

Railtrack announces record profits in the aftermath of the British rail disaster

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Railtrack, Britain's railway infrastructure company, announced pre-tax profits of £236 million for April-September 1999. The £1.3 million per day profit is a record for the company and a 5 percent increase on the £224 million it posted for the same period in 1998. The company is now on course to achieve its £440 million target set for this year. The 7 percent rise on dividends paid out is almost three times the current rate of inflation.

While the financiers in the City of London and Railtrack's shareholders toasted their good fortunes, condolences were in order elsewhere. At the Chelsea and Westminster hospital Sunni Hah, a 25-year-old Oxford graduate and lawyer, died after suffering 70 percent burns in the October 5 Paddington rail crash. The death toll for the crash has now reached 31.

Initial investigations into the cause of the crash show that Railtrack's under-investment in signalling and track maintenance played a significant role.

Railtrack Chairman Sir Philip Beck said the company recognised that coming so soon after the Paddington accident news of its profits "could be interpreted as insensitive". Nonetheless Chief Executive Gerald Corbett defended the record profit, saying they were necessary "to get the investment we need to solve the problems inherited from BR". British Rail is the state-run company that operated Britain's railways before privatisation.

Such claims have a distinctly hollow ring, particularly in the wake of the Paddington disaster. Ever since privatisation, Railtrack has posted a continuous increase in its profits. A large proportion of this derives from government subsidies to the train operating companies (TOC's), passed on to Railtrack for the use of the lines—so-called "track access charges". In 1997-98 the TOC's received £1.8 billion in government subsidies and £2.8 billion in ticket revenues out of which they paid £2.1 billion in track access charges. This accounted for 86 percent of Railtrack's total income.

But whilst benefiting from government largesse, Railtrack and the 25 TOC's have refused to fund vital safety provisions. This has centred on their opposition to the installation of the fail-safe mechanism known as Automatic

Train Protection (ATP), which applies the brakes automatically to trains passing red signals. This intransigence has continued despite the fact that every inquiry into train disasters since the Clapham rail crash in 1988, which killed 25 people, has recommended its implementation. ATP would have prevented the Paddington tragedy and the last two major rail disasters.

Before it was privatised, British Rail had publicly committed itself to "absolute safety" at the inquiry into the Clapham rail disaster. It had begun a pilot scheme to test the ATP system, but this was discontinued when the private operators took over.

Privatisation introduced a new ethos, exemplified by "cost benefit analysis". Safety calculations are based on the number of lives likely to be saved and their "value". If the latter outweighs the former, the procedures are not considered cost-effective.

In the case of ATP, installation was estimated at £750 million. This was then measured against a calculation of how many lives would be saved through its operation. The final estimate of £14 million per life saved was judged too excessive. Railtrack was concerned that such costs could impact negatively on its share price when the company was floated on the stock exchange in 1995. The Conservative government, anxious to rush through the privatisation of one of the few remaining nationalised utilities, approved this decision.

The change of administration in 1997 has not altered this outlook. The ongoing attempts by the Labour government to placate public anger over fatal rail collisions while protecting the profit margins of the private operators has resulted in a fudge. Their proposal for Train Protection and Warning System (TPWS)—a cheaper and far less effective fail-safe mechanism—is not due to be installed nation-wide for at least another two to three years. TPWS would not stop trains passing through red signals if their speed was above 70 mph. Even so, Railtrack and the TOC's continue to haggle over how the costs of TPWS installation will be distributed.

Railtrack have also appealed against legally binding “improvement notices” served by the Health and Safety Executive (HSE) following the Paddington crash. The notices follow statutory safety requirements and include the prohibition of Signal 109, which was passed at red by the Thames Turbo train just moments before it collided with the Great Western express train outside Paddington. The HSE's second interim report into the crash found that the signal was partially obscured. It has also been passed at red eight times in the past six years. In addition to this, the company has been urged to improve 22 other signals passed at red five times or more, and to review others that have been passed at danger more than once.

The improvements would be carried out, Railtrack said, but it was concerned with the legal ramifications of the notices, i.e., the possibility it might open them up to criminal proceedings. A company spokesman said their appeal was “purely a legal point” because the wording in the notices “accuse us of a breach of statutory provisions amounting to a criminal offence”. The main concern of the private operators is to prevent any legal proceedings being mounted against them for corporate manslaughter. Vic Coleman, Chief Inspector of Railways, warned that the appeal would divert resources away from the investigation into the Paddington crash.

Railtrack is also under investigation by the Rail Regulator, who is looking into whether the company has breached the safety terms of its operating license. Ostensibly, the Regulator exists to prevent Railtrack exploiting its monopoly over the rail network and to balance commercial interests with public standards and safety. It has the power to revoke operating licenses if these standards are not adhered to. Condition 3 of the license requires that Railtrack “(a) establish and maintain within its organisation a directorate to be responsible for safety and standards [which will] have no commercial functions or responsibilities other than those relating to safety and standards”. A survey conducted by the HSE showed that the company had contravened this. The Director of Railtrack's Safety and Standards Directorate is a company board member and as such, the HSE said, “bears a duty of fiduciary care to shareholders”.

The government had commissioned the survey last year, and its findings came to light on the day of the Paddington crash. Yet, despite clear evidence pointing to a conflict of interests, Railtrack has been able to continue its operations without any significant challenge from the HSE and Rail Regulator.

Railtrack has cynically used the prostration of both bodies in its own defence. In a BBC 1 Panorama documentary, Railtrack's Operations Director Chris Leah said about faulty signalling, “If there are problems with our signals which the

HSE have a problem with then they must serve an Improvement or Prohibition Notice, and we have not had any representation.”

Improvement Notices were only served on the day of the Paddington accident.

Track and signalling renewals have declined by 1.3 percent since privatisation. A report by management consultants Booz Allen for the Rail Regulator shows that the area where the crash occurred had the highest number of broken rails and track and point failures. The Western zone, as it is referred to, was also the scene of a train collision two years before—the Southall crash that claimed the lives of seven people. The signalling system in this area was also revealed to be substandard.

However, Railtrack has allocated investment to develop real estate that it inherited from British Rail. On its web site, under the subheading “A commercial success story”, Railtrack boasts that it “is one of the largest commercial [real] estate owners in the UK. In addition to the more familiar bridges, tunnels and crossings, we are also responsible for managing operational land and buildings such as stations, depots and offices. In all, we manage more than 40,000 property units”. This includes major tourist attractions, such as “The London Dungeon” and the premises of the International Futures and Options Exchange.

Survivors of the October crash have contrasted the rundown condition of the track and signalling system with the recent multimillion pound refurbishment of Paddington station. This underwent a major commercial redevelopment to increase the rental values of its shop space, situated in a fashionable part of West London.

Rejecting calls for the rail network to be taken out of private hands, the Blair government is pressing ahead with plans to privatise London Underground. Railtrack is set to take over major parts of the Underground's infrastructure. For its part, Railtrack is calling on the government to buy a 15 percent shareholding in the company. Its intention is that the burden of funding safety improvements should be borne by public finance, whilst it continues to reap a profits bonanza.



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