks for sums that appear to be being paid to these companies at the same time as they are getting what may be quite arbitrary and small fines in comparison, and one begins to wonder who is being taken to the cleaners here.

*Mr O'Toole:* The way it works is that if they have an engineering overrun the interruption to service hits them with an availability penalty. At the same time they are hit with service points which cost a lot more, so there is a financial penalty. Whether or not that penalty is sufficient to drive them is what we are all learning as we experience this contract.

**Q148 Chairman:** Have you got enough power? Are you convinced that you know that the safety case for London Underground is being upheld by the Infracos?

*Mr O'Toole:* I definitely have the power to do that. It is just a question of whether I exercise the right judgement with the amount of resources that I have put into that and I think I have. I do not have enough power with regard to forcing the PPPs to work with the PFIs. I do not think anyone appreciates the enormity of that problem. If you think about the fact that they have an obligation to deliver trains and I have an obligation to deliver power, some of these companies are on both sides of this deal. This gets very complex going forward. You cannot help but read the headlines of this awful situation on the Northern Line with this ancient radio that is falling over and crippling our service. At the end of the day the real cause of that is the fact that the Connect radio system, this other

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PFI, is at least two years late now and over budget and it makes the PPP look like pure elegance, believe me.

**Q149 Chairman:** I do not find that a comforting thought.

**Mr O'Toole:** No, it is not, but forcing everyone to co-operate to deliver these assets is something I do not have sufficient power over.

**Q150 Chairman:** Is this an American version of, "It cannot get any worse"?

**Mr O'Toole:** No. I would not sit here if I did not think ultimately we would deliver. We will deliver.

**Q151 Clive Efford:** The HSE report into the derailment at White City concluded that the underlying cause of the derailment was the failure by Metronet Rail BCV Ltd to fully comply with specified measures which had been prescribed by London Underground as a result of the Camden Town derailment in October 2003. That clearly suggests that there were specific recommendations made by yourself that they failed to carry out. Are you saying that you do not have any powers to penalise or enforce those recommendations?

**Mr O'Toole:** No; actually, I do. If you go further into the report you will see the self-criticism that we should have made explicit and this is our lesson learned for the future: the methodology by which they assure us that they have actually followed through and done that, or we put more people in the field so that we can assure ourselves. In fact, in this case we had made the decision when it came to track to put more people in the field. We decided to expand that force so that we would have more human beings out there watching the work that was done. The gap between the cup and the lip here was that the decision was made that we were going to enforce our terms that way but people had not been recruited at the time of that accident. That is why there is criticism of London Underground in there as well as of Metronet.

**Q152 Clive Efford:** Okay, but there was Chancery Lane. Lessons should have been learned from that which could have assisted when White City occurred and Camden Town. Again, there was the Chief Engineer's regulatory notice. Are you putting enough pressure on the Infracos to invest in the areas that would avoid these accidents and learn the lessons of these accidents and avoid them in future against, for instance, spending money on ambience?

**Mr O'Toole:** I do not choose to spend money on ambience, although I am happy that they do it. I do not think the things are mutually exclusive. No-one is more interested in the subject than I am given whose signature is on the bottom of that safety case, I assure you. I think that we could have done better on White City. We will not make that mistake again. Once we issue one of these CERNs how they have to assure us that they have complied with it. At the end of the day a derailment happened and it should not have.

**Q153 Clive Efford:** What about safety in terms of overcrowding? Are you tackling overcrowding?

**Mr O'Toole:** As I said before, the only way to deal with overcrowding is to have a more reliable train service. I would say with regard to dealing with overcrowding when it comes to the safety issue that there are probably few organisations in the world that know as much about it or are as good as London Underground in terms of being able to control the crowds by the station staff in our network. Unfortunately, it produces some uncomfortable situations, such as it does every morning at 8.00 am at Victoria when we lock people out of the Bostwick gates or lock people out of the Bostwick gates at Kings Cross now, but all that is dictated by the safety plans for each of the stations.

**Q154 Chairman:** We would just like to know whether you are going to approve the attempt of Jarvis to sell one third of its stake of Tube Lines.

**Mr O'Toole:** I will not know until I am presented with the proposal but I can see situations where existing shareholders might want more of Tube Lines and that might be a good thing. I think it is very important for us as London Underground to be assured that the technical resources that are being supplied under this secondment agreement are preserved. It is very important that if there is any return that should be coming to London Underground (the taxpayers in effect) it is provided, and that the entire structure is not made more fragile as a result of any change in ownership.

**Q155 Chairman:** You see, that is the point. What controls do you have on the sort of company that could replace a sponsor company like Jarvis?

**Mr O'Toole:** The contract has a series of tests about what we may object to. With regard to the character of the company, it refers to—

**Q156 Chairman:** But you will forgive us saying so: one would not have found that any relevant test was necessarily applied to Jarvis given its subsequent history, so are we going to do better?

**Mr O'Toole:** It defines it in terms of someone being convicted of a crime. Oddly, it defines it as someone who presents a security risk under UK or US law, so presumably Cat Stevens could not buy it.

**Q157 Chairman:** I would not dream of quoting that.

**Mr O'Toole:** I assure you we are going to go through every single word possible with a fine toothcomb to protect London Underground's interests.

**Q158 Chairman:** You did say that with Connect PFI you inherited a poorly managed contract which failed to deliver. Have you turned it round?

**Mr O'Toole:** We have certainly taken out the management and put in new management. We have made it quite plain that we are no longer going to pay claims whenever they file them. That is going to be a big court case.

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**Q159 Chairman:** What about the power outage? That was last year really quite a problem and it called into question the resilience of the PFI. What improvements have you made since that?

**Mr O'Toole:** In a couple of different areas. The biggest improvement probably is the own goal that happened there, which was the grid and EDF not communicating with London Underground and telling them when they were taking resources off line and removing resilience that would have allowed us to rebalance the power intake from our supply points. Even if it had gone out it would not have affected us. That has now been dealt with. We now have regular meetings with them. Their maintenance schedules are given to us. Any time they introduce a weakness into their network because of their maintenance activity we change the sourcing of our power. That is one thing. We have also spent a lot of money trying to change our whole command control system, such as it is, with more discriminating phone systems and the like so that we can deal with the management of the situation faster. As you know, that evening our station staff performed brilliantly in the sense that they moved that many people out of the network and no-one was hurt. What we were not designed for was putting them back in again and that was the great distress. People wanted to know, "Why can I not get on a train?" an hour and a half later. It was because the power had to be left off because somebody was still de-training over here. We have spent a lot of time changing our own management systems to address that.

**Q160 Chairman:** That is very good. Since you are very aware of the need for consultation and understanding and certainly training in a thing like that why is it that you have not had all your safety representatives called together in the last year if we are to believe what the union say?

**Mr O'Toole:** Certainly they did not allege that I have not. The four companies did not call them in.

**Q161 Chairman:** No, no. Believe me, Mr O'Toole, when I am having a go at you you will know.

**Mr O'Toole:** I was a little bit confused by that. I wondered if terminology was the issue. I have been in a room with some of the gentlemen who were around this panel with the company-wide safety forum, and such a group does exist. Where I am going to fail you though is that I do not know how many times it has been convened since PPP started but when it was convened I know for certain was after the Hammersmith and Camden Town derailments because it was that group that dealt with the trade unions' claims regarding the inspections. In fact, the whole incident was, I think, if anything a model of how trade unions and management should get together because I think they did a lot to restore the credibility in what we were doing.

**Q162 Chairman:** Will the London Underground PPP be able to deliver the improvements that we need in line with the projected increase in London's population over the next 10 and then 20 years?

**Mr O'Toole:** It will stay just about even with the demand that is forecast for us but it will not do anything to improve the situation, which is why we have to have Crossrail.

**Q163 Chairman:** Does that satisfy you or would you rather plan for something different?

**Mr O'Toole:** Obviously, I would like more, but the only relief valve I have right now on the horizon is Crossrail.

**Q164 Chairman:** And?

**Mr O'Toole:** And I hope that a hybrid bill is passed and it gets funded.

**Chairman:** You have been very helpful, Mr O'Toole. Thank you very much indeed. We are very grateful.

*Witnesses:* **Mr John Weight**, Chief Executive, Metronet, and **Mr Terry Morgan**, Chief Executive, Tube Lines, examined.

**Q165 Chairman:** Good afternoon, gentlemen. Could you please identify yourselves for the record?

**Mr Morgan:** I am Terry Morgan. I am Chief Executive of Tube Lines.

**Mr Weight:** My name is John Weight and I am the Executive Chairman of Metronet.

**Q166 Chairman:** Thank you. Do either of you have anything you want to say before we begin?

**Mr Weight:** Madam Chairman, I would like to thank you for inviting us here today to address your meeting and to answer your questions. We have put before the committee the report for the first 12 months of our operations and we submitted a further report on our last six to seven months and I hope that has been of use to you.

**Q167 Chairman:** It has been very useful. Mr Morgan?

**Mr Morgan:** I will avoid repetition. I say the same.

**Q168 Chairman:** Metronet is spending £2.5 million and Tube Lines £1.6 million every single working day. What can passengers see for that money?

**Mr Weight:** If I may refer to our report for the last six or seven months, we have seen a significant improvement in train reliability across the fleets. We have had a 150% improvement on the Central Line. We have something in the order of 125% on the Circle Line and 30% on the Bakerloo Line; that is on train fleets themselves. The maintenance regimes are being maintained across the system. We are now working virtually every night somewhere on the network. There is work going on across the whole system. We are now well into our track

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renewal programme with a lot of work being done on the Victoria Line and you may be aware of the weekend closures that we have been operating for some time now on the south side of the District and Circle Line. All of that is investment that is going into the system in accordance with our plan.

**Mr Morgan:** The first thing I have to say in terms of where the money is going is that clearly there is a massive programme in terms of capital expenditure. What we inherited was a profile of about £12 million a month. In the month that we have just closed we have invested £34 million, so there is a tripling of investment going into the infrastructure. What passengers will see is that over the period that we have been operating there has been a significant reduction in the number of incidents. We did promise that we would put a high priority on trying to improve the ambience of the trains in particular and we have done that. Tim made reference to the fact that on graffiti it would be very rare today if you saw a train in service which had graffiti on it. Also, we had a strong determination that passengers should expect to have the same cleanliness on trains at six o'clock in the morning and at nine o'clock at night and we have put a lot of effort into trying to standardise the condition. We have a much higher quality of trains for passengers to use. The other thing I would say in that regard is that investment is coming through. We have been prioritising our increased investment into safety. I can point to many examples where, because the funds are now available, we have been able to address long-standing safety issues that London Underground never had the funding to resolve and that is where our money is going.

**Q169 Chairman:** I will ask you both what proportion of your performance targets have you met over the past year?

**Mr Weight:** Over the past year, the first 12 months, because there is a definitive report on that, so far as the sub-surface company is concerned I think we have beat all of our performance targets as per the contract.

**Q170 Chairman:** All of them?

**Mr Weight:** Yes, and we showed a positive trend in the availability and other scores. It is not quite the same for the Bakerloo and Central and Victoria Lines. The performance there was flat, given our inheritance. We have put a lot of energy and effort and attention into recovering the Central Line service from the Chancery Lane incident which happened just before the contracts were signed, but nevertheless we had the inheritance of that so a lot of work went into that to get that back up to an acceptable standard. So far as the last six or seven months are concerned we have seen a continuing improvement in sub-surface. I wish I could see more improvements on Bakerloo, Central and Victoria. Much of it I think is the condition of the Victoria signalling systems and that is an early part of our investment, albeit that it does not come on stream until around 2009.

**Q171 Chairman:** Before I come to Mr Morgan, you would not agree then that there have been problems with performance, derailments, lost cost customer hours above your benchmark and similar rates of rolling stock failures as before the PPP?

**Mr Weight:** My measure is from the day we took over. We trend those lines and the performance in each of those measures from that time. My trends are positive for sub-surface. They are not so positive for the Bakerloo, Central and Victoria.

**Q172 Chairman:** Mr Morgan, why has there been a dispute on performance scores between you and London Underground?

**Mr Morgan:** In the earlier two sessions, reference, for example, was made to the Camden Town derailment. There was a full inquiry. I must admit that when the derailment occurred there was a great deal of anguish about the fact that we had a gang of people working down there the night before and it was not surprising that some people made the linkage, that there must be something happening down there which made the railway unsafe. We took risk with the transfer of the assets to us from London Underground but the inquiry absolved us of any responsibility for the occurrence of the derailment. We have got abated seven million pounds for that. It is in dispute only because I want to make sure that Camden Town cannot be repeated, so I will pay the money but I want to get to a position with regard to that issue that gives me confidence that that type of derailment cannot occur again. There are issues like that where we are learning from these things to make sure that they are not forgotten about.

**Q173 Chairman:** So you are not suggesting that the dispute resolution process is unfair?

**Mr Morgan:** Not at all. I think we are in a very similar position to how Tim described it. I have five issues in dispute and when I think about the range of assets and the things we are trying to do, that is not a big issue for me.

**Q174 Chairman:** What proportion of your performance targets did you meet over the last year?

**Mr Morgan:** Over the last year I am particularly proud of the Piccadilly line. We have seen a significant improvement and over the last 13 periods we have hit our target each month. The Jubilee Line has been improving. In fact, in the latest TfL report it reported that in the last period we have just had the best month ever since the JLE was commissioned five years ago, so I see that as being very positive. There is no doubt that our biggest challenge is on the Northern Line. It has hit some targets in some of our periods but, to be frank, I am still not satisfied that we have the consistency in our performance which would enable me to be confident that we know and can ensure that the assets are performing every day.

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**Q175 Chairman:** Then perhaps both of you gentlemen would not worry if I asked you to give me a written note on those so I can have accurate performance measures.

**Mr Morgan:** Of course.

**Q176 Clive Efford:** How have the financial incentives contained in the contracts influenced your work?

**Mr Weight:** Over the 30 years of the contract, if I look at the model that I am running to—and forgive me because I might refer to the model in the financial plan on a number of occasions and it reflects the nature of this contract—I will be at risk on around 20% of my revenues for the abatement reward schemes, so it is significant and certainly would absorb profits that my shareholders are expecting to get out of this business.

**Mr Morgan:** I think I am in a similar position to John. Performance in terms of the financial performance is directly linked to the performance of the network, so there is a linkage. I have heard a number of references this afternoon to engineering overruns, for example. The cost of a train service failing during the rush hour can be as high as £700,000 in an hour. What happens in the very short period at night we have is that we might find a cracked rail. It might be safe to run with a speed restriction. One of the decisions we have to make during the night is, do we take longer to repair it so that we can offer a full service for rush hour or by taking an engineering overrun or do we put a speed restriction on and delay the service? That is a conscious decision that we have to make and the weighting between taking a delay at five o'clock in the morning and 8.30 in the morning is a multiple of 15–20 times in terms of abatement. These are considerations that I believe are driven to ensure that we offer the fullest services when customers need them.

**Q177 Clive Efford:** There are a number of incentives but is the system one of the reasons why you give so much attention to ambience over another target such as availability?

**Mr Weight:** I do not think the two are necessarily competing. I think they are all important and you have to look at these measures in the round. We do pay attention to ambience because it is something that we are at risk of. If we fail to keep stations clean or trains free from graffiti our scores will go down and the abatements will kick in, so it is in our interest to use cleaning crews, mobile crews, people at depots in order to maintain that service. It is a different regime that is looking after, say, the engineering work that is done each night on the train service. Can I make one further point, which is one that Mr O'Toole made? The whole proportion of abatements and rewards increases dramatically as the new assets come in. We are at risk for the delivery of the new assets to improve the service of the system. That is the measure, and if we fail to deliver on that score then these abatements really do kick in. That is where the companies have to show commitment and delivery.

**Q178 Clive Efford:** Do you have anything to add, Mr Morgan?

**Mr Morgan:** I do not think it is a compromise between ambience and asset reliability. The reality is that doing ambience is very resource intensive but you can do it immediately. You can recruit cleaning crews and you can put them on the trains, and we have. We have increased the frequency of cleaning on some of our network by a factor of 10 to 12 times. Asset reliability takes time. There is a very limited window of opportunity at night and it does take a lot longer to go down there and improve the service from a reliability point of view compared to ambience.

**Q179 Clive Efford:** So why have Tube Lines been fined £8.1 million for poor performance?

**Mr Morgan:** You may find this very surprising. We inherited a very unreliable network. The number that you refer to was based on a performance which was similar to the network that we inherited. It is incentivised to reduce the abatement that I paid to London Underground as a result of my performance.

**Q180 Clive Efford:** But it is true that your targets are set lower than the average performance before PPP, are they not? They are set at 105% of the performance that existed prior to PPP.

**Mr Weight:** The rationale behind that was to recognise that transitioning from the public sector, if I may say, taking the numbers of people out, into the new arrangements, in my case something in the order of 5,000, was bound to come with a certain degree of risk on the disruption during that transition. The target was set to reflect the experiences during shadow running to help cope with that.

**Q181 Clive Efford:** Surely the travelling public have a right to expect, under the PPP and the sort of money that we were told was going to be invested, an improvement in performance, yet your benchmark for lost customer hours is set at 105% of the period prior to PPP. Is that reasonable?

**Mr Weight:** These benchmarks do increase. They tighten as we go forward through the contract.

**Q182 Clive Efford:** When will they tighten? In the next seven and a half year period?

**Mr Weight:** They tighten each year and for me on the SSL performance for this year they tighten by 20%.

**Q183 Clive Efford:** So the customer hours set for next year are what, in comparison to pre-PPP?

**Mr Weight:** I have not got the exact figure to hand. I can provide that to you.

**Q184 Clive Efford:** So people can expect a continued improved performance in that regard?

**Mr Weight:** That is the whole rationale behind what we are doing and the investment that we are making.

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**Q185 Clive Efford:** Do penalty fines under 10 million have any impact on you when you receive £300 million in payments?

**Mr Weight:** Of course they do because the penalty payment flows right the way through to the bottom line. It is not a hit on revenues; it is a hit on the profit of the business.

**Mr Morgan:** I am in a similar position to John. It is true that in the new relationship between the public and private sector it is a commercial relationship and what we saw during transfer was an increase in reported incidents. I do not have a problem with that. I actually want to know what is happening on the network, so we saw on day one an increase. What we have had already is two reductions in our targets since transfer, because we are slightly ahead of John in terms of timing, and the targets are getting tightened. In our modelling we assumed, because this system is unreliable, a degree of unreliability and we set ourselves some targets. We based our business on achieving those targets, which is very close to the numbers that you have just referred to.

**Q186 Clive Efford:** What profits have you made running the Underground in the first year?

**Mr Morgan:** In year one, which took us up to the end of March 2004, we made £41.6 million.

**Mr Weight:** Our pre-tax profits for the first year were £50 million. I have to say it is an accounting profit because under the terms of the contract those profits are not distributed to the shareholders; they stay in the business for the first seven and a half years.

**Q187 Clive Efford:** So these profits are fed back into the system?

**Mr Weight:** They are held in reserve and the cash represents a cash benefit into the business to be used to invest in the business.

**Q188 Clive Efford:** Into the Underground?

**Mr Weight:** Yes. It helps fund the work that we have to do.

**Q189 Chairman:** That was, of course, the basis on which you agreed the contracts in the first place, so it does not come as a surprise to you that the system was run down and that you had a lot to do. You negotiated much better benchmarks on that basis and you accepted the fact that the money was going to have to be held in reserve, so none of this is a surprise to you?

**Mr Weight:** Not at all, madam Chairman.

**Q190 Clive Efford:** The National Audit Office was unable to determine whether the PPP deal offered value for money. What measures do you have in place to ensure that you will always give value for money in the future?

**Mr Morgan:** The National Audit Office reviewed our performance about six months after transfer. That is very early to take any sort of assessment about value for money. In terms of our own progress, if I take my projects today, which is a

very large part of my business, I have not got a single large project today that is running late. I have some projects that are running ahead of programme but the projects we have committed are now approaching £1.6 billion to £1.7 billion. Overall our total programme cost is in line with what we forecast for those programmes. When the NAO said that it is difficult to take an assessment on value for money it was very early in its assessment. I personally will be very confident as we go forward that they will see better evidence of how we have been using the funding.

**Mr Weight:** I am not surprised by the NAO's comments. Indeed, any informed commentator would say that it is all there to do; it is all in front of us, and that is clearly the truth.

**Q191 Clive Efford:** The National Audit Office reported that the additional works had been more expensive than anticipated. Do you have an explanation as to why this is?

**Mr Morgan:** There has obviously been a discussion around Wembley. I am probably one of the few individuals who got quite despairing about the fact that Wembley Stadium was going ahead of plan and that, rather than wait for the Cup Final in 2006, it was more likely to be complete at the end of 2005. We had to do a very accelerated programme for Wembley and that is where we had to ramp up our cost because we had to put in a lot more resources in a shorter period of time and we put risk into that programme by going for an accelerated programme. I have to say right now that that accelerated programme is delivering and we are very confident that Wembley Stadium will be supported in September 2005 and if we do that there will not have been a programme done like that on the Underground in that sort of timescale before.

**Q192 Chairman:** On the London Underground?

**Mr Morgan:** Yes.

**Q193 Chairman:** There are other underground systems which this committee has seen which operate with enormous speed.

**Mr Morgan:** Correct.

**Q194 Chairman:** If you can compete with Seoul, which is building its ninth new line in a city at least the size of London in under 10 years, then we will agree with you, Mr Morgan, that you are doing extraordinarily well.

**Mr Morgan:** Thank you.

**Mr Weight:** I might refer to another example, which is not directly under the PPP but illustrates a particular point, and that is Kings Cross itself and the ticket hall arrangements. Under the contract arrangements that were put in place for Metronet that was a negotiation, we were asked to take on some project management oversight works that were on behalf of London Underground at Kings Cross. There has been a huge issue on that project and the costs will overrun by in the order of £200 million, I think £300 million to £500-and something

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million. I will just make the point that you have to be realistic on the original cost estimates if we are comparing like for like, which is, why does it cost more? Is it the actual cost to complete compared with the estimated cost or the estimated cost in the first place? There is an example there which is not directly related to the PPP but I think set up false expectations as far as the Department of Transport was concerned.

**Q195 Clive Efford:** Mr Morgan, what impact will there be on your consortium when Jarvis sell their stake?

**Mr Morgan:** I have to say that sometimes I feel as though I have been here before. You may or may not remember but about 18 months ago I had some difficulties with Amey. Today Amey are owned by Ferrovial, a very strong contributor to Tube Lines. Today I have difficulties with Jarvis. There are two elements and perhaps I could have the opportunity to explain what Jarvis's involvement is with the business. It holds equity. It owns one third of Tube Lines. It was always envisaged in the way the deal was set up that at some stage Jarvis, as with Amey and Bechtel, had the opportunity to dilute their equity. The other element of the deal that Jarvis are involved in is what I call my secondment agreement. I take resources from each of my shareholders and they are in front-line positions in the business. Today, for me personally, my biggest operational risk is the people I have from Jarvis in the business. To put that into context, today I employ 3,000 people and the Jarvis secondees represent nine people. All nine people will stay with Tube Lines irrespective of what happens to Jarvis. If it goes to a new shareholder or a new seconding party they will transfer to them. If there is not a natural home for them then they will stay with Tube Lines. I am protected in the short term with the operational knowledge that those individuals bring to Tube Lines. Clearly it would be in everybody's interest to get this resolved quickly, not least for Jarvis and certainly for Tube Lines in terms of its plans. In the same way that Tim said, there has to be a resolution but there are mechanisms in place that would handle the sale of Jarvis's interest in Tube Lines.

**Q196 Clive Efford:** So you say that it was always envisaged that Jarvis would sell part of its interest in the consortium?

**Mr Morgan:** As was the case for Bechtel and for Amey.

**Q197 Clive Efford:** And that knowledge was around at the time the PPP was being drawn up and so on?

**Mr Morgan:** It is in the public domain, yes.

**Q198 Clive Efford:** Are there any controls over the companies that can buy into your consortium?

**Mr Morgan:** There certainly are. There are agreements between shareholders themselves and, as Tim has already indicated, there needs to be agreement from London Underground to the changes that we would propose.

**Q199 Clive Efford:** And the government—do they have any control over it at all now, or is that completely handed over to TFL?

**Mr Morgan:** My understanding is that it is transferred to TFL.

**Q200 Clive Efford:** Given the performance of your company over the last year, is your bonus justified?

**Mr Morgan:** That obviously is fixed by my remuneration committee. If you wanted to consider the things that we did I understand why in part there is a heavy concentration on availability but my business is not just about availability; it is about project investment, it is about ambience, it is about service points. Yes, we still have a challenge to face on availability but the other targets were achieved. My board decided on that basis that the bonus that I received was commensurate with the achievement of the business.

**Q201 Clive Efford:** Did your board consider the implications for industrial relations when they made that decision?

**Mr Morgan:** In the context of?

**Q202 Clive Efford:** To put it bluntly, resentment amongst the staff who worked extremely hard to deliver the performance that presumably you were paid a bonus for.

**Mr Morgan:** I am quite proud of the fact that we had a two-year deal in place at the time that we filed our performance. It included my remuneration. I am also very proud of the fact that we inherited a business where there were only six people under some form of incentive. Today there are 500 people under some form of incentive. This is not just about one individual. This is all about creating a culture that tries to value performance.

**Q203 Clive Efford:** This is about one individual. It is about one individual gaining a pretty huge bonus.

**Mr Morgan:** As I said, there were 500 people under bonus arrangements going forward.

**Q204 Miss McIntosh:** Can you clarify one point which you mentioned about controls in place? In the Railtrack situation, if there was any question of the company going into administration the government acted as a backstop. Are you now saying that that responsibility has passed to TFL?

**Mr Morgan:** If Jarvis were placed in some form of administration the administrator would try to find a buyer for the Jarvis interest but would in fact try to find a buyer for the Jarvis business that would include the Tube Lines interest. If a potential buyer was found for that interest, if that ever occurred then, whatever we came back to London Underground with in terms of that

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recommendation, they would have to approve that transaction. It is not possible suddenly to find buyers for Tube Lines' equity that are unacceptable to London Underground.

**Q205 Miss McIntosh:** Mr Weight?

**Mr Weight:** It is similar. As far as Metronet is concerned my understanding of that circumstance, if we look first of all at a voluntary sale, is that none of the shareholders can sell now more than 25% of their stake in the first seven and a half years. Even then there will obviously be a dialogue with London Underground and there is also a profit share element to that. There is, of course, a circumstance where the whole company could be taken over, as indeed was the case with Amey. The company owning the shareholding stays in place; it just has another prime owner so that can happen. I think they are similar. I think it is well controlled. It was anticipated during the bidding of the contract because in 30 years it would be quite surprising if it were exactly the same people sitting round the table at the end of the day.

**Q206 Miss McIntosh:** Could I ask each of you why did the number of signals passed at danger relating to equipment performance go up from 161 to 208 last year?

**Mr Weight:** As far as Metronet is concerned there were two particular problems. One was to do with a batch fault on some signalling lamps that were bought as part of a normal purchase contract, and you would not think that this was a terribly difficult thing to do. They are of special design but they are not complicated as such, but there was a batch fault and those lamps had to be taken out as quickly as we could do that and in the hours available to us we did it. There is also a particular problem with signalling in three distinct areas within the sub-surface lines—one at Farringdon, one at Finchley Road and one down at Southfields on the Wimbledon Line. I draw particular attention to that to demonstrate another point if I may because earlier on this year we had what started off as a rainfall issue, quite frankly. The beds become saturated, the signalling currents are carried by the running rails and so you have a whole issue there about conductivity and the like. With London Underground's co-operation we introduced a new programme. Rather crassly, it is called "Sponge"; you can see why. There were some emergency civil engineering works taken out in each of those three locations. That has improved the signalling performance at Finchley Road and at Farringdon. It has not solved the problem at Southfields. That requires a more technical solution and again we are working very closely with our partners, London Underground, to find a solution that we can introduce to improve the reliability of that section of line. It is further complicated by the fact that the line is owned by Network Rail.

**Q207 Miss McIntosh:** Thank you. Mr Morgan?

**Mr Morgan:** There has been an improvement. I have one particular problem area right now, which is on the Northern Line in the tunnel. Tim made reference to bobbing, which is the track moving as the train moves over it and therefore the position of the rail can sometimes not be where we would wish it to be and therefore we lose the signal or we get a signal when we should not and that is when we would get a technical spad. I think it is an example of the flexibility of PPP in that we have identified that we have a particular problem on the Northern Line in that area and we have re-prioritised our work programme for the early part of 2005 and we will be re-railing that area much earlier than we had anticipated given what we had previously understood to be the asset condition.

**Q208 Miss McIntosh:** Mr Weight, in Metronet's annual review you say, "The long term replacement of key drainage systems will, however, take a number of years to complete", and you refer specifically to the example you gave of Southfields. Why should we consider these signals as safe in the interim?

**Mr Weight:** They do fail/safe. I think that was a point that Mr O'Toole made. That is different from the overground railway in that if there is any element of failure within the signalling system then generally it is understood that it fails safe and a mechanical device will stop the train. I think the solution to Southfields is more technical than simply drainage. It is an element of it. We have got the same bobbing problem that Terry has just talked about and there is also an issue, if you will forgive me, without going into the technicalities, of using third-rail systems versus fourth-rail systems, this whole interface system with Network Rail. There is possibly a solution using a piece of equipment called an isolating transformer and we are prepared at our risk to go ahead with installing a number of these to see whether it helps solve the problem. Ultimately, the signalling will have to be replaced wholesale across that whole section of line; there is no doubt about that.

**Q209 Miss McIntosh:** Could I ask each of you to give us an indication of whether assaults on staff have gone down and what the scale of that is, and also what problem graffiti is on your trains?

**Mr Weight:** Assaults on staff are something which I fully understand the criticality of as far as those people working for Mr O'Toole are concerned. It is not a particular issue for me running the infrastructure side of things, and the reason is, of course, that the very clear divide between the PPP and London Underground is that they look after the customer-facing operations. I provide all of the infrastructure that goes in support of that. Graffiti is an issue and I do not think I can say much more than Mr O'Toole reported. We are still getting around 800-1,000 hits a day on the trains on the sub-surface fleet. We are just about on top of it but at no small cost. I do believe that we have to show

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commitment. I believe we have to see this thing out over the next few years and I wholeheartedly support the initiatives that Mr O'Toole is taking in this respect.

**Q210 Mr Donohoe:** What is it that you companies have that was not able to be done beforehand? What is it that you achieve that they could not?

**Mr Morgan:** Can I use a few examples? In an organisation like London Underground there is enormous bureaucracy, some of which is well founded, which is intended to maintain a safe regime, but some of which it is very difficult sometimes to comprehend the value-added of. By bringing someone like Metronet or Tube Lines in it is very easy for us to come in new and start to challenge what has become the status quo. I have commented many times that we did a relatively small job on a part of the railway. I needed 60 signatures to hand it back as being assured for use. The only individual that did not sign that piece of paper was the project manager but that was what the system drove you to do. We have been able to say, "That has just got to stop". We are now down to one signature. We have worked with London Underground, and that is the sort of change we are trying to make. At Green Park we are doing an escalator refurbishment. I have heard the complaint so many times that the hoardings go up and it is silence behind the hoardings. There cannot be anything happening behind there. On average it took between 26 and 35 weeks to do escalator refurbishments on that scale. Today we are trying to do it in 10 weeks. We have gone to the guys and said, "What do you need to do this job much quicker than you ever have before?". Some of it was better planning, some of it was the tools to do the job. Those are the sorts of things that we have been trying to change in terms of what I think we bring fresh to the deal.

**Q211 Mr Donohoe:** I find it very difficult to get my head round this in terms of why it is that it could not be undertaken by the existing regime. All of what you have said with good management could have been undertaken, not to bring about, as has been said before by others, the whole question of introducing profit and bonuses. What difference have you made, because I am looking at your targets and whatever else and nothing seems to have been achieved?

**Mr Weight:** I hope, Mr Donohoe, that we might convince you that we are on the way to changing things and our reports indicate that there is progress. There is still much to do. I guess what I am going to say may strike at the heart of this. I have worked in both sectors, the public sector and the private sector, and I have seen transition through public and private. I believe the private sector brings a particular culture and yes, profit is an element. It brings a drive, it brings a focus, it brings an enthusiasm and a commitment. Above most things it brings the right spirit of

accountability for delivery. I have to say that in my experience those elements are often missing in the public sector.

**Q212 Chairman:** Mr Weight, I think we would be a bit more impressed by this if you had not had problems with performance, derailments, lost customer hours and similar rates of rolling stock failures as before the PPP.

**Mr Weight:** Madam Chair, I refer back to the report that we have submitted to you and what you have asked for now, which is more detail on performance. I believe I can address each of those issues and give a good account of how we have improved.

**Q213 Mr Donohoe:** Can I ask Mr Morgan something specific? Why is it that the number of rolling stock failure on lines operated by you has increased since the transfer?

**Mr Morgan:** I really would need to check that because my statistics suggest that it has gone down by about 40%.

**Q214 Chairman:** So you dispute the Transport for London figures?

**Mr Morgan:** I can only give you the numbers that we reported. On fleet there has been a reduction—and these are incidents per month—of 38%.

**Q215 Mr Donohoe:** I am looking specifically at TfL's submission to us and it is indicating something quite different from that. Is it acceptable for you to say what you have just said when we are looking at the reverse of that? In the most recent quarter, for instance, there are only two days where zero delays have occurred on the Northern Line. Why is that the situation if you are saying something different?

**Mr Morgan:** We are not saying something different. I have to say with regard to the expression that you have just used about zero delay days that we did not have one single zero delay day in the first six months of inheriting the assets that we took from London Underground. It is one of our metrics when we do have a zero delay date that we celebrate it. Compared to where we were historically we are now getting at least one or two. That may not sound impressive but at the moment our figures are significantly higher than 12 months ago. If you are interested I can provide that information to you. We measure that every single day.

**Q216 Mr Donohoe:** You seem to be confident in things that I cannot see on a daily basis by using the service. This is a problem that I am facing as far as your companies are concerned. You have targets that you are suggesting you are going to achieve. Thirty trains an hour is a target on lines that have got the worst results with the worst delay factors within them. I just cannot see you being able to undertake what you are promising.

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**Mr Morgan:** Can I quote to you from the TfL report that was issued last month, that the last quarter was the best quarter in performance terms in seven years? Can I also refer you to the TfL report which said last month that the Jubilee Line had its best performance since the JLE was commissioned? I am not suggesting in any shape or form that we have got the system where we wish it to be, but this was a very unreliable poorly-maintained set of assets that we inherited and it will take time to deliver.

**Q217 Chairman:** Which is why you got more elastic targets.

**Mr Morgan:** We have targets to improve and that is why they exist, quite right.

**Mr Weight:** The important thing is what you say: it is the experience of the customers. We can quote the statistics, we are looking at trends. We do gather information and put it in a particular form. I think it is still there for us to do so that we can convince the travelling public that the system has improved. I think we have all indicated that that through investment is going to take some time. We are dealing with ageing assets. We are putting a lot of money in resource behind maintaining and, where we can, improving those assets. The statistics are one thing; the personal experience is another. I will grant that.

**Q218 Mr Donohoe:** It says in your annual report that London Underground claim not to have received any information about the progress with the Victoria Phase One upgrade or, for that matter, for the Central Line upgrade. Can you explain this lack of reporting?

**Mr Weight:** It is not my experience. In fact, each of these projects is discussed each month at a performance meeting which I attend. Only the other week we took the second visit down to the signal supplier for the Victoria Line at Chippenham and we had a full day down there to examine progress. We have made a lot of advances since the first 12 months report and that is a good thing.

**Q219 Mr Donohoe:** When you look at the specifics, and you mentioned the specifics, or when you look at the Bond Street escalator overrun which caused, we are told, an estimated 570,000 customers lost by the delay on that, that is more than was caused by the Chancery Lane derailment. That was only 550,000. These are figures that are specific, that are seen by the public, and as a matter of fact have been presented to us in a way that is negative and demonstrating that you are not worth being put in to manage the system.

**Mr Weight:** I understand your point. Both of those incidents are related because they happened well over a year ago. The Chancery Lane incident itself happened just before our watch but we took on the consequences of it. Bond Street was an inherited project and there were undoubtedly resources that were diverted onto the challenge of getting the

Central Line trains back rather than repairing the escalator. The two things are related and both events were around 18 months ago.

**Q220 Mr Donohoe:** Again, I go back to being a travelling passenger on a very regular basis when I am here in London. I have seen a marked difference in terms of the number of trains that pull into stations that are overcrowded and I think that responsibility is down to you. It is not myself that is saying that. It is the passengers *per se* who are saying that. You are responsible for overcrowding and it does not look to me and it does not look to the passengers that they are getting a better service.

**Mr Weight:** Perhaps we have not succeeded in explaining how it works.

**Q221 Mr Donohoe:** What do you do to explain to the passengers?

**Mr Weight:** If I may first attempt to explain to you, that is whether or not we are running to timetable. Let me take by way of example the Central Line. The peak numbers of trains that I have to make available onto the Central Line to deliver the timetable as set by London Underground is 72. Post-Chancery Lane when that fleet first came back into service I have to say I struggled to turn out something of the order of 63 trains at peak. That was because of the condition of the trains. The responsibility for that was partly mine; I had to deal with that. I brought in a team from Bombardier to work on the Central Line depots and now we are regularly turning out in excess of 72. That is my commitment to the contract, that I make those trains available to run to that timetable. Next year that timetable moves up to 79 trains. There are 85 trains in that fleet. My contract commitment is that I will deliver those 79 trains for Mr O'Toole to run his timetable. I do not answer for the timetable. I answer for the number of trains that are put into service on each of those peaks. Where I am responsible is if the assets fail while they are in service.

**Q222 Mr Donohoe:** Do you monitor the overcrowding on trains?

**Mr Weight:** Overcrowding is not something that I directly monitor.

**Q223 Mr Donohoe:** Do you monitor it, Mr Morgan?

**Mr Morgan:** No, I do not.

**Q224 Mr Donohoe:** Do you not think you should monitor it?

**Mr Morgan:** I think it is very important that we do and, if you take overcrowding as a good example, on the Jubilee Line, Canary Wharf continues to grow. No more capacity has been put in there but there are more people travelling to Canary Wharf. All we can do and will do is that at the end of 2005 there will be an additional car going on every Jubilee Line train and it will be delivered. On our plan right now the first of them will start coming into play at the beginning of 2005 and we will do a conversion of the fleet at the end of the year. That will raise the capacity of the Jubilee Line by almost 20%. That will

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make a substantive difference in terms of capacity to get people down to Canary Wharf. That is the deliverables that we are very concerned about delivering on time. That is our project work which is critically important.

**Q225 Mrs Ellman:** Transport for London have criticised you for failing to invest in new equipment. What are you going to do about that?

**Mr Weight:** I hear the comment and I referred in the opening to the plan. One of the things that we have to be certain about as we move forward and are deemed to be efficient and improve our efficiency is that we have a plan that we are working to, that we have an understood commitment and that our customer and our partner, London Underground, understands what we are delivering to. That is the commitment that we have made. There is now a discussion around, "What more can you do?". There is certainly a lot that we can do within the contract. I talked earlier about the work that we did at Farringdon, Finchley Road and down at Southfields. There will be more things like that which come along. There are other things that London Underground are doing. I do not want to breach the commercial sensitivity of it but there is discussion around the new cars that are coming in now for the sub-surface routes, which will come in around 2009, as to whether or not we can enhance and improve the capacity of those trains by putting more trains into service. There is a whole lot to be done.

**Q226 Mrs Ellman:** But is your track maintenance on schedule?

**Mr Weight:** Our track maintenance is broadly in line with schedule. We are certainly meeting all of the safety standards. The inheritance meant that there were a number of so-called non-conformities. These are not necessarily unsafe conditions. Clearly, if they were unsafe the system would not be allowed to be run.

**Q227 Mrs Ellman:** But does your own annual report not say that you have a shortage of workers to install important signalling work?

**Mr Weight:** I would agree with all the comments that have been made so far, that there are shortages in certain key areas. There are shortages in some of the technical staff.

**Q228 Mrs Ellman:** What about the safety areas and I am pointing now to one in your own report?

**Mr Weight:** No, not in safety. We will not put safety at risk.

**Q229 Mrs Ellman:** Do you not say that there is a shortage of technical officers to maintain and install safety critical signalling? That has come from your report.

**Mr Weight:** We will maintain a safe system. It may well be that we have to contract people in. In the longer term, of course, we are training our own. For

the record, Metronet have responsibility for the single largest apprentice training programme on engineering in the whole of London.

**Q230 Mrs Ellman:** How much is sub-contracting increasing?

**Mr Weight:** We will use sub-contracting resource in certain areas. I could not put a particular figure on it. By the way, that is not a new question. That has always been done on the London Underground.

**Q231 Mrs Ellman:** But is it increasing?

**Mr Weight:** No, it is not.

**Q232 Chairman:** Could you give us a figure for investment in new equipment?

**Mr Weight:** We are investing in the order of a billion pounds a year over the next seven and a half years. That is the size of our capital programme.

**Q233 Chairman:** And is that sufficient to cope with the problems you have got?

**Mr Weight:** I believe it will cope with the problems we have got because some of those problems, indeed many of them, are to do with the ageing assets and it has to be said, and I think I have mentioned this before, that the real essence of this work is to replace ageing assets.

**Q234 Chairman:** That was why you were brought in, of course, was it not, Mr Weight? I do not think you need to keep repeating why you were brought in. You were brought in because there were ageing assets and it was alleged you were going to bring large amounts of money in that would deal with some of these problems.

**Mr Weight:** And I am going to spend a billion pounds a year over the next seven years to deliver that process.

**Q235 Chairman:** So you are not behind schedule with track maintenance work?

**Mr Weight:** I am not where I want to be in some of the areas that are non-critical.

**Q236 Chairman:** So that is yes, you are behind?

**Mr Weight:** I am behind in certain areas which are not key to safety and I intend to catch up.

**Q237 Mrs Ellman:** What are you doing about catching up?

**Mr Weight:** We are looking to work smarter; I think that is the key. Certainly we are looking to work differently to see how we can improve the situation, and we are forever training people to come in and do work directly employed by us.

**Q238 Mrs Ellman:** We have been told that there is a deskilling of workers involved in maintenance. Is that correct?

**Mr Morgan:** There are a couple of factors that have to be taken into account. Both Metronet and Tube Lines in certain areas have offered to accelerate work. That is possible. The challenge of accelerating work is that we disrupt the network more, so there is

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a balance to be struck. You only have to look at the local newspapers every weekend to see that there is a massive amount of modernisation of the system going on. London Underground have to decide whether they can permit more access. I can say that in Tube Lines we have the capacity to do that.

**Q239 Chairman:** You have not taken up the amount of track positions that you are entitled to, have you?

**Mr Morgan:** We have. We have a programme of work agreed with London Underground and we are ahead of the programme we have agreed with them. On track maintenance we have increased it. In terms of retaining resources we had problems at the beginning in that people were leaving and were looking to come back on a contractor basis to work for the Underground again. It was a surprise to me that when we started I thought we had 2,500 employees. We did not. We had 1,800. The remainder were people who worked for London Underground who were not employed by the company. I am very proud of the fact that not only have we increased our head count from 2,500 to 3,000 but we have converted 500 of the people who were previously contractors to be full time employees of Tube Lines. We have the massive advantage of long term planning. We can offer people long term careers and that is why we have been recruiting people into our business.

**Q240 Mrs Ellman:** Is it correct that there is a six-month waiting list for training in fire and safety?

**Mr Weight:** I need to check the figure. There is a delay because we offer training not only for our own staff but for sub-contractor staff as well. The point that was made earlier, I think by one of the gentlemen from the trade unions, that we are not working to the same accreditation is not right. There is a common training standard, there is common recognised certification throughout direct employees or sub-contractors working on the system. There is a huge demand for these places and these training schools are run at the moment mostly by us at Acton, although Terry is opening his own school so that will help alleviate that problem.

**Q241 Chairman:** I am not very bright. Did that mean that there is a six-month waiting list for the safety training or did it mean there is not?

**Mr Weight:** I am sorry. There is a waiting list. I am not sure that it is still six months but there is a waiting list because there is a demand but we will not allow anybody out onto the track—

**Q242 Chairman:** I understand that, but if they are not there to do the work must that not impact upon the quality of your work?

**Mr Weight:** We need to get more throughput, yes.

**Q243 Chairman:** So we can assume that there is indeed a gap between the training programmes, the number of people you need and the speed with which they are being turned out?

**Mr Weight:** There will be a relationship there, yes. Those things are linked, obviously.

**Q244 Chairman:** Your staff undergo the same safety training as London Underground?

**Mr Weight:** For the particular skill sets that they need, certainly.

**Q245 Mrs Ellman:** What about staff turnover? How does that compare with before PPP?

**Mr Morgan:** I would describe it today as very low. We have had some staff turnover but we have been recruiting at a very heavy rate. I do not deny that there is pressure to deliver performance and some people will decide that the environment has changed significantly and that they might want to try something else, but our churn in terms of turnover is less than 10%.

**Q246 Mrs Ellman:** What are you doing to ensure you have sufficient planning capacity for the future when the renewals work accelerates?

**Mr Weight:** I think the planning skills are important and I think it goes to the heart of something that Mr O'Toole said about effective asset management, whole life costing and that whole regime. It is important that we get skills in those key areas. That is one of the things that our shareholders bring because we have got companies that are international, global, that have experienced people in these key areas, and where we bring secondments in all these key posts that is what we do. It is also helpful, of course, to develop people we have inherited because there are a lot of very bright and highly professional people who came across to us. One of our responsibilities is to develop their skill sets as well.

**Q247 Mrs Ellman:** Transport for London have criticised your planning and programme management.

**Mr Morgan:** They had a requirement for a level of detail that we had not planned for. Like John, I have Bechtel in my business who bring global world-class skills to play in terms of project management. I will retain that capability. It is the whole essence of how I am going to deliver my performance, so marrying the requirements of TfL to what I am bringing in, the world's best practice—

**Q248 Chairman:** You are not telling us, Mr Morgan, that Bechtel try and run everything with a broad brush but do not do much detailed work?

**Mr Morgan:** They do it in their own way, in the specific way that enables them to bring best practice and continue to learn how they develop project skills.

**Q249 Chairman:** But you knew who you had to deal with, you knew the detail that you were asked for, and you are telling us that Bechtel do not normally do that? Is that what you are telling us?

**Mr Morgan:** No, Chair. You will know just as well as I do that we took four years to negotiate the deal in terms of—

**Q250 Chairman:** So you knew the detail you were going to be asked for?

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**Mr Morgan:** We did not know about this level of detail till three months after—

**Q251 Chairman:** And as for Bechtel, who have been responsible for large numbers of infrastructure projects all over the world, including underground trains, it came as a great shock to them to be asked for this detail?

**Mr Morgan:** To be asked for a level of detail that they would not normally have done in the way that it was requested. Yes, we go into enormous detail, but it was not of the template that London Underground were asking us to work to. We have now modified those processes to get compatibility between them and what TfL were asking for so that I did not lose my best practices from Bechtel.

**Q252 Chairman:** I just want to ask you one thing because I think we are getting to the end of the usefulness of this. Is it really satisfactory that you should be prepared to close so many of the lines over the weekend and in some cases three weekends in a row? Is that fair on the customers?

**Mr Weight:** It is a question of balance.

**Q253 Chairman:** The balance is that the customers are paying and they are not getting any services. That is the balance. Is it fair?

**Mr Weight:** I cannot renew a rail if a passenger train is travelling down it. I have to have access to the system.

**Q254 Chairman:** Yes, but we have just been told that, of course, you have not taken up the numbers you have said you are entitled to.

**Mr Weight:** I am sorry; we are and that is not true. There is certainly availability on certain nights but in terms of the programme of track renewals and signalling renewal, that is up to speed. The point has been made, and indeed I think it has been made by TfL, that this investment will not be made without a degree of disruption. I can assure you that we talk regularly to interested groups, including passenger groups and interested representatives throughout the City of London, about whether or not it is best to bite at this in short chunks or whether it is better to do it at weekends or whether there is a regime of a large closure. It is in our interests and in London Underground's to do this in the most efficient manner, but that includes taking full account of the impact on the customer.

**Q255 Chairman:** So on 22 and 23 January, 5 and 6 February, 12–13 February, 19 and 20 February, 5 and 6 March, and 26–28 March, which is Easter weekend, passengers on the District and Circle Lines will have no service?

**Mr Weight:** I cannot replace the rail if there is a passenger train running down it.

**Q256 Chairman:** So you are willing to give Travelcard holders a refund?

**Mr Weight:** That is a matter for London Underground. I am not responsible for the fare box.

**Chairman:** I see. I think, gentlemen, you have been enlightening and we are very grateful to you for coming. Thank you very much.

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# Written evidence

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## Memorandum by Tube Lines (LU 01)

### PERFORMANCE OF LONDON UNDERGROUND

#### 1. ABOUT TUBE LINES

1.1 Tube Lines is the infrastructure and asset management company responsible for maintaining and upgrading the Jubilee, Northern and Piccadilly Lines, under a 30 year partnership with London Underground, which commenced on 31 December 2002.

1.2 Tube Lines is responsible for 320 km of track, 251 trains, 100 stations, 2,395 bridges and structures, 71 lifts, 227 escalators and 2 passenger travellers.

#### 2. INVESTMENT PROJECTS

2.1 Over 60% of Tube Lines' work is taken up by infrastructure projects: that is, upgrades to track, stations and other assets. The remaining 40% of our work is involved in maintenance of the current network.

2.2 Over the first seven and a half years of our contract, Tube Lines is investing £2.2 billion in these projects, in line with our plans. We are currently investing approximately £30 million per month, a tripling on the rate of investment committed by London Underground prior to transfer. We are not under spending on our investment commitments.

2.3 Progress with these projects is proceeding on time and to budget. Tangible results will begin to be seen in the near future, as outlined below.

2.4 We are adding a 7th car to every Jubilee Line train and four additional trains to the fleet. The first "shells" of these trains have been completed, and they will all be put into service at the start of 2006.

2.5 We have recently completed the first stage of testing of the equipment required to replace completely the signalling on the Jubilee and Northern Lines. The upgrade will be applied to the Jubilee Line by 2009 and the Northern Line by 2011 and work on this is ahead of schedule. The upgrade on the Jubilee Line, together with the additional cars and trains, will increase passenger capacity by over 40% and reduce average journey times by over 20% and the upgrade on the Northern Line will increase capacity by roughly 30% and reduce average journey times by about 18%. Both of these upgrades will allow speedier and more efficient transport of passengers by 2012 and are essential components of London's Olympic bid transport package.

2.6 Our programme to modernise or refurbish 97 of the 100 stations is well under way with engineers on site at 15 stations. The first modernisation will be completed by the end of the year. In the new year we will start work on a new site every two weeks.

2.7 In 2004-05, we are replacing or refurbishing 36km of track, a fourfold increase on the amount of track renewed in 2003-04.

2.8 We are also on target with a number of additional projects. We are undertaking major works to increase the capacity at Wembley Park station so that it can accommodate 37,500 passengers an hour rather than the current 22,000. This is on track for completion in September 2005, well in advance of the reopening of the Stadium for the FA Cup Final in May 2006. We also completed the new eastern exit at Canary Wharf station earlier this year, two and a half months ahead of schedule and ahead of budget.

#### 3. MAINTENANCE OF THE PRESENT NETWORK

3.1 Most of the focus of attention on Tube Lines in the first 22 months has, understandably, centred on the current network and how it is performing, although as noted above, this constitutes less than 40% of our work.

3.2 There have been some misconceptions about current levels of performance. Current levels of performance are ahead of target (see below): the figures on missed targets widely reported in the media are not an indicator of our current performance, since they applied to the year to December 2003.

3.3 In the first year, there were some considerable advances. Graffiti at stations and on trains has been almost completely eliminated and no train goes into service with graffiti. There has also been a 12-fold increase in the day-to-day cleaning of trains and the frequency of thorough, so-called "deep cleans" of trains has also increased.

3.4 Performance has consistently increased during the course of 2004. The last quarter was the most successful since we took responsibility for the assets: we hit all four of our contractual targets. Broken down by four week period, we hit target on 10 counts out of a possible 12.

3.5 On availability, a measure of reliability, we were ahead of target on all three lines in the last quarter and have seen significant progress since last year. Breaking results down by line and by four week period, we hit target seven out of nine times in the last quarter. In addition, we have had four successive periods of increasing availability.

3.6 On the Northern Line, our most problematic line, the two most recent four week periods for which we have figures have seen dramatic improvements. It does, however, remain our single biggest challenge in achieving a consistent performance.

3.7 The improvements in performance have been acknowledged by TfL and London Underground. In his report to the TfL Board on 27 October, Bob Kiley noted that "The most recent 4-week period has seen the best train service performance results for over seven years, with 96.3% of scheduled kilometres operated, together with the lowest excess journey time for six years."

#### 4. INNOVATION

4.1 In addition to the investment in infrastructure projects, Tube Lines is investing in a variety of innovations to improve performance further.

4.2 We are taking steps to reduce the time taken to refurbish escalators, by ensuring that more work is completed off site. The current time taken to refurbish an escalator is 26 weeks, and we are seeking to reduce this to 10 weeks. This is being trialled at Green Park.

4.3 We are seeking to increase the amount of work which is carried out during the day, as opposed to during night-time engineering hours, in order to reduce the amount of time needed to deliver improvements. We have agreed with London Underground a trial programme of work to carry out painting, cleaning and the provision of increased signage at Leicester Square station.

4.4 We are also stepping up our programme of works to reduce delays on the Northern Line. These include the introduction of a dedicated team of engineers to replace essential components on the signalling equipment.

4.5 As part of our strategy to ensure that we retain and recruit employees of the highest calibre, we are taking steps to tackle skill shortages in certain areas of the business. We are investing £7.5 million in constructing a training school in Stratford for signalling engineers and others. This will open during the course of 2005.

4.6 We have invested £30 million in integrating hundreds of processes and IT systems which the company inherited from London Underground, to create a single system which facilitates more efficient asset management, business planning and maintenance of the network. This programme is almost complete.

#### 5. SAFETY

5.1 Tube Lines is committed to building upon London Underground's existing safety record. We operate under London Underground's safety case, which has been accepted by the Health and Safety Executive and are investing in various initiatives to improve safety across the network.

5.2 We are undertaking a £20 million programme to replace the axles and axle boxes on all of the carriages on the Piccadilly Line. This programme is roughly 60% complete.

5.3 We are in the process of developing a vehicle which will enable us detect faults on the network ultrasonically much more quickly than the current system, where engineers walk along the track with a handheld device.

#### 6. CONCLUSION

6.1 We believe that, through our improvements in performance, innovation and infrastructure enhancements, we are beginning to make the transformations necessary to reverse decades of under-investment and deliver a better railway for London.

6.2 In addition, our 30 year contract allows us to take the type of long-term, fully-planned approach which has been impossible in the past. We are committed to embodying this long-term approach in all of our work: investment, innovation, safety, infrastructure upgrades and performance, and we believe that this will guarantee continuous improvements over the next three decades.

6.3 We look forward to giving oral evidence to the Committee on 8 December.

**Supplementary memorandum by Tube Lines (LU 01A)**

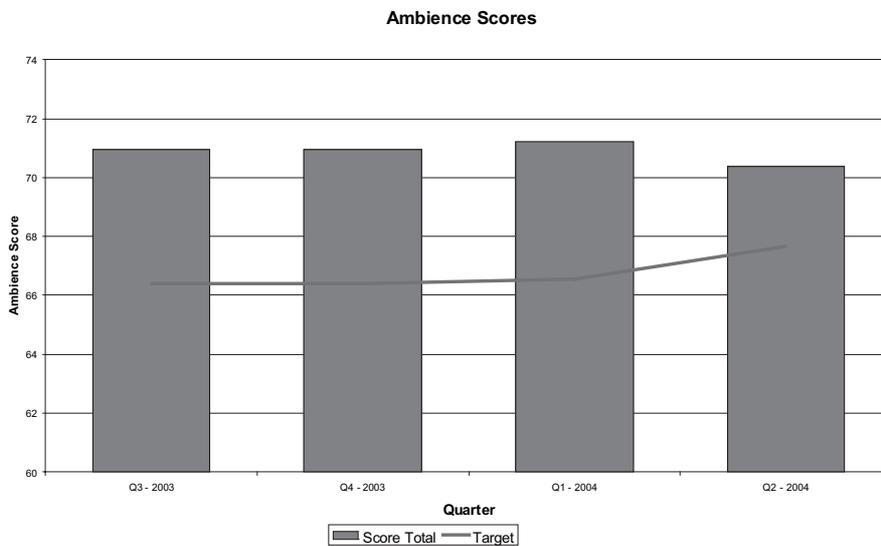
1. PERFORMANCE

1.1 Introduction

1.1.1 At the hearing on 8 December, we agreed to provide a memorandum on the proportion of targets hit in the last year. This information is provided below, in relation to the three contractual measures on which Tube Lines is assessed: availability, ambience and service points. Figures are given for the 13 most recent complete four-week periods for which we have figures; period 10 2003–04 (which started on 7 December 2003) to period 9 2004–05 (which ended on 11 December 2004).

1.2 Ambience

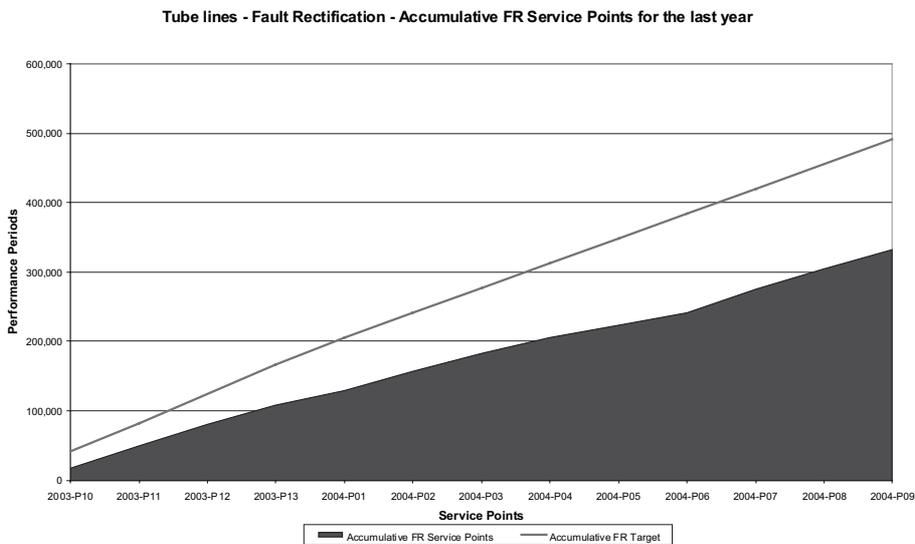
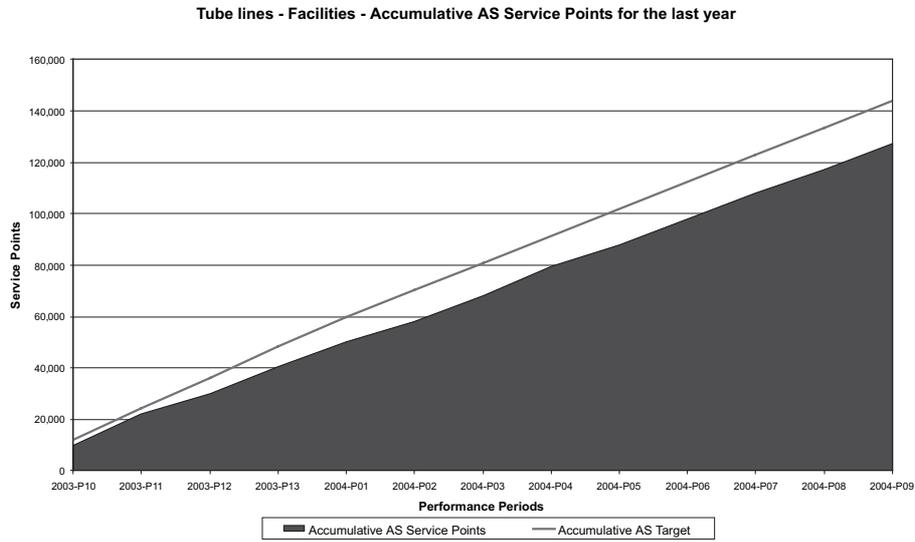
1.2.1 We hit our target every quarter in the last year.



The higher the ambience score, the better the performance achieved

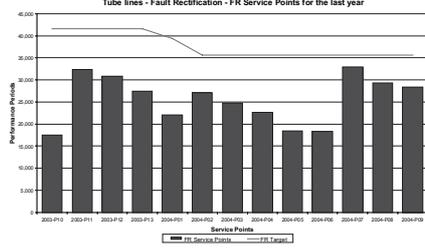
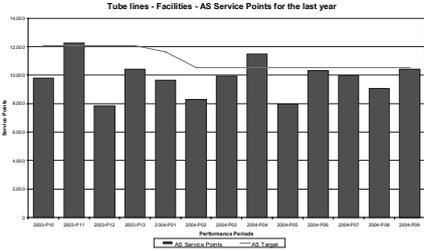
1.3 Service points

1.3.1 We hit our targets over the year for both fault rectification faults (failure of non-customer facing assets) and facilities faults (failure of customer-facing assets such as a CCTV or PA system).



The lower the number of service points, the better the performance achieved.

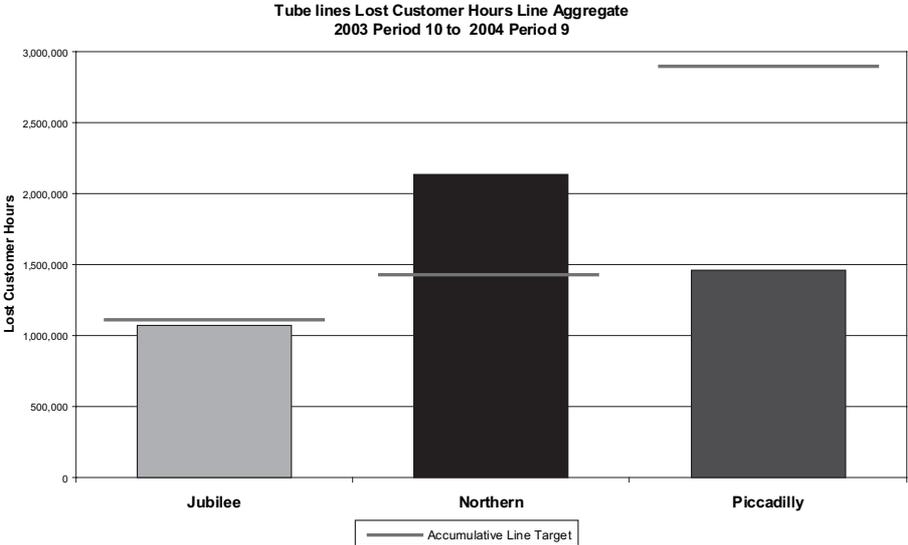
1.3.2 The graphs below show the figures, as broken down by period.



The lower the number of service points, the better the performance achieved.

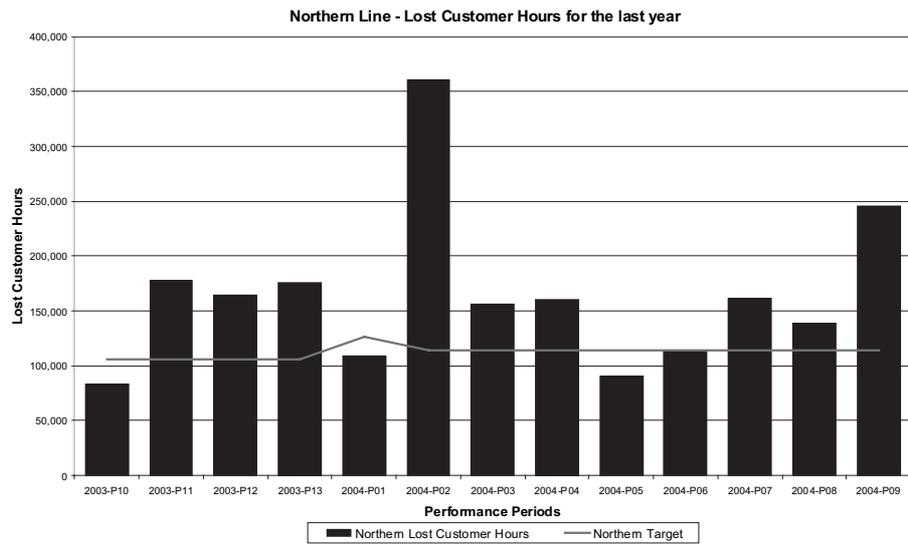
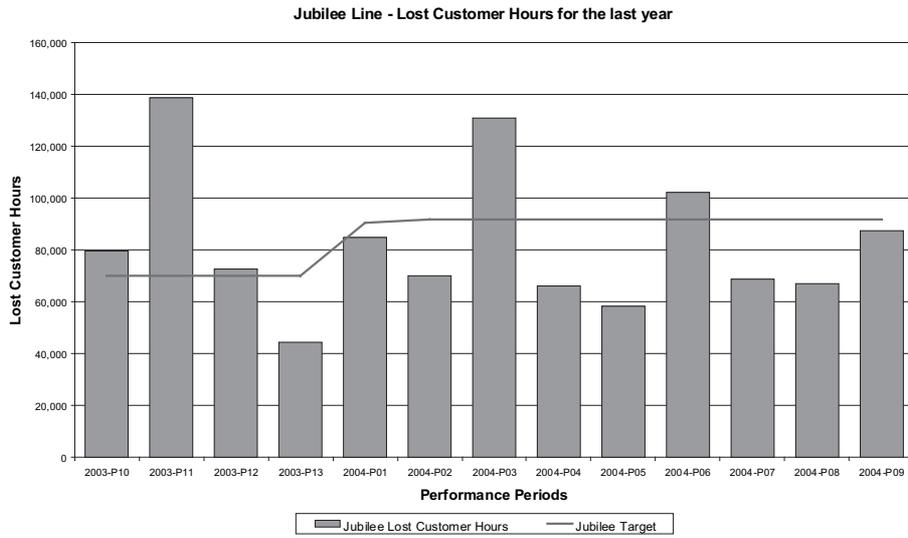
1.4 Availability

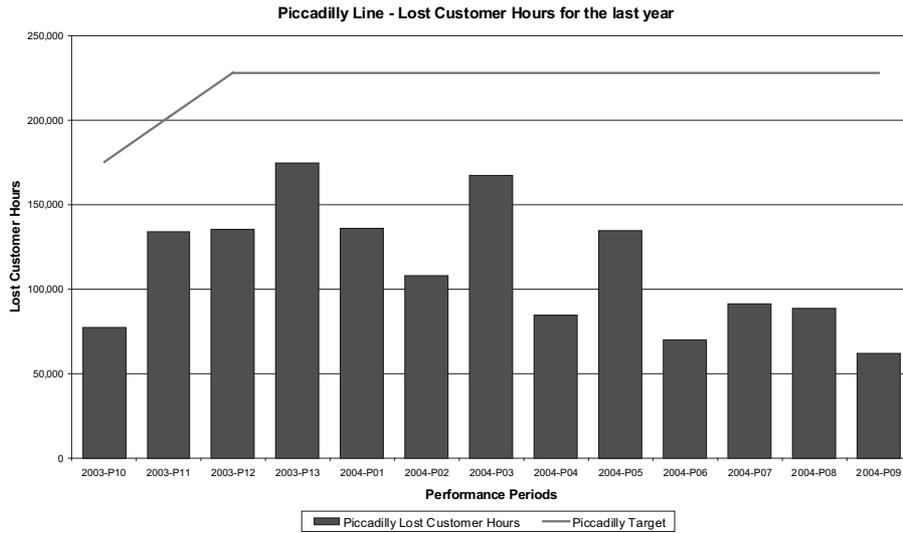
1.4.1 Over the year, we hit target on the Piccadilly Line and the Jubilee Line and missed target on the Northern Line.



The lower the number of lost customer hours, the better the performance achieved.

1.4.2 The graphs below show the figures, as broken down by period.





1.5 Conclusion

Over the last year, we:

- Hit our target on ambience
- Hit our target on service points
- Hit our target on Piccadilly Line and Jubilee Line availability, though not on the Northern Line

2. TARGETS FOR LOST CUSTOMER HOURS OVER THE NEXT FIVE YEARS

Aggregate targets are presented in the table below

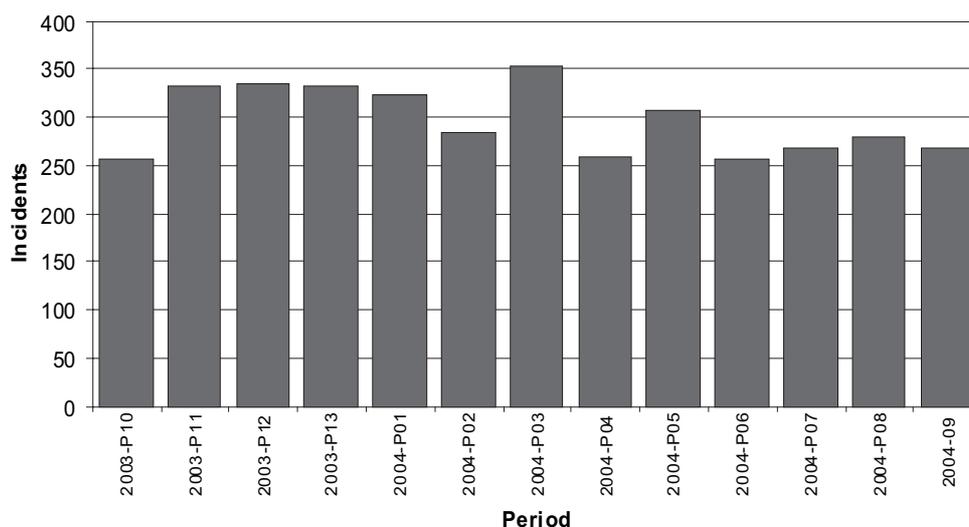
<i>Year</i>	<i>Per period target for lost customer hours</i>
2005	345,869.2
2006	340,012.8
2007	337,230.8
2008	334,923.1
2009	333,451.3

3. Please supply the details of rolling stock failures on all lines operated by Tube Lines. If these figures have increased since the PPP transfer, could you explain why this is so?

The table and corresponding graph below show that failures on rolling stock have tended to decline. The total number of failures in the three most recent periods (816) is 38% fewer than the number of failures in the first three months after transfer (1309).

<i>Period</i>	<i>Rolling Stock</i>
2002-P11	495
2002-P12	490
2002-P13	324
2003-P01	331
2003-P02	363
2003-P03	394
2003-P04	366
2003-P05	476
2003-P06	409
2003-P07	341
2003-P08	262
2003-P09	296
2003-P10	257
2003-P11	332
2003-P12	335
2003-P13	333
2004-P01	324
2004-P02	284
2004-P03	353
2004-P04	259
2004-P05	307
2004-P06	257
2004-P07	269
2004-P08	280
2004-P09	267

**Rolling Stock Failure Incidents since Transfer**



4. How long is the delay for staff on the waiting list for fire and safety training? How many staff and contractor staff are still awaiting this training?

We have no waiting list for this type of training.

5. *At what point did you know the planning detail required by Transport for London?*

Tube Lines had no awareness of the level of detail required by Transport for London prior to the signature of the contract on 31 December 2002 as all discussions of this nature would have taken place between London Underground and TfL. Tube Lines was only aware of London Underground's requirements.

In April 2003, however, over three months after the signing of the contract, TfL, through London Underground, introduced additional programme management requirements by launching a new database. Though TfL and Tube Lines use the same programme management software, TfL's creation of this additional database significantly altered the format and increased the volume of information required of Tube Lines.

Tube Lines now provides data to London Underground in an agreed format which supports TfL's needs, although it should be noted that this results in a significant amount of extra work and cost to Tube Lines.

6. *Concluding remarks*

6.1 Supplementary comments on ownership of Tube Lines

The Committee will be aware that Jarvis' one third share in Tube Lines is in the process of being bought by Amey, which already held a one third share. This transaction was approved by Jarvis' shareholders at an Extraordinary General Meeting on 10 January.

The change in ownership will have no impact on the day-to-day operation of the business, nor on the company's levels of investment or upgrade plans.

**6.2 Conclusion**

We would be happy to provide further information if the Committee were to find this useful.

*Paul Lehmann*  
Head of Public Affairs

21 January 2005

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**Memorandum by TSSA (LU 02)**

**PERFORMANCE OF LONDON UNDERGROUND**

As agreed recently, I am writing to provide some details which the Committee might find useful to consider prior to the oral evidence session on Wednesday 8 December 2004 with the Transport Salaried Staffs' Association's General Secretary Gerry Doherty.

The Transport Salaried Staffs' Association (TSSA) is a modern, growing trade union for people in the transport and travel industries in the UK and Ireland. We have over 32,000 members working for the railways and associated companies, London Underground/Transport for London, the travel trade, and in shipping, ports and buses.

1. INTRODUCTION

1.1 TSSA's 2004 Annual Delegate Conference carried a resolution detailing its transport policy which made the following specific reference to London Underground and the Public Private Partnership :

1.2 *"Conference notes the report in December 2003 that following the transfer of infrastructure and train maintenance on LUL early in 2003 to Tube Lines and Metronet both failed to meet their performance targets. Conference notes that whilst train failures increased by 23%, track problems by 20% and points failures by 38%, the two consortia had been fined a total of £32 million for not reaching their targets yet still gained £12 million in bonuses for good performance."*

1.3 *"Conference condemns the fact that in the three years to 2002-03, as LUL reorganised for Public-Private Partnership, the average number of track failures and signal failures increased by 46% and 67% respectively. Conference calls on the EC, where possible, to work with the Mayor and the London Assembly to deliver an integrated public transport network that meets the needs of London."*

2. PPP—LEVEL OF PERFORMANCE FOR CUSTOMERS

2.1 Before commenting on the levels of performance for customers it needs to be recognised that many of the improvements promised by PPP, including line upgrades and increased capacity are not meant to be delivered until after the end of the first 7.5 years of the contract. Even if the PPP is fully implemented as promised existing assets will not be fully restored to a state of good repair until the year 2025.

2.2 London's population has been growing steadily since 1989, and was estimated to be more than 7.3 million people in 2003. According to the Mayor's Development Strategy, published earlier this year London's population will continue to grow with the most plausible scenario suggesting an increase of 810,000 to 8.1 million by 2016. Not only is London's population growing, the city's working age population is forecast to grow by 516,000. Such growth figures will put a severe strain on London's transport infrastructure, not least of all London Underground, and the TSSA seriously doubts whether the timetable agreed for the delivery of improvements under the PPP is sufficient to meet the projected needs of London.

2.3 In terms of evaluating performance, the shortcomings of the Underground over the last two years have been demonstrated, to all intents and purposes, by:

- Rolling stock and infrastructure failures in deep tunnels in London that have been the cause of a series of health scares as a result of increased temperatures and reduced ventilation encountered by passengers on delayed and overcrowded carriages, especially during summer months.
- The continued imbalance between passenger demand and the ability of the fragmented underground to supply a service, made worse by train, signal and track problems which do not seem to have diminished to any degree since the introduction of PPP.

2.4 The PPP contracts define three primary output performance measures:

1. availability—day-to-day service reliability;
2. capability—the potential capacity of the assets to reduce journey time; and
3. ambience—the quality of the travelling environment.

2.5 There is clear evidence to show that all of the Infracos did worse than their projected bids in terms of availability but better than expected on ambience (TfL—London Underground and the PPP, The first year 2003–04—June 2004). With little if any improvement having been recorded in terms of capacity it is difficult to understand why more focus is not being made in delivering the necessary improvements in reliability and capacity ahead of ambience.

### 3. PPP—LEVEL OF PERFORMANCE SAFETY

3.1 London Underground is effectively responsible for the safety of the underground at all times via its safety case which is approved by the HSE. Each of the Infracos has its own safety case that it is contractually required to comply with whilst also co-operating with London Underground to allow it to meet its statutory obligations. As the Infraco safety cases are contractual rather than statutory it should be understood that these can and have been amended with little meaningful consultation with trade representatives.

3.2 The accidents at Chancery Lane, Hammersmith and Camden Town, when train derailments again thrust LUL into the public eye amid fears over employee and public safety, provide ample evidence that there is room for improvement in safety performance. The investigations into these incidents highlighted areas where all four organisations could deliver improvements.

3.3 The fact that there is no mechanism whereby safety representatives from LUL meet their counterparts in the Infracos on a regular basis to share information and concerns is seen as a major weakness and the TSSA continues to believe that much would be done to enhance both public and employee safety were such a structure to be put in place. Consultation across an interface, where each employers consultative duties are specific to their own employees only, remains an issue and our view is that these processes should be widened to deliver joint consultation across the interface.

3.4 As a result of cost control measures initiated by the Infracos there is currently a six month waiting list for safety and fire training. Decisions have been taken to reduce necessary overtime that would allow this backlog to be partly addressed prior to recruiting more people to fill the vacancies that necessitated the overtime in the first instance. The safety training delivered by the Infracos is no longer the same as that delivered by LUL for operational staff. It is difficult to see why individuals doing similar work should be receiving different safety training.

### 4. PPP VALUE FOR MONEY

4.1 TfL reported in June 2004 that there had been some delays in securing additional services and works through the Infracos. There have been disputes over on-costs and profits for additional works that London Underground considered to be excessive (TfL—London Underground and the PPP, The first year 2003–04—June 2004). The extent to which such problems have been resolved remains unknown but the fact that they are in the public domain and that LUL were willing to look at alternative ways to have such services provided certainly indicates that they were serious enough to question the extent to which the PPP delivers real value for money.

4.2 London Underground has accused Tube Lines and Metronet of producing “non-existent, incompetent or inconsistent” work plans and of frequently failing to finish engineering work on time (Guardian 6 October 2004).

4.3 With train failures increasing, track problems increasing and points failures also increasing, the two consortia being fined a total of £32 million for not reaching their targets one is left to ask how it is possible for them to obtain £12 million in bonuses for good performance. Tube Lines revealed earlier this year that it made a pre-tax profit of £41.6 million in the year to March 2004. Metronet BCV reported it made a pre-tax profit of £24.1 million, whilst Metronet SSL reported it made a pre-tax profit of £26.5 million. With Metronet and Tube Lines effectively controlling the performance of the Underground's operations one can only question how it is possible to amass profits in excess of £92 million in light of the operational performance described above. In this respect TSSA is inclined to agree with the National Audit Office that there is only "limited assurance" that the PPP represents value for money. The profits being delivered certainly raise questions as to whether the performance benchmarks set under the PPP contracts were challenging enough in terms of the extent to which they allocate risk between the Infraco's and the public purse.

4.4 The merging of directorates across BCV and SSL, ie Human Resources and Procurement, is an interesting development as under the PPP bidding process it was made clear that no company could win all three contracts and that Metronet could not combine the two contracts. It is difficult to see how, if one of the Metronet contracts were to fail, LUL would not end up paying more as a result given that there would be a need to redesign the support services for each contract.

4.5 Transform is a joint venture between four of the Metronet shareholders—Balfour Beatty, Thames Water, EDF Energy and WS Atkins—who are working together with Metronet to deliver station and civil renewals and some maintenance. TSSA believes that the arrangement has not been without its problems with the stations programme for instance running up to three months behind schedule. We are led to believe from our members that a major ingredient in the delivery problems being faced is the development of a blame culture when things do go wrong as opposed to joint working to resolve the issue, ie when engineering works overrun there is a clear imbalance between LUL's desire for certainty of service and the desire of the Infracos to maximise the engineering time available, the need to pinpoint blame for the overrun and protect the interests of the respective organisations effectively means that they both struggle to meet their objective. This replicates the TSSA's experiences of project management problems on the privatised national rail network where more time has often been spent identifying who was at fault rather than finding solutions.

4.6 There is evidence to suggest that relations between LUL staff and Infraco staff are at best strained. This can be evidenced by the failure to provide sufficient notice to LUL staff that stations will be closing early to allow work to take place by the Infracos only for no one to actually turn up at the planned time to do the work.

4.7 As per our experience with the privatised national rail network it would appear that staff turnover is increasing dramatically particularly amongst those with marketable skills that are in short supply and easily traded elsewhere. The levels of staff turnover in the Infracos will, if our experiences of the national rail network are a guide, lead to a two tier workforce with staff being employed on differing terms and conditions and rates of pay. There is already evidence to support such a development with the question of travel facilities and performance bonuses now being raised on a regular basis by different group of staff during team meetings.

*Frank Ward*  
Policy Advisor

*November 2004*

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### Supplementary memorandum by TSSA (LU 02A)

#### PERFORMANCE OF LONDON UNDERGROUND

At the recent Transport Committee evidence session to examine the performance of London Underground on Wednesday 8 December 2004, I agreed to write to the Committee with further evidence supporting the claim that "as the Infraco safety cases are contractual rather than statutory it should be understood that these can and have been amended with little meaningful consultation with trade union representatives".

I can now confirm that at a meeting in November 2004 with Metronet the trade unions raised the question of a bulletin on Safety Review and Change Control (SRCC) for Metronet BCV and Metronet SSL published in September. The minutes of the meeting show the TSSA's concern that the bulletin was reporting a Category 1 safety change together with another safety change of an unspecified level neither of which had then been the subject of consultation with the staff representatives. In response Metronet Management confirmed that consulting staff representatives was an inherent part of the SRCC submission process and whilst our representatives in the Infracos confirm that this should be the case they remain convinced that in terms of delivering the necessary levels of consultation Management performance is patchy.

The trade unions have also drawn Metronet's attention to changes in the Asset Engineers' area which impacted on the Safety Case. We pointed out that there had been no prior consultation on these changes although there had been consultation in respect of changes in Procurement which had fewer safety

implications. The HR Manager Capital Projects has responded by giving a commitment to ensure that in future “all Tier 2 Safety Secretaries were consulted on all changes”. This example would support our representatives claim that in terms of consultation Management performance is patchy.

Gerry Doherty  
General Secretary

20 December 2004

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**Memorandum by RMT (LU 03)**

**PERFORMANCE OF LONDON UNDERGROUND**

**INTRODUCTION**

The National Union of Rail, Maritime and Transport Workers (RMT) welcomes the opportunity to provide evidence to the Transport Select Committee inquiry into the performance of London Underground.

The RMT is the largest of the trade unions on London Underground. We organise approximately 9,500 members across the whole network including station staff, signallers, train operators, cleaners, fleet engineers, maintenance and engineering grades, administrative staff and operational managers.

**PRE-TRANSFER**

RMT opposition to the Public Private Partnership (PPP) is well documented. Our submission to the 2001–02 House of Commons Transport, Local Government and Regions Select Committee inquiry on London Underground concluded “In considering under what conditions the PPP contracts should be signed, we believe the structure of the PPP is so flawed that it is beyond reform”. This was a view which was widely shared by parliamentarians, transport specialists and members of the travelling public at the time.

In a series of highly critical memoranda and notes to the Committee Transport for London Commissioner Bob Kiley argued that the Government should not sign the PPP contracts because the scheme was unsafe and unmanageable, would not deliver value for money and the proposed contract terms would not properly protect the public interest.

In March 2002 your predecessor Committee published *London Underground—the Public Private Partnership: Follow Up* which concluded “£100 million has been invested in developing and assessing the PPP contracts. After an exhausting four year process there are considerable vested interests in seeing the deal completed. However, the 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 lead to a process that has lost all credibility in the eyes of the public and professionals in the field”.

Regrettably, the Government chose to ignore the Committee, Transport for London, the Rail Unions and the overwhelming majority of Londoners and pressed ahead. The engineering, renewal and maintenance functions are now the responsibility of three private Infracos; Metronet BCV, Metronet SSL and Tube Lines. The consortia are made up of a number of private sector companies including Balfour Beatty and Amey. These are amongst the companies who have had their maintenance contracts on the national network removed.

**VALUE FOR MONEY**

Prior to the PPP contracts being signed, the Government gave repeated assurances that the scheme represented good value for money. However both the RMT and your predecessor Committee have in the past raised concerns as to whether this would be the case. In June 2004 the National Audit Office report *London Underground PPP: Were they good deals?* detailed the PPP’s huge start up costs including £109 million spent by London Underground (LU) on external advisors and £275million paid by LU to reimburse private sector bidder costs.

The report went on to say that final PPP costs remain uncertain. Not known for their radical language the NAO state “there is only limited assurance that the price that would be paid to the private sector is reasonable”.

One thing however remains abundantly clear. For Infraco shareholders the answer to the question posed by the NAO as to whether the PPP were good deals is a resounding yes. Private sector shareholders could receive annual dividends as high as 18% or 20% although returns in the region of 10%–17% are more likely. In 2003–04 on a combined turnover of £1.1 billion, Tubelines, Metronet BCV and Metronet SSL made operating profits of £158 million; a 13% margin.

## RISK TRANSFERENCE

The Transport Committee has made the point on a number of occasions that the private sector should where possible assume appropriate levels of risk. Most recently your Committee's report *"The Future of the Railways"* maintained that in relation to passenger franchises revenue risk should, wherever possible, be assumed by the private sector.

However the NAO makes clear that in relation to the PPP, risk transfer to the private sector is extremely limited. Lenders stand to have 95% of their £3.8 billion financial commitments returned in the event of termination leaving them exposed to around £200 million worth of risk. However they are charging interest payments on their loans based on a credit rating which will result in £450 million more being repaid than if the loans had been secured by direct government borrowing.

The RMT is extremely concerned that the PPP is repeating the unacceptable state of affairs on the national rail network which has led to the public purse assuming responsibility for financial risks which should rightly be the responsibility of the private sector.

## PERFORMANCE

The NAO report maintains that "Compared to London Underground's pre-1997 investment regime, the deals offer an improved prospect, but not the certainty, that infrastructure upgrade will be delivered".

However the ability of the PPP to deliver is cast in doubt by the June 2004 Transport for London report *London Underground and the PPP the first year*. The report indicates that the structure of the PPP contracts are driven by financial incentives, the efficacy of which remain uncertain, and were drawn up in such a way that upgrades to increase network capacity will not be delivered until after the first periodic review. However at that time the scope, price and funding arrangements of the PPP could be substantially renegotiated. The report makes clear that there is "no committed funding for the periods beyond the first 7.5 years." Despite some welcome initiatives to tackle graffiti and improve ambience, overall performance was mixed with frequent engineering overruns into the morning peak being highlighted as especially troublesome.

The RMT is particularly struck by the following extract from the report which we believe raises serious questions as to whether the Infracos will be able to carry out the infrastructure upgrade "... the first year also gives significant cause for concern. The area of greatest concern is in planning and programme/project management, which drives the effectiveness of the maintenance programmes as well as major capital programmes. High-level asset management strategies have been haltingly produced and suffer from inadequate engineering input, while detailed work plans have sometimes been either non-existent, incomplete or inconsistent rather than competent or professional. *The planning capability demonstrated this past year will not be adequate to manage the volume of work once the renewals programme accelerates*". (emphasis added)

## RMT CONSULTATION

We have consulted widely with our health and safety representatives in an attempt to discover whether the quality and character of their work has been materially changed since the introduction of the PPP. We have chosen examples from the information that reps have provided which we hope illustrate our wider concerns.

## SAFETY

### 1. Derailments

In the course of the past two years there have been several high profile derailments including those at Chancery Lane, Hammersmith (twice), White City and Camden. It has emerged that the additional interfaces and accountability lines created by the PPP have made it all the more difficult to comply with recommendations which followed these derailments.

The report into the Chancery Lane derailment revealed that information contained in a vital safety alert issued by Infraco BCV following the September 2002 Loughton derailment, had been inadequately disseminated to both London Underground and infrastructure operational staff. The Loughton derailment occurred in the three years of shadow running; a period during which the Infracos were charged with learning and applying the lessons of operating the network before full asset transfer in 2003.

However the investigation into the White City derailment found that these lessons were in fact not being learnt. Metronet managers had not been fully conversant with the terms of the Chief Engineers Regulatory Notice (CERN) issued following the Camden Town derailment. In consequence measures required to avoid serious incident had not been adequately relayed to track operatives. The White City report said in relation to LUL that "... although significant management attention had been employed within London Underground to ensure that complete and full understanding of the conditions of the CERN had been established by those individuals accountable for its implementation, little attention was placed on seeking or providing assurance that robust processes were implemented on the ground".

The RMT is concerned that since PPP breakdowns in communicating and co-ordinating extremely important safety critical information has compromised the safety of the travelling public and the London underground workforce.

## 2. *Track Safety Compromised (TSC) incidents*

We are separately concerned that the number of incidents, recorded by the London Underground Incident Notification Capture and Analysis (INCA) database, of track safety being compromised has risen from 69 in 2001–02 to 149 in 2003–04. TSC incidents are occasions when work is undertaken in such a way as to compromise the safety of the whole working environment and does not refer to the condition of the track itself. Anecdotal evidence from our reps is that the number of sub-contractors on the network has increased post-PPP and their concern is that this has contributed to the sharp rise in recorded TSC incidents.

## 3. *Structured Negotiations*

As the Committee will be aware the RMT took industrial action in 2001 over post-PPP safety arrangements. As a result of the dispute it was agreed to establish a joint LUL/Infraco Safety Forum which meets three or four times per year. Despite this welcome concession the RMT remains concerned that as a direct result of the increased number of interfaces created by the PPP, it is now more difficult to address network-wide Health and Safety issues identified by our reps employed directly by LUL and those employed by the Infracos. We would hope that given the large number of safety critical interfaces that exist between the different Infracos there is in place a sufficiently structured framework of meetings at track manager level.

### DE-SKILLING

We have been told by RMT members employed in re-setting incorrectly aligned rails that as a result of the PPP the quality of the work they are expected to do is in the process of being de-skilled.

Under direct London Underground (LU) management experienced maintenance workers attempted to reset gauges to their precise alignment. One RMT member explained that “if you were just a few millimetres off, the chargehand would put a flea in your ear”. Now, transferred staff and agency workers are not expected to do the work to the previous high quality benchmark, but rather to finish the job within the wider tolerance framework permitted by the standard.

In addition, it was the case under LU that if a gang was sent to correct a section of rail that was incorrectly aligned laterally and then discovered that the rail was also incorrectly aligned vertically they would complete both tasks. Under the PPP gangs are not encouraged to utilise their skills and initiative as previously, but instead only to complete the task that appears on the job ticket which they have been issued.

As a result our members have made representations to the effect that merely working to the parameters set out by the standard will lead to the progressive de-skilling of the workforce and ultimately to a deterioration in the quality of this extremely important safety critical work.

### LUL/INFRACO INTERFACES

For almost two years train operators at the west end of the Piccadilly Line have experienced problems with their mirrors and monitors. Reflections caused by sunlight have meant that one or more doors are not visible to the train operator when the train is ready to depart the platform.

London Underground have used station staff to assist train dispatch, but are aware that a technical solution was required which they believe is the responsibility of the Infraco; in this case Tube Lines. The Infraco was content for LU to continue with their staff solution in advance of the long term project to replace the mirrors and monitors.

Frustrated by the “buck-passing” RMT reps contacted the HMRI who assessed the problem and issued an improvement notice on seven platform/train interfaces. It was only at this stage that significant movement occurred with Tube Lines agreeing to bring forward a technical solution to the problem.

We are of course pleased that steps are now being taken to resolve matters. However we are disappointed that it appears that only after the intervention of RMT representatives and the HMRI have management agreed to cut through the kind of adversarial tensions which the Future of Rail White Paper indicates are all too often a feature of relationships on the mainline.

### MULTI-TIERED WORKFORCE

The RMT agreed with Transport Commissioner Bob Kiley when he said in 2002 that the PPP could present “Potentially severe complications in industrial relations regarding working conditions, pensions etc, as now seen on national rail”.

Indeed within a year differentials have developed between former colleagues of the same grade and responsibilities now working for different companies (as shown by the table below). The lesson from the privatised mainline rail network is that fragmentation and consequential differentials in pay and conditions continue to grow, leading to avoidable industrial disputes.

<i>Company</i>	<i>London Underground</i>	<i>Metronet</i>	<i>Tubelines</i>
Pay Award	2-year deal Year 1 3.5% Year 2 Feb 2005 RPI + 0.5% (min 3%)	1-year deal 3% on basic rates plus a further 0.2% in recognition of cooperation with negotiations for change Enhanced increase to basic rates for some Apprentices and Workshop staff	2-year deal Year 1 3.1% Year 2 2.5% plus an extra 0.575% for each 1% reduction in sickness absence Total Year 2 award will not be less than February 2005 RPI
35-hour week	Offer to implement November 2005	January 2006	December 2006
Residential Travel Facilities for non-protected staff*	LUL network: Full travel facilities  National rail: 75% subsidy of the cost of an annual season ticket	LUL network: 75% refund for residential travel for trainees only  National Rail: nothing	LUL network: 25% subsidy (Apprentices 75%) 50% April 2005 75% April 2006 National Rail: nothing

\* Staff recruited by LUL post 1996 and then transferring to the private sector if performing maintenance and engineering work

Disparities in terms and conditions are compounded by the issue of pensions. The LRT Pension Fund was amended to allow participation by other employers following PPP. The LRTPF is a defined benefit final salary pension scheme. However, Tubelines, who awarded their chief executive a £100,000 bonus this year despite missing key targets to reduce the number of lost customer hours in February 2004, closed their section of the scheme to new entrants shortly after asset transfer and established an inferior Defined Contribution (Money Purchase) Scheme. Metronet has recently given notice of a similar intention for recruits after 1 April 2005.

This is somewhat surprising given that the PPP contract indemnifies the three consortia against rises in pension costs over the first 7.5 years in respect of employees at the date of transfer. The contract then provides for this indemnity to be renegotiated for a further 7.5 years. In view of the fact that the last actuarial valuation of the LRT Pension Fund (as 31 March 2003) identified a future employer contributions multiple of members contributions of 3.50 and 3.55 for Metronet BCV and SSL respectively, and 3.45 for Tubelines, compared to the 3.05 multiple currently being paid, this saving is considerable. In addition, the LRTPF is currently in deficit and additional funding is required to rectify the situation. Annual additional payments are BCV £3.075 million, SSL £2.869 million and Tubelines £2.697 million. However, although the consortia remit these additional payments to the Fund, the indemnity provides for the refund of an amount relating to staff employed at the transfer date. This represents a win-win situation for the consortia. They are not required to pay the increased contributions necessary to fund future benefits for protected employees, they also avoid funding the deficit and changes to new recruits' pension entitlements mean further savings on employment costs.

The problems created by a multi-tiered workforce are highlighted in relation to fleet engineers now employed by Metronet who face a further transfer of undertakings to Bombardier from 2007. Metronet has confirmed by letter that pre-transfer LUL were well aware of their plans in this regard and, as the Infraco was explicitly excluded from direct negotiations with the trade unions before transfer, they had reasonably assumed that LUL has dealt with the matter. In fact the RMT was not informed until May 2003 that the second transfer would take place. We are extremely disappointed that LUL did not inform us that workers who were still in their employment would be faced with a further transfer subsequent to the PPP.

## CONCLUSION

RMT experience of privatisation on the national network is that over time performance suffers as work becomes de-skilled and interfaces mushroom uncontrollably leading to lines of accountability and responsibility becoming blurred, confused and ultimately broken. We believe that there are indications in the early stages in the PPP in relation to de-skilling, relationships between LU and the Infracos and the multi-tiered workforce which suggest that similar problems could occur on the London Underground. The travelling public and the underground work-force deserve better than a re-run of the chaos and delay created by rail privatisation.

We firmly agree with the concerns expressed by TfL that the planning capability displayed in the first financial year of the PPP will be inadequate to deliver the upgrade the system requires once the volume of work accelerates. Furthermore the structure of the PPP contracts means that at the 7.5 year review period the Infracos are likely to have the upper hand in any re-negotiations which happen as a result of TfL re-specifying the scope of the infrastructure upgrade.

Some courageous decisions were taken by Network Rail in relation to the maintenance contracts on the national network. Network Rail Chair Ian McAllister explained the decision to bring maintenance “in-house” thus “Bringing maintenance contracts in-house will ensure greater consistency of maintenance standards and help deliver efficiency savings far more quickly than would otherwise have been possible”.

The company also explained at the time that the move would mean that “in future there will be a single management structure with clear lines of accountability and a simplified relationship between operations and maintenance”, with work being carried out “by a permanent workforce of well-trained individuals committed to a strong safety culture”. We believe that given the action taken by Network Rail it is now untenable to have fragmented, privatised maintenance on the Underground or to allow the same companies that have been removed from maintenance contracts on the national railway to continue to make profits on the Tube.

The RMT is firmly of the view that Government should re-consider the whole rationale of the PPP with a view to bringing forward legislation which would allow the Mayor the flexibility to create a unified, streamlined, publicly owned and accountable underground network bringing benefits to both tube passengers and the underground workforce.

*November 2004*

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### **Memorandum by the Health and Safety Executive (HSE) (LU 04)**

#### **PERFORMANCE OF LONDON UNDERGROUND**

This memorandum sets out, for the benefit of the Committee, the role and responsibilities of the Health and Safety Executive (HSE) in the matters relevant to the Committee’s Inquiry into the “Performance of London Underground”, including whether safe operation has been affected by the introduction of the Public-Private Partnership.

#### **ROLE OF THE HEALTH AND SAFETY EXECUTIVE (HSE)**

1. HSE is the independent health and safety regulator for a range of activities and industries including the railways. This includes the safety of the travelling public as well as those who work on the railways.
2. HM Railway Inspectorate (HMRI) has been part of HSE since 1990. HMRI provides advice and guidance for the railway industry, investigates railway incidents in order to understand root causes and to establish and disseminate any lessons. Additionally HMRI administers and enforces the Health and Safety at Work etc Act 1974 and regulations made under that Act, including the Railway (Safety Case) Regulations.
3. The Railway (Safety Case) Regulations 2000 require all railway operators (both those running train services or providing railway infrastructure) to prepare and submit to HSE a safety case. The safety case sets out: safety policy and objectives; a risk assessment; risk control measures and health and safety management systems. It is illegal to operate without an accepted safety case or to fail to follow the procedures and arrangements it describes.

#### **LONDON UNDERGROUND’S SAFETY CASE**

4. On 10 July 2002 HSE announced that it had accepted London Underground Limited’s (LUL’s) railway safety case for operation under a Public-Private Partnership (PPP). The acceptance of a safety case does not guarantee safety, but indicates that HSE is satisfied that an effective safety management system is in place.
5. Responsibility for adhering to the safety case, and therefore maintaining safety, rests with the duty holder (in this case, LUL). Each infrastructure company (Infraco) also has a contractual (non-statutory) safety case with London Underground. In the event that an Infraco fails to meet its safety obligations, London Underground can demand corrective action and increase monitoring of works at the Infraco’s expense or, in the last resort, the Infraco can risk losing its contract.
6. Duty holders are required to review their safety case (every three years or if a significant change to operations would affect safety) to ensure that it continues to provide adequate control of the risks. LUL will review its safety case and is expected to report to HMRI in July 2005.

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 LEVELS OF SAFETY OF LONDON UNDERGROUND UNDER PUBLIC PRIVATE PARTNERSHIP

7. Although London Underground has a good safety record, there are a number of areas of continuing concern with respect to operations, including the potential for derailments, the number of broken rails discovered on the network and the number of Signals Passed at Danger (SPADs) by trains.

#### *Derailments*

8. Since the full introduction of PPP, HMRI have investigated four derailments to trains running on the passenger network, of which three were in passenger service. The two most recent incidents (in 2004–05), at White City and Barons Court, are still under investigation by HSE. The cause of the other two incidents (in 2003–04), at Camden and Hammersmith, cannot be directly linked to the introduction of PPP. The incident at Chancery Lane in 2002–03 occurred during the “shadow running” period for operation under PPP.

9. A recent NAO report *London Underground: Are the Public Private Partnerships likely to work successfully?* (HC 644, June 2004) on the success of London Underground’s PPP concluded that the “response to the (Chancery Lane, Hammersmith and Camden) derailments show that the PPP structures probably function as designed with respect to safety”.

#### *Broken Rails*

10. The cause of the derailment at Hammersmith in October 2003 was a broken rail. The defect originated on the underside of the rail and was not detected by methods in use at the time. Infracos are developing new ultrasonic and other testing methods to improve detection rates of rail defects in the future. One of the main categories of rail breaks has been where jointed rail has been welded to reduce problems with rail joints (LUL has a much higher proportion of jointed rail than the mainline national rail network). The practice of welding these joints has now ceased but the Infracos are seeking improved ways of managing the inherited results of this practice.

#### *Signals Passed at Danger (SPADs)*

11. Signals Passed at Danger (SPADs) on London Underground are regarded as low risk due to the mitigation afforded by mechanical train protection systems (train-stops). Train-stops are designed to ensure that trains are safely halted before any potential conflict point is reached.

12. The trend for total SPAD numbers on LUL has shown no decrease for the last three years. However, within that total, the last year has shown that Category A SPADs (where the driver had sufficient time to stop at the signal) have been decreasing. Increases have been seen in “technical” or Category B SPADs, accounting for 20% to 30% of the total. This type of SPAD is often associated with equipment failure, and can be seen as reflecting the difficulty of maintaining ageing assets. These incidents also illustrate the “fail-safe” principle, in that problems with the equipment cause signals to show the most restrictive aspect.

#### *Summary of incidents 2001–02—2003–04*

13. A breakdown of the number of incidents (before and after introduction of PPP and during the “shadow run” period) that have potential to have an adverse impact on safety is provided in the table below:

<i>Type of incidents on LUL network:</i>	<i>(Shadow run PPP) 2001–02</i>	<i>(Shadow run PPP) 2002–03</i>	<i>Under PPP 2003–04</i>
Major incidents (derailments)	0	1 (Chancery Lane)	2 (Camden, Hammersmith)
Broken rails	25	29	33
“Technical” SPADs (Category B)	150	166	197

14. The PPP arrangement has been in operation (or in shadow running) for only a short period of time. It is not yet possible (from performance to date) to provide a definitive view on whether the introduction of the PPP has had a direct effect on safety or whether safety performance has actually deteriorated under the PPP.

#### HEALTH AND SAFETY INTERVENTIONS

15. HSE are alert to the possibility that management arrangements for the London Underground under PPP could (as well as many other factors) have an impact on safety. HMRI are monitoring LUL's health and safety management arrangements in order to test that they are as described in their railway safety case.

16. HMRI continues to review and monitor the safety performance of London Underground through a planned programme of inspection that addresses areas that have the greatest potential risk to safety. During 2003 HMRI served two Improvement Notices requiring improved prioritisation of track and signal maintenance. A recent audit of maintenance on both the Central Line and Circle Line found generally robust arrangements for managing inspection, maintenance and overhaul of rolling stock.

17. HMRI takes steps to inform trade union safety representatives about its inspection programme and listens to any concerns they may have about health and safety at work. HMRI also responds to complaints by the public, employees, trade unions and their representatives. Information received from safety representatives has led to formal enforcement action in some cases.

#### CONCLUSION

18. Despite the increase in the number of incidents with potential for an adverse effect on safety over the last three years, there is currently no evidence that London Underground's safety record has suffered directly as a result of operating under the PPP regime. HSE will keep London Underground's safety performance under review and will receive LUL's statutory three-year review of its safety case next year.

*Allan Sefton*  
Director of Rail Safety  
Health and Safety Executive

*November 2004*

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### **Memorandum by Metronet (LU 05)**

#### METRONET INTERIM PERFORMANCE REVIEW—2004–05

#### INTRODUCTION

Metronet is responsible for the multi-billion upgrade and renewal of two thirds of the London Tube. As part of a Public Private Partnership with London Underground, Metronet is upgrading nine of the 12 lines, and is investing some £17 billion in the project. This interim review of Metronet's performance covers the seven periods from 1 April–16 October 2004, the second year of its 30-year programme.

Metronet Rail BCV Ltd., (MRBCV), has responsibility for the Bakerloo, Central, Victoria, and Waterloo & City lines, and Metronet Rail SSL Ltd., (MRSSL), has responsibility for all the sub-surface lines, consisting of the District, Circle, Hammersmith and City, Metropolitan, and East London lines.

#### PERFORMANCE OVERVIEW

Overall, Metronet's performance developed a positive trend during the seven periods of 2004–05 and whilst there is much progress still to be made, a more reliable service to passengers is now becoming evident.

MRBCV made satisfactory progress on its key PPP commitments despite a challenging seven periods both in terms of operational issues and mobilising and fully utilising its supply chain. The Bakerloo line continued to deliver strong asset performance building on the successes achieved during 2003–04. The total number of incidents related to the Central line continued to fall during the period and the overall availability score improved on the line. However, availability was affected by three individual incidents, including the slow speed derailment at White City, the root causes of which are being addressed. Generally, availability on the Victoria line was consistent with the levels experienced during 2003–04.

For MRSSL, performance showed a positive trend with the number of adverse incidents reducing across the majority of all its assets. Train performance was 42% better in terms of availability year on year with the mean distance between failures rate improving. Following the loss of two early possessions for the repair of a collapsed section of drain at Victoria, the track replacement programme consistently delivered against programme compared to the same period last year.

Good asset performance earns Metronet bonus payments and reflects successful delivery of its PPP contractual obligations. Poor performance incurs penalty payments, reduces customer satisfaction and has an adverse effect on Metronet's reputation.

An increasingly strong asset performance, exceeding contract benchmarks, is therefore a critical element of Metronet's strategy.

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#### HIGHLIGHTS IN THE FIRST HALF-YEAR

- Number of fleet incidents reduced by 20% in MRSSL and 12% in MRBCV—resulting in less passenger disruption
- Reliability of Bakerloo line trains improved by 36% (since April 2003)
- Reliability of Central line trains improved by more than 150% (since April 2003)
- Reliability of Circle line trains improved by 125%
- Delivered three additional Central line trains for peak service
- Delivered two extra Victoria line trains for off-peak service
- Delivered three additional Metropolitan line trains for service
- Continued to deliver all train fleets graffiti-free, each day
- Thirteen station modernisation/refurbishments started (as of December 2)
- More than 9 kilometres of track renewed as of 2 December (19 km since April 2003)
- Robust measures now in place in preparation for the cold weather season—Metropolitan line trains have been modified to improve the effectiveness of track de-icing

#### MAINTENANCE OF THE TUBE

Metronet is planning to spend approximately £294 million during 2004–05 to maintain and keep safe the assets under its stewardship. Typically, maintenance activities only ensure that the asset keeps working in a safe and efficient manner before capital investment replaces that asset with more reliable, more efficient and safer products.

For MRBCV the most significant event during 2004–05 has been the decision to split the responsibility of its Maintenance directorate between infrastructure maintenance (stations, track, civils, and signals) and rolling stock maintenance. This change has been instigated as a direct result of the Chancery Lane incident (prior to Metronet's stewardship) and the immediate need to improve the reliability of the Central line rolling stock.

Considerable resource has been diverted by MRBCV to ensure track remains in good condition—through enhanced lubrication, track and tunnel cleaning, and more intense rail grinding. New methods adopted for tackling the prevention of small fires have proved particularly successful. The main focus of MRBCV's station maintenance is around lifts and escalators. It has demanded greater performance from lift contractors to improve “down-time”, with early promising results.

For MRSSL, 80% of all signal failures occur in just three locations: King's Cross to Farringdon, Baker Street to Finchley Road and Wimbledon to East Putney. Metronet's “Operation Sponge” is targeting these areas to ensure leaking water mains and sewers are resolved (Metronet works closely with Thames Water, one of its shareholders), and that drainage is improved along with track insulation.

Very good progress is being made by MRSSL in replacing signalling track wires to reduce service delays caused by signalling faults. Half the track wire failures took place between Aldgate and Barking. These have all been replaced.

Passenger delays on the north side of the Circle line are being reduced through the trial introduction of specially-coated electrical switches which resist failure. Studies are also analysing and addressing the loss of train conductor rail shoes and 600V AC signal main link boxes are being replaced.

A specially adapted Land Rover is being trialled, which uses ultrasonic technology to locate hairline rail fractures. Track maintenance teams continue to operate in two major programmes: track recovery and block joint replacement.

Recent improvements in the mean distance between failure rates has been striking—with a direct resulting benefit in the reduction of passenger delays and disruption.

MRSSL continues to keep its promise of removing all internal train graffiti within 24 hours and all external graffiti within 48 hours. It is also pioneering the use of a sacrificial film applied to train windows to frustrate vandals. Traditionally the only way to remove scratch graffiti was to replace the window. The new film is scratch-resistant and can be replaced with relative ease. In the first six weeks of a trial on one three-car train, only three window faces had to be retreated.

#### INVESTMENT FOR RENEWAL OF THE TUBE

Refurbishment and modernisation work has now started at 13 stations. There has been some slippage in the programme due to the time taken in attaining design approvals and agreeing the full scope of stations works with London Underground. Metronet is confident that the slippage can be attributed to mobilisation and “learning-curve” issues—and aims to resolve them by the end of the current financial year.

A Strategic Programme Director, reporting directly to the Chairman, has been appointed for assuring the delivery of the capital programme. To further strengthen the programme, three senior managers have been appointed in track, stations and civils, and rolling stock and signals.

Overall, some 9 kilometres of new track has been laid to date, which is more than 1 kilometre ahead of schedule. In total, more than 19 kilometres of new track has been renewed since transfer of two-thirds of the Tube to Metronet in April 2003.

A £70 million engineering upgrade and refurbishment programme on the Central line fleet, together with the close-out of all Chancery Lane inquiry recommendations, has enabled MRBCV to increase the reliability of the fleet by 152%. Planning and development for the major Victoria line upgrade continues to gather pace with a number of milestones achieved during the period. Production of the new fleet of trains is due to start in January 2005.

Production for the first fully refurbished and re-styled District line train continued during the period. The first of these refurbished trains is scheduled to re-enter service in January 2005, and when production reaches its optimum cycle, a newly refurbished District line train will re-enter service approximately every 30 days. The refurbishment programme will extend the life of this 26-year-old fleet by eight years, before a brand new fleet enters service.

#### SAFETY

Safety remains at the top of Metronet's agenda with a key focus on improving the processes, systems and culture, with the frequency of lost time injuries reducing.

During the first six months Metronet appointed Heads of Safety (Operations) in each of its companies to deliver a "DuPont" approach of a zero recordable injury rate in the capital programme and maintenance departments. DuPont's "best practice" safety techniques are being rolled out across all levels of management and management systems within Metronet, with a key focus on safety leadership. Metronet has also initiated a "Top-Set", best-in-class, investigation system training for staff to ensure a consistently higher quality of investigation and better use of root cause analysis.

A thorough investigation with London Underground established the root causes of the White City derailment of May 11 and recommendations are being implemented to schedule. In the wake of the Chancery Lane incident, before Transfer to Metronet, depot organisation on the Central line has been radically overhauled by the new Director of Fleet.

Metronet has been proactive in lowering the risks surrounding signals passed at danger as a result of equipment failure, broken rails and track fires, targeting known trouble spots. For example, small track fires in particular, which can cause serious delay to the network, have been reduced by almost half to 117 during the current year to date—compared with 211 for the comparable period last year.

#### WORKING IN PARTNERSHIP WITH LONDON UNDERGROUND

Metronet, Tube Lines and London Underground have all agreed to use a standard software package for reporting project progress. Activities are interlinked for transparency of the critical path of any project. Metronet is now trialling additional "earned value" information with London Underground, which adds a budget dimension, to track the relationship between physical work completed, the resources used, and the actual time taken.

A number of issues have been discussed with London Underground concerning the scope of work required on stations. It is expected that these issues will be resolved satisfactorily within the next three months.

For MRBCV, good progress has been made with London Underground in agreeing cost recovery from the events which followed the Chancery Lane incident and for which MRBCV had an indemnity at the point of transfer of the network to its responsibility. London Underground has settled all performance code issues with MRBCV, relating to Availability and the penalties suffered. Final agreement has almost been reached on the costs incurred to date in restoring the trains to service and on the extra cost of maintenance which MRBCV will incur until modifications to the bogeys are complete.

During the period, London Underground and MRBCV went to adjudication over the nature of the closure which took place in order to replace an escalator at Marylebone. The adjudicator found in favour of MRBCV.

Additional works have been requested by London Underground at Walthamstow and Shepherd's Bush. For MRSSL, more than 500 minor works projects have been completed at the request of London Underground within the first six months of the current year. The removal of trackside graffiti between Barons Court and Hammersmith is one such example. MRSSL's performance has been good with 95% of projects being completed to the required timescales. Three larger "intermediate" works have also been completed by MRSSL to time during the past six months, including a customer information facility at Harrow-on-the-Hill. These works are provided for under the PPP contract but represent an increase in the scope of work that Metronet delivers on behalf of London Underground.

A survey is carried out among London Underground staff every four weeks by an independent market research organisation to determine the level of satisfaction with the service Metronet provides. For MRSSL, this figure was 67% in the first seven periods of 2004–05 compared to 59% over the same period last year; in MRBCV the score was 66% compared to 71%.

## PEOPLE

The people who work for Metronet have been subjected to significant change since their transfer from London Underground. The management of this change and achieving a transformation in values, attitudes and behaviours is fundamental. In the first half of 2004–05, the Company has developed *The Metronet Way*, a strategy founded on a new organisational culture that focuses on performance, achievement and delivery.

The key values of *The Metronet Way* are enshrined in a Metronet vision for “Getting London to Work”, through a belief in health, safety and the environment, its people, customer service, performance, partnership, and value for money. Metronet’s commitment to its customer calls for “promises to be kept”, the creation of “a great place to work”, and a pledge to “look after the investment”. In the long-term, Metronet aspires to deliver to the passenger “a great journey every time”.

Leading Change workshops have already been held for some 900 managers to implement this transformation and Metronet is in the process of engaging all 5,000 staff through a series of workshops to which every individual is encouraged to attend.

## FINANCIAL REPORT FOR 2003–04

Metronet’s financial performance during its first year of operation was in line with expectation and the forecasts contained within the PPP bid. For the year ended 31 March, 2004, the combined pre-tax profit for Metronet Rail BCV Limited, and Metronet Rail SSL Limited, amounted to £50.6 million. Combined turnover for the year amounted to £599.1 million.

The figures secure a robust earnings stream for the two businesses in order to support the very large capital programme for the renewal of the Tube. The full Reports and Financial Statements for the two businesses are available from Metronet’s website, [www.metronetrail.com](http://www.metronetrail.com).

December 2004

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### Supplementary memorandum by Metronet (LU05A)

#### TRANSPORT COMMITTEE—8 DECEMBER 2004

Further to the letter of 20 December, I am pleased to provide the following responses to your four points:

**1. Q174 and Q212:** *More information on performance against each of the targets for each period.* (See Appendix 1.)

**2. Q183:** *Targets for Lost Customer Hours for the next 5 years.* (See Appendix 2.)

**3. Q235:** *How far behind is track maintenance, and what work has fallen behind?* There is no current safety-critical or planned maintenance work that has fallen behind schedule. In fact, we are ahead of programme in some areas. However, it is important to add that Metronet inherited a non-compliant railway upon Transfer in April 2003. Whilst this does not result in a railway that is unsafe—it is non-compliant with current standards. Metronet prioritises, and is systematically addressing the necessary work for the railway to be compliant with current standards. This is a very significant task, and it will take many years to fully complete.

**4. Q240:** *Delays for staff on the waiting list for safety training.* There are no delays to staff or contractors waiting to get onto a safety training course. Currently, there is a planned programme of people booked on various safety training courses over the next 10 weeks.

I trust that these responses are helpful. Do please let us know if we can be of any further assistance.

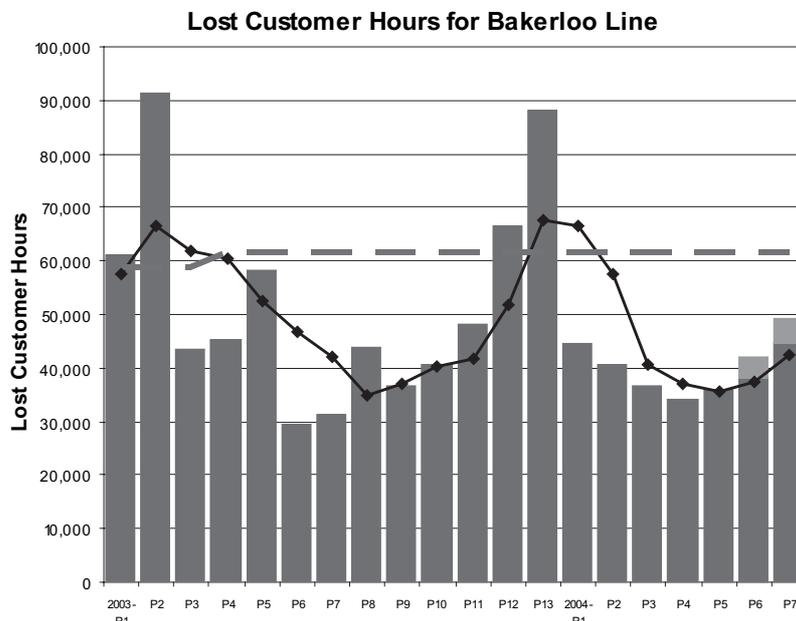
John Weight  
Executive Chairman

21 January 2005

APPENDIX 1

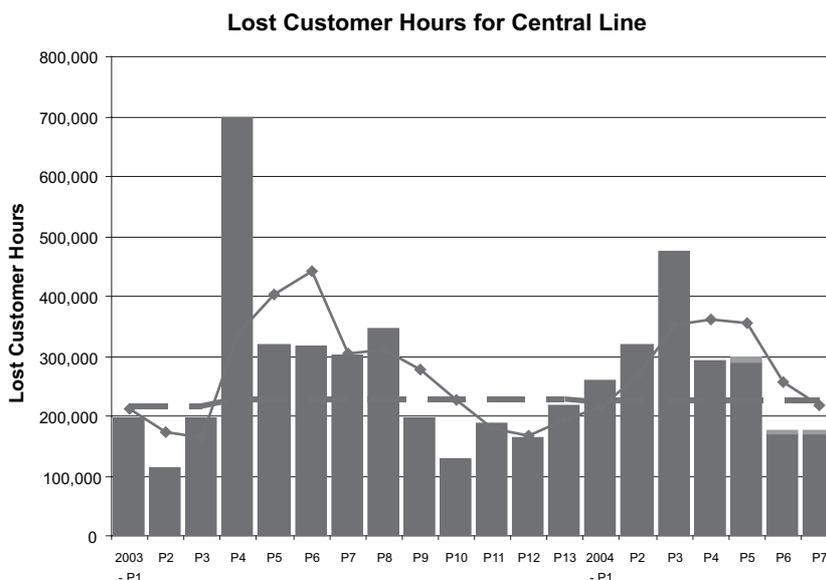
PERFORMANCE AGAINST TARGETS UP TO PERIOD 7, 2004-05:

BAKERLOO LINE



- Performance continues to improve in most areas on the Bakerloo line, improving overall by approximately 21% compared to the same period last year.
- The major improvements in LCH performance has been delivered chiefly through fewer track fires and the length of consequent delays.
- Closer working with the lift contractor, OTIS, has reduced the number of lift failures by two per period and reduced the average duration of closures from 80 minutes to 50 minutes.

CENTRAL LINE



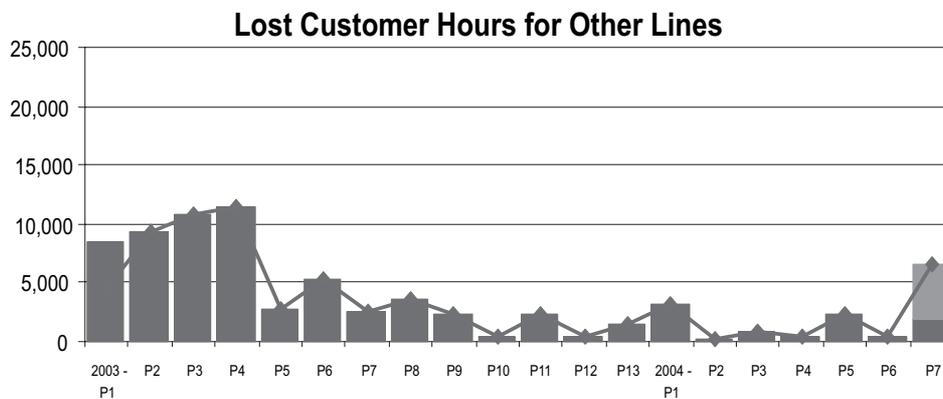
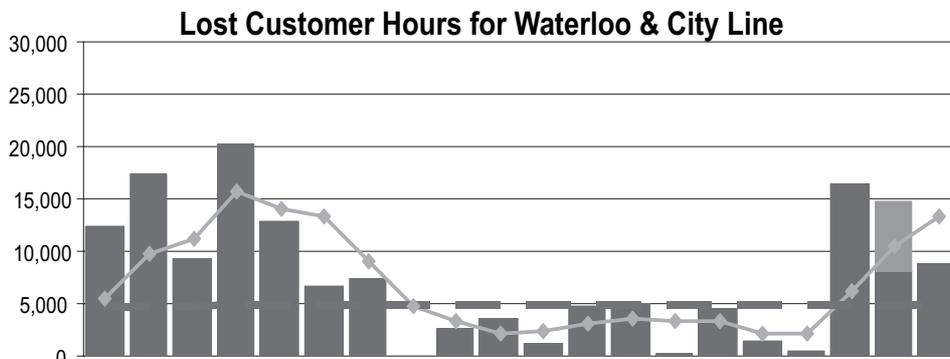
- MRBCV has been successful in improving the overall Availability score for the Central Line by approx 8% compared to the same period last year.
- The number of incidents recorded per period has reduced by 8%.
- Good performance has been recorded on L&E (Lifts & Escalators), Stations, and Track Speed Restrictions (TSRs). The number of station closures caused by L&E is consistently better than target and has reduced by approximately 18%.

VICTORIA LINE



- Overall, Victoria line performance is at the same level experienced during 2003–04.
- Two improvement projects introduced to address the poor performance of signals have proved an early success. Compared to the same period last year, signal performance is approximately 9% better.
- Other improvement projects such as track connections and co-incidence circuit modification and relay replacement should specifically address the main causes of failure. Results are expected by year end.

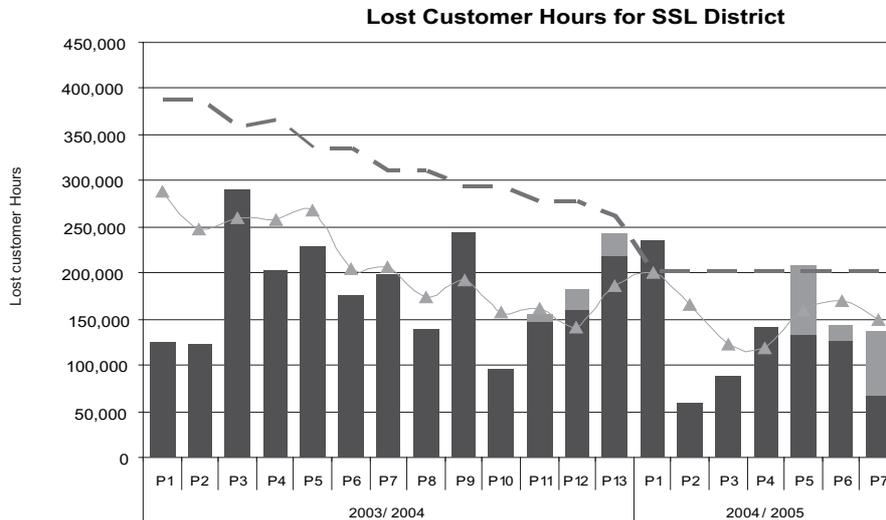
WATERLOO AND CITY AND OTHER LINES



- Poor rolling stock and signalling performance during the last three periods affected the overall score for the Waterloo & City line during the first half of the year.
- Various initiatives, including signalling modifications, power facilities enhancement and centralised control are being developed to address these problems.

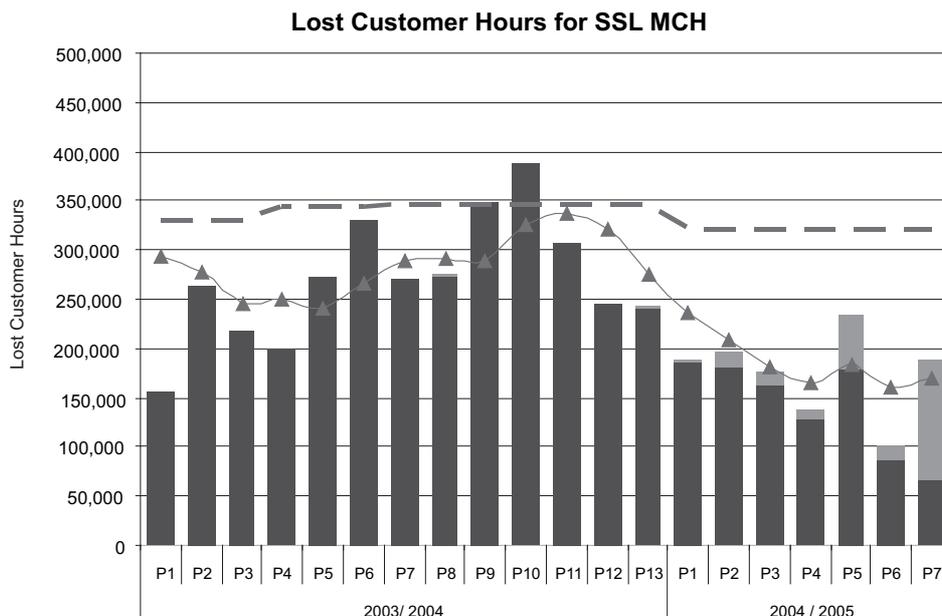
- Significant progress has been made in reducing failures which affect other lines (MRSSL & Tube Lines). To date only 13,819 LCHs have been incurred, compared with 50,832 LCHs during the same period last year—a 73% reduction.

DISTRICT LINE



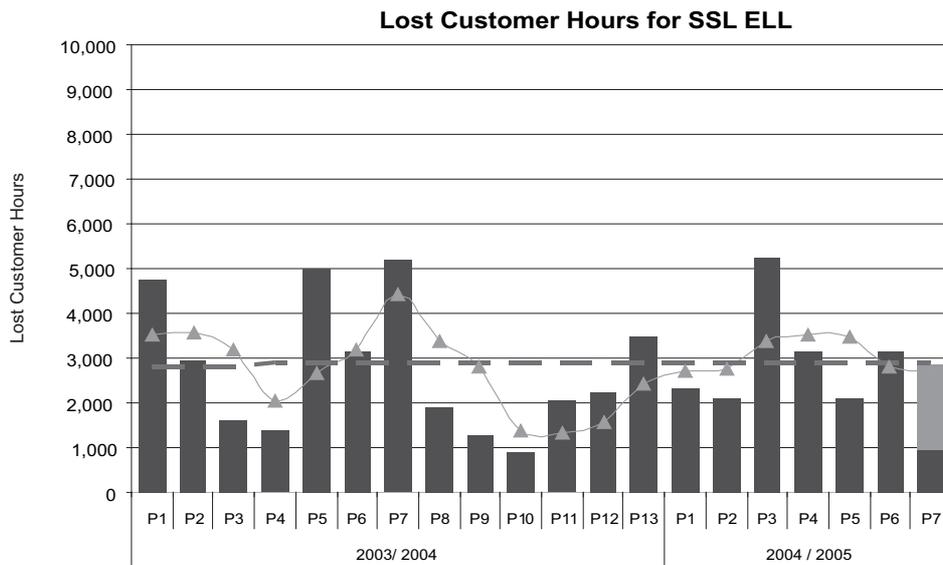
- The District line availability has improved by 23% in the last seven periods compared to average figures in 2003–04.
- Performance has been consistently better than PPP benchmark with the year-end forecast expected to be better than business target.
- Track and Fleet activities have been the major contributors, largely as a result of improved inspections, a block joint programme and better root cause analysis and mitigation.

MCH LINE



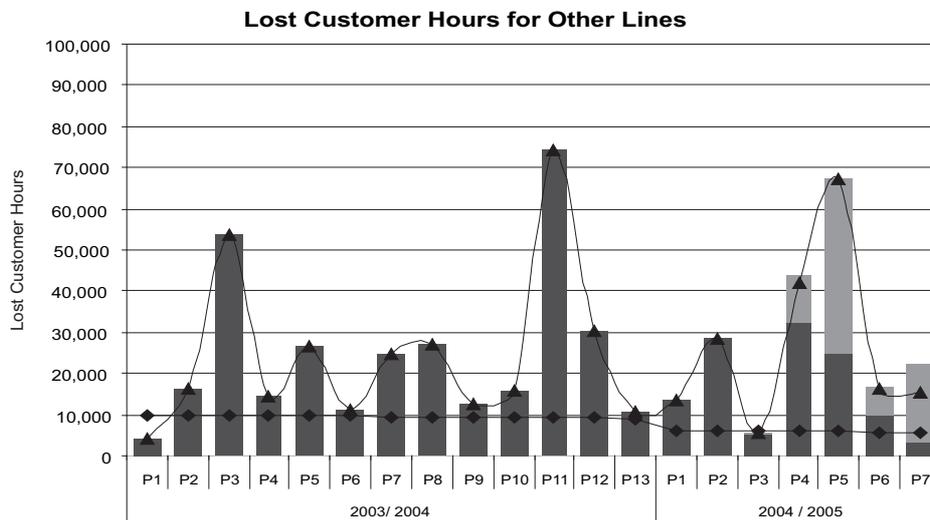
- Overall availability on the MCH lines has improved by 35% compared to 2003–04 figures.
- This improving trend has been consistently better than PPP benchmark and business targets and this trend forecast to continue.
- Train reliability programmes have delivered the majority of this improvement, particularly the C-stock trains which service the Circle, Hammersmith & City and part of the District lines.

EAST LONDON LINE



- Performance on the East London line declined by 5% and “Other lines” 14% compared to 2003–04.
- The number of signal faults has increase on “Other Lines” with a peak of 60,000 LCHs in period 5. A number of programmes are underway to increase their availability, for example:
  - Enhanced inspection regime to pro-actively identify and resolve issues;
  - Track wire replacement programme in the area between Barons Court and Hammersmith;
  - Lever frame contact at Rayner’s Lane;
  - Strategic location of Technical Officers to ensure fast response to faults;

OTHER LINES

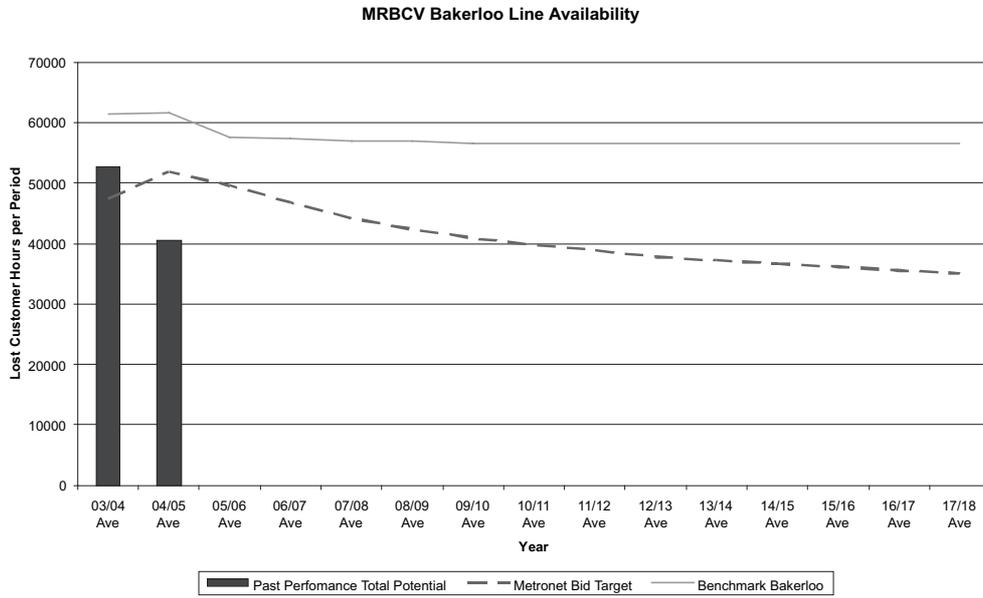


- Track reliability has improved by 60% between Barons Court and Acton Town due to an intensive improvement programme.

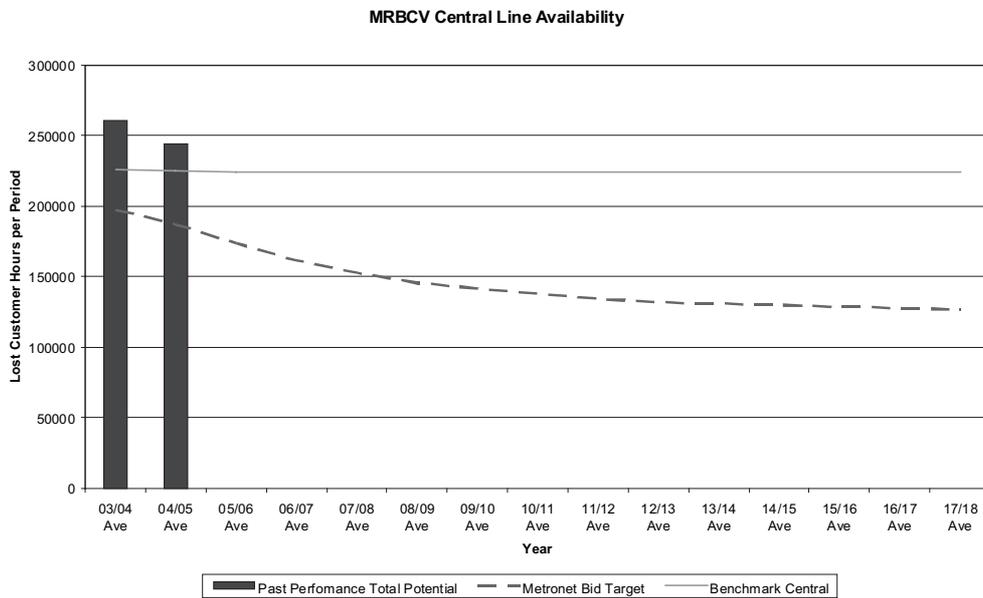
APPENDIX 2

TARGETS FOR LOST CUSTOMER HOURS FOR FUTURE YEARS

BAKERLOO LINE

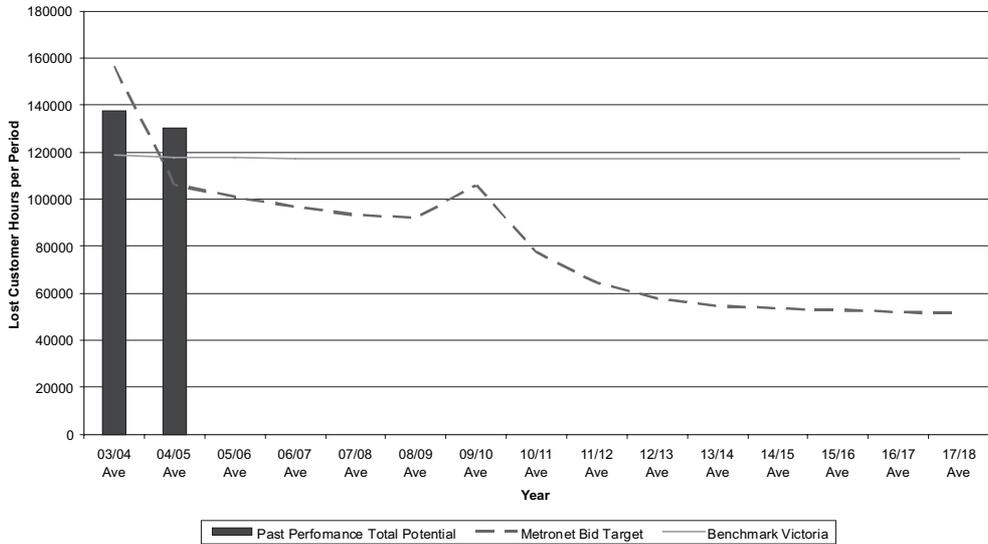


CENTRAL LINE



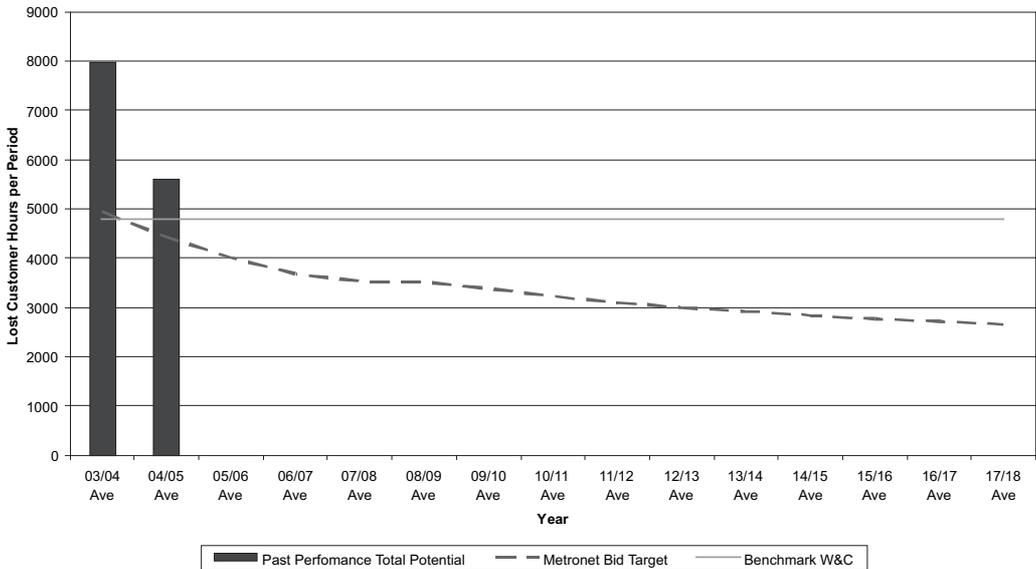
VICTORIA LINE

MRBCV Victoria Line Availability

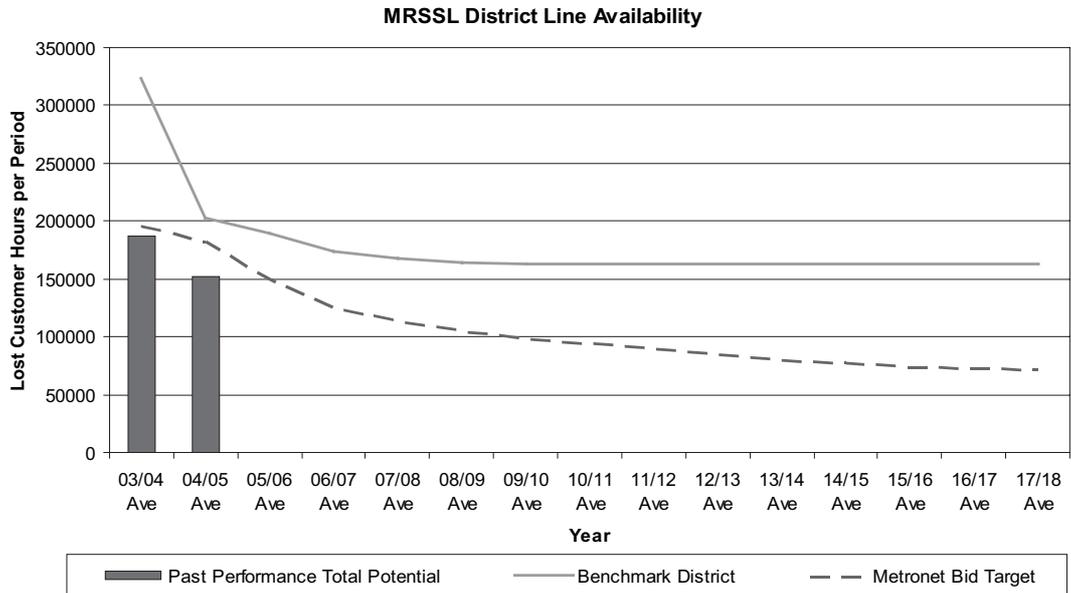


WATERLOO AND CITY LINE

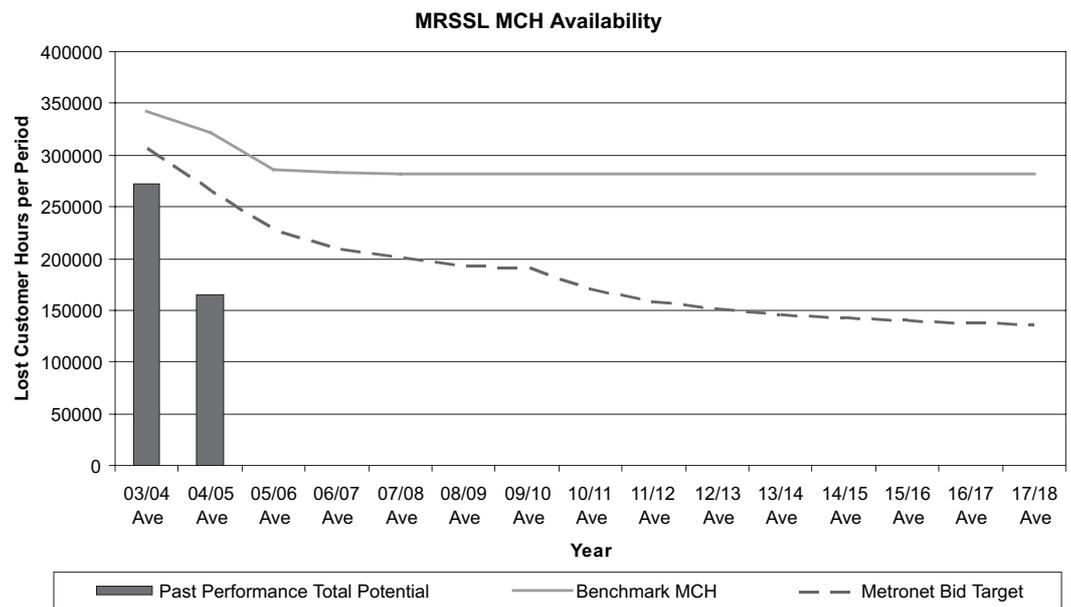
MRBCV Waterloo and City Line Availability



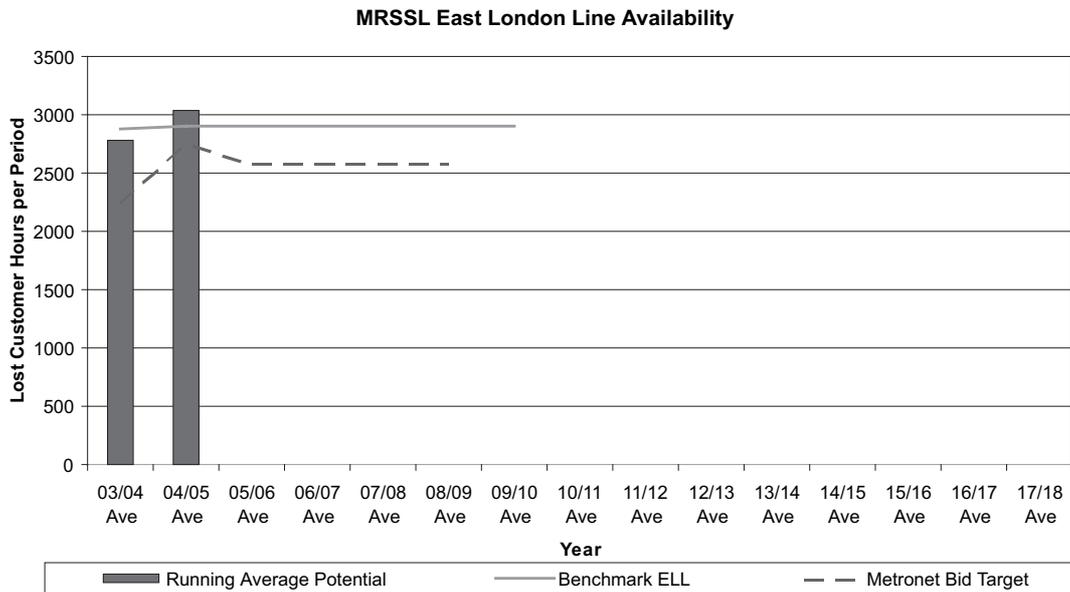
DISTRICT LINE



METROPOLITAN/CIRCLE/HAMMERSMITH AND CITY LINES



## EAST LONDON LINE

**Memorandum by the Corporation of London (LU 06)****PERFORMANCE OF LONDON UNDERGROUND**

1. It is understood that the committee is examining four areas of performance under the PPP: whether it has delivered an acceptable level of performance for customers; whether safe operation has been maintained; whether it has provided value for money; and, whether operation has been effectively coordinated between Transport for London (TfL), London Underground Ltd (LUL) and the Infracos. The Corporation of London is not in a position to judge safety and value for money elements of the PPP so the comments below are limited to performance and coordination from the Corporation's perspective.

**PERFORMANCE**

2. The Corporation has not noticed any deterioration in performance due to the PPP system, but an apparent higher level of line closures, particularly the District Line within the City of London, has been an inconvenience to passengers. It is accepted, however, that these closures are predominantly due to improvements that are being made to the track. As long as these closures are well coordinated and managed they need not be seen as a negative factor.

3. There are other examples of improvements to passengers' experiences on the network, particularly the reduced number of trains in service with graffiti and reduced litter on trains. The Corporation has no evidence of any problems with the passenger/staff interface under the new system.

**COORDINATION**

4. Corporation officers have noticed a marked improvement in this area since this introduction of the PPP. Whilst the precise reason for this is not clear, it has been suggested that this may be due to the London Underground staff now being more focused on one aspect of the business.

5. On day-to-day issues London Underground has been much more open and allowed Corporation officers to have direct contact with line managers where necessary to discuss particular issues. In particular, LUL responded promptly to address a specific issue regarding a problem with drainage at Waterloo. When severe disruption occurs LUL has introduced a system under which Corporation officers are telephoned. Whilst this arrangement is still experiencing teething difficulties, it is a welcome step. In addition, the Corporation continues to have regular meetings with a liaison officer from LUL. This is a longstanding arrangement with which the Corporation is very satisfied. The introduction of the PPP did not appear to have any negative effect on this officer's ability to deal with concerns effectively.

6. LUL staff have been proactive about informing the Corporation of arrangements during closures, and officers were given the opportunity to comment on the information given to customers about alternative routes for each of the stations during the District Line closure. The Corporation has found it useful to be able to give comment and for officers to be informed of arrangements.

7. Corporation officers were initially frustrated by late notice of closures or service alterations at a stage when it was often too late for substantial input. This was particularly found to be a problem with the early termination of the Great Northern trains into Moorgate to allow escalators at this station to be replaced. To the credit of the LUL staff, once it was acknowledged that the Corporation had a valid interest in this issue, they were happy to attend meetings with the Corporation and provide officers with their modelling of passenger movements around the station until the Corporation was satisfied that the best compromise was being taken forward. Since that time, LUL have been more amenable and officers have been pleased to have been notified at an early stage on matters such as the closures on the Waterloo and City Line planned for next year. Corporation officers are hopeful that this positive attitude to partnership working will continue into the future.

8. On longer term issues, Corporation officers have found LUL staff very willing to work in partnership to evaluate possible future scenarios. There has already been some work to develop a masterplan for Bank station and a joint a horizon study looking at possible longer term improvements on the Waterloo and City Line is planned for next year.

City Remembrancer's Office

December 2004

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### Supplementary memorandum by London Underground (LU 07)

#### PERFORMANCE OF LONDON UNDERGROUND

Thank you for the letter of 20 December 2004, confirming the information requested further to my evidence to the Committee on 8 December. This is set out below.

##### 1. ADDITIONAL BRITISH TRANSPORT POLICE OFFICERS

Of the 200 additional officers for the Underground funded by the Mayor and TfL, 177 have been recruited and trained and are now on duty (the first two years of which is a probational period). The final 23 are currently being recruited.

##### 2. WEMBLEY PARK STATION PROJECT

The breakdown of costs is as follows:

	£ million
— London Borough of Brent Section 106 payments*	9.0
— Specific LU grant funding for project	7.0
— Tube Lines Ltd (ISC reduction)	9.5
— Core LU Grant	36.5
Total Funding	62.0

\* Funding from Wembley National Stadium Ltd via a Section 106 Agreement with the LB Brent.

It is, unfortunately, not possible to say how much more the project cost as a result of the deadline being brought forward. This was part of a wider review of the design and scope of the project and any cost comparisons would therefore be on a completely different basis. It is therefore impossible separately to value the cost of the deadline being brought forward.

##### 3. INDUSTRIAL RELATIONS

Comparison of the rates of pay for London Underground train operators (drivers) and those of other train operating companies in the UK show LU currently 6th out of 25 in a league table of salaries, though not all TOCs have concluded their 2004 pay discussions. Also, train operators in some other TOCs may have potential for additional earnings that LU train staff do not.

We do not have such comprehensive data for station staff, as not all TOCs have ticket office or station staff. Our pay and conditions for station staff are on a par with Network Rail staff in the London area, but generally well ahead of those TOCs in the London area which have station staff.

Although your letter also refers to engineering staff, these are of course now employed predominantly by Metronet, Tube Lines and other private sector companies.

#### 4. PERFORMANCE INFORMATION

The agreement I referred to was in relation to information about the planning and delivery of projects, as distinct from the day to day performance of the railway.

LUL has reached agreement in principle with both Tube Lines and Metronet over the information to be provided on project progress (as described in the agreement in Appendix A). These principles are in the process of being implemented by both Tube Lines and Metronet and there are ongoing discussions over the quality and content of their submissions. The infracos are expected to provide extensive details about the different phases of each project.

On day to day performance, the contract itself sets out, in Schedule 5 of the Performance Measurement Code, all the requirements for performance information, both in terms of what the infracos need to collect and supply and that to be collected by LU. This information is used for the calculation of infraco performance and payment under the PPP Contracts. This includes all information about service disruptions as well as all faults logged with the infraco Fault Reporting Centres and their clearance (fix) times. The schedule also sets out the format in which this information is to be supplied to LU and the periodicity.

#### 5. CONNECT PFI

To date, a total of £39.2 million in claims has been paid to the Connect contractor (CityLink) by LU under the Connect contract.

There are no court cases currently in progress as a result of a dispute with the Connect contractor. There are two claims currently being progressed in accordance with the dispute procedure. The first is regarding Delay and Disruption Costs CityLink are claiming to have incurred. The second is examining the extent to which CityLink are obliged to integrate their radio into the various Rolling Stocks.

Both of the above claims are currently at the stage of adjudication.

#### 6. HEALTH AND SAFETY FORUM

There are two health and safety forums. One consists of top management of LU, Metronet and Tube Lines and officials of all relevant trades unions. The other consists of top management of LU only and officials of all relevant trades unions.

By agreement with the trades unions each of the above forums is scheduled to meet twice a year or more often if needed.

Since the start of PPP (on 31/12/02), the all-company forum has met on 10 occasions. The LU-only forum has met on seven occasions. The dates of these meetings are attached as Appendix B.

#### 7. 7.5 YEAR REVIEW

The 7.5 year periodic review falls in 2010. The formal process for the periodic review will commence at least 18 months beforehand—this is the point at which LU must send to the infracos its revised requirements. In reality, we will need to start reviewing and discussing our requirements with Metronet and Tube Lines well in advance of this, allowing sufficient time to understand areas of agreement and disagreement, and the ramifications of any changes being considered. I would expect these negotiations to commence three to four years in advance of the review.

I hope that this information is helpful to the Committee.

*Tim O'Toole*  
Managing Director

*18 January 2005*

#### MPD PROGRAMME ASSURANCE PRINCIPLES

1. Maintenance reporting to be addressed separately and data exchange to be handled as appropriate under contractual arrangements and standards.

2. Planning Packages are the point at which earned value performance is assessed and actual costs matched to budgets. One or many Planning Packages may exist within each control accounts. A Planning Package will normally consist of a number of activities that contribute to a common objective and have a similar cost type. Each Planning Package will be assessed as to the appropriate earned value technique that can be most effectively and efficiently used to monitor achievement of the Planning Package consistent with Good Industry Practices. The Project Manager will determine the construction of Planning Packages within their project based on Good Industry Practice.

*Example*—The XYZ Modernisation Project, 3.5 year time frame, £29 million budget and 350 activities would break down into approximately 40 Planning Packages.

No Planning Package would span across more than one lifecycle. Any required exceptions to this general rule would need to be agreed with LUL.

TLL will provide budget, actual costs and physical percentage complete at Planning Package level.

Actual cost data will be provided to LUL at the Planning Package level no later than the close of week six of each reporting period. Actual cost data will be provided to facilitate the purposes of the MAD, specifically data reliability and forecasting. Consistent with paragraph six below, the provision of this information will not form a basis for LUL intervention or requests for Justification.

3. Activity Level reporting only at level of detail maintained by TLL for its own management purposes, provided such level is consistent with EVA employed in a manner consistent with Good Industry Practice. Specific activities for each Planning Package to be consulted with LUL based on Good Industry Practice standard. Three Rules on activity level reporting:

- activities shall span Lifecycles (for example, an activity cannot span design and procurement). Any required exceptions to this general rule would need to be agreed with LUL;
- activities must clearly define scope of work for each Lifecycle (for example, individual design activities will be identified sequentially);
- activities must have a duration that enables measurable progress reporting each period.

4. Programme reporting for those activities that are specifically required by LUL for interface management to be provided on an exception basis; for these activities no budget information required if not maintained by TLL in ordinary course.

5. Budget and progress reporting (% complete measured for each Activity on a period basis) to be reported to the extent such information is maintained by TLL as part of its normal management information systems.

6. LUL requirements (procedure for Programme Observations) for justification and remedial action plans (or equivalent type requirements) to be withdrawn; MPD documentation will not be construed to create additional Contract rights for investigation or intervention.

7. LUL will not prescribe circumstances in which TLL is required to modify budgets, but if TLL modifies budget such modifications will be reported to LUL as part of regular reporting.

8. Nothing herein is intended nor shall it be construed to limit LUL's rights to information that it is entitled to under any provision of the Contract.

## APPENDIX B

### DATES OF H&S FORUMS SINCE 13 DECEMBER 2002

#### H&S FORUM (ALL COMPANIES)

2003

6 February  
16 April  
23 March  
25 September  
27 November

2004

15 January  
9 March  
8 June  
7 September  
7 December

#### H&S FORUM LUL ONLY

2003

9 June  
29 October

2004

1 April  
21 April  
8 June  
7 September  
9 November

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**Supplementary memorandum by TSSA (LU 02B)**

PERFORMANCE OF LONDON UNDERGROUND

I write to you in response to the letter of 20 December seeking further information on four separate issues. I will deal with the issues in the order in which they arose although I should point out that my comments in relation to point 2—Q23–25 were submitted by my office in Frank Ward's letter of 20 December 2004 which also detailed suggested corrections to the draft minutes of evidence.

1. *Q12*: In respect of safety training the infra companies and LU now do their own thing in terms of delivery. Whilst the standards that require to be met will be as agreed the fact that it is delivered independently by each organisation means that the delivery will vary as will some of the emphasis during training. Prior to the PPP the delivery of safety training was standardised to the extent that it was delivered by LU to its own standards and with its own issues importance being highlighted as LU decided to be necessary.

2. *Q23–25*: See LU 02A<sup>1</sup>

3. *Q27–29*: Recent British Transport Police Annual Reports showed the number of reported staff assaults on London Underground increasing from 580 in 2002–03 to 820 in 2003–04. The latest BT Annual report (August 2004) showed that violent crime on London Underground had risen by 22.1%, mostly due to the increase in assaults on staff which now account for a third of reported incidents.

The TSSA is further concerned by the fact that the fragmented rail industry has struggled to settle on a common method for reporting workforce assaults, which has led to discrepancies between reporting rates in train operating companies and has possibly also led to a general under-reporting of assaults by staff.

4. *Q44*: Metronet has reached agreement with the trade unions on health and safety best practice. Having considered the views of the TSSA Health and Safety representatives in Metronet, our impression in respect of the effectiveness of the agreement is somewhat mixed. The impression we have is that the agreement is being implemented well within Metronet SSL who seem to be leading on the initiative and have for example appointed Health & Safety Co-ordinators from amongst the Trade Union reps and given them full time paid release to carry out their duties. Metronet BCV on the other hand do not seem to have displayed the same level of commitment to the extent that the agreement is seen by employees as having had little to no impact.

*Gerry Doherty*  
General Secretary

28 January 2005

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**Supplementary memorandum by London Underground (LU 07A)**

PERFORMANCE OF LONDON UNDERGROUND

Thank you for the letter of 20 January 2005, requesting some further information about the ownership of Metronet and Tube Lines. The answers to the two questions are as follows.

1. *Details of ownership of Metronet and Tube Lines*

This is as set out on the attached sheet.

2. *Transfer of Jarvis' stake in Tube Lines to Amey*

LUL could object to transfers of shares to persons who are "undesirable" having regard to a number of factors such as security and safety considerations. As Amey was already a shareholder, this condition was relatively easily satisfied (although we made some relevant enquiries).

LUL also could have had grounds for objection based on the impact on Tube Lines' ability to perform its obligations under its contract with LUL. LUL and its lawyers scrutinised the arrangements and received written confirmation from Tube Lines that they did not believe the transfer of the shares would have an adverse operational effect.

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<sup>1</sup> Ev 39

However, LUL had no rights to object to the transfer to Amey of Jarvis' interests under a secondment agreement with Tube Lines. LUL understands that Tube Lines have put in place robust arrangements for continuity of staff previously provided by Jarvis and this should ensure that certain key skills remain available to Tube Lines.

Additionally, LUL negotiated enhancement of its contractual rights on subsequent disposals by Amey/Ferrovial of both its shares in Tube Lines and interests in the secondment agreement. There has clearly been a change in the structure of Tube Lines by virtue of Amey's increased holding but I do not believe that the structure is more fragile than it already was, particularly with the enhanced contractual protection. However, the PPP contract remains susceptible to the changes in fortunes of its shareholders and the commitment of their businesses to the underground.

I hope that this information is helpful to the Committee.

*Tim O'Toole*  
Managing Director

2 February 2005

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## Annex

### OWNERSHIP OF METRONET AND TUBE LINES

#### *Metronet Rail BCV Limited (MRBCV) and Metronet Rail SSL Limited (MRSSL)*

Save for the one Special Share held by LUL, MRBCV and MRSSL are wholly-owned subsidiaries of Metronet Rail BCV Holdings Limited and Metronet Rail SSL Holdings Limited respectively (see below).

#### *Metronet Rail BCV Holdings Limited and Metronet Rail SSL Holdings Limited*

Both of the Metronet holding companies are wholly-owned in equal shares by the following five companies:

**Atkins Metro Limited**—a wholly-owned subsidiary of WS Atkins plc

**Balfour Beatty Infrastructure Investments Limited**—a wholly-owned subsidiary of Balfour Beatty plc.

**Bombardier Transportation (Holdings) UK Limited**—an indirect wholly-owned subsidiary of Bombardier Inc.

**SEEBOARD Metro Holdings Limited**—a wholly-owned subsidiary of SEEBOARD plc. (SEEBOARD plc was acquired by London Electricity Group plc (a subsidiary of Electricite de France) on 29 July 2002

**Thames Water plc**—became a subsidiary of RWE AG in November 2000

#### *Tube Lines Limited (TLL)*

Save for the one Special Share held by LUL, TLL is a wholly-owned subsidiary of Tube Lines (Holdings) Limited (see below).

#### *Tube Lines (Holdings) Limited (TLH)*

Following the recent the completion of the sale of Jarvis' stake, the holdings in TLH are as follows:

**JNP Ventures 2 Limited (66.67%)**—a wholly-owned subsidiary of Amey plc, which has been acquired by Grupo Ferrovial S.A

**UIC Transport (JNP) Limited (33.33%)**—a wholly-owned subsidiary of Bechtel Enterprises Holdings Inc.

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