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MPs set sights on Network Rail pay-outs

By Mark Odell and Jim Pickard



Network Rail was drawn into the growing row over bonuses on Thursday after the government backed a call by Labour MPs for its directors to show restraint.

After a motion from 28 Labour MPs calling for directors of the rail network owner to turn down bonus payments, Maria Eagle, the shadow transport secretary, urged the company to “reassure” the public it would not pay bonuses, given worsening performance.

Justine Greening, the transport secretary, was quick to back her opposite number, echoing a warning over bonuses she gave to Network Rail at the end of last year after the rail regulator found it in breach of its licence for failing to meet punctuality targets.

The company is facing prosecutions over two fatal accidents: in 2005 at a level crossing, which killed two girls, and a 2007 derailment that killed one person.

“This is unacceptable. Network Rail needs to be responsible and exercise restraint,” said Ms Greening, adding it was the last Labour government that had allowed the company to be structured in a way such that “ministers have no powers to block Network Rail executive pay”.

Network Rail is technically part of the private sector. It has no shareholders but has a group of 100 “members” who theoretically hold the management to account and it is funded by borrowing backed by government guarantee. It receives substantial direct and indirect government subsidy. The company’s bonus scheme has caused controversy, notably in mid-2010 when it defied calls for restraint. In the 2009-10 financial year – the last time it paid out in full – Network Rail awarded £2.2m in bonuses to senior managers.

Network Rail has since introduced changes to its scheme, which are due to be voted on next week by members and would reduce the maximum annual pay-out from 100 per cent of salary to 60 per cent.

On top of that, a new five-year incentive plan could pay up to £15.6m between the top 10 directors if key targets were met. Payments would be spread over three instalments and depend on a director continuing to work at the company.

Sir David Higgins, who took over as chief executive a year ago, earns a basic salary of £560,000. The board will decide in May whether he and the other directors will get a bonus for last year.

Sir David has refused to be drawn on whether he would accept a bonus but he told the Financial Times the company needed to retain a scheme to attract the best talent and to keep pension costs in check.

“To say we are going to politicise the process before it’s even gone through, you might as well wipe out the bonus process and then how are you going to attract and retain the right people?”

Network Rail said on Thursday: “There is no scheme in place and no decision has been made about bonuses.”

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