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Network Rail chiefs paid bonuses despite missing targets

By Mark Odell, Transport Correspondent

The top five managers at Network Rail will share an annual bonus of more than £350,000 despite missing punctuality targets, prompting criticism from MPs at a time when commuters are facing above-inflation fare rises.

This is the first time in three years that payouts from Network Rail's annual incentive scheme have been made, after the previous two years' awards were cancelled as the company became embroiled in the wider political backlash against excessive executive pay.

Network Rail, which is technically part of the private sector but receives direct annual subsidy of £4bn, announced last month that four of its top directors would receive bonuses of more than £600,000 under a separate long-term incentive scheme.

On Wednesday, Labour hit out at the bonuses and attacked the payouts as "wrong" in light of the poor performance and rising fares. Maria Eagle, shadow transport secretary, accused ministers of being "out of touch" and called on the government to step in.

A spokesman for the DfT said it was for the board and the regulator to "determine the value of payments". Last year, Network Rail directors waived their annual bonuses following direct intervention by the transport secretary at the time, Justine Greening.

Richard Parry-Jones, Network Rail's chairman, defended the decision to pay the top five executives an annual bonus. It means Sir David Higgins, chief executive, will receive £99,082 on top of his annual salary of £577,000.

"Our executive bonus payments for this year correctly reflect successes as well as shortcomings," Mr Parry-Jones said. The board limited the payouts to 17 per cent of salary, down from a potential full payout of 60 per cent, reflecting Network Rail's failure to meet punctuality targets.

In the three months to January, long-distance punctuality was 88.3 per cent compared to a target of 91.5 per cent. The board also cut awards by 10 per cent because of the company's safety record. Two workers were killed during the 12 months to the end of March.

However, other targets, including cost-efficiency and passenger satisfaction, were met.

Sir David has warned previously that if the company was blocked from paying bonuses, it would struggle to attract and retain talented managers. As a result, the company is planning a further payout of £900,000 in retention payments to three directors if they stay with the company until 2014.

A spokesperson for the Office of Rail Regulation said Network Rail was required to have a bonus scheme in place as part of its licensing requirement to encourage “performance which exceeds the expectations of the regulator and only pays out when outstanding performance is delivered.” He added: “It is vitally important that it is able to secure the right talent and leadership to deliver for the country.”

The company is waiting for the regulator to approve a new long-term bonus scheme.

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