

ANYONE SEEN THE INVISIBLE HAND?

Should the railways be re-nationalised? Or is more deregulation required? Two think-tanks hawk the fruits of their 'beautiful minds' around the party conferences.

Paul Coleman reports

Why is there only one Monopolies Commission? once asked the late Screaming Lord Sutch, the Monster Raving Loony Party candidate. Two think-tanks, the Adam Smith Institute and Catalyst, have embarked on an autumn crusade to convince politicians that they possess a monopoly of wisdom about the future of Britain's railways.

The Adam Smith Institute (ASI) and Catalyst – the political equivalent of chalk and cheese – moored their latest research reports alongside the party conferences at Brighton and Blackpool. The ASI advocates more rail deregulation, saying that the market should run the railways. Catalyst argues the rail industry needs taking – stock, track and timetables – back into public ownership.

Pause and ponder. Why do these think-tank types bother? After all, there would be long odds against a Labour government instructing Mike 'Costcutter' Mitchell at the Department for Transport Rail Group to mosey on down to the train operating companies to say, 'here, lads, take over the tracks'. The odds would be equally as long



Margaret Thatcher: Saw railways as a privatisation too far.



Bob Crow: 'ASI is the same think-tank that once wanted to concrete over Britain's railways and turn them into motorways.'

against Mitchell telling them, 'thanks lads, but we need the train keys back now'.

Part of the reason, of course, is that think-tank folk are paid to flog reports at party conferences. However, this isn't just the old private-versus-public chestnut falling from the tree again. The Adam Smith Institute, a leading element of the libertarian right-wing tradition, first pressed the case for rail privatisation in 1987. Railtrack's demise, Network Rail's rise and the heavier post-Hatfield regulatory climate are anathema to these traditionalists. They fear the Conservative Party, post-Michael Howard, is unlikely to swing Conservative rail policy back towards their libertarian sensibilities.

Even shadow transport secretary Alan Duncan can't grasp the ASI's argument. 'I cannot see the case for extending privatisation in the railways,' Duncan says. Hence, the ASI swings a wild haymaker at the Conservatives and John Major for botching privatisation, for making it 'an opportunity missed'.

Conversely Catalyst, which describes itself as 'independent left-of-centre', is more confident that its

public ownership agenda will see the light in Westminster and Whitehall. The rail unions, Aslef, the RMT and TSSA, see the current tenuous state of Blair's leadership and the party's need to keep the unions sweet as an opportunity to push the case for public ownership.

Catalyst's fringe meeting at the Trades Union Congress in Brighton heard two former shadow transport secretaries, Michael Meacher MP and Tony Benn, thunder that the shakiness of Blair's leadership means that the time is ripe for the unions to no longer merely protest against rail privatisation but to demand that the rail industry be restored to public ownership. The RMT will raise the heat on this demand if card-carrying members working for South East Trains vote for strike action over threats to jobs, pensions and working conditions in the run-up to SET's re-privatisation.

Meacher, a former environment secretary, argues that the Government should keep SET in public ownership, partly as it acts as a performance and punctuality benchmark to measure against other Tocs. Meanwhile, rail union leaders like TSSA's Gerry Doherty are using Catalyst's report to preach

vigorously for public ownership. For instance Doherty, a booking clerk at Glasgow Central for 15 years, steams: 'If those at the top of the Labour government or party do not change their position on public ownership of the railways, then it is our job to make sure that we change the leadership and bring in other people who will do it.'

It's fighting talk, fuelled further by the rail unions' dismay that even Gordon Brown – their post-Blair champion – told them that bringing the railways back to public ownership would cost £22bn. Transport secretary Alistair Darling, quizzed by Doherty about this figure, apparently said £14bn would be needed just to straighten out Network Rail. 'This £22bn is bunkum,' says Doherty.

Hence the think-tanks, left and right, perceive that the political rail stakes are high. *No Way To Run A Railway*, the ASI report, calls for deregulation of the rail network, arguing that Britain's railway woes are worsened by increasing regulation and what they see as the creeping but ineffectual renationalisation by stealth that Network Rail's creation represents.

'Bureaucrats forced an over-

complex structure on the industry and having too many regulators made it worse,' says report author Iain Murray, whose moniker might ring old bells at the DfT. 'The combination of over-regulation, over-complexity and public ownership of the infrastructure makes it impossible for private operators to improve the service.'

Murray contends Railtrack panicked after Hatfield, the October 2000 crash that changed much on Britain's railways. He quotes chunks from Peter Osborne's pieces in *The Spectator*, who blustered that 'the reaction was disproportionate', adding that the ensuing track checks and speed restrictions were 'akin to the Health & Safety Executive requiring certain checks on family cars following every fatal road accident'.

Murray claims the Tories botched rail privatisation by failing to allow 'the invisible hand of the market to take charge'; a weakness that the ASI believes has Adam Smith, the Scottish 'founding father of economics' and 'invisible hand' inventor, no doubt spinning in his grave. Murray concludes: 'Instead, a complex and confused regulatory framework placed an invisible foot on the industry's throat, choking off the life-blood of private sector innovation. It should come as no surprise that significant resuscitation efforts are now required.'

Strangely, Murray doesn't specify his resuscitation techniques. The ex-Department of Transport rail privatisation adviser emigrated to Washington DC in 1997. He now walks through the doors at 1001 Connecticut Avenue, where he is a senior fellow at the Competitive Enterprise Institute, a body that describes itself as a '\$3m non-profit group dedicated to free enterprise and limited government'. In a CEI tome of wisdom, Murray grumbled that America's Amtrak service could only avoid becoming a joke like British Rail if it was vertically privatised into integrated regional companies that owned and maintained the tracks and the trains. Apparently, this was John

Major's preferred option for Britain's railways, to remove them from the 'public sector straitjacket'.

RMT general secretary Bob Crow reckons it's the ASI that should wear a straitjacket, with Murray given his own padded cell. 'This is the same mob that came up with the crackpot scheme to break up our railways in the first place,'

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says Crow. 'And it's the same think-tank that once wanted to concrete over Britain's railways and turn them into motorways.'

Crow and Doherty also mention the fact that Margaret Thatcher was against rail privatisation. 'Even Maggie Thatcher understood that the railways can't be run efficiently outside of the public sector,' says Doherty. It's another reason why the decision to re-privatise South Eastern Trains leaves the unions feeling that New Labour has spat into their soup.

Doherty, recalling the 2004 Labour Party conference, still gnashes his teeth at what he calls the 'disgraceful shenanigans and pressure tactics' that involved senior party apparatchiks arm-twisting constituency Labour party delegates to persuade them to vote against a TSSA motion that called for public railway ownership to be Labour Party policy. 'For instance, London Regional Labour Party were told that it could forget Crossrail if it supported the TSSA,' recalls Doherty. 'Manchester was told that it wouldn't get its new hospital.' In the end, 28 per cent of constituency delegates voted with the TSSA and the motion was passed. Tony Blair simply ignored the vote and rail had no place in Labour's 2005 election manifesto.

The unions regard SET as a test of the strength of their position and of public opinion. Aslef, TSSA and the RMT cite Catalyst's report, *The Performance of the Train Operating Companies*, as further evidence that

a publicly owned railway is an open-and-shut-case economically, environmentally and in terms of accountability.

However, a closer reading of Catalyst's paper reveals that it growls, rather than barks, this conclusion. It claims the Tocs, as a whole, 'without subsidies, would have made a loss every single year –

£1.1bn in 2003 – and there is no expectation that the losses will be eliminated in the foreseeable future'. The paper's analysis stems from a trawl through rail industry finances since privatisation by Jean Shaoul, professor of public accountability at Manchester Business School. Shaoul has a frighteningly detailed knowledge of NHS finances, the

private finance initiative and international regulatory reform. But even she is stumped by the difficulty in getting 'detailed and accurate data on subsidies and support from the SRA'.

Worse still, Shaoul says 'there is a growing absence of financial transparency in franchising'. The SRA's various publications have produced 'annual aggregate data' that don't always match for the same year. Individual Toc data doesn't add up to the totals and the data changes in format yearly.

At least such confusion shows that neither the 'invisible hand' nor the 'public ownership' brigades will advance their respective causes much by trying to prove where the rail industry's money has vanished over the last 10 years. Meanwhile, Britain's current, curiously-hybrid, private-public rail network will continue to muddle through, leaving us wondering whether we're experiencing the worst of both worlds and the best of none.



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