What happened to the railway industry when fully nationalised?

The railways were nationalised shortly after the war and stayed in public ownership until the 1990s under John Major. The track, stations and signals, the bulk of the assets, were renationalised by Labour early this century.

In 1950 BR employed 606,000 employees. They looked after a route network of 19,471 miles of track with 8487 stations. By 1967 owing to the sharp decline in rail travel and changing patterns of housing and population growth the network was down to 13 172 track miles with 3498 stations. The number of employees nearly halved over the 17 year period, to 318,000. Train travel which was more than fifth of land travel after the war slumped to 9.5% of the total by 1967.

Post 1968 the decline continued in staff numbers and in travel. The long fall in train travel as a proportion of total travel only altered following privatisation in the 1990s. Today there are 10,261 route miles and 190,000 employees, with 2500 stations.

There was no shortage of investment for much of the period. The railways were encouraged to shift from coal and steam power to diesel and electric. There was plenty of subsidy. Despite this, season ticket prices rose every year in real terms, as the railway struggled to get enough revenue to keep up with its fast growing costs. The railway dumped lots of cheap seats on the market for off peak and unpopular routes, whilst charging very high prices for peak offerings on well travelled routes.

The railway failed to keep many of its former passengers, and did not make a compelling case to potential new customers. The nationalised railway failed , for example, to put in a short rail link from Heathrow, one of the world's busiest airports, to the mainline into London that passed nearby. It watched as London Transport put in a tube line extension instead, leaving passengers to use a route with many stops into the centre and with inadequate space for cases. The freight railway stopped competing for single wagon business, and failed to put in branch lines to the many new industrial estates which came to be located close to the motorway network instead.

There were many rounds of redundancies and job losses, many fare rises, and a permanent failure to reverse the decline of rail use for both passengers and freight. The advent of a more positive industry under the early years of privatisation reversed the downwards trend in travel and market share.

Visit to Unilink in Spencers Wood

I was invited to visit Acante Solutions, a member of the Unilink Group, on the Heron Industrial Estate on Friday 5th January.

This local business has grown well over the 23 years since its foundation. It assembles kiosks and terminals that allow people an electronic means of ordering meals, managing payments and organising their time and visits. It has been adopted widely by the Prisons service but can also be used in other contexts like a student campus, an immigration and visa centre or shopping centre.

The company has grown to employ 80 people, and exports to Australia and New Zealand where there are similar needs and systems. It is currently seeking 6 more people to help assemble the kiosks.

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[What happened to the nationalised steel industry?]

Labour nationalised steel after the war, only for the Conservatives to denationalise it when they came to office in 1951. Labour renationalised it in 1967 and ran a grand investment strategy through to the end of the 1970s when it had to be abandoned because it created massive overcapacity. The Conservatives bought into the Labour investment led approach for their period in office of 1970-74.

In 1950 the nationalised industry produced 16 million tonnes of steel. By 1965 the competitive private sector industry restored by the Conservatives had got output up to 27 million tonnes. The Labour government on nationalising it decided to build an industry capable of 35 million tonnes of output. They signed off on a bold plan to put in five major integrated works at Redcar, Scunthorpe, Ravenscraig, Llanwern and Port Talbot. and to develop in Sheffield.

By 1978-9 the industry was only selling 17.3m tonnes, 10m less than the privatised industry had managed on a much smaller capital base a decade earlier. It had however received a whopping £2674 million in interest free capital from the taxpayer and £350 m of write offs, to allow it build five large integrated works despite their inability to sell the steel they could make.

This ushered in a long period of agonising decisions to close each of the works or parts of each of the works in turn as they struggled to get costs and output down to match the poor levels of demand . Large numbers of redundancies followed and the complete withdrawal of the industry from places like Corby and Ravenscraig.

The tragic story of nationalised steel leads a commentator to ask how could state planning get their forecasts for demand so wrong? Why did the costs of putting in the extra capacity escalate so badly, making the steel even more uncompetitive? Why did Labour end up closing so much down and making so many redundant? The strategy was bold, well financed and well intentioned. The result was an industry unable to compete with German steel, and later with Asian product, that spent years agonising over cuts and closures. The taxpayer lost large sums.

Why do some people think nationalisation a good idea?

All previous Labour governments have nationalised some state assets. The 1945-51 government did so on a large scale out of ideological conviction. The Wilson government of 1964-70 and the Wilson-Callaghan administration of 1974-9 did so alleging it would enable them to pursue an industrial and economic strategy that would lift the growth rate, with a continuous row over how far they should go as the left pushed for a more active strategy. The Blair-Brown governments came to office in 1997 accepting privatisation and saying they would not reverse the large changes from the Conservative privatisation programmes. Later in office they renationalised the bulk of the railway and went on to buy two of the largest commercial banking groups following the failure of their regulatory approach to banking.

The left who argued strongly for more nationalisations argued their case based on three main erroneous propositions. The first was that it would be better for employment and the employees if their jobs came from Ministers and a political process, rather than from competing private sector employers. Instead, as we shall see, the main nationalised industries ended up sacking large numbers of people.

The second was that it would cut out the so called "inefficiencies of competition" – the extra head offices and advertising programmes to sell different brands and services – making the nationalised industries more efficient and better for customers. Instead, monopoly pricing power wherever they had it was used to push up prices to pay for inefficiencies which the monopoly could not or did not wish to remove.

The third was that it would allow rational planning and longer timescale for investment. This they wrongly thought would lead to stronger and better based industries. Instead, the planners usually got it wrong, made large and wasteful investments and ended up having to close their own pet projects or sack their staff.

It would be interesting to hear from those of you who favour complete nationalisation of current railways why the nationalised Network Rail is not delivering a railway you are happy with.

As I will show from tomorrow from past experience, nationalised industries in the UK developed a bad record as employers, making hundreds of thousands redundant, pushed up prices a lot, and bungled large scale investment programmes badly.

Productivity

The government was able to report a reasonable increase in productivity in the third quarter of 2017 with a 0.9% gain in the three months, with similar advances in both services and industry. The Treasury is keen to advance productivity as a means of promoting higher real incomes and improving UK competitiveness in world markets.

One of the areas of the economy that has struggled to make productivity improvements is the public sector. Whilst there is a good reason to want good staffing ratios for front line services like healthcare and teaching, there are many back office functions and other services where the government can improve quality and lower cost by adopting more productive ways of working. Offering more computing power to perform clerical functions, speeding and cheapening communication with users by going digital, adopting the internet for a wide variety of productivity enhancing improvements are the way forward.

Some of it requires policy change. The introduction of Universal Credit is partially designed to reduce the number of benefits that require separate application and calculation, whilst ensuring decent support for those who need it. The Treasury could reduce the costs of tax collection by streamlining and simplifying taxes.

Some of it requires careful negotiation with staff. The aim should be to help people work smarter and to be better paid as a result. Given the need for more staff in many areas of the public sector, productivity raising improvements do not require reducing the number of jobs overall, but ensuring the jobs are better and achieving more. Some technology will not be popular with workforces, as we have seen with more automation on trains.

Today I am inviting you to write in with your suggestions for ways public service could be improved through the adoption of new technology. Well done it can raise service standards for users, reduce costs for taxpayers, and provide better paid and more worthwhile jobs for those in the public sector adopting the new ways of delivering.