

Labour's plan for rail nationalisation make sense - but...

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I posted this video on YouTube this morning. It is a particularly current topic. Railways are an issue in which I have particular interest. I first read a textbook on the economics of the nationalised rail industry in 1975. I still have it somewhere. And I have never changed my opinion about the importance of state control of our railways. In that case Labour's plans appeal to me, but I have reservations. Watch on....

<https://youtu.be/ZpliZ4Z4sJk?si=PsRbWd01cPGn5xXD>

The transcript is:

Labour's plans for renationalising our railways make sense as far as they go, but they don't go far enough.

Let's talk about the basics of this. The basic fact is that railways should never have been privatised. As long ago as a century ago, in 1923, Winston Churchill and others realised that the idea that private companies could run railways was really rather bizarre because that imposed enormous cost and did not create competition, simply because there's rarely going to be more than one set of tracks between two places in the country. Sometimes, but rarely.

And so it made sense to bring companies under common control. Now in 1923, they backed off nationalisation and instead went for something called 'the grouping'. There were four large companies in the UK. That didn't really work. Frankly, it didn't produce the benefits they wanted. So, in 1948 we got British Railways.

That worked until the era of the 1970s when a lack of finances, or what the Labour Party and the Tories of that period thought were a lack of finances, undermined the delivery of a combined new rail network, because of underinvestment in the main. And then we limped towards privatisation, which was meant to bring in vast amounts of new private capital to transform our railways.

Let me give you some numbers. In the last year, 2022-23 - that's the last one we've got data for - we know that the government subsidised the UK railway system by nearly £20 billion in a year. Now that was much higher than before Covid, but that's the total cost. The total amount of private capital that was brought in by the railway operating companies was just 4 percent of that total.

So let's not pretend we have an effective privatisation model of railways right now. We haven't. We've got a nationalised system of railways already, and we need that system because it will deliver efficiencies.

I bet you, if you travel regularly on railways like I do, you have suffered the problem of arriving in a station to see the connection that you were hoping to make disappearing because it's run by another train operating company than the one that you came in on and they are not required to coordinate with each other.

If we have an integrated railway, which is what I hope Labour will try to deliver, then such things shouldn't happen. The customer, and not the profits of the operating company, should come first. So, if Labour do that, we should get benefit.

And they will be able to fund benefit, because nationalised railways are cheaper to run.

Why? Because there's vastly less accounting to do. Nobody has to agree who's responsible for a train running late. It doesn't matter whether it's the operator, RailTrack, or somebody else. It's late, and the compensation is due. Hundreds of people have to work that out at present.

There's also no problem with ticketing. If I move from where I am in East Anglia to, say, Lancashire, I'll go through several railway operating companies to get the journey completed. They have to agree how they split the ticket. Now you can say there's a formula to do that, but setting the formula still takes time.

And the point is, all those costs will be saved. Everything should work better as a nationalised railway.

But one thing - and this is where Labour's plans don't go far enough - Labour needs to have its own train leasing company, because right now all the trains run on all the British railways are leased by three companies to the railway operating companies, and those leasing companies make a fortune.

They make around 25 percent of what they charge to the railway companies a year - probably a billion in profit. That's excessive, unnecessary, inappropriate, call it what you will. Labour has to invest in its own trains for the future.

The average train in the UK is 16 years old. We now need new investment. We need to maintain the ability to make trains in the UK. We need to do so persistently. Labour has to also fund it with government because that will be cheaper than the option of using

private finance. We know that. Labour has to genuinely believe in nationalisation.

Its claim that it's not interested in dogma when it comes to this issue is ridiculous. It should be interested in economics and the economics of this demand a nationalised railway service.

Labour, stop prevaricating. Deliver what this country needs. And that is a nationalised railway service.