

Why more nationalisation is a bad idea

I was asked to explain why I do not favour nationalising the railways, the Post Office, the water industry and the energy utilities yesterday on the radio. It was a trip down Memory Lane to the arguments of the last century, when Labour made the case for continued or more nationalisation despite all the evidence of the damage their policies did.

Nationalisation was the best way to lose more employees their jobs, to charge customers more, and to sting the taxpayer to pay the losses. The coal industry lost most of its workers when nationalised. The workforce of 704,000 of the newly nationalised industry in the late 1940s had fallen to as few as 235,000 by the time of the election of the Margaret Thatcher government. Despite all the closures of mines and sackings, the losses mounted to be paid by taxpayers.

The railways under public ownership experienced continuous decline. In 1950 they employed 606,000 staff and had 19,471 miles of operating track. By 1976 then under a Labour government staff numbers had more than halved to 244,000 and route miles had fallen to 11,189. The market share of the railways halved, and the number of stations fell by two thirds. The nationalised steel industry too, under Labour and Conservative governments, spent most of its time discussing how to curb the losses by cutting back on capacity and jobs.

Labour say they wish to renationalise the railways. The truth is the main cost and the main assets of the railway are already nationalised. The tracks, signals and stations are owned by Network Rail, itself wholly owned by taxpayers and financed by the Treasury. Many of the delays which affect rail services are the result of signalling failures or other Network Rail caused events. It is Network Rail's job to expand capacity by improving signalling so more trains per hour can run on the railway.

I was asked why we did not buy shares in water companies whilst keeping in place current private sector management so we participate in the profits. I replied that we have other more important priorities for public spending. In the past government ownership of industries has not brought dividends and profits overall, but losses and the need for more subsidised capital.

The main way to improve service quality and bring down prices of utilities is to increase competition. That is what we need to do in some cases, as there is clearly room for improvement. What we do not want to do is to go back to a world where customers, employees and taxpayers all get a bad deal, which was the typical experience of our nationalised industries.

Labour's big nationalisation programme has not been costed and is unaffordable. From past experience it would lead to worse service and huge bills for taxpayers.

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