

Privatisation, deregulation and the London rail disaster

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Responsibility for the Paddington rail crash, which led to between 30 and 40 deaths, rests above all with the drive for profit by the privatised rail companies. In the face of widespread public outcry, the Labour government has mounted a damage limitation exercise designed to conceal this fact.

Deputy Prime Minister John Prescott publicly warned those who are campaigning against Labour's planned privatisation of the London Underground subway and Britain's air traffic control system not to use the rail disaster to reach "either an ideological or an industrial end".

It was reported that Prime Minister Tony Blair had reached a gentleman's agreement with Conservative Party leader William Hague not to seek political capital out of the disaster. Underlying this pact is their shared fear that Paddington could become the focus for a broader questioning of the social and political impact of the privatisation of Britain's state sector begun by the Conservatives and continued by Labour.

Rail was the last major privatisation carried out by the Conservatives. It crowned their drive to remove from public ownership industries and services that once accounted for 40 percent of the British economy. The Tories claimed that bureaucracy and inefficiency would be done away with through the introduction of competition, and this would provide a massive injection of cash for investment.

This was to justify a wholesale looting of a major public asset by a handful of corporations and a feeding frenzy on the stock markets.

The measure was rammed through in just three years, against a background of job cuts and rationalisation of services. British Rail was parcelled out, with the bulk of the network going to the newly created private company, Railtrack. In addition, three rolling stock companies and 25 train operating companies were formed. No overall system of regulation was set down.

The lump sum initially earned by the government was used to fund tax cuts for big business and the rich, at a time when the Tories were losing support. British Rail was sold for a

song. Railtrack's assets fetched just £1.9 billion—less than half the £4.5 billion net book value. The various management buyouts, which took over train services, paid just £1.8 billion for stock, plant and equipment with a book value of £2.93 billion. The government also wrote off £1 billion of its £1.6 billion in debts for the Railtrack flotation and transferred the debt to the County Councils.

Those who purchased the services were guaranteed almost £5 billion in government subsidies for the next three years—more than double those provided to British Rail throughout the 1980s and early 1990s.

The privatisation fed a frenzied rise in share prices on the stock markets. The City of London earned the largest fees ever paid in a single privatisation exercise. The private rail concerns initially created through management buyouts were sold off to major corporations 18 months later at huge profits, creating a new layer of millionaires. Today, former state-owned enterprises make up fully one-quarter of the top 100 British corporations.

Every aspect of the rail network was subordinated to the maximising of share values. In Railtrack, for example, every board member was offered share options and a long-term bonus scheme linked to raising profits. This automatically impinged on safety. Even Roderick Muttram, the current director of safety at Railtrack, has share options that, if exercised, would net him some £42,000 profit.

The chase for profit has further acted as a disincentive to improving the network because of the high costs involved. Train operators working within narrow profit margins were effectively encouraged to maintain outdated rolling stock and to implement other cost-cutting measures. The Cheltenham express train in the Paddington crash, for example, contained three carriages cannibalised from the Southall crash two years before, which claimed seven lives and injured 150 others. Such practices inevitably result in a structural weakening of the system. Most of those injured in the Cannon Street accident in 1990 were seated in carriages that had been cannibalised.

Cuts in staffing increased the time drivers spend at the

wheel and have contributed to a dramatic increase in the absolute level of train accidents—from 989 in the year prior to privatisation to 1,864 last year. Deaths in 1995-96 were 28, compared to 48 in 1997-98.

The most telling example of how safety has been compromised is the failure to introduce Automatic Train Protection (ATP) in Britain's rail network. Recommended as long ago as 1989 following the Clapham rail crash, ATP would have automatically stopped the Thames train running through a red signal. The Conservatives rejected the measure on the grounds that its cost (£1 billion) would be detrimental to privatisation. Labour has continued to resist its full implementation.

Despite this, it has emerged that the approach to Paddington station was speeded up on the basis that all high-speed trains would eventually be fitted with ATP. This did not happen. ATP was fitted to the Cheltenham express, but was not switched on. The Thames Turbo was fitted with a primitive klaxon warning system, which makes the same sound whether the driver is passing through yellow or red.

The interim report on the Paddington disaster by the Health and Safety Executive was obliged to note:

- * An increased concern within Railtrack over liability and less readiness to draw safety lessons from incidents;
- * A potential conflict of interest involving the Safety and Standards Directorate (SSD) forming part of Railtrack, a company driven by commercial logic;
- * The fact that the Director of SSD is a member of the Railtrack board and, as such, bears a duty of fiduciary care to shareholders;
- * Complaints from vehicle builders that Railtrack is dropping or giving lower priority to some safety standards.

All of these criticisms are an implicit recognition of the role played by privatisation and the drive for profit in preparing the way for the Paddington disaster. Yet the government's only concrete response has been to confirm that Railtrack should lose its role in overseeing passenger safety, due to a potential conflict of interest. Railtrack has previously opposed this on the grounds that it would lead to setting unrealistic standards “at increased cost to the industry”.

The government's main efforts have been focused on re-legitimising privatisation as both necessary and inevitable. It has made clear that it intends to continue with the privatisation of Air Traffic Control. Prescott repeated the Conservative's mantra that this is the only means of providing the cash needed to modernise the service.

Labour has made this decision despite advice from a parliamentary Transport Select Committee several months ago that the sale should be postponed for at least three years. The committee noted that the computer system for the new

Air Traffic Control centre at Swanwick, Hampshire, which was due to open in 1996, would not be working until 2002 at the earliest. Safety might be “compromised for the sake of profit” if the sale went ahead earlier, the committee warned.

Prescott's response was to dismiss opposition to the privatisation as “rigid dogma”. In reality, the government is upholding its own dogma—the free-market policies pioneered by Thatcher. In his recent speech to the Labour Party conference, Blair hailed “global finance, communication and the media” as “liberating” and “modernising” forces. By opening up Britain to competition, he continued, “after a century of antagonism, economic efficiency and social justice are finally working in partnership together”.

Only days before the Paddington crash, Blair cited the privatised rail industry as a prime example of “modernisation” and “economic efficiency,” and hailed the newly established Strategic Rail Authority, a government agency set up to monitor the private rail system, saying “the next 10 years will see the largest investment in railways for 100 years”.

The Paddington disaster exposes all claims that the naked rule of the market can be reconciled with the interests of working people. Moreover, if rail safety is not compatible with the market, what are the social implications of the ongoing privatisation of other vital public services, such as health and education?

Blair's assertion that all social concerns can be met through the workings of the capitalist market is testimony to the decay of contemporary politics. In an earlier period, even the foremost defenders of the profit system were forced to acknowledge the need for economic planning and regulation. Nationalisation of rail in 1947 was not a socialist measure. Rather, it was a recognition that such a key aspect of the national economy could not be entirely subordinated to considerations of short-term profitability. Today, however, the political representatives of the ruling class openly declare their prostration before the anarchy of the market.

See Also:

London rail disaster—interim report fuels rail safety controversy
[9 October 1999]



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