Britain: After the Hatfield rail crash—are accidents good for business?

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In the aftermath of the Hatfield rail tragedy—in which four people were killed and dozens more were injured as an unrepaired broken track derailed a high-speed train—many expected that the company responsible for track maintenance would face a tough time. Gerald Corbett appeared before television cameras looking suitably humbled after having tendered his resignation from his £400,000 a year post as Railtrack Chief Executive. With the victims of the October 17 crash barely laid to rest, top company executives do not face any penalty, moreover Railtrack has been rewarded with a £4.7bn cash injection from public funds.

Government-appointed rail regulator Tom Winsor awarded the money after Railtrack admitted responsibility for the accident. An initial report by the Health and Safety Executive issued October 20 found that:

* There is obvious and significant evidence of a track failure
* There is evidence of significant metal fatigue damage to the rails in the vicinity
* The only evidence of wheel damage is consistent with the wheels hitting defective track
* There is no evidence so far of a prior failure of rolling stock
* The most extensive damage to the rolling stock appears to have been caused by derailed carriages impacting line-side structures
* The signalling system appears to have played no part in the derailment

The £4.7bn is part of a planned spending of £14.9bn over the next five years for maintaining and renewing the country's rail infrastructure. In addition to the money put up by the government, train operators will pay £8.8bn and the rest will come from Railtrack's other businesses.

Railtrack had asked that the five-year regulatory review allow a considerable increase on the £10bn budget for the past ten years, requesting £1.3bn more than was allocated. The company also asked for an "allowed rate of return" of £3.3bn and were awarded £2.6bn.

Though falling short of the company's demands, the outcome of the review was more generous than had been indicated by drafts in December 1999 and July this year. It awards Railtrack more money and halves the target for reducing delays to 2.5 percent. Railtrack's share prices, which had fallen following the crash, rose as a result by 58 pence to £11.08.

In claiming safety was their "first priority", defenders of Railtrack last week insisted that accidents were “bad for business”, citing the drop in share prices following the Paddington train crash which killed 31 people last year as a result of poor signalling. The concerns of shareholders at the time, however, were not so much over safety as the prospective cost of installing new signalling equipment throughout the entire network and a fear that this would fall upon the company. With the present award by the government regulator, no such concerns have emerged this time around.

Answering charges that he had "gone soft" on Railtrack by improving on earlier offers, Winsor said, "If we were to deny them money they need as a competent and efficient company, then they would just fail to deliver."

Utilising the widespread concerns of the travelling public over safety following the third fatal rail accident in three years, Winsor said that extra money had been made available to tackle broken rails, and some would provide for new signals safety systems—demanded following the Paddington tragedy in which a train passed a signal at red and ploughed headlong into another.

Under the review, Railtrack is expected to reduce the annual toll of broken rails by 150 after five years, bringing the present figure of 917 down to the level it was at when British Rail was privatised. Railtrack has identified 85 trouble spots where engineers fear trains could be derailed by tracks that have begun to break up.

The situation is considered so urgent that thousands of rail users faced three days of disruption and delays after Railtrack closed the Scottish West Coast main line for safety checks on Tuesday.

The line was closed between Glasgow and Carlisle to allow engineers to examine the track, where minor cracks have been found. The closure followed Deputy Prime Minister John Prescott's order that the Health and Safety Executive (HSE) conduct an urgent review of Railtrack's work on repairing broken rails. Railtrack was criticised for closing the West Coast main line at such short notice, with no channels through which to let passengers know ahead of time.

On Wednesday morning, Virgin trains between Milton Keynes and Rugby were re-routed via Northampton because so many speed restrictions had been imposed on that stretch of track. The diversion added an extra 40 minutes to already extended journey times. There are now an estimated 150 speed restrictions across the whole rail network.

Railtrack is one of a number of companies created through the privatisation of the formerly state run rail system by the last Conservative government. Floated on the stock market in 1996, Railtrack—which runs the track and infrastructure, renting its use to the private train operators—received assets with a net book value of £4.5billion for a payment of just £1.9billion. In addition, when Railtrack was floated, of the company's £1.6bn debts, the government wrote off £1bn, which was instead transferred to local County Councils, effectively being recouped through local taxation.

Rather than being a genuine response to public concerns over safety, the regulator's award is only the latest in a long line of government subsidies for the private rail companies. In 1996, Railtrack and other privatised rail services were guaranteed almost £5bn in government subsidies for the next three years—more than double that provided to British Rail throughout the 1980s and early 1990s.

Having set up the company at a bargain price and received subsidies ever since, Railtrack executives have proceeded to enrich themselves at the expense of the rail network and the public it is supposed to serve. Though today they cite the terrible decline of the rail infrastructure in the decades leading up to privatisation as a reason for the appalling safety record, they have done nothing to halt that decline, let alone reverse the situation.

The fact that even now, in the wake of the Hatfield tragedy, the government regulator is only talking about restoring the track to its state at the time of privatisation speaks volumes about the real relationship between private profit and rail safety.

See Also:

Death of four in Hatfield train derailment highlights safety issues on Britain's railways
[20 October 2000]

Paddington train disaster inquiry hears how rail companies "put profit before safety"
[20 May 2000]

Privatisation, deregulation and the London rail disaster
[14 October 1999]