

## Network Rail engulfed in fresh row over directors' bonuses

Unions denounce Network Rail over plans for £1.7m directors bonus scheme and annual payouts worth up to 60% of salary

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Network Rail – a leaked letter from its remuneration committee has reignited a row over its bonus culture.  
Photograph: Frank Baron for the Guardian

Politicians and unions have denounced [Network Rail](#) plans to pay bonuses to its directors – only months after a public outcry led to the rail bosses pledging to waive their annual payouts.

A leaked letter from Network Rail's remuneration committee shows it is trying to push through a long-term bonus scheme worth £1.7m for five directors alongside annual bonuses of up to 60% of salary. It also shows it is planning to pay three directors "golden handcuff" payments of £300,000 each to stop them being poached by rival firms.

The letter from Steve Russell, chairman of the remuneration committee, urges Network Rail's public members – a group set up as a watchdog for consumers' interests – to endorse the revised scheme that raises the directors' base salary and introduces "performance-related retention payments". He said these were "designed as a proactive bulwark against approaches from a still very active international market" in highly paid rail staff.

The chief executive, David Higgins, who earns £560,000, announced in February that he and other board members would forgo any bonus in 2012 amid rail performance issues, although it came after pressure from the transport secretary, Justine Greening, and wider public anger over bonus culture in general.

A Network Rail spokesman defended the proposals, saying: "The government, the regulator and David Higgins all believe in performance-related pay. For too long we've seen rewards paid out for failure, and we're not in that business."

He said they were working on a long-term scheme to reward the board in 2015, as an appropriate, performance-related bonus was in their licence conditions as set down by the Office of Rail Regulation. "Unlike the banks, you don't have massive, perverse incentives for short-term gain." Instead, he said, rail bosses were rewarded "better to continue to deliver a good railway over a long period".

Labour accused the government of being "asleep on the job" as the plans emerged despite coalition pledges to curb bonuses.

Maria Eagle MP, shadow transport secretary, said: "Passengers facing annual fare rises of up to 11% will be staggered that our rail industry could be so out of touch and doesn't recognise how times have changed. Additional payments on top of salaries should be for exceptional performance, not the rule, and the bonus culture that has existed for too long in too many companies must come to an end.

"It's clear that the taxpayer funded Network Rail has learnt nothing from the public outcry the last time they attempted to get away with approving massive bonus payments to senior managers.

"For Network Rail's remuneration committee to rename bonuses as retention payments and tell the AGM that bosses will quit if they don't get these payouts is a completely unacceptable way to put pressure on the body that exists to hold the company to account.

She urged Greening to confirm whether she had fulfilled her commitment to appoint a representative on to Network Rail's remuneration committee. She added: "If the transport secretary failed to appoint, or use her representative to block this plan, then it seems, yet again, that she has been caught asleep on the job and failed in her duty to stand up for passengers and protect taxpayers money."

Manuel Cortes, leader of the transport workers union, the TSSA, said: "These people must be living on planet Zog if they do not understand the public's outrage over unjustified bonuses. Network Rail is in all but name a public company receiving £4bn a year in direct subsidy. Passengers want to see that money go into producing a better and cheaper railway, not into the wallets of directors who are already handsomely rewarded as it is."

Network Rail executives met public members in London on Tuesday to garner support for the revised bonuses at its annual meeting on 19 July.

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