



Office of Rail Regulation

Network Rail: Employment Costs Efficiency Review

March 2008

INBUCON

GROUP

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1. Introduction

- 1.1 Network Rail's current regulatory settlement runs until March 2009. The Office of Rail Regulation (ORR) will determine Network Rail's revenue requirement for the next review period (CP4), which will run from 2009/10 to 2013/14, in October 2008.
- 1.2 As part of this work ORR needs to make an assessment of Network Rail's proposed costs in CP4. The review of Employment Costs at Network Rail is part of this wider project.
- 1.3 Specifically, ORR has asked for an independent report on the following:
 - (a) the total current employment costs for Network Rail split into five employee groups
 - (b) an assessment of the total employment costs against the market taking into account regional differentials where appropriate; and
 - (c) commentary on factors which may impact upon projected movements in employment costs in the future.

Data Sources

- 1.4 The external remuneration data sources used during the project have been listed below:
 - (a) The Watson Wyatt Manufacturing, Distribution & Services Sector Survey
 - (b) EEF Management and Professional Engineers' Pay Survey (2007/08)
 - (c) IDS Pay Benchmark (March 2007 and March 2008)
 - (d) IDS Pay in road transport and distribution (2007/08)
 - (e) IDS Pay in the electricity, gas and water industries (2006)
 - (f) The Inbucon Remuneration Database

Methodology

- 1.5 The report has been separated into five sections, each of which covers a key ORR requirement. Each section has its own detailed notes on methodology however, for completeness, we have included an overview of the methodology followed for the entirety of the project below:
 - (a) The project brief was refined and agreed during meetings between ORR and Inbucon.
 - (b) Inbucon requested data from Network Rail using a question log.
 - (c) Network Rail provided data in response to the logged questions via ORR.
 - (d) Inbucon then contacted Network Rail directly in order to clarify the responses received. In most cases this was done via telephone conversations, although face-to-face meetings were held with Network Rail.
 - (e) Inbucon analysed the data and responses and produced this report.
- 1.6 Generally speaking we found Network Rail to be helpful in terms of giving up their time to meet with us to discuss various aspects of this project.
- 1.7 However, we would highlight that one of the key segments of employee data (i.e. that covering allowances) was not provided in their original submissions and benchmarking reports. As noted in the body of this report, allowances are a significant component of pay for many employees at Network Rail. Omitting these figures from the original benchmarking reports painted an incomplete (and slightly misleading) picture of the wider pay environment at Network Rail.



Approach

- 1.8 We have approached this project from a holistic (or “top-down”) perspective.
- 1.9 As such, our analysis is not intended to be completely accurate at the individual or detailed level. It is not possible to do this within the scope of this assignment with the information, budget and time available.
- 1.10 Rather, we focused our attention on broad trends within the data and sought to provide an independent, overall assessment of the total employment costs at Network Rail together with general advice on employment costs for similar levels/skills in the market.

2. Executive Summary

Conclusion

- 2.1 We believe that employment costs at Network Rail are:
 - (a) At the market for role clarity employees¹
 - (b) Around 18% above the market for signalling employees²
 - (c) Around 35% above the market for maintenance employees³
- 2.2 If we were to calculate a weighted average for Network Rail as a whole using the above figures - based on proportions of total employment costs - the result would be in the region of 20% above the market.
- 2.3 In our view this represents a sound upper boundary in terms of Network Rail’s most likely actual market position. We feel that it is prudent to keep our final estimate slightly below this figure to allow for the assumptions that we have made in our calculations and to be as conservative as possible.
- 2.4 Our final conclusion, therefore, is that employment costs at Network Rail are around **15% - 20% above the market**.
- 2.5 Due to the nature of the assignment, the timeframe, and the information provided it is not possible to provide a more specific estimate than this.

Summary of Findings

- 2.6 In our view, the greatest areas of inefficiency (or excessive areas of employment costs in comparison with the market) are the following:
 - (a) The composition of total package for signalling and maintenance staff (allowances at Network Rail are excessive in comparison with the market)
 - (b) the large number of different terms and conditions for maintenance staff,
 - (c) the generous nature of some benefits (specifically the pension scheme, notice periods, and the free rail travel for some 13,000 staff)

Recommendations

¹ Role Clarity covers, in broad terms, employees working in the support, administrative, professional or management functions at Network Rail. It excludes the operational railway employees. Role Clarity staff are divided into the following job families: Management, Operations, Technical specialists, Engineering, Projects, Analyst, Planning, Customer relations, Support service, Administration, Secretarial, Sponsorship, Supply chain

² The signalling category includes the following employees: Signallers, Supervisors, Electrical Control Room Operators, and Controllers

³ Maintenance covers maintenance staff.



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- 2.7 We appreciate that Network Rail operates in a unionised environment which restricts its ability to make changes in this area. However we also note that Network Rail has an obligation to manage its resources as efficiently as possible, and addressing historic labour issues forms an important part of this.
- 2.8 We have therefore listed the changes that we would expect to see as Network Rail moves towards becoming a more efficient organisation below.
- (a) Harmonise maintenance staff onto a single pay and grading structure with a single set of terms and conditions.
 - (b) As part of the harmonisation process, conduct an across-the-board review of base pay and allowances against the market. The primary aim of the review should be to balance the composition of the total package for signalling and maintenance staff so that allowances are more in line with typical practice in the market.
 - (c) Reduce the level of benefit and cost associated with the pension scheme and reduce notice periods as soon as it is practicable.
 - (d) Consider introducing flexibility to vary pay by region for signalling and maintenance staff in order to take advantage of pay differentials where possible – although any changes here need to take into account potential equal pay implications.
 - (e) Conduct market assessments on total compensation and total cash, rather than just base salary, during the annual pay review process.



3. Current Employee Costs

3.1 Indicative figures are provided below:

- (a) Base salary figures are actuals
- (b) Figures for allowances, bonus, overtime, rest day, and Sunday are estimates (using averages supplied by NR)
- (c) Figures for employment costs are estimates (base salary plus the average allowance, bonus, overtime, rest day and Sunday allowance by grade)
- (d) Non cash benefits (such as pensions) have been excluded from these figures
- (e) Tax and NI costs have been excluded from these figures

Employee Category	Number of Employees	Base Salary (Sum)	Total Allowances (Sum)	Total Bonus (Sum)	Total Overtime (Sum)	Total Rest Day (Sum)	Total Sunday (Sum)	Employment Costs (Sum)
Directors	56	8,977,100	504,119	1,829,202	-	-	-	11,310,421
Administration	2,368	81,422,234	2,446,726	5,410,074	417,360	124,832	139,001	89,960,227
Commercial Property	348	13,634,294	462,973	1,248,085	35,544	14,150	15,565	15,410,611
Maintenance	17,640	376,517,744	42,722,646	5,849,181	79,749,589	19,982,511	20,007,595	544,829,266
MP & I	5,028	198,919,467	5,846,150	13,465,306	583,039	226,632	242,490	219,283,084
National Telecoms	342	12,390,811	335,160	613,939	31,828	13,054	14,612	13,399,404
Other Operations Staff	2,212	69,151,709	2,184,231	4,372,640	542,458	1,575,063	776,343	78,602,444
Signallers	6,417	165,518,248	9,852,917	5,655,672	11,343,174	19,368,161	24,936,408	236,674,580
Westwood	117	2,093,714	59,173	72,401	31,123	8,314	8,737	2,273,462
Grand Total	34,528	928,625,321	64,414,095	38,516,500	92,734,115	41,312,717	46,140,751	1,211,743,499

3.2 We have also presented averages for each employee category below to provide an indication of typical per employee costs

Employee Category	Number of Employees	Base Salary (Average)	Total Allowances (Average)	Total Bonus (Average)	Total Overtime (Average)	Total Rest Day (Average)	Total Sunday (Average)	Employment Costs (Average)
Directors	56	160,305	9,002	32,664	-	-	-	201,972
Administration	2,368	34,384	1,033	2,285	176	53	59	37,990
Commercial Property	348	39,179	1,330	3,586	102	41	45	44,283
Maintenance	17,640	21,345	2,422	332	4,521	1,133	1,134	30,886
MP & I	5,028	39,562	1,163	2,678	116	45	48	43,612
National Telecoms	342	36,230	980	1,795	93	38	43	39,180
Other Operations Staff	2,212	31,262	987	1,977	245	712	351	35,535
Signallers	6,417	25,794	1,535	881	1,768	3,018	3,886	36,882
Westwood	117	17,895	506	619	266	71	75	19,431
Grand Total	34,528	26,895	1,866	1,116	2,686	1,196	1,336	35,095

3.3 As mentioned earlier, these figures will not be accurate at the detailed level as we are concerned with high level trends for this assignment, and we have had to use estimates for all allowance and bonus data.

3.4 However, we have compared our figures with data provided by Network Rail as part of the question log process, in order to sense check the results.

3.5 In the Management Pay Benchmarking Report, Network Rail discloses the following high level figures:

- (a) Average base salary (all staff): £25,471



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- (b) Average employment cost (all staff): £34,941
 - (c) Total employment costs: £1.188 billion
- 3.6 These are comparable with the figures quoted in the tables above (£26,895 for average base salary, £35,095 for average employment costs, and £1.211 billion for total employment costs).
- 3.7 Our sample was larger than Network Rail by around 1,500 employees and this may explain some of variance in the figures together with our using estimates for the allowance and bonus data. In addition, we have annualised salaries for part-timers which may have had an impact.

Brief Overview of Methodology

- 3.8 Data was requested from Network Rail via a question log. The base salary data presented above came from an all employee spreadsheet provided by Network Rail.
- 3.9 Inbucon classified employees into the above categories on the basis of job function in consultation with ORR.
- 3.10 Non permanent staff were excluded. Employees for whom we did not have a base salary were excluded. Salaries for part-time employees were annualised.
- 3.11 Base salary data was current as at 30 January 2008.
- 3.12 Figures for employment costs are estimates based on the following calculation: actual base salary plus average total allowance, bonus, overtime, rest day and Sunday allowance by grade.
- 3.13 For Directors, the employment costs figure is equal to actual base salary plus actual allowances plus an estimate for bonus which was supplied by Network Rail.
- 3.14 Pensions and other non cash benefits have been excluded from all figures.
- 3.15 For non-Maintenance staff, figures for allowances, bonus, overtime, rest day, and Sunday are estimates for the 2006/2007 year (using averages supplied by NR in a spreadsheet entitled "Full Year Cost Analysis 2006/2007").
- 3.16 For Maintenance staff (i.e. staff on spot salaries) the data was provided in a slightly different format in a spreadsheet entitled "Full Year Cost Analysis 06/07 – ORR Maintenance". Using the figures provided, we calculated average figures for Shift Allowance, Overtime, and General Allowances. The sum of these averages was 70% of salary. We then rounded the figures down and applied them to all staff on spot salaries. The final figures used were the following:
- (a) Shift Allowance: 15% of salary (this was applied equally across Rest Day and Sunday in the above table as there was no specific shift allowance category provided in the data for non-Maintenance staff)
 - (b) Overtime: 30% of salary
 - (c) General Allowance: 15% of salary
- 3.17 Regional Allowances, Bonus and Expenses were excluded for Maintenance staff in order to provide as conservative an estimate as possible.

Other Demographics

- 3.18 We present some data on labour turnover rates at Network Rail, together with equivalent figures for the market from the CIPD, on the following page.



Turnover	2004/05	2005/06	2007/08 (est)
Network Rail - Voluntary	2.2%	2.9%	4.0%
Network Rail - Involuntary	1.8%	3.6%	2.6%
Total	4.0%	6.5%	6.6%
CIPD research (all industries)	15.7%	18.3%	18.1%

- 3.19 According to information provided by Network Rail, total turnover levels have ranged between 4% - 6.6% over the past three years. In our view, this is lower than typical turnover rates in the market.
- 3.20 The CIPD carries out an annual survey into Recruitment, retention and turnover. Overall turnover figures from the June 2007 survey have been included in the table to provide a reference point against the market.
- 3.21 The CIPD survey also splits turnover rates by industry. There is not a clear match with Network Rail in the categories covered by the CIPD survey but we have listed some relevant industry turnover rates below as additional reference points:

Industry	All Leavers	Voluntary Leavers
Engineering, electronics and metals	7.5%	3.7%
Electricity, gas and water	15.1%	9.6%
Construction	27.1%	21.7%
Transport and storage	20.3%	8.7%
Public Services	13.7%	7.8%

- 3.22 The CIPD data supports our view of the market. In our experience, we would expect typical turnover rates in the private sector to be within the range 15% - 25% and in the public sector to be 10% - 20%.
- 3.23 Based on the above, we conclude that turnover rates at Network Rail are low in comparison with the market.
- 3.24 On the following page we present some further analysis which covers age and length of service by employee category.

Employee Category	Number of Employees	Average Length of Service	Average Age
Directors	56	10.02	50.65
Commercial Property	348	9.05	40.65
Administration	2,368	6.21	36.62
Maintenance	17,640	12.09	41.62
Infrastructure and Investment	5,028	6.67	41.76
National Telecoms	342	2.89	39.54
Other Operations Staff	2,212	11.67	41.12
Signallers & Supervisors	6,417	14.50	44.82
Westwood	117	3.70	39.55
Total	34,528	11.16	41.84



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- 3.25 The data show that, consistent with the low turnover experienced by Network Rail, the employee population tends to be around 40 to 45 years old, with a length of service of around 10 – 12 years.
- 3.26 The two employee groups with the longest average length of service are Signallers and Maintenance staff. Both of these groups are paid by a “spot rate” approach, although signalling staff are covered by a grade structure. Together these employees make up approximately 70% of the employee population at Network Rail.



4. Assessment of Current Employment Costs against Market

- 4.1 This section details the results of the Inbucon assessment of current employment costs at Network Rail against the market.
- 4.2 This section should be read in conjunction with the Section 5 of the Report which covers the Inbucon Assessment of the internal benchmarking reports and data provided by Network Rail as part of the question log process.
- 4.3 For the purposes of this study, we have defined the market as companies from all industries (i.e. we have not taken a specific industry cut).
- 4.4 This definition matches with that used for the internal benchmarking done by Network Rail which also referenced data sources from all industries (although finance companies are excluded from one data source). We have also excluded finance companies wherever possible.
- 4.5 We have included data from the private sector and public sector and in addition, where possible, we have referenced other companies which operate in regulated industries.

Methodology

- 4.6 We have carried out the following in respect of our assessment of Network Rail's Employment Costs against the market:
 - (a) A benefits assessment, including bonus (for role clarity employees)
 - (b) An assessment of base salary against the market (for role clarity employees)
 - (c) An assessment of employment costs (e.g. base salary, bonus, overtime, shift and other allowances) for signalling and maintenance staff
- 4.7 The benefits assessment for role clarity employees was carried out using the following information provided by Network Rail:
 - (a) Employee booklet entitled: "Explaining Role Clarity, reward and benefits"
 - (b) Table listing the benefits for each employee band
 - (c) Figures on average actual bonus by grade
 - (d) Reports carried out by the Pensions Commission
- 4.8 We then conducted a broad assessment against the market using the Inbucon database, other published remuneration surveys (listed in 1.4), and our experience and knowledge of typical market practice.
- 4.9 The base salary assessments were carried out using the following information provided by Network Rail:
 - (a) A spreadsheet with basic details (including base salary and some allowances) for all employees at Network Rail
 - (b) Job descriptions for some roles
 - (c) An organisation chart
 - (d) The benchmarking reports for management staff and signalling and maintenance staff
 - (e) The remuneration benchmarking tool (RBT)
 - (f) The Watson Wyatt Manufacturing, Distribution & Services Sector Survey
 - (g) Several discussions with employees in the Compensation and Benefits department (either face-to-face or on the telephone) to develop an understanding of the maintenance and signalling roles and to clarify various technical issues which arose as the data was analysed.



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- 4.10 In conducting the base salary assessment, we selected benchmark roles for role clarity staff and compared salaries for these roles against the market using the Inbucon database and other published surveys where available.
- 4.11 The benchmark roles, for role clarity staff, were selected with the following criteria in mind:
- (a) Employee numbers (i.e. roles which have the most employees)
 - (b) Comparability with the market (i.e. roles for which appropriate market comparisons can be made)
 - (c) Seniority (i.e. roles from as many levels in the organisation as possible)
 - (d) Breadth (i.e. roles from as many job families - or category of jobs in a similar area such as Engineering, Finance or HR – as possible)
 - (e) Current market position as defined by Network Rail (i.e. we tried to pick roles which were at, above and below the market in the RBT)
- 4.12 For signalling and maintenance staff, we elected to use the categories supplied by Network Rail in its benchmarking report. In our view, these categories are the most appropriate reference points for a comparison against the market.
- 4.13 The benchmark roles were then compared against similar roles in the market, using:
- (a) The Inbucon database
 - (b) Relevant comparator group (where appropriate e.g. for the signaller roles)
 - (c) Other published salary surveys (where available)

Benefits Analysis – Role Clarity Employees

- 4.14 The table on the following page shows Inbucon's assessment of the benefits offered to Role Clarity employees as at January 2008.
- 4.15 We have rated each benefit according to the following scale:
- (a) + benefit level is above typical practice in the market
 - (b) = benefit level is equivalent to typical practice in the market
 - (c) - benefit level is below typical practice in the market
- 4.16 We have split Roles Clarity employees into Bands 1 – 4 (or Management) and Bands 4 – 8 (or employees) for this assessment.



Benefit (January 2008)		Band 1	Band 2	Band 3	Band 4	Inbucon Rating	Inbucon Comment
Salary Range		> £63,000	£44,000 - £95,000	£31,000 - £72,000	£23,000 - £53,000	n / a	Comments provided in the Base Salary Assessment section of the report
Car		£8,000 pa	£6,000 pa	N/A		=	Both the amounts and eligibility restrictions are in line with typical market practice
Protected Travel		Gold Pass	Silver pass for spouse and dependents	Silver pass, 1st Class and LUL if London based	Standard Class (20 boxes) and free residential travel	+	Legacy benefit of significant value to a large number of employees (~13,000). Obviously not offered anywhere else in the market
Health Care	Cover type	Family & Biannual Healthscreen	Family Cover	Employee Cover	N/A	=	In line with typical practice in the market. A large number of private sector employers provide private medical to all staff. Network Rail is arguably at a slight disadvantage in comparison to this market.
	P11D Value	£964 pa	£964 pa	£336 pa	N/A		
Bonus	MIP	Target 20% Max 40% Actual 38%	Target 15% Max 30% Actual 28%	Target 10% Max 20% Actual 12%	Target 5% Max 10% Actual: needs to be provided (LOMs only)	=	Targets and Maximums are in line with good practice in the market. Bands 1 & 2 paid out almost at the maximum - we expect this to be an indicator of excellent performance for the organisation.
	LTIP	Yes. Maximum payment is equal to the annual bonus payment in the year preceding the 3 year LTIP.		Not Applicable		-	Potential awards are well below typical awards in listed companies, however, it is arguable whether these companies are a relevant comparator. We consider the LTIP scheme to be appropriate, and there is scope to increase award levels.
	General Bonus Scheme	Not applicable			Target £750 Max £1,500 Actual £755	= / -	Reasonable scheme, payout level possibly slightly below the market for Band 4 employees at the top end of Band 4 but it is comparable with the market for the rest of these employees.
London Working Allowance	Inner London £2,250; Outer London £1,240; South East £805					=	Amounts and eligibility are reasonable and in line with typical practice in the market.
Annual Leave	28 Days					=	In line with typical practice in the market.
Notice Period	Network Rail	6 months	6 months	4 months (increasing to 6 months after 5 years' service)		+	Notice periods are significantly longer than typical practice in the market.
	Employee	3 months	3 months	2 months (increasing to 3 months after 5 years' service)		=	3 months is reasonable for employees at Band 1 and 2 level. For employees at Band 4 level with > 5 years service, 3 months is probably slightly higher than typical practice in the private sector. We feel that this is a reasonable level for Network Rail.
Pension	DC scheme for New Joiners (3% company contribution plus matching contributions), DB for those with > 5 years service.					+	The DB scheme is of greater value than typical practice in the market, even allowing for the cost sharing arrangement. Most DB schemes are now closed, with employers only offering DC benefits to new employees.
Employee Assistance Program	24 hrs counselling service. Up to 6 one hour face to face counselling sessions per case presented by employee					=	Standard practice in the private sector. We consider it reasonable for Network Rail to offer this benefit to these staff
Childcare Vouchers	Exempt from tax and NI up to £55 per week. Provided via a salary sacrifice scheme					=	Many companies offer childcare vouchers and it is reasonable for Network Rail to offer this benefit
Season Ticket Loan	Interest free loans. Subsidies (up to 45% discount capped at £1,295) is available to employees without safeguarded travel					+	Many companies do offer interest free loans, however, in our experience, it is extremely rare for a discount to be offered as well. In addition, the information that we received indicates that there may be a slight "double counting" effect here as it appears that a portion of this benefit (i.e. interest-free, non subsidised loans) is offered to employees who already have protected travel.
Cycle to Work	Employees have the opportunity to pay for a new bike using pre-tax income as part of Government scheme					=	Reasonable benefit
Charitable Giving	Give as You Earn - NR matches employee contributions up to £1,200. Up to 5 days' paid leave for employees volunteering with one of NR's recognised charities					=	Reasonable benefit.



Benefit		Band 5	Band 6	Band 7	Band 8	Inbucon Rating	Inbucon Comment
Salary Range		£18,000 - £40,000	£15,000 - £30,000	£13,000 - £24,000	£11,000 - £19,000	n / a	Comments provided in the Base Salary Assessment section of the report
Car		N/A				=	In line with typical practice in the market.
Protected Travel		Standard class (20 boxes and 8 or 40 miles free residential travel plus balance at 25%)	Standard class (16 boxes) and 8 or 40 miles free residential travel plus balance at 25%			+	Legacy benefit of significant value to a large number of employees (~13,000). Obviously not offered anywhere else in the market
Health Care	Cover type	None				=	In line with typical practice in the market. A large number of private sector employers provide private medical to all staff. Network Rail is arguably at a slight disadvantage in comparison to this market for this group of employees.
	P11D Value	None					
Bonus	MIP	N/A				=	
	LTIP	N/A				-	
	General Bonus Scheme	Target £750 Maximum £1,500 Actual £554	Target £750 Maximum £1,500 Actual £553	Target £750 Maximum £1,500 Actual £425	Target £750 Maximum £1,500 Actual £305	=	Payout levels are in line with market practice for Bands 5 and 6, but are slightly in excess of typical market practice for Bands 7 and 8, particularly if considered in concert with the other cash payments which are made to these employees.
London Working Allowance	Inner London £2,250; Outer London £1,240; South East £805				=	Amounts and eligibility are reasonable and in line with typical practice in the market.	
Annual Leave	28 Days				=	In line with typical practice in the market.	
Notice Period	Network Rail	4 months (increasing to 6 months after 5 years' service)	6 Weeks increasing to 3 months after 5 years' service			+	Notice periods are significantly longer than typical practice in the market.
	Employee	2 months (increasing to 3 months after 5 years' service)	1 month increasing to 6 weeks after five years service			=	Probably slightly longer than typical practice in the market, however we do not consider this to be excessive
Pension	DC scheme for New Joiners (3% company contribution plus matching contributions), DB for those with > 5 years service.				+	The DB scheme is of significantly greater value than typical practice in the market, even allowing for the cost sharing arrangement. Most DB schemes are now closed, with employers only offering DC benefits to new employees.	
Employee Assistance Program	24 hrs counselling service. Up to 6 one hour face to face counselling sessions per case presented by employee				=	Standard practice in the private sector. We consider it reasonable for Network Rail to offer this benefit to these staff	
Childcare Vouchers	Exempt from tax and NI up to £55 per week. Provided via a salary sacrifice scheme				=	Many companies offer childcare vouchers and it is reasonable for Network Rail to offer this benefit	
Season Ticket Loan	Interest free loans. Subsidies (up to 45% discount capped at £1,295) is available to employees without safeguarded travel				+	Many companies do offer interest free loans, however, in our experience, it is extremely rare for a discount to be offered as well. In addition, the information that we received indicates that there may be a slight "double counting" effect here as it appears that a portion of this benefit (i.e. interest-free, non subsidised loans) is offered to employees who already have protected travel.	
Cycle to Work	Employees have the opportunity to pay for a new bike using pre-tax income as part of Government scheme				=	Reasonable benefit	
Charitable Giving	Give as You Earn - NR matches employee contributions up to £1,200. Up to 5 days' paid leave for employees volunteering with one of NR's recognised charities				=	Reasonable benefit.	



Base Salary Assessment (Role Clarity Employees)

- 4.17 We have examined the market position for Role Clarity employees at Network Rail in two ways:
- A blanket assessment of all Role Clarity employees using information provided by Network Rail in the Management Pay Benchmarking Report, the Remuneration Benchmarking Tool (RBT) and the Watson Wyatt Manufacturing and Distribution Survey, and
 - A specific assessment of benchmark roles using market data from the Inbucon database and other published surveys

Blanket Assessment

- 4.18 Network Rail provided its own market data (via the RBT and the Management Pay Benchmarking Report) as part of the question log process.
- 4.19 We were able to conduct our own “sense check” of the figures quoted in the Management Pay Benchmarking Report using the data provided in the RBT. This “sense check” is not an assessment of the source data itself, rather an examination of the analysis and computations involved in producing the figures quoted in the benchmarking report.
- 4.20 Our analysis was broadly similar to Network Rail’s, however there were some small discrepancies as shown in the below tables.

Job Family	Network Rail Assessment against median	Inbucon Assessment against median using RBT data
Administration	93%	93%
Analyst	84%	85%
Customer Relations	91%	93%
Engineering	103%	105%
Management	98%	101%
Planning	94%	99%
Project	103%	103%
Secretarial	99%	105%
Supply Chain	97%	102%
Support	93%	92%
Technical Specialist	97%	99%
All Job Families	96%	99%

- 4.21 The above table shows the results of the Job Family “sense check”. In almost every case, the Inbucon assessment (using the data provided in the RBT) is slightly higher than the Network Rail assessment.

Job Band	Median Network Rail Salary	Median External (Market) Salary	Network Rail Assessment against median	Inbucon Assessment against median using RBT data
Band 1	87,535	104,850	83%	109%
Band 2	62,001	73,139	85%	90%
Band 3	45,639	51,284	89%	104%
Band 4	34,680	38,270	91%	96%
Band 5	25,586	29,340	87%	104%
Band 6	20,124	23,277	86%	97%
Band 7	18,648	18,697	100%	94%
Band 8	11,440	15,489	74%	99%
All Grades			96%	99%



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- 4.22 The table on the previous page shows the results by Job Band, or grade. Again, in most cases the Inbucon assessment is higher than the Network Rail assessment.
- 4.23 Although this is a curious finding - it is intriguing to see such a uniform pattern in the difference between two separate assessments of the same data - our view is that, in an overall sense, it is not significant and is probably caused by (relatively) minor discrepancies or differences in the underlying data.
- 4.24 We also carried out a market assessment of these positions using data from the Watson Wyatt Manufacturing and Distribution Services survey. We were able to compare Network Rail with the market in terms of base salary and total cash (i.e. base salary plus allowances plus bonus).
- 4.25 The results were broadly similar:
- (a) base salary market position – 102%
 - (b) total cash market position – 103%
- 4.26 The overall market position has not changed significantly and is still at or around the market median.

Benchmark Roles

- 4.27 We also conducted an assessment of specific benchmark roles against market data held in the Inbucon database and other published surveys including the IDS Pay Benchmark (2007) and the EEF Management and Professional Engineers Pay Survey (2007/08).
- 4.28 As noted earlier, the benchmark roles were selected using the following criteria:
- (a) Employee numbers (i.e. roles which have the most employees)
 - (b) Comparability with the market (i.e. roles for which appropriate market comparisons can be made)
 - (c) seniority (i.e. roles from as many levels in the organisation as possible)
 - (d) breadth (i.e. roles from as many job families as possible)
 - (e) current market position as defined by Network Rail (i.e. we tried to pick roles which were both above and below the market in the RBT)
- 4.29 Our findings are presented in the table on the following page.



Roles	Band	Network Rail			Inbucon Market Comparison			Compa Ratio against Median
		Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	
Role A*	1	n/a	93,000	n/a	n/a	81,000	n/a	115%
Role B	1	70,043	70,845	74,943	n/a	78,000	n/a	91%
Role C*	1	n/a	70,000	n/a	n/a	71,750	n/a	98%
Role D	2	58,646	76,140	82,405	63,591	75,723	92,792	101%
Programme Manager	2	62,045	71,262	79,309	62,567	63,555	77,561	112%
Territory Engineer	2	60,831	67,523	70,614	59,193	64,621	68,651	104%
Role E	3	60,447	69,595	85,253	45,368	55,881	61,667	125%
IT Business Analyst	3	48,093	51,680	55,159	46,471	51,788	56,433	100%
HR Manager	3	43,750	47,894	51,105	48,057	49,482	51,472	97%
Role F	3	36,772	43,362	51,651	37,759	45,342	43,500	96%
Project Engineer	4	35,462	39,112	42,180	32,335	38,521	38,637	102%
Quantity Surveyor	4	30,982	38,582	42,178	34,476	36,469	41,464	106%
Design Engineer	4	35,007	36,963	41,394	32,976	35,467	38,298	104%
Role G	4	25,993	28,415	31,105	27,941	33,738	39,688	84%
Works Scheduler	5	19,908	22,173	25,589	19,594	21,648	26,498	102%
Accounts Receivable	5	18,527	20,885	25,209	18,453	20,675	22,475	101%
Administration Clerk	6	19,000	20,220	22,112	18,559	20,156	21,615	100%
Accounts Payable	6	15,125	18,980	23,638	18,466	20,727	22,604	92%
HR Administrator	6	15,225	16,852	20,605	17,019	18,013	20,998	94%
Works Data Clerk	6	15,073	16,277	18,202	18,230	20,650	25,000	79%
Call Centre Staff	7	13,116	16,308	18,718	15,166	15,971	18,417	102%
Secretary T/O	8	16,939	17,358	18,855	17,215	18,528	19,065	94%

* We did not obtain sufficient market data for these roles to report quartile figures

4.30 Most of the Network Rail roles are positioned within a market-competitive range on base salary.

4.31 There are only 2 roles – those highlighted in red – which fall outside of this range and there may well be a reasonable explanation for the discrepancy in each case. In addition the salary for Role A seems high relative the market data that we were able to obtain.

4.32 Overall though, our conclusion is that, broadly speaking, the benchmark roles are positioned at the market median.



Conclusion – role clarity employees

- 4.33 The results for both base salary analyses confirm that the figures quoted in the Management Pay Benchmarking report are reasonably accurate and that Network Rail is positioned at about the market median.
- 4.34 Our benefits assessment indicates the Network Rail is broadly comparable with the market, although there are some benefits (specifically the pension and free travel arrangements) which are more generous than the typical offering in the market.
- 4.35 We therefore conclude that the market position for Role Clarity Employees at Network Rail is at the market median for base salary and total cash, and at (or slightly above) the market median when benefits are taken into account.



Employment Costs Assessment – Signallers, Supervisors, Controllers & ECOs

Introduction to Signalling Staff

- 4.36 We understand from Network Rail that the Signallers are regarded as a unique group of jobs against which it is not possible to specifically benchmark by job matching as all signallers work for Network Rail, except those employed by London Underground⁴. Therefore Network Rail has used job evaluation as a mechanism for comparison purposes.
- 4.37 Such an approach in itself is not unique. Certainly amongst the public sector generally there are many arguments put forward about the unique nature of individual posts, e.g. Members of Parliament, doctors, nurses etc. Pay review bodies, like those organised by the Office of Manpower Economics look across the economy and at jobs which employ similar skills to make a comparison.
- 4.38 We have summarised, in our analysis below, the levels and range of salaries paid against each grade plus allowances. Note that these figures have also been provided in full, for all Signalling and Maintenance employees, in tables in the Appendix, along with a few comments on the methodology followed for this section of the report.
- 4.39 The external market data from Hay for base pay for signallers is also included within the analysis for comparison purposes. It should be noted that this latter figure has been averaged, putting Grades 1 and 2 together, Grades 3 to 5 together and Grades 6 to 10 together.
- 4.40 The Network Rail external market data shows that these positions are paid below the market. We would agree with this as set out below. However we also need to consider the level of allowances and bonuses for such individuals which forms a significant part of their remuneration, between 39% to 55% of average base pay.
- 4.41 It should be noted that we were not provided with any job descriptions and therefore we based our understanding upon discussions with Network Rail and other individuals who either had worked with or for Network Rail.
- 4.42 Our benchmarking was carried out on the basis of job matching for workers with comparable skill levels across manual/ technically based sectors.

⁴ There are four levels of Service operators at London Underground whose salaries start at £34,968 as at April 2007, then up to £45,098, two levels of Service Controller, £42,378 to £49,820 and two levels Service Manager, £51,066 to £58,204.



Trade Group	Grade Number	Number in Grade	Internal Base	Average Total Allowances & Bonus	Average Total Allowances & Bonus as a % of Base Pay	Total Average Pay
Signallers	1	494	£ 17,213	£ 6,741	39%	£ 23,954
Signallers	2	793	£ 19,012	£ 6,879	36%	£ 25,891
Signallers	3	1020	£ 20,702	£ 8,387	41%	£ 29,089
Signallers	4	476	£ 23,117	£ 9,558	41%	£ 32,675
Signallers	5	445	£ 25,278	£ 11,543	46%	£ 36,821
Signallers	6	467	£ 27,177	£ 12,504	46%	£ 39,681
Signallers	7	592	£ 28,902	£ 13,303	46%	£ 42,205
Signallers	8	409	£ 30,960	£ 15,035	49%	£ 45,995
Signallers	9 - 10	282	£ 32,254	£ 15,446	48%	£ 47,701

- 4.43 Given the high level and combination of allowances paid to such post holders and given that these allowances appear to be expected and certain it should be considered whether these should be treated and incorporated within base pay. Indeed if this was the case then base pay would not necessarily be below the market. For example, by the incorporation of the Average Sunday Allowance, given that Network Rail operates 7 days a week excluding some Bank Holidays this would not be unreasonable, this would raise individual base pay between some £2,500 to £6,000 per annual⁵, bringing base pay up to market median. Broadly we would expect to see that additional allowances at this level would not exceed 30% of base pay.
- 4.44 We understand that this approach has evolved over a period of years however in our view it might be more appropriate to re position base pay more accurately, and it can be argued more fairly.
- 4.45 We also note that these roles are paid according to a normal working week of 35 hours. This is generally unusual for these types of roles. A more typical working week would be 37 hours.
- 4.46 This then has an impact on the approach to benchmarking as it would make a significant difference, say between £1,000 (Grades 1 and 2) to £1,500 (Grades 3 to 5) in base pay if the market data were adjusted to a 35 hour week. When we are looking at those in the higher grades, and therefore higher paid, such analysis is more imprecise. We understand that the market data previously provided has not be adjusted to allow for hours worked. Therefore we have not made an adjustment to the data used for this report either so that consistency is maintained and also to be as conservative in our assessment as possible.
- 4.47 We also note that the number of grades looks excessive. Certainly any structure must be fit for purpose but we would recommend that this is probably unnecessary. A structure with say 4 to 6 grades maximum would be more in line with current market practice and this may lead to cost savings over time as the redundant grades (and rates of pay) are phased out.

⁵ We realise that there would be potentially an effect on other benefits, like pensions. We have highlighted this to show how if we take a different definition of base pay the outcome of a remuneration review would be different.

4.48 Therefore taking the same approach to the market as Network Rail we have benchmarked the jobs against the market against broad market data across all sectors. This shows that base pay is generally below the current market.

Trade Group	Grade Number	Internal Base	Inbucon Median	Compa Ratio to Inbucon Median	External Base Average by NR	Compa Ratio to NR Median
Signallers	1	£ 17,213	£ 18,178	95%	£ 23,422	73%
Signallers	2	£ 19,012	£ 20,613	92%	£ 23,422	81%
Signallers	3	£ 20,702	£ 23,292	89%	£ 29,277	71%
Signallers	4	£ 23,117	£ 25,059	92%	£ 29,277	79%
Signallers	5	£ 25,278	£ 27,570	92%	£ 29,277	86%
Signallers	6	£ 27,177	£ 29,250	93%	£ 35,132	77%
Signallers	7	£ 28,902	£ 31,348	92%	£ 35,132	82%
Signallers	8	£ 30,960	£ 33,250	93%	£ 35,132	88%
Signallers	9 - 10	£ 32,254	£ 34,930	92%	£ 35,132	92%

4.49 We then examined total remuneration. No market data has been provided for this from Network Rail. This is not surprising as such data is less available and will reflect the structure of the organisation, i.e. overtime may or may not be a fundamental component of the role, depending upon manning levels and the volume of work. However we would reiterate it is unusual to find additional payments forming such a significant part of remuneration⁶. Data for such positions is more difficult to compare and contrast⁷. Therefore for these figures we have made a judgement on what would be reasonable. This would certainly include the value of other benefits, some overtime and perhaps a bonus. However the Rest Day and Average Sunday Allowances would be treated as part of base pay.

⁶ Obviously there are posts in the sales and finance fields where this would be the norm and at executive level.

⁷ If we use the same jobs for the purposes of providing a market median less than half will have significant allowances added to base pay.



Trade Group	Grade Number	Total Average Pay	Inbucon Median Total Remuneration	Compa Ratio to Inbucon Median	External Total Average
Signallers	1	£ 23,954	£ 19,905	120%	N/A
Signallers	2	£ 25,891	£ 22,674	114%	N/A
Signallers	3	£ 29,149	£ 24,992	117%	N/A
Signallers	4	£ 32,675	£ 26,613	123%	N/A
Signallers	5	£ 36,811	£ 30,878	119%	N/A
Signallers	6	£ 39,681	£ 33,638	118%	N/A
Signallers	7	£ 42,205	£ 36,050	117%	N/A
Signallers	8	£ 45,995	£ 37,905	121%	N/A
Signallers	9 - 10	£ 47,701	£ 38,579	124%	N/A

Supervisors

- 4.50 Turning to the Supervisors we examined the market comparison on a similar basis to the Signallers. There was no market data provided by Network Rail for these roles. Average figures for all components of pay (base, bonus and allowances) have been included in Appendix A.
- 4.51 Looking at the base pay data our comparisons show that these posts are below the market.

Trade Group	Grade Number	Internal Base 06/07	Inbucon Median	Compa Ratio to Inbucon Median	External Base Average by NR	Compa Ratio to NR Median
Supervisor	4 - 5	£ 25,548	£ 29,230	87%	N/A	N/A
Supervisor	6	£ 27,093	£ 30,900	88%	N/A	N/A
Supervisor	7	£ 29,224	£ 32,100	91%	N/A	N/A
Supervisor	8	£ 31,051	£ 34,600	90%	N/A	N/A
Supervisor	9	£ 32,270	£ 35,500	91%	N/A	N/A
Supervisor	10	£ 33,487	£ 38,000	88%	N/A	N/A

- 4.52 Turning to total remuneration this shows that these posts are paid above the market. This again reflects the levels of allowances and structure of the package.



Trade Group	Grade Number	Total Average Pay	Inbucon Median Total Remuneration	Compa Ratio to Inbucon Median	External Total Average
Supervisor	4 - 5	£ 34,677	£ 33,328	104%	N/A
Supervisor	6	£ 42,158	35,072	120%	N/A
Supervisor	7	£ 45,567	36,690	124%	N/A
Supervisor	8	£ 44,710	39,409	113%	N/A
Supervisor	9	£ 46,327	40,470	114%	N/A
Supervisor	10	£ 50,248	43,510	115%	N/A

Controllers

4.53 Again, we have examined the market comparison on a similar basis to the Signallers for these roles. There was no market data provided by Network Rail. Given that we did not have sufficient information to judge differentials between the four grades of Controller (and in practice the difference between each grade determined by Network Rail is approximately £1,000) we simply averaged our comparison and provided one comparator figure.

Trade Group	Grade Number	Internal Base	Inbucon Median	Compa Ratio to Inbucon Median	External Base Average by NR	Compa Ratio to NR Median
Controllers	1- 2	£ 38,702	£ 41,700	93%	N/A	N/A
Controllers	3	£ 37,140	41,700	89%	N/A	N/A
Controllers	4	£ 35,922	41,700	86%	N/A	N/A

4.54 Turning to total remuneration this shows that these posts are paid above the market, on average allowances being 30% of the total package.



Trade Group	Grade Number	Total Average Pay	Inbucon Median Total Remuneration	Compa Ratio to Inbucon Median	External Total Average
Controllers	1- 2	£ 54,611	£ 47,747	114%	N/A
Controllers	3	£ 54,841	47,747	115%	N/A
Controllers	4	£ 48,810	47,747	102%	N/A

Electric Control Operators (ECOs)

- 4.55 We examined the market comparison on a similar basis to the Signallers. There was no market data provided by Network Rail. These employees constitute a relatively small number of employees, numbering 130, and therefore we did not attempt to specify specific benchmarking for each level.
- 4.56 Looking at the base pay data our comparisons show that these posts are 10% below the market in terms of base pay and 22% above the market in terms of total remuneration.

Conclusions – Signallers, Supervisors, Controllers and ECOs

- 4.57 Overall, as shown in the below table, we consider these roles to be approximately 18% above the market, in employment cost terms by applying a simple average of all the posts examined across each of the grades for the Signallers.

Trade Group	Base Pay Compa Ratio to Inbucon Median	Total Remuneration Compa Ratio to Inbucon Median
Signallers	92%	120%
Supervisors	89%	116%
Controllers	91%	113%
ECOs	90%	122%
Average	90%	118%



4.58 The key reasons, in our view, for this market position are as follows:

- (a) the structure of the package,
- (b) the number of allowances payable, and
- (c) the value of the allowances,

4.59 In addition to the above, we would highlight that we have based our comparisons on 2006/2007 data for the Network Rail figures. As of 1 April 2008, base salaries will have increased for these staff. We have not made an explicit allowance for this in the above analysis in order to keep our assessment as conservative as possible.

4.60 Lastly we would note that the number of grades for each of these groups of employees should be rationalised and condensed. Some of the differentials, like those for the Controllers, appear to be insignificant and we would argue that is inefficient to persist with these if there isn't an ongoing business need for them.



Maintenance Staff

4.61 Turning to the Maintenance Staff the average pay at each level is as follows (note that this table is also included in Appendix A):

Maintenance Role Group	Grade	Internal Base (Average)	Mean Shift Allowances	Mean Overtime	Mean Regional Allowances	Mean Bonus	Mean General allowances*	Mean Expenses	Mean Gross Earning
Permanent Way	Grade 1	£23,000	£3,587	£6,828	£447	£995	£4,424	£128	£39,409
	Grade 2	£19,253	£3,796	£7,013	£541	£983	£3,863	£36	£35,485
	Grade 3	£17,102	£4,253	£4,514	£402	£937	£3,065	£17	£30,290
	URFDO/Welder	£21,457	£3,606	£9,049	£87	£990	£5,664	£0	£40,853
Signals	Grade 2	£27,740	£3,912	£13,354	£780	£1,000	£5,890	£61	£52,737
	Grade 3	£23,198	£3,878	£7,905	£503	£986	£3,847	£48	£40,365
	Grade 4	£19,759	£3,147	£9,202	£1,055	£975	£3,676	£50	£37,864
Overhead Line	Grade 1	£24,897	£5,328	£10,357	£514	£1,085	£5,557	£71	£47,809
	Grade 2	£22,735	£5,066	£10,262	£393	£1,032	£5,049	£49	£44,586
	Grade 3	£20,834	£3,646	£5,971	£1,205	£882	£3,324	£88	£35,950
Distribution / Plant	Level 1	£26,930	£2,164	£7,259	£522	£1,084	£5,099	£352	£43,410
	Level 2	£23,658	£6,210	£2,579	£421	£1,052	£1,895	£0	£35,815
	Level 3	£21,281	£1,125	£4,583	£750	£750	£3,167	£167	£31,823

* Key to general allowances
 car allowance
 annual leave allowance
 meal allowance
 vehicle driving allowance
 skills allowances
 redundancy travelling
 training allowance

4.62 As shown in the table, gross earnings for these employees range from £30,290 to £52,737. In our view, these are relatively high numbers, given the nature of the roles.

4.63 We examined the market comparison on a similar basis to the Signallers and have included in the table below external comparator data where this was available. Again it should be noted that we were not provided with any job descriptions and therefore we based our understanding upon discussions with Network Rail and other individuals who either had worked with or for Network Rail.



Trade Group	Grade Number	Sub Group	Internal Base	Inbucon Median	Compa Ratio to Inbucon Median	NR External Base Average	NR External Base Range Minimum	NR External Base Range Maximum
Permanent Way	3	General Maintenance/Electrical Track Maintance/Off Track	£ 17,102	£ 19,559	87%		£ 16,000	£ 26,419
Permanent Way	3	Welder/URFDO	£ 21,457	£ 25,945	83%	£ 25,095		
Permanent Way	2	General Maintenance/Electrical Track Maintance/Off Track	£ 19,253	£ 21,736	89%		£ 14,000	£ 22,000
Permanent Way	1	General Maintenance/Electrical Track Maintance/Off Track	£ 23,000	£ 23,985	96%		£ 14,000	£ 22,000
Signals	4	Faulting & Maintenance/Telecoms	£ 19,759	£ 19,111	103%		£ 14,000	£ 22,000
Signals	3	Faulting & Maintenance/Telecoms	£ 23,198	£ 23,869	97%		£ 14,000	£ 22,000
Signals	2	Faulting & Maintenance/Telecoms	£ 27,740	£ 27,218	116%		£ 14,000	£ 22,000
Overhead Line	3		£ 20,834	£ 21,500	97%	£ 21,000		
Overhead Line	2		£ 22,735	£ 24,000	95%	£ 21,000		
Overhead Line	1		£ 24,897	£ 26,129	95%	£ 21,000		
Distribution & Plant	Level 3	Distribution/Plant/Electri can Track Equipment	£ 21,281	£ 22,500	95%		£ 19,000	£ 30,000
Distribution & Plant	Level 2	Distribution/Plant/Electri can Track Equipment	£ 23,658	£ 24,250	98%		£ 19,000	£ 30,000
Distribution & Plant	Level 1	Distribution/Plant/Electri can Track Equipment	£ 26,930	£ 27,000	100%		£ 19,000	£ 30,000
Property Maintenance	Level 3		£ 15,483	£ 15,815	98%		£ 16,000	£ 26,000
Property Maintenance	Level 2		£ 16,910	£ 16,172	105%		£ 16,000	£ 26,000
Property Maintenance	Level 1		£ 19,550	£ 25,872	76%		£ 16,000	£ 26,000
Stores	Level 2		£ 14,463	£ 15,143	96%	£ 16,869		
Stores	Level 1		£ 16,403	£ 17,124	96%	£ 16,869		

4.64 Looking at the base pay data our comparisons show that these posts are again below the market.

4.65 It is noted that the Maintenance staff have many terms and conditions depending upon the timing of their recruitment . We



believe up to 4,160 different grade / job title permutations exist at the moment. We also understand that Network Rail have a joint working party with the unions which is looking at all aspects of work organisation (job descriptions, gang sizes, work practices, rostering etc) with the goal of ultimately instituting one pay and grading system. We would endorse this process.

4.66 Turning to total remuneration this shows, like the other roles, that these posts are paid above the market. Again this is due to the number and value of allowances, although the allowances are differently structured than those for the Signallers. The allowances represent up to 96% of base pay in some roles.

4.67 Our comments are as follows:

- (a) The shift allowances are not uncommon, and appear appropriate up to the level of £3,000, although there appears to be some allowances of £5,000 plus for Overhead Line, Grades 1 & 2 and in the case of Level 2 of Distribution/plant of over £6,000.
- (b) The overtime appears to be a significant part of these posts. This appears excessive (for example, over £10,000 per person on average for Overhead Line posts in Grades 1 and 2) in several instances and we would assume there is a structural reason for this. If this truly reflects what work needs to be normally achieved then the balance with base pay appears to be wrong.
- (c) The regional allowances are not unreasonable.
- (d) The bonus level is not unreasonable.
- (e) The general allowances which are made up of a number of different allowances appear to be significant. Some of these like a car allowance or vehicle allowance are not unreasonable given the nature of the job. However as we do not have a breakdown of the individual components we are not able to comment as to whether the overall totals are correct.
- (f) Overall allowances should not normally represent up to 96% of remuneration unless the level paid reflects an exceptional amount of overtime payable in an exceptional year.



Trade Group	Grade Number	Sub Group	Allowances as % of Total Remuneration	Inbucon Median Total Remuneration	NR Mean Gross Earnings for Grade	Compa Ratio
Permanent Way	3	General Maintenance/Electrical Track Maintenance/Off Track	54%	£ 24,448	£ 30,290	124%
Permanent Way	3	Welder/URFDO	60%	£ 32,431	£ 40,853	126%
Permanent Way	2	General Maintenance/Electrical Track Maintenance/Off Track	60%	£ 27,169	£ 35,485	131%
Permanent Way	1	General Maintenance/Electrical Track Maintenance/Off Track	55%	£ 29,981	£ 39,409	131%
Signals	4	Faulting & Maintenance/Telecoms	76%	£ 23,889	£ 37,864	158%
Signals	3	Faulting & Maintenance/Telecoms	58%	£ 29,836	£ 40,365	135%
Signals	2	Faulting & Maintenance/Telecoms	73%	£ 34,023	£ 52,737	155%
Overhead Line	3		56%	£ 26,875	£ 35,950	134%
Overhead Line	2		73%	£ 30,000	£ 44,586	149%
Overhead Line	1		70%	£ 32,661	£ 47,809	146%
Distribution & Plant	Level 3	Distribution/Plant/Electrical Track Equipment	79%	£ 28,125	£ 43,410	154%
Distribution & Plant	Level 2	Distribution/Plant/Electrical Track Equipment	40%	£ 30,313	£ 35,815	118%
Distribution & Plant	Level 1	Distribution/Plant/Electrical Track Equipment	14%	£ 33,750	£ 31,823	94%
Property Maintenance	Level 3			£ 18,187		
Property Maintenance	Level 2			£ 18,598		
Property Maintenance	Level 1			£ 29,753		
Stores	Level 2			£ 17,414		
Stores	Level 1			£ 19,693		

Conclusions on Maintenance Staff

4.68 Taking a simple weighted average (where this is available), we conclude that these positions are around 35% above the market.



Maintenance Trade Group	Base Pay Compa Ratio to Inbucon Median	Total Remuneration Compa Ratio to Inbucon Median
Average	96%	135%

4.69 As with the signalling staff, the key reason for this is the nature and scale of the allowances paid to these staff.

Considering Other Comparators

4.70 We have been asked by ORR to consider whether there are other roles against it might be possible to make some comparison. In our view it would certainly be possible to add to the current benchmarking process for this grouping by carrying out benchmarking within a more appropriate context, namely transport and other allied sectors/posts. For example it would not be unreasonable to state that the skills of Signallers and Maintenance staff have generally applicability in the Transport sector (excluding drivers) and that it might be appropriate to take a specific weighting from this sector. This is also supported by the fact that many transport jobs are now computerised to such an extent that the role is that of monitoring rather than literally being "hands on". We have set out below some examples of similar jobs.

Air Traffic Controllers and Allied Air Comparators

4.71 Looking at this sector the types of roles which might be compared include those operated by:

- (a) the National Air Traffic controllers based at airports or
- (b) controllers employed by the Civil Aviation Authority based at CAA offices controlling UK and Atlantic airspace and
- (c) on UK Airport Aprons (the airport ground including the runway) of airports operated by British Airports Authority.

4.72 Air traffic controllers are highly trained. Postholders take some three years to train, must take exams and are regularly reviewed to ensure competence while working. Such postholders are equivalent to pilot grade and must hold a commercial license and take an annual medical. Salary bands start at £46,218 to £66,370 (inc. shift allowance) and upwards depending on location. They are responsible for liaising with and monitoring aircraft flow for a specific area of the sky. Compared to a signallers the obvious difference is that they are working in a 3 dimensional environment. Controllers normally work 7, 8 or 9 hour shifts.

4.73 However they are aided by assistants. These posts were historically more paperwork based, supporting the air traffic controllers activities. This has now been eliminated but they now sit alongside air traffic controllers. Once a stand at the terminal has been selected by computer prior to landing the Controller determine the route the air craft will move through the Airport Apron to its stand and the Assistants switch on the appropriate lights on the airfield to guide the aircraft to the stand and operate controlled taxiway vehicle crossings. Given that this role is on a 2 dimensional basis this can be said to have a strong comparability to some signaller roles. Assistant air traffic controllers earn an average base salary of £45,000. Additional allowances are generally not significant. Such a role could be compared to the grades 6 to 10. The salaries of such signallers are significantly



lower at grade 10, however if total cash remuneration is then considered, which for these grades is in the range £40,000 to £52,000 then these signallers at the highest grades will be earning more than air traffic control assistants.

- 4.74 Turning to Airport Apron Control posts these have been recently re-organised at BAA. Prior to 2007 the ground staff consisted of three levels, a Duty Manager, supervisors and then three categories of posts:
- (a) airfield cleaners – equivalent to a blue collar job at manual worker rates
 - (b) airfield controllers do airfield inspections – responsible for keeping the airfield in continuous operational state, including the runway, and
 - (c) apron controllers - the controllers checks that the stand allocated by the computer is appropriate for the aircraft (i.e., it is the right size and the flight is making the best possible use of the facilities ie the aircraft is full in& out) and monitors the system, in terms of both activity on the airfield and ensuring the charges are levied upon the airlines (landing & facility charges, etc).
- 4.75 In our view both the latter two roles could be compared to signaller and maintenance roles. The airfield inspectors and apron controllers are all the paid at the same rates. Base salary is generally between £21,000 to £26,000. Shift pay of £2,500 per annum, payable in 12 equal monthly payments, is also payable. As such this could be compared to the signaller and some maintenance roles Grades 1, 2 and 3, whose own base pay is generally lower but when looking at total cash remuneration may be higher.
- 4.76 In 2007 the duty manager posts were eliminated and their responsibilities passed to the supervisor. Supervisors are generally paid £28,000 to £36,000 plus shift payments £3,000. These roles could be compared to the Grades 4 to 6. Again signaller base salaries are less but overall cash remuneration is more.
- 4.77 There are 5 supervisors covering 4 shifts, the fifth man covering annual leave and sickness.
- 4.78 Other aspects to consider are the shift patterns. Airports run on a 24 hour basis 7 days a week. At BAA Airport Apron staff work 12 hour shifts on a three week rota so that an individual would normally work 7 nights and 7 days in a 28 day cycle, with a week off each month.
- 4.79 The terms of overtime are as follows:
- (a) overtime during the week is paid as time and a half,
 - (b) overtime during a weekend is paid as time and three quarters
- 4.80 The supervisors manage the staffing levels appropriate for the perceived work load.
- 4.81 They do not receive any travel allowances.

Road Comparators

- 4.82 We considered whether there might be any posts which might be comparable in the Road Transport area, excluding driver posts
- 4.83 Looking at the type of posts for which data is available these include roles like:



-
- (a) operations manager
 - (b) route controller
 - (c) transport/logistics manager
 - (d) supervisor

which might be comparable. However such posts are often quite localised in terms of rates of pay.

- 4.84 In addition it should be noted that the hours within this part of the transportation industry are generally higher, even for office based staff at 40 hours plus a week.

Conclusion

- 4.85 In conclusion there are some roles in other parts of the transport industry which could be regarded as having similarities. At this time the packages are generally very differently structured and therefore like for like comparisons are not possible.



5. Review of Benchmarking done by Locally Appointed Consultants

- 5.1 In this section we review the two benchmarking reports which were produced by Network Rail in response to questions from ORR.
- 5.2 We also provide some comments on the processes followed (and data used) when Network Rail conducts its benchmarking for salary review purposes.

Network Rail October 2007: Management pay benchmarking report

- 5.3 This report pays a particular emphasis to role clarity positions which make up the Administration, Professional and Managerial Core of the business.
- 5.4 Network Rail undertakes an annual review of external data in February of each year. The report states that external pay data is obtained from a number of independent sources including Hay, the Watson Wyatt Manufacturing Distribution and Services survey, Mercers, Towers Perrin and CELRA.
- 5.5 This external data is then analysed against internal positions on a like-for-like basis.
- 5.6 The report includes some analysis which shows that base pay internal medians for each grade range from 74% to 99% of the external market median. The report also includes some analysis by job family which shows a range from 84% to 103% of the market median.
- 5.7 The report concludes that Network Rail's market position is marginally below the market median (96% on average).

Remuneration Benchmarking Tool

- 5.8 Network Rail has developed a Remuneration Benchmarking Tool (RBT) which contains both external and internal data for most of the positions within the Role Clarity Grade Structure. This tool is used by HR Managers when determining starting salaries for new employees, and Network Rail uses it when conducting salary benchmarking exercises.
- 5.9 As we understand it the primary data sources used in the RBT are Hay Paynet and the Watson Wyatt All Industries Survey. Where data is available from both sources, the Watson Wyatt data takes precedence over the Hay data, as it is felt that this data is a better fit with the organisation.
- 5.10 The Hay Paynet data is all industries, excluding finance, and this it is further customised by job family before being input into the RBT. Data is extracted from Hay Paynet using Hay job evaluation scores and position matches.
- 5.11 The Watson Wyatt data is based on position matching which is carried out on an annual basis when Network Rail submits its data to the survey.

Inbucon Comments

- 5.12 In general terms, remuneration data from Hay Paynet and the Watson Wyatt survey is sound. In our view this data is the best available in the market for this purpose.
- 5.13 It appears that the data is being used properly and the surveys (i.e. All Industries excluding Finance, and All Industries) are an appropriate match with Network Rail. The actual source data was not provided as part of the question log process therefore we can't provide any further comment on the data.
- 5.14 The RBT is an excellent tool which would be invaluable for HR Managers in the regions. As mentioned in Section 6 of this report, there is some evidence of regional variation in pay for role clarity staff so the tool may be having a positive effect in terms of realising efficiency gains.



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- 5.15 The tool, including actual data, was provided as part of the question log process. It wasn't possible for us to tell where each data point came from so we cannot provide any comments on the integrity of the data set itself.
 - 5.16 Network Rail's view is that, on average, these employees are paid slightly below the market in terms of base salary. As shown in Section 4, our view is broadly similar to this.

Network Rail October 2007: Maintenance and signalling benchmarking report

- 5.17 A report was provided as part of the question log process. We met with Network Rail on 3 occasions to discuss the report and the approach followed in benchmarking salaries for these staff.
- 5.18 The approach that was followed in producing the report was reasonable and appropriate. The report quotes a market rate for each category of maintenance employee and provides some general information on the sources that were used to derive the market figures.
- 5.19 In each case, the external market salaries were higher than those for Network Rail.
- 5.20 However, there was minimal data provided in support of the external figures quoted in the report, therefore we can't comment on the veracity of these figures. We have undertaken our own analysis in Section 4, which concludes that pay for these roles is above the market.
- 5.21 The report also provides external market salaries for signalling roles. We asked Network Rail to demonstrate how these market figures were obtained however Network Rail was not able to do this. Therefore we are not in a position to provide any further comments on these figures.

Inbucon Comments

- 5.22 There doesn't appear to be any regular benchmarking process followed when reviewing salaries for these staff. It seems that a negotiation is conducted with the union for each salary settlement, during which the main reference to the market is via inflation and salary settlement measures. The roles themselves are not compared with the market, and salary movements by job family, industry or seniority do not appear to be consulted as part of the negotiation process.
- 5.23 It appears that the first time these roles were specifically benchmarked against the market was for the purpose of producing the report requested via the question log process. This is not consistent with good practice. Most companies conduct external reviews on an annual basis.
- 5.24 We recommend that, now that there is a framework for conducting market-based reviews, Network Rail reviews market rates for these roles on an annual basis.
- 5.25 As noted in Section 4, in our view, allowances are particularly excessive for these employees. We would suggest that, wherever possible, benchmarking is carried out on a total cash, or total compensation, basis to ensure that this is taken into account when these roles are compared to the market.



6. Regional Comparison

- 6.1 While it is widely accepted that pay varies significantly across the different regions of the UK, it is difficult to state, with high degree of certainty, precisely what these differentials are as figures vary depending on which survey or data source is used.
- 6.2 In addition, regional differentials in pay are also affected by other factors - such as those listed below - which can make like-for-like comparisons problematic:
- (a) Seniority or level of responsibility (some roles operate in a national labour market whereas others, typically those at lower levels, can have highly localised labour markets),
 - (b) industry,
 - (c) job family or role type, and
 - (d) the London skills or responsibility premium (which means that higher level jobs tend to be clustered in and around London and South East).
- 6.3 However, there are some broad conclusions which can be drawn in this area:
- (a) Salaries in London and the South East are significantly higher than in the rest of the UK.
 - (b) Most research tends to split London into Inner and Outer as the data show a significant difference between these two categories.
 - (c) Our analysis of research in this area indicates that typical pay differentials, in the private sector, would be in the vicinity of:
 - (i) Inner London: 30% - 40%
 - (ii) Outer London: 20% - 30%
 - (iii) South East: 10% - 15%
 - (iv) Rest of UK: +/- 5% (depending on the survey)
- 6.4 Network Rail also provides a regional scale (from an external source - presumably one of their remuneration advisers) which is broadly in line with the figures quoted above in their Remuneration Benchmarking Tool.
- 6.5 This regional scale has been listed below.

Much Above	Above	National Average	Slightly Below	Below
Inner London	Outer London	South East West Midlands East Midlands North West Scotland	South West Yorkshire East Anglia	North East Wales

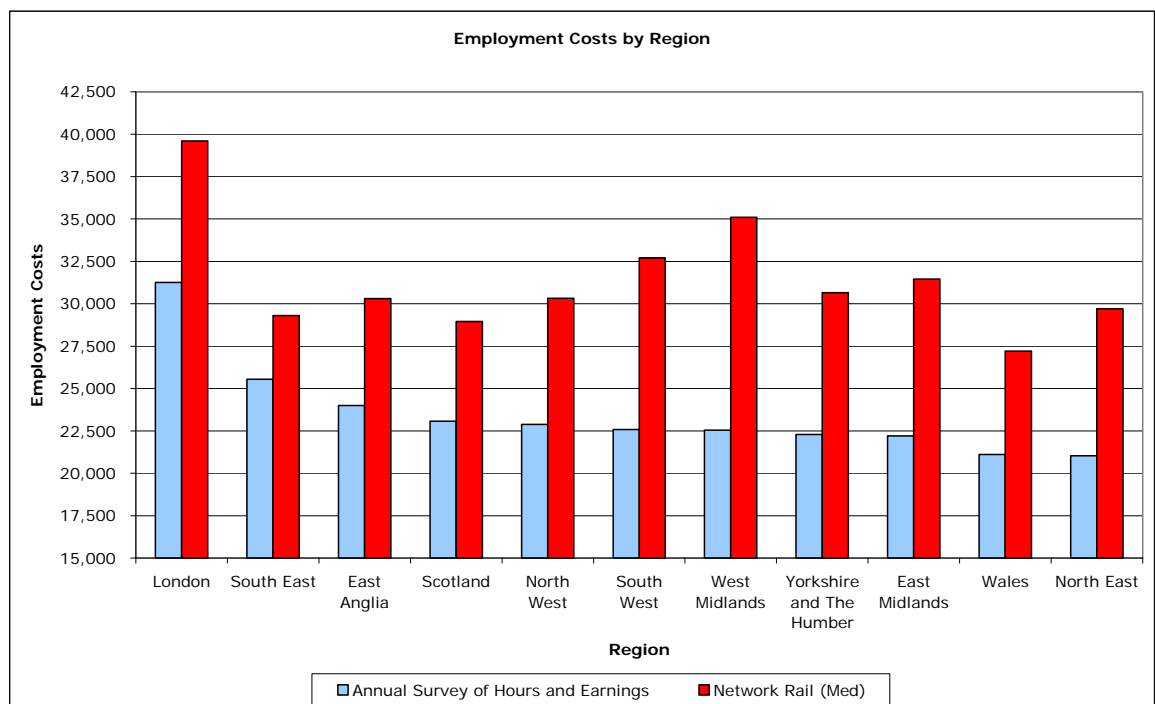
- 6.6 Network Rail provides regional allowances for employees working in Inner London, Outer London, and the South East.
- 6.7 Organisations are now looking to manage these pay differentials more effectively than in the past. In the public sector, the Government has been pressing for the introduction of greater variability in pay across regions ever since the 2003 pre-Budget speech.
- 6.8 Historically, the private sector has tended to take a more proactive approach to regional differentials and typically uses mechanisms such as broad pay bands, zonal pay systems, or a pure market-based approach to allow for differences base salary in local labour markets. On top of this, many private sector (and the majority of public sector) organisations also use regional allowances to redress any imbalances in pay across regions.



- 6.9 An efficient organisation aims to have pay scales with sufficient flexibility to support the attraction and retention of employees in London and the South East without overpaying employees in the other regions of the UK.

Earnings Comparison

- 6.10 We have conducted some analyses of pay at Network Rail in an attempt to determine whether pay at Network Rail reflects the variability in the market, and, if so, to what extent.
- 6.11 We have included a brief note outlining the methodology followed in classifying Network Rail employees into regions at the end of the section.
- 6.12 The below graph is an aggregated comparison of pay at Network Rail against the market. It compares median earnings at Network Rail with median full-time earnings in each region based on the most recent set of data from the Annual Survey of Hours and Earnings (ASHE) which is conducted by the Office of National Statistics.



- 6.13 There is variability in average earnings by location at Network Rail, with London employees, on average, earning considerably more than employees in the rest of the UK. We would expect to see this in an organisation with its headquarters in London as the majority of its senior staff (and biggest earners) will be based in this location.
- 6.14 Earnings at Network Rail are significantly higher than median earnings in most regions and the differential is particularly pronounced in areas such as the South West, West Midlands, East Midlands and Yorkshire and Humberside.
- 6.15 Clearly this is a rudimentary comparison as these are aggregated figures which will mask considerable variation - and no account is taken of industry, job family or role seniority - however it does show that, in general terms, Network Rail employees in regional areas have the opportunity to earn considerably more than the typical rate in their region.
- 6.16 When selecting the appropriate reference point for this comparison, we contacted the Office of National Statistics and were referred to the ASHE data. There is another survey which we could have used – the Labour Force survey – which quotes average figures for each region which are slightly different to those noted

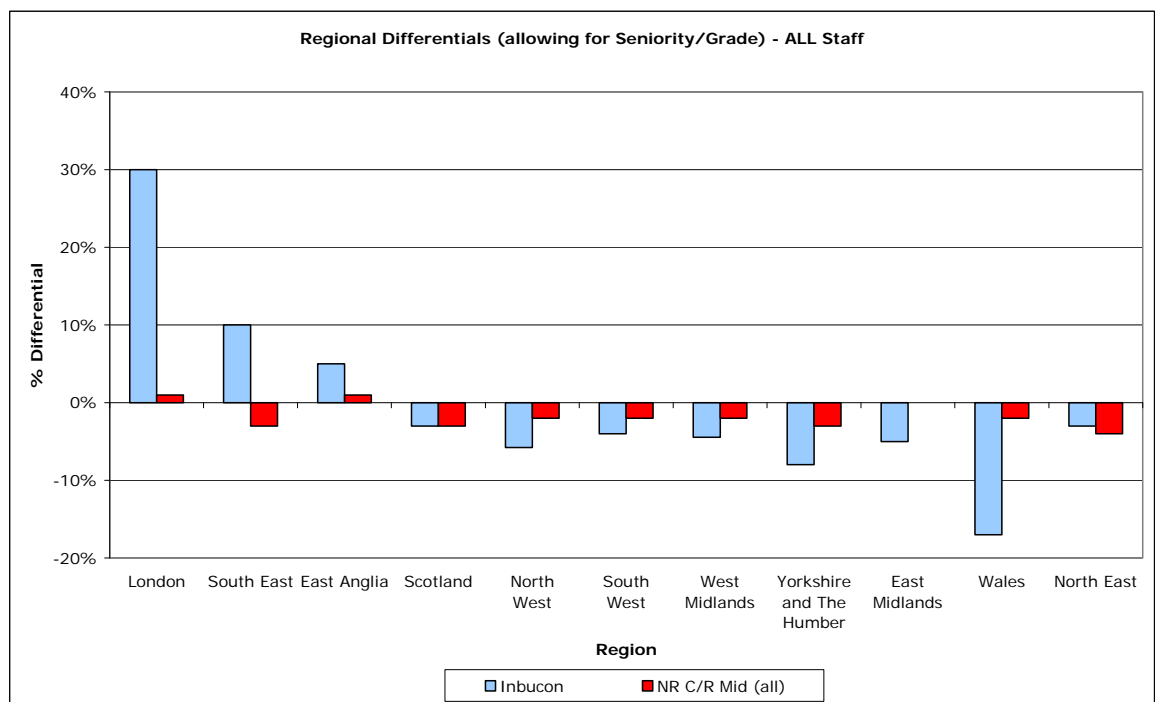


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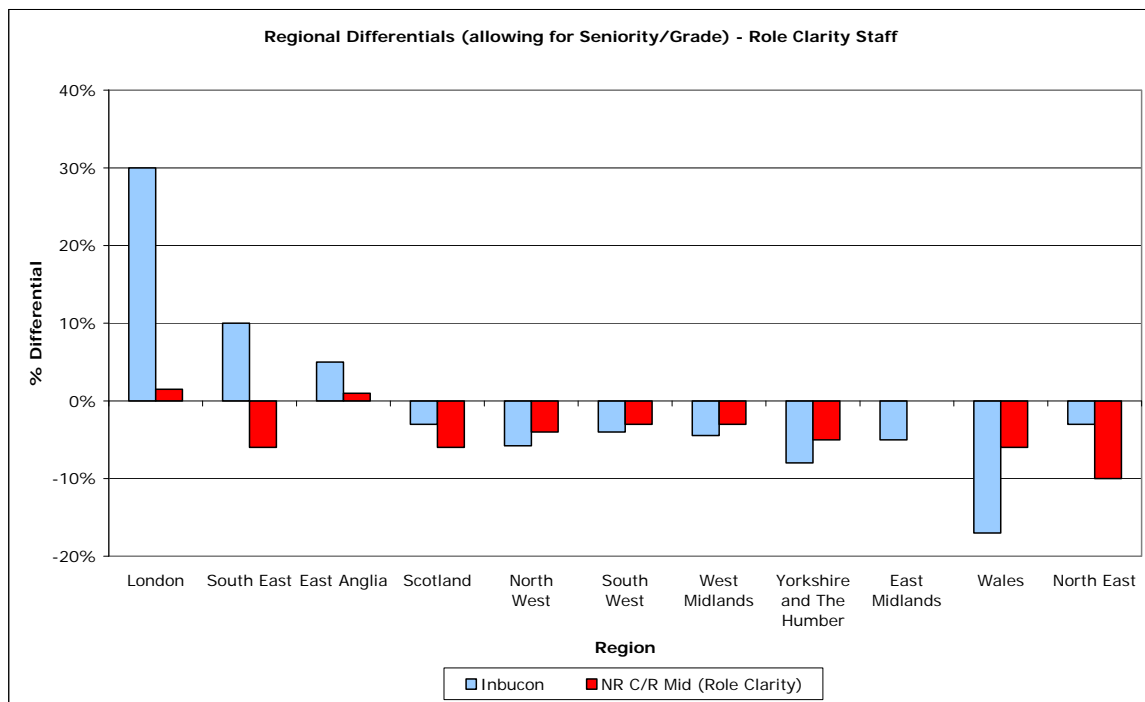
- 6.17 However, we were directed to use ASHE data as the Labour Force Survey is based on interviews with individuals (therefore its integrity depends on an individual's willingness and/or ability to disclose precisely what his/her earnings were), whereas the ASHE data is obtained from organisations and is therefore perceived to be more robust and accurate.
- 6.18 In addition, ASHE data is provided as medians (rather than averages) and therefore it offers a more stable comparison, as medians are less susceptible to outliers than averages, particularly for large samples.
- 6.19 In any event, had we used the Labour Force data, the trend is still the same and earnings at Network Rail are still higher than typical rates in most regions.

Position Level Comparison

- 6.20 As mentioned earlier, the previous comparison makes no allowance for the influence of position level, which can have a great effect on the data for these comparisons. Typically, in an organisation such as Network Rail with its headquarters in London, most senior roles would be based in and around London and this can have a skewing effect on the data.
- 6.21 In the following comparison we have reduced the effects of seniority from the Network Rail data by conducting a regional comparison for each grade. For each grade, we compared the base salary of each individual against the midpoint of that grade to arrive at a compa-ratio (i.e. the individual's salary expressed as a percentage of the grade midpoint) for each individual.
- 6.22 These compa-ratios were then analysed by region and grade to determine average regional differentials for each grade. The average regional differentials by grade were then averaged to determine overall regional differentials.
- 6.23 We have also presented typical salary differentials in the market using figures obtained from the Inbucon database. This data was analysed in the same way as the Network Rail data in order to ensure a like-for-like comparison.
- 6.24 Employees on spot rates which aren't dependent on a grade structure (i.e. maintenance staff) were excluded from the analysis.



- 6.25 The figures show that, in an overall sense, there isn't much variability in base salary costs by location at Network Rail. The largest difference was in the North East, for which the average compa-ratio was -4%.
- 6.26 There is considerably less variability than in the market (as defined by the Inbucon database), and it is less than what we would expect to see from a private sector organisation with large groups of employees in regional areas.
- 6.27 A key reason for the lack of variability in the Network Rail figures is the approach adopted for determining salaries for Signalling staff, which means that all staff performing a particular role are paid the same, regardless of location. This approach offers no flexibility or scope for taking advantage of regional differentials in employment costs.
- 6.28 However, Network Rail does operate a separate, broad banded grade structure for its Role Clarity staff. This structure does offer some flexibility for variation in pay by region. The following graph looks at these staff separately.



- 6.29 This graph shows that there is evidence that Network Rail is taking advantage of regional variations, where possible, for these staff.
- 6.30 The regional variability at Network Rail is more pronounced than in the previous chart, and the differentials appear to be in line with trends in the market (as defined by the Inbucon database) for most locations.
- 6.31 There is no value plotted on the chart for East Midlands because the differential for this area was 0%.

Conclusion

- 6.32 Although it is difficult to pin down precise numbers, earnings in the UK do vary significantly by region.
- 6.33 The private sector has been more efficient in managing these variations, using mechanisms such as broad banded grade structures, regional allowances and zonal pay systems, than the public sector which has tended to use national rates with allowances.



-
- 6.34 It is reasonable to compare Network Rail to other privatised businesses, say the gas, electric and water utilities. We have seen significant changes in such companies overall ownership, followed by significant reorganisations to ensure maximum flexibility and efficiency. Such reorganisations would normally extend all through the specific organisation.
- 6.35 In recent times, there has been a concerted push in the public sector to attempt to introduce a greater degree of variability in pay by region.
- 6.36 Although we do not have the data to draw firm conclusions about Network Rail's precise market position in each location, there is evidence which suggests that, in an aggregated sense, median earnings at Network Rail for employees in regional areas are higher than typical rates for some regions.
- 6.37 Across the whole population of Network Rail staff, when one controls for the effects of seniority, there is little evidence of variation in pay across regions.
- 6.38 However, for Role Clarity staff, there is some evidence that Network Rail is beginning to take advantage of potential efficiencies in labour costs on a regional basis. In our view this is a positive sign, and Network Rail may be able to realise further efficiency gains if it continues with this approach in the future.

Methodology

- 6.39 Network Rail employees were classified into regions on the following hierarchical basis:
- (a) Regional Allowance, then
 - (b) Office location (for employees that did not receive a regional allowance, then
 - (c) "Area" as quoted by Network Rail in the Oracle All employee spreadsheet (for employees that didn't fit into either of the above two categories), then
 - (d) Home Location (for employees that didn't fit into either of the above three categories)
- 6.40 Employees for whom we did not have a base salary were excluded from the analysis.
- 6.41 Part-time salaries were analysed.
- 6.42 The aggregate information presented in the first chart is Median Earnings (and therefore includes Base Salary, Bonus and Allowances)
- 6.43 The compa-ratio information presented in the second and third chart is Base Salary only. For employees in Role Clarity Band 1 (which does not have an upper salary boundary or a midpoint), we used the average salary of all employees within this grade as the midpoint.
- 6.44 Employees for whom we did not have a salary band were excluded from the compa-ratio information.



7. Projection of Current Employment Costs

- 7.1 At present, pay expectations in the UK are relatively benign. Our review of various sources of information indicates that pay moved at around 3.5% for 2007.
- 7.2 Most forecasters expect overall pay movements to remain at this level or even dampen slightly in 2008. This is due to a variety of reasons, chief among which are the following:
- An expected slowdown in the UK economy
 - A potential increase in unemployment (employment has already begun to fall in the public sector, and, if there is a marked slowdown in the economy, the private sector is unlikely to be able to continue to pick up the slack)
 - The extremely tight pay environment in the public sector which was set a pay inflation target of 2% in 2007
- 7.3 There is a possibility that the (relatively) high inflation rate will push up pay in 2008, however some forecasters expect this to be countered by the tightening of the labour market.
- 7.4 Some sectors (such as manufacturing and utilities) have performed well despite the uncertainty. Pay in these sectors has moved at a higher rate than the overall rates.

Labour Market Outlook Report (CIPD and KPMG)

- 7.5 Pay movements decreased slightly in 2007 in comparison with 2006 as shown in the below table.

Increase in pay (%)				
Time Period	Whole Economy	Private Sector	Public Sector	Source
August 2006	3.80	3.90	3.10	Labour Market Outlook Report (CIPD KPMG)
August 2007	3.60	3.60	3.50	
2008 (forecast)	3.00	n/a	n/a	

- 7.6 The report notes that this trend also held true for the figures for the year to November 2007 as well.
- 7.7 The median expected pay rise for 2008 was 3% which had been the case for the preceding 3 quarters.

Economic Review (Deloittes)

- 7.8 Pay forecasts from this report are presented below.

Time Period	Average Earnings Increase (%)		Real Average Earnings Increase (%)	
	Including bonuses	Excluding bonuses	Deflated by RPI	Deflated by CPI
2006	4.10	3.70	0.90	1.80
2007 f	3.90	3.60	-0.40	1.60
2008 f	4.00	4.30	0.60	1.60
2009 f	4.20	4.00	1.90	2.70



IDS Pay Databank

- 7.9 The most recent IDS Pay Report noted the following key findings in terms of pay settlement activity:

	Median Pay Settlement (%)			
	Whole economy	Manufacturing and Production	Private Services Sector	Utilities Sector
3 months to Jan 2008	3.50	3.90	3.50	4.30

IRS Employment Review

- 7.10 According to the IRS Employment Review pay databank, for the year ending October 2007, the median level of whole economy settlements was 3.5%, with an upper quartile of 4% and a lower quartile of 3%.
- 7.11 The median settlement level for the engineering sector for the year to October 2007) was 3.4% although it should be noted that a quarter of settlements were 4% or higher.
- 7.12 IRS Employment Review forecasts whole economy earnings for the whole year 2007 at 3.9% and 4% for the whole year 2008.

Inbucon Comments

- 7.13 Typically we separate employees into those working in a unionised environment and those in a non-unionised environment when analysing pay settlements data as pay tends to move at different rates in these environments.
- 7.14 Unions typically secure pay increases in line with movements in inflation (as determined by the RPI measure) for their members. Typically the same pay increase is secured for all unionised employees at the organisation.
- 7.15 Conversely, in the private sector, labour market factors (such as recruitment and retention pressures) and company-specific factors (such as profitability, strategy and/or stage in the business cycle as well as attitude towards/reliance on variable pay) tend to have a greater influence on pay movements than changes in the cost of living.
- 7.16 The vast majority of employees in the UK (some 80%) are employed in the private sector. We expect pay movements for these employees to be somewhere between 3.0% - 3.5% due to the uncertain economic environment and the expected tightening in the labour market. Most of these employees, therefore, are likely to receive a pay increase which is lower than the rate of inflation for 2008.
- 7.17 For unionised employees this will not be the case. We reviewed information held for the transport, storage and distribution sector in the IDS Pay Databank. Our analysis of this data indicates an average pay movement of between 4.25% to 5.25%, assuming RPI remains at its current rate of 4.1%.

Conclusion

- 7.18 We understand that Network Rail is currently in negotiations with its signalling staff and the figure on offer is RPI + 0.5%.
- 7.19 Our analysis of the pay movements for unionised employees in similar sectors indicates that this is not an excessive figure. We believe that this is comparable with typical practice in the market.
- 7.20 For non-unionised, private sector employees we would expect average pay to increase somewhere between 3.0% - 3.5% in 2008.



8. Appendix A: Average Employment Costs by Group

- 8.1 The following tables show data provided by Network Rail in order to show the average breakdown in pay by employee group.
- 8.2 In some cases (e.g. Supervisors, Controllers and ECOs) the base salaries were too low. This was queried with Network Rail, who agreed that there was a problem with the figures, but revised data was not received in time for the publication of this report.
- 8.3 So we referred to published spot rates as at 1 April 2007 as base salary figures for these roles in the benchmarking section of the report. We assumed that the allowance figures are broadly accurate after receiving reassurance from Network Rail that this is the case.
- 8.4 Our total remuneration figures for these roles (Supervisors, Controllers and ECOs) therefore, are the spot rate as at 1 April 2007 plus each of the allowances noted in the following tables.
- 8.5 For Signallers we used the figures in the following table (rather than referring to the 1 April 2007 spot rate) as the figures are broadly comparable and are found in the Office of Rail Regulation Report Compensation & Benefits March 2008. When compared to the summary of pay increases for Signallers over the period April 2001 to April 2007 the base figures for 2006/07 are lower by approximately 2.5% or less.

Signallers

Grade	Emp No's	Assumed Base Pay (06/07) (£)	Average Allowances FY 06/07 (£)	Average Bonus Pay FY 06/07 (£)	Average Overtime FY 06/07 (£)	Average Rest Day FY 06/07 (£)	Average Sunday FY 06/07 (£)	Average Earnings FY 06/07 (£)
Sig 1	494	17,213	934	842	1,027	1,464	2,474	23,953
Sig 2	793	19,012	758	810	1,054	1,714	2,543	25,891
Sig 3	1,020	20,702	1,231	822	1,246	1,999	3,089	29,089
Sig 4	476	23,117	1,328	906	1,431	2,152	3,741	32,676
Sig 5	445	25,278	1,934	921	1,772	2,747	4,169	36,820
Sig 6	467	27,177	1,751	934	1,749	3,626	4,444	39,681
Sig 7	592	28,902	1,451	917	2,074	4,015	4,846	42,205
Sig 8	409	30,960	2,179	915	2,329	4,703	4,909	45,995
Sig 9 - 10	282	32,254	2,620	925	2,510	4,082	5,309	47,701
All Signallers	4,978	23,806	1,430	874	1,565	2,714	3,711	34,101



Supervisors

Grade	Emp No's	Assumed Base Pay (06/07) (£)	Average Allowances FY 06/07 (£)	Average Bonus Pay FY 06/07 (£)	Average Overtime FY 06/07 (£)	Average Rest Day FY 06/07 (£)	Average Sunday FY 06/07 (£)	Average Earnings FY 06/07 (£)
Sup 4 - 5	215	25,548	1,736	799	1,537	2,188	2,869	34,677
Sup 6	235	27,093	2,609	915	2,672	4,718	4,150	42,158
Sup 7*	268	29,224	2,443	936	3,113	4,943	4,909	45,567
Sup 8	67	31,051	2,221	928	2,622	3,142	4,746	44,710
Sup 9	63	32,270	2,137	938	2,253	3,972	4,759	46,327
Sup 10	65	33,487	1,359	896	3,229	5,340	5,937	50,248
All Supervisors	913	28,458	2,204	895	2,541	4,065	4,284	42,448

* Average earnings for Sup 7 are higher than those for Sup 8. The data supplied by National Rail showed that, on average, Sup 7 employees received higher allowances than Sup 8 employees which is the reason for the difference.

Controllers

Grade	Emp No's	Assumed Base Pay (06/07) (£)	Average Allowances FY 06/07 (£)	Average Bonus Pay FY 06/07 (£)	Average Overtime FY 06/07 (£)	Average Rest Day FY 06/07 (£)	Average Sunday FY 06/07 (£)	Average Earnings FY 06/07 (£)
Controller 1 - 2	106	38,702	1,579	1,041	2,945	4,449	5,895	54,611
Controller 3	82	37,140	1,984	861	2,913	5,834	6,111	54,841
Controller 4	144	35,922	800	944	2,329	4,128	4,687	48,810
All Controllers	332	37,111	1,341	954	2,670	4,652	5,424	52,152



ECOs

Grade	Emp No's	Assumed Base Pay (06/07) (£)	Average Allowances FY 06/07 (£)	Average Bonus Pay FY 06/07 (£)	Average Overtime FY 06/07 (£)	Average Rest Day FY 06/07 (£)	Average Sunday FY 06/07 (£)	Average Earnings FY 06/07 (£)
ECO 1 - 4	61	31,410	1,635	954	1,349	8,669	3,943	47,961
ECO 5 - 6	69	34,103	1,698	1,027	1,348	11,971	4,526	54,673
All ECO	130	32,839	1,669	993	1,348	10,422	4,252	51,523

Maintenance

Maintenance Role Group	Grade	Internal Base (Average)	Mean Shift Allowances	Mean Overtime	Mean Regional Allowances	Mean Bonus	Mean General allowances*	Mean Gross Earning
Permanent Way	Grade 1	£23,000	£3,587	£6,828	£447	£995	£4,424	£39,409
	Grade 2	£19,253	£3,796	£7,013	£541	£983	£3,863	£35,485
	Grade 3	£17,102	£4,253	£4,514	£402	£937	£3,065	£30,290
	URFDO/Welder	£21,457	£3,606	£9,049	£87	£990	£5,664	£40,853
Signals	Grade 2	£27,740	£3,912	£13,354	£780	£1,000	£5,890	£52,737
	Grade 3	£23,198	£3,878	£7,905	£503	£986	£3,847	£40,365
	Grade 4	£19,759	£3,147	£9,202	£1,055	£975	£3,676	£37,864
Overhead Line	Grade 1	£24,897	£5,328	£10,357	£514	£1,085	£5,557	£47,809
	Grade 2	£22,735	£5,066	£10,262	£393	£1,032	£5,049	£44,586
	Grade 3	£20,834	£3,646	£5,971	£1,205	£882	£3,324	£35,950
Distribution / Plant	Level 1	£26,930	£2,164	£7,259	£522	£1,084	£5,099	£43,410
	Level 2	£23,658	£6,210	£2,579	£421	£1,052	£1,895	£35,815
	Level 3	£21,281	£1,125	£4,583	£750	£750	£3,167	£31,823

* Key to general allowances

- car allowance
- annual leave allowance
- meal allowance
- vehicle driving allowance
- skills allowances
- redundancy travelling
- training allowance





One Vision

To become a major independent international HR consulting firm through both acquisition and organic growth.

Two Tenets

Customers
Excellencies

One Structure

No hierarchy
Individual responsibility

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