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'A Poll Tax on Wheels': Might the Move to Privatise Rail in Britain have Failed?

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Abstract

Rail privatisation was a controversial, widely unpopular policy whose implementation was not inevitable. This article employs counterfactual history methodology to examine whether the move to rail privatisation in Britain might have failed. It places the privatisation proposals in context by examining opposition within the Conservative Party and British Rail. The paper then focuses on three key counterfactual questions, including the significance of New Labour’s reversal of its commitment to renationalise rail under its ‘third way’ policy and the possible consequences had the move to privatise rail failed. Based on the historical evidence available, it concludes that the move to rail privatisation could have failed, and that performance would have been better had rail remained an integrated, nationalised industry.

Keywords: Rail privatisation; Railtrack; Network Rail; British Rail; New Labour; Third Way; Counterfactual history

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Introduction

The condition of a country’s transport infrastructure has been a long-standing concern of governments. As far back as the 1830s, for example, the Duke of Wellington publicly expressed his concern over the dangers of monopoly and mismanagement in the railway companies emerging in Britain and suggested state ownership of rail. Hence, the issue of ‘public ownership versus private enterprise for the railways’ is one which is ‘as old as the industry itself’ (Gourvish, 1986, p. 13). Government regulation of major industries such as rail is of long standing, with ‘war and the needs of public safety providing much of the early justification’ for intervention (Chick, 1987, p. 104). The First World War, for example, saw British government intervention in industries such as rail, oil and coal, with some regulation continuing in the postwar era (*ibid.*). The 1921 Railways Act reorganised the 120 private rail companies into four regional groupings, which were subject to price control by the Railway Rates Tribunal, but were also awarded a grant of £60 million to facilitate reconstruction (Crompton, 1985, pp. 222-223). The transfer of ownership from private to public hands of many industries, after 1945, ‘was in part the logical extension of the previous practice of regulation’ in both World Wars, and so the nationalisation of the coal, gas, electricity and transport industries was ‘accompanied by political promises that the output of these industries would be more widely and cheaply available’ (Chick, 1987, p. 106). The Attlee

Government's nationalisation of the transport industries in 1948 was further justified on several grounds, including the track record of inadequate investment by private transport companies, the fact that the industries contained 'strong elements of natural monopoly and externalities', and the 'widespread support for the realization of scale economies' (Millward, 1997, p. 230).

Under nationalisation, Labour and Conservative governments hoped that British Rail would find the 'Holy Grail' – a way to 'combine public service aspirations and commercial viability' (Gourvish, 2002, p. 2). By the 1970s, however, British Rail 'had become known for its losses of both money and market share', and after 1979 'pressure increased from a series of unsympathetic Conservative governments for losses to be reduced and for more emphasis to be given to commercial efficiency rather than public service' (Crompton & Jupe, 2007, p. 909). British Rail's response was to undertake two major internal reorganisations in the 1980s and 1990s, known respectively as Sector Management and Organising for Quality. Under Sector Management, business criteria were injected into a much wider range of decisions affecting rolling stock, infrastructure and administration (Gourvish, 2002, pp 106-150), an approach which 'undoubtedly contributed to the improvement in rail finances in the 1980s' (*ibid.*, p. 150). The culminating change was Organising for Quality, which eliminated the railway's traditional regional structure and divided staff among sectors, consisting of six businesses and 27 profit centres, and 'represented the full flowering of the business-led, sector management concept' (Gourvish, 2002, p. 383). The change was not uncontroversial, particularly for railway engineers, who were 'stitched into the businesses' when their preference was to retain a specialist, centralised engineering function operating across the network (*ibid.*, p. 378). Nevertheless, despite its detractors, Organising for Quality 'offered

Britain the best prospects of a more streamlined, consumer-oriented, empowered organisation in an integrated form' (*ibid.*, p. 450).

Ironically, the bulk of the changes needed to complete Organising for Quality had only just been put in place by 1992, the year in which rail privatisation was promised. Rail was a late candidate for privatisation, with a decade of privatising activity by Conservative Governments led by Margaret Thatcher passing before the sale of British Rail was attempted. Prime Minister Thatcher, despite her 'antipathy towards the public sector in general and railways in particular (Gourvish, 2002, p. 1000), had been very cautious about rail privatisation because of its likely unpopularity and the subsidy-dependence of the network. It was her successor, John Major, who 'chose rail as an issue where he could demonstrate his Thatcherite credentials' (Dudley & Richardson, 2000, p. 214). The Major Government introduced rail privatisation through the Railways Act 1993, which provided for a radical separation of infrastructure from train operations. The infrastructure authority, Railtrack, was privatised in 1996 and subject to regulation by the Office of the Rail Regulator. By 1997 the rail industry had been fragmented into over 100 companies. They included 25 train operating companies (TOCs), which held fixed-term franchises awarded by the Office of Passenger Rail Franchising (OPRAF), later subsumed into the Strategic Rail Authority (SRA), which also regulated their performance and provided subsidy. All network maintenance and renewal work was awarded to 13 infrastructure companies which made extensive use of subcontracting. Three rolling stock companies supplied the TOCs with leased rolling stock. Open access provisions allowed new companies to compete with TOCs on existing routes. Rail privatisation as originally conceived was 'at best partial', as 'whether through regulation or subsidy the government would continue to play a major role in the railways' fortunes' (Gourvish, 2002, p. 434).

The Major Government's justification for rail privatisation was that it would produce a 'higher quality of service and better value for money' for passengers and taxpayers through the introduction of 'competition' (Department of Transport, 1992, paras.1, 6). British Rail's fragmentation and privatisation is now widely seen as an expensive failure in terms of these objectives. The reality, many argue, is that privatisation brought the railways to 'a sad state' (Bagwell, 2004). The railways' total operating costs have more than doubled since privatisation, and the average annual subsidy has more than tripled compared to the pre-privatisation figure (Jupe, 2009, pp. 717-720). Four fatal accidents originated 'in the fragmentation of the industry and the neglect of safety considerations' (Crompton & Jupe, 2007, p. 910). The Hatfield crash, and its aftermath, plunged the network into crisis and contributed to Railtrack's collapse into administration in 2001 (*ibid.* pp. 910-911). Railtrack's successor, Network Rail, a private 'not-for-profit' company, is heavily reliant on both subsidy and on government-guaranteed borrowing. Hence, a former member of the British Rail Board argued that the 'Treasury's treatment of the railways in the 1990s was probably the worst instance of Whitehall industrial mismanagement since the Second World War' (Jenkins, 2007, p. 168). A transport writer went further, arguing that rail privatisation 'represented one of the great political and economic crimes of the twentieth century ... its victims were not only the railways but ourselves, the taxpayers and passengers who support them' (Wolmar, 2005, p. 328).

The introduction of rail privatisation was not inevitable. Widespread criticism of the privatisation proposals developed, 'fed by the media and reflecting opposition from the railway trade unions, rail and public transport lobby groups, the Labour Party, and several Conservative backbenchers' (Gourvish, 2002, p. 399). Given this opposition and the abundant evidence of the problems incurred both during and following rail privatisation, which were all predicted by critics, this paper employs the methods of alternative or counterfactual history to examine whether the rail privatisation model, which was introduced after 1993 and operated until Railtrack's replacement by Network Rail in 2002, might not have been introduced. Counterfactual methods have long been employed in historical work. Ferguson, for example, cites speculative counterfactual passages in Gibbon and then dates the first major counterfactual historical work to 1876, a century after the publication of *Decline and Fall* (1998, p. 8). The literature 'on counterfactuals and related topics', as Maielli and Booth argue (2008, p. 50), is now 'a broad, multi-disciplinary, burgeoning endeavour'. In order to distinguish counterfactual history from creative writing, however, it is necessary to demonstrate that 'the alternatives contemplated in the former are always derived from an analytical method and rooted in the historical record' (Rutherford, 2007, p. 286).

The remainder of the paper is structured as follows. First, the methodology in counterfactual history is explained. Then, the context for the counterfactual questions is examined, focusing on the opposition of a leading a Conservative critic, Robert Adley, and of British Rail. Next, three counterfactual questions are examined in successive sections. The third section focuses on what if Tony Blair, who replaced John Smith after the latter's untimely death, had maintained Labour's commitment to renationalisation, and the fourth then analyses what might have happened if New Labour had strongly opposed the franchising process. The fifth section examines the consequences if the move to privatise rail had failed. The final section then provides conclusions on how the privatisation process might have been changed.

Methodology in Counterfactual History

The purpose of counterfactual speculations in history is 'to assist in the identification of cause and effect' (Rutherford, 2007, p. 286). All historical judgements as to the relative importance of individuals or events, as Davies (2003, p. 132) argued, 'rest upon an implicit counterfactual'. The counterfactual is an argument as follows: "if event X had not happened or had taken a different form, then the actual known course of events Y would have been significantly different" (*ibid.*, 131-132). Thus, a collection of counterfactuals edited by Ferguson (1998) considers issues such as 'What if there had been no English Civil War?, and What if there had been no American War of Independence?' (*ibid.* p. 2). While counterfactual history may be seen as 'a game ... played for its entertainment value .... it has been used as a device to sharpen historical analysis ...', as 'it is quite acceptable for historians to use ... suppositions to think with' (Jordanova, 2000, p 111). Trevor-Roper (1981, pp. 363-364) also argued that 'at any given moment in history there are real alternatives ... How can we "explain what happened and why" if we only look at what happened and never consider the alternatives ... It is only if we place ourselves before the alternatives of the past ... that we can draw useful lessons from history'. Historians can make 'tentative statements about causation with reference to plausible counterfactuals' (Ferguson, 1998, p. 89). Hence, counterfactual arguments have been used in accounting and business history. Rutherford (2007), for example, has examined key points in the course of price change accounting history in Britain at which events might have turned out differently. Fogel (1964) attempted to construct a model of economic development in the USA without railways, in order to challenge the view that rail was vital to industrialisation. The historiography of the decline of the Lancashire textile industry in the early twentieth century has been dominated by 'counterfactual analysis' involving judgements 'after the event about what the industry leaders should have done' (Toms & Beck, 2007, p. 316). Despite its importance in business history, however, there has not been a counterfactual analysis of rail privatisation.

Counterfactuals must involve claims which are 'speculative' (Jordanova, 2000, p. 212), but such speculations can still have value. Bloch (1992, p. 103) argued that when the historian asks about the probability of a past event 'a bold exercise of the mind' is employed to consider 'the time before the event itself, in order to gauge its chances'. It is necessary to 'overcome the problem of hindsight', which will always be hard 'to effect completely, since self-denial of knowledge on the part of the historian is always going to be difficult' (Toms & Beck, 2007, p. 317). Thus, it is important, as Ferguson argued (1998, p. 85), to narrow down historical alternatives to those which are 'plausible' in order to reduce 'an unmanageably infinite number of possible pasts'. In order to limit counterfactual speculations, Ferguson argued that we should 'consider as plausible or probable *only those alternatives which we can show on the basis of contemporary evidence that contemporaries actually considered*' (emphasis in original, *ibid.*, p. 86). Hence, 'we are obliged to construct plausible alternative pasts on the basis of judgements about probability; and these can be made only on the basis of historical evidence' (*ibid.*, p. 87). The following sections examine, on the basis of such evidence, how the move to privatise rail might have failed and the possible consequences of such failure.

The context for the rail privatisation counterfactuals

In order to frame the context for the counterfactuals, two scenarios are examined. These are important as they could have strengthened, had they unfolded, the plausibility of the counterfactuals. The scenarios examine the possible consequences if Robert Adley had lived, and if British Rail had provider stronger opposition to privatisation.

Robert Adley was the most prominent of the Conservative Party's opponents of rail privatisation. Unlike many privatisers, Adley had a deep understanding of the rail industry and had written many books on railways. In a journal article he cogently analysed the problems facing rail:

> The cause of current dissatisfaction with BR is not ownership but funding: the effect of the policies of the Thatcher era is visible. Change of ownership is unrelated to the cause of the problem ....
>
> The fact is that, between road and rail, there is a totally unequal playing-field in the way in which public investment is contemplated and allocated. To suggest that the railways are a monopoly is patent nonsense: the competition comes from the owner-driver on a trackbed funded entirely by the taxpayer .... If rail-users are expected to cover the full cost of the services they use, then the level playing-field requirement is that every road, every lane, should be a toll road ....
>
> Happily I opposed the Poll Tax, a scheme of local government finance invented by political fanatics. My ambition is to prevent the Conservative Party from inventing a Poll Tax on wheels (Adley, 1992, pp. 6-7).

The prophetic warning of 'a Poll Tax on wheels' was to be widely quoted by opponents of rail privatisation, and Adley had important roles both outside and inside Parliament. Outside Parliament, Adley was a prominent member of the 'Save Our Railways' campaign group, established on 2 February 1993 to oppose rail privatisation. The campaign included rail pressure groups, the rail trade unions, the Association of Metropolitan Authorities, and, in a cross-party alliance, Nick Harvey, a Liberal Democrat MP, and Brian Wilson, a Labour MP. Inside Parliament, Adley chaired the House of Commons Select Committee on Transport. It conducted a lengthy and detailed examination of the Major Government's 1992 White Paper on rail privatisation and its 1993 Railways Bill. Oral evidence was taken from 138 people and over 300 written submissions were received. In April 1993, the Conservative-dominated Committee produced a unanimous, carefully-worded and wide-ranging critical report emphasising the risks involved in rail privatisation. As events were to prove, the report highlighted key flaws with the proposals. The report acknowledged that ‘the Government is right to give a high priority to seeking ways of improving the quality of rail services’ and is ‘justified in examining ... the scope for expanding the role of the private sector’. It emphasised a key caveat, which was ‘that this can be done without jeopardising the cohesiveness of the national network and the benefits it provides’ [i]. The report also emphasised that ‘if Ministers’ expectations of increased private and public sector investment in the railways are not realised it will scarcely matter what structure of ownership or management is put in its place’ [ii].

Along with the warnings about the risk of losing network benefits, and relying on private sector investment, the report raised very serious concerns over the vital issues of cost, safety and the complexity of the proposals. The Committee cogently argued that the Government’s hopes of cost savings could be unrealistic, and there must be a possibility that ‘the cost to the taxpayer of providing the same level of service will actually rise’ [iii]. This far-sighted view was based on several factors: the lack of an ‘obvious incentive for Railtrack to act efficiently’; profits taken by franchisees will not be available to ‘cross-subsidise other parts of the network’; franchisees will require a ‘premium for uncertainty’; ‘economies of scale could be lost’ if franchises are too small; and the need for ‘at least 300’ extra posts in the proposed regulatory system [iv].

Safety was highlighted by the Committee as a key issue in its own right and because of its cost associations. The report argued that the railways ‘provide extremely high standards of safety’, and so the fundamental question was how current safety levels can be maintained’ [v]. The Committee argued that safety standards could be maintained, but ‘at a price and with some important provisos’[vi]. The price would include: increased costs arising from ‘regulation, enforcement, and demonstration of compliance by operators; increased costs associated with 'the resolution of disputes, liability and compensation claims; and 'conflicts of accountability' associated with the proposed role of Railtrack both as the infrastructure provider and as 'validator of train operators' safety cases'[vii]. The important provisos covered 'the care necessary from all parties on issues such as': incident investigation; maintenance practices; and 'employee culture, morale and enthusiasm for safety as a primary objective' [viii].

Having examined key limitations of the proposals, the Committee provided 87 wide-ranging recommendations and conclusions. Contradicting the beliefs of the most zealous privatisers, it argued that 'the scope for open access passenger services is very limited', and so the Government 'should formally recognise this fact' in order to remove uncertainty from franchise bidding [ix]**.** The report presciently highlighted the risks involved in the privatisation plans, urging caution: '*In terms of international railway experience, the Government's proposals ... are novel and untested. The risk that something could go badly wrong is therefore higher than would otherwise be the case* ...' (emphasis added) [x]**.**

Adley was too ill to present the Committee's report when it was published in April 1993, and died the following month. Given that there was 'at best lukewarm support' for the rail privatisation from 'a significant number of Conservative MPs' (Dudley & Richardson, 2000, p. 223), Adley's death was significant. The Government's original majority of 21 seats, gained in the 1992 election, had been reduced to 18 after by-election losses, and votes in both the Commons and the Lords were often 'uncomfortably close' (Gourvish, 2002, p. 433). Keith Speed MP, another Conservative critic, attempted to continue Adley's campaign against rail privatisation. His position was undermined, however, when it was revealed in May 1993 that he was a paid lobbyist for British Rail. Further, there was no Conservative replacement for Adley in the ‘Save Our Railways’ campaign group, which lost its cross-party alliance. Two major studies of rail privatisation agree upon the significance of Adley’s death. Gourvish argued (2002, p. 433) that the campaign against privatisation lost momentum ‘with the sudden death of Robert Adley’. Adley’s death, argued Wolmar (2005, p. 66), ‘removed the lynchpin of the Tory MPs’ opposition to rail privatisation and, without a leader, their campaign subsequently waned’. Had Adley lived, it is possible that the privatisation proposals could have been defeated, or amended, by the Commons. However, Adley’s posthumous legacy may also be seen as weak as, despite the close nature of the privatisation votes, they were won by the government.

Just as Adley’s survival could have strengthened opposition to rail privatisation, so could a more robust approach by British Rail’s management. The Conservative Governments, elected from 1979, attacked the alleged poor performance of Britain’s nationalised industries and demanded improvements, often in preparation for privatisation. While the Conservative Governments set a strict financial framework for British Rail, and enforced the sale of assets including hotels, the extensive reorganisation of the industry which began in the 1980s was essentially ‘a railway-led initiative’ of the industry’s Board and senior railway managers ‘determined to devise an improved organisation’ (Gourvish, 2002, p. 110).

British Rail’s extensive reorganisation was only completed in 1992, the same year in which the Major Government published its White Paper with proposals to fragment and privatise rail. The slim, twenty-one page White Paper conceded that British Rail had made ‘significant improvements’, its efficiency ‘compares well with that of other European railways’, and its workforce’s productivity ‘is among the highest of any European railway’ (Department of Transport, 1992, para. 3). Given these achievements, the White Paper’s lack of empirical evidence in support of its radical proposals was striking. For example, the White Paper boldly asserted without evidence that the introduction of ‘competition, innovation and the flexibility of private sector management will enable the railways to exploit fully all the opportunities open to them’ (*ibid.*, para. 6).

The public response to the White Paper came in a Press Release from British Rail’s Chairman, Sir Bob Reid[xi], who with studied understatement noted that it represented ‘a challenge’ [xii]. The Board and the majority of senior managers ‘opposed the government’s choice of model for railway privatisation’ (Gourvish, 2002, p. 433). Some staff were implacably opposed to any privatisation scheme, but ‘most would have been far happier to run with a private, but vertically integrated industry’ which retained sector management (*ibid.*). Privatisation was ‘by no means certain’, given the widespread opposition to the policy and the Major Government’s small parliamentary majority (*ibid.*). Its form was by no means certain either, as in 1991 ‘up to ten methods of privatising British Rail were being considered by Ministers’ (Dudley & Richardson, 2000, p. 214). Thus, it is arguable that a more forceful approach from British Rail’s senior management could have influenced the final outcome. In January 1991, for example, rather than engaging in the privatisation debate Reid simply stated that British Rail ‘would not be ready for privatisation for another twenty years’ (*ibid.*, p. 215). Thus, the Chairman’s relatively ‘passive’ behaviour has been ‘contrasted with other nationalised industry Chairmen such as Lord King of British Airways and Sir Bob Scholey at British Steel, who aggressively lobbied for privatisation on their terms’ (*ibid.*, p. 218). This judgement was confirmed by Gourvish (2002, p. 433), who argued that British Rail’s ‘Board did not seek to exploit the political ambiguities around it’.

The idea of fragmenting rail into an infrastructure authority, with different train operators competing to run train services, originated in a paper published by the Adam Smith Institute (Irvine, 1987). This concept was then developed by consultants, such as Putnam, Hayes &

Bartlett (PHB) [xiii] as British Rail was excluded 'from the policy-making arena' (Dudley & Richardson, 2000, p. 224). The Government spent 'a staggering £450 million' on consultants when preparing for privatisation (Wolmar, 2005, p. 68), and British Rail was in the unenviable position of hiring consultants in order to counter the chosen fragmented structure which 'owed as much to political dogma and expediency as to theoretical niceties' (Gourvish, 2002, p. 390). In 1991, for example, Professor Bradshaw, a transport expert, produced a perceptive, critical analysis of the PHB proposals [xiv]. He argued that competition between operators over the same line was a 'dubious' notion, that tendering for the maintenance of the infrastructure carried 'a great danger of asset rundown', and the idea of precisely regulated maintenance costs was 'laughable'[xv]. Bradshaw's paper, and other work, was used to prepare a briefing document for the Chairman's meeting with Transport Secretary MacGregor on the White Paper. This document highlighted fundamental flaws with the privatisation proposals. While the White Paper claimed that there would be greater opportunities to 'reduce costs' (Department of Transport, 1992, p. 5), the briefing document accurately predicted that the introduction of track access charges for the TOCs would have 'a dramatic effect', leading to increases in both costs and subsidy[xvi]. Further, the critical implications for safety of the fragmented structure were highlighted, as there would be 'no single Safety Authority that is actively concerned and equipped to monitor operations on the railway and promote safe practices' [xvii].

Hence, British Rail's Board, led by Chairman Reid and Chief Executive Welsby[xviii], had ample evidence on which to aggressively lobby against the privatisation proposals. Wolmar (2005, p. 67) damned the Board's position as 'hopelessly muddled', while Gourvish argued (2002, pp. 399, 434) that it 'was understandably equivocal', with Reid 'torn between the desire to defend the integrity of the industry and the need to execute government policy'. This ambivalence was demonstrated in Reid's candid letter sent in November 1994 to MacGregor's replacement as Transport Secretary, Brian Mawhinney, after the decision to accelerate the flotation of Railtrack: 'Performance of the railway has declined since April. One of the main reasons has been that managers have not been free to concentrate on making the complex organisational arrangements work .... The finances of the industry are in disarray .... If an early privatisation of Railtrack is contemplated then I have serious reservations about the practicability of achieving that in addition to the programme we are currently seeking to achieve'[xix]. Welsby was in a similar dilemma, but 'as policy making developed his reservations about many of the proposals were soundly based on a clear understanding of the economics of railway operating' (Gourvish, 2002, p. 434). Given that the candid criticisms of Reid and Welsby were largely ignored, the next logical step would have been to threaten, or implement, resignation. This was discussed with a senior British Rail member, who argued that 'their resignations would have severely shaken' the privatisation process (Wolmar, 2005, p. 67). Reid and Welsby maintained that resignation would mean the appointment of replacements who were 'less experienced and more compliant' (*ibid.*). A joint resignation could, however, have helped to strengthen the Labour Party's opposition to privatisation.

What if the Labour Party had maintained a commitment to renationalise rail?

The Labour Party had opposed rail privatisation at the 1992 general election, stating in its manifesto: 'We reject Conservative plans to privatise British Rail' (Brown, 1997, p. 197). This opposition continued after Labour's election defeat, when Neil Kinnock was replaced as Labour leader by John Smith. Smith was happy to describe himself as a 'democratic socialist', and like Wilson and Callaghan, 'believed in keeping as many people on board as possible, including the left and the trade union movement in the interests of party unity' (Stuart, 2005, pp. 411-412). Thus, Smith was keen to accommodate the parliamentary left in policy making. John Prescott, who 'had been very much an outsider under Kinnock', felt comfortable in Smith's team (Stuart, 2005, p. 254). Similarly, Robin Cook also 'felt more relaxed' under Smith's leadership than he had under Kinnock's (*ibid.*). Both Prescott, shadowing Employment, and then Transport, and Cook, shadowing Trade and Industry, were able to contribute to economic policy, and were members of the economic committee alongside the Shadow Chancellor, Gordon Brown (*ibid.*).

Smith was prepared to put his leadership on the line in order to bring One Member One Vote (OMOV) democracy to the Labour Party. Aided by union votes and an 'electrifying' speech from Prescott, OMOV was adopted by the 1993 party conference (Macintyre, 2000, p. 276). Smith saw no need for any further major alterations to the party's policy or constitution. On one issue, in particular, Smith was opposed to change. This issue illustrated 'the fundamental difference that emerged between Smith and the modernisers, namely that while Smith thought reform of OMOV was sufficient to get Labour elected, modernisers like Straw wanted to go much further' (Stuart, 2005, pp. 343-344). Smith saw no need to rewrite clause 4, part IV of the Labour Party's constitution, adopted in 1918, which called for the 'common ownership of the means of production, distribution and exchange'. When Jack Straw proposed rewriting the clause, Smith reacted strongly arguing that it would 'stir up a hornet's nest' (*ibid.*, p. 343). Interviewed about clause 4 on the Frost television programme in January 2003, Smith argued that he had 'never heard anybody on the doorsteps' asking about clause 4. What was important, Smith argued, was that 'we are a party of the mixed economy' (Smith quoted in Brivati, 2000, pp. xviii-xix). Further, Smith provided a robust defence of clause 4 later in the year in his Robert Kennedy Memorial Lecture given in November. He reminded people that critics focused on clause 4, part IV, but the whole clause was much broader: 'In fact the Labour Party is the only major political party in Britain that includes support for the United Nations in its constitutional objectives. It appears in a clause which is usually discussed by political pundits who have little idea of its real content. It is clause four of the party constitution. So the next time some worthy commentator calls for the abolition of clause four perhaps they would like to read it first' (Smith quoted in Brivati, 2000, pp. xix-xx).

Confident in his leadership, and seeing no need to alter clause 4 or employ the darks arts of spinning, Smith strongly opposed rail privatisation both on the grounds that it was a 'disaster waiting to happen' [xx], and because of the damaging effects the preparations were already having on employment and on manufacturing industry. Smith's forensic, cogent and prescient case against rail privatisation was strongly expressed in an Opposition debate called on 9 June 1993 to censure the Major Government's economic and social policy:

> What possible justification can there be for the absurdities being proposed in the name of rail privatisation? What on earth makes the Government so determined to scorn the opinions of transport experts and of nearly every member of the travelling public? Hardly a day goes by without more evidence of the cost, folly and dangers of the Government's privatisation plans.
>
> The latest assessment by Steer Davies Gleave, a transport consultancy that the Government themselves use, shows that the operating costs of a privatised rail network are likely to be £500 million more than the existing system. A government in the grip of the privatisation virus appear immune to such compelling evidence ....
>
> Even worse, this week ABB Transportation, better known as British Rail Engineering Ltd, announced 900 redundancies because of a shortage of new orders amid the uncertainties of rail privatisation. That company is the only British rolling stock manufacturer that makes all its components here in Britain. Thus is delivered a further blow to British manufacturing capacity and to the skills that are needed to sustain it.
>
> We know from other privatisation examples that the principal victims of the process are British suppliers .... If we lose manufacturing capacity at York, Crewe

and Derby, the inevitable result is that future rolling stock whether for the national railway system or for London Underground will have to be purchased abroad, adding a further dangerous twist to our already serious balance of payments deficit [xxi].

Smith's principled stance on rail privatisation underpinned the opposition provided by the Shadow Cabinet. Thus, the Shadow Transport Secretary, John Prescott, introducing a Commons debate opposing the privatisation of the railways on 12 January 1993, confidently dissected the ever-changing proposals presented by the Conservatives. He attempted to build a bi-partisan case drawing on Adley's arguments, and also expressed his belief in public ownership:

> (T)he Government seem to suffer considerable uncertainty about what rail privatisation means .... it is no wonder that many people are getting extremely edgy about the Government's proposal, which Conservative Members are calling a poll tax on wheels. The recommendations and statements make that a likely possibility **....** [xxii]**.**
>
> We believe that the railway system should be publicly owned for very good reasons. First, every good, successful railway system in Europe is publicly owned. I do not see any reason why we should not be able to emulate that system. Secondly, it is necessary to maintain social services, as is recognised in Europe. The profitable services can maintain the less profitable services. It is called cross-subsidisation, and is an essential principle in transport .... A publicly owned system is better for the environment as it is in the interests of the environment to subsidise the transfer of freight from road to rail [xxiii]**.**

This belief was reiterated at the 1993 party conference, when Prescott promised renationalisation if the rail industry were to be privatised. In a Frost programme interview in the same year Prescott committed Labour to bringing the rail franchises back into public ownership (Brown, 1997, p. 264).

Labour's commitment to renationalise rail did not long survive Smith's untimely death, in May 1994, which upset many both within and outside the party. As one biographer commented, 'it is hard to think of a British politician whose death would be received with as much genuine grief, public outpouring of affection, and media coverage as Smith received' (Stuart, 2005, p. 410). Smith's 'greatest plaudits have come from the left of the party' (*ibid.*, p. 409). Tony Benn, for example, commented in his diaries about Smith's death: 'I liked him very much. He performed a completely different function from Neil Kinnock – he healed the wounds of the Party' (Benn, 2003, p. 239). Michael Foot stressed Smith's good temperament, mastery of the Commons, and understanding of the Labour movement (Stuart, 2005, p. 409).

It cannot be known whether the commitment to renationalise rail would have survived had Smith lived. He was, however, a democratic socialist who had achieved considerable 'standing with the electorate' (Stuart, 2005, p. 409), while robustly defending clause 4 and the need for government intervention in industry. Smith's public support would have enabled him to maintain a principled opposition to rail privatisation, while assuring the electorate of his commitment to a prosperous mixed economy. One analysis concluded that on some core achievements of the first Blair administration, such as 'the minimum wage, NHS investment, devolution and constitutional reform, there is little to choose between what has happened and what Smith believed in' (Brivati, 2000, p. 287). On the other hand, the different policies adopted by a Smith administration are likely to have included 'more industrial intervention ... a greater emphasis on the need to help manufacturing ...' (*ibid.)*. As Stuart (2004, p. 322) argued, 'certain New Labour policies might not have been introduced had Smith lived, while other "Old Labour" policies might have remained'.

In contrast to Smith's more inclusive approach, Tony Blair, elected the new Party Leader in 2004, took a 'blunderbuss approach', believing that it was essential for the Party to ‘modernise’ and become New Labour (Stuart, 2005, p. 412). Opponents of rail privatisation were initially encouraged when Blair attacked the ‘absurd’ plans of the Conservatives in a speech given on 23 March 1995. He argued: ‘They want to replace a comprehensive coordinated national railway network with a hotchpotch of private companies linked together by a gigantic bureaucratic paperchase of contracts – overseen of course by a clutch of quangos. As the public learn more about the chaos and cost, their anger at this folly will grow’ (Blair, quoted in Jack, 2001, p. 54). This speech was followed a few days later by an event which was to prove far more significant for the future of rail privatisation. Blair persuaded the Labour Party to rewrite clause 4 of its constitution at a special Easter conference. The new version was both much longer and heavily diluted. For example, the explicit commitment to the ‘equitable’ distribution of wealth in the old clause 4 was replaced by a commitment to ‘a community in which power, wealth and opportunity are in the hands of the many, not the few’.

Blair followed this success, which has come to be seen as the defining moment when Old Labour became New Labour, by developing the ‘third way’ approach for New Labour in transport and many other policy areas. Critics, such as Callinicos (2001, p. 3), argued that the ‘third way’ political philosophy is ‘vague and slippery’. To its most notable exponent, Giddens (1998, p. 26), the ‘third way’ represented ‘a framework of thinking and policy-making that seeks to adapt social democracy to a world that has changed fundamentally .... it is an attempt to transcend both old-style social democracy and neoliberalism’. As well as drawing upon the ideas of his guru, Giddens, Blair was also influenced by ‘and was inspired by, the election of the New Democrat Bill Clinton to the United States Presidency in 1992’ (Jupe, 2007, p. 251). For example, new Labour adopted Clinton’s policy of using tax credits, rather than benefit increases, to help the poor.

Despite Blair's apparently radical early speech on rail privatisation, the 'third way' perspective came to dominate transport policy in 1996. In that year, there were 'some real opportunities' for Labour to stop privatisation 'in its tracks' (Wolmar, 2005, p. 68). The Labour Party maintained the strong lead in the polls, which had developed under Smith's leadership, up to the 1997 general election. Further, public opinion was strongly against rail privatisation, and the government's parliamentary majority had been reduced to one following by-election losses. A firm commitment to renationalisation could, therefore, have fatally undermined the privatisation process. New Labour came very close to seizing this opportunity in the spring of 1996 when Railtrack was being prepared for privatisation. John Prescott, now Deputy Leader, along with Labour's transport team led by Clare Short, and Lord Williams, a former merchant banker, devised a scheme to derail Railtrack's flotation. The simple, but elegant, plan was to swap Railtrack shares for fixed-interest preference shares, with voting rights transferred to the government. Assurances were obtained from the City that, 'given the Labour threat to buy back Railtrack, it would never be floated' (Brown, 1997, p. 265). A senior figure in the rail industry confirmed this in an interview: 'We're all waiting for Labour to do something about this. Privatisation has been a disaster ... if Labour committed itself to ensuring that Railtrack would remain in public ownership, the underwriters will simply walk away and it will leave the shares unsold' (Wolmar, 2006, p. 6). As often within New Labour, however, there was a combustible mix of policy differences and personalities. The share swap scheme was agreed by Prescott and Brian Wilson, Short's Deputy, with Shadow Chancellor Gordon Brown's Deputy, while Brown was in the USA. On his return, Brown insisted that Blair veto the scheme as it represented an excessive public expenditure commitment. Short, whose relations with Wilson 'were as strained as a garrotting wire', sided with Brown and Blair 'leaving Prescott fuming in defeat' and unable to forgive Short for her acquiescence in the policy reversal (Brown, 1997, p. 197).

The Labour Party's revised policy on rail privatisation was announced by Short in a speech on 29 March 1996. The text of the speech was reproduced in Railtrack's prospectus, where it occupied three pages (Warburg, 1996). The length of the policy statement, as the results of the share offer demonstrated, proved to be in inverse proportion to its impact on potential investors. It included a very concise, and cogent, summary of the problems resulting from rail privatisation: 'The Government's privatisation of rail is driven by dogma and is causing fragmentation, endangering safety, requires a larger public subsidy for a lesser service and has led to a slump in investment' (Warburg, 1996, p. 103). Despite this damning indictment, a clear commitment to renationalisation was conspicuous by its absence. Instead, New Labour committed itself to stronger regulation. It would: 'strengthen the powers of the Regulator to ensure that the system and its assets are managed efficiently in the public interest; and take measures to ensure the public get the best value for money from the public subsidies going to the railways...'(*ibid.*, p. 101). The bulk of the policy statement focused on the soporific minutiae of how the Regulator's 'duties, control and accountability', could be changed by a Labour Government (*ibid.*, p. 102). The only reference to possible renationalisation was a vague and, for potential investors, unthreatening aspiration: 'dependent on the availability of resources, and as priorities allow, seek, by appropriate means, to extend public ownership and control over Railtrack' (*ibid.*, p. 101)

Determined to make the Railtrack flotation a success, the Major Government valued the company at £1.9 billion, even though 'the last proper assessment of those assets under British Rail (in 1993) valued them at £6.5 billion' (Bagwell, 2004, p. 113). Further, debt of £1.5 billion was written off and, in an often-overlooked manoeuvre, £1 billion of liabilities for the upkeep of 1,000 bridges were transferred to local government (Harris and Godward, 1997, p.132). The feeble nature of Labour's policy statement, combined with the low share price of £3.90, contributed to the success of the Railtrack offer 'within its own narrow terms' (Wolmar, 2005, p. 93). The proportion of shares on sale to the public was subscribed three times over, and the shares offered to international institutions were oversubscribed ten times. The National Audit Office (NAO) investigation of Railtrack's share offer concluded that the Major Government could have raised an extra £600 million if it had held back 20 per cent of the shares, and an extra £1.5 billion if it had held back 40 per cent (NAO, 1998, para. 21). There was ample evidence for this conclusion in the report, published in December 1998, as the share price had reached £16.05 by the end of October of that year.

The NAO report emphasised the political context for both the under-pricing of the shares and the timing of the sale. It argued that Railtrack's sale should have been delayed as it would have enabled institutional investors and analysts 'to gain a better appreciation of Railtrack's business ... Investors would also have had more time to understand the regulatory regime and Railtrack's commercial relationships with its principal customers ... and suppliers...' (NAO, 1998, para. 11). The Transport Department was adamant, however, that a May sale was essential as a delay until the autumn would put 'at risk both the Railtrack flotation and the rail privatisation programme more generally ... the prospect of an early general election, leading to a possible postponement of the sale, might have made it more difficult to generate market interest' (*ibid.*, para. 10). A further political consideration was 'the timing of the British Energy privatisation which was scheduled for July 1996' (*ibid.*, para. 9). Had the Labour Party while out of office maintained its original commitment to renationalise rail, therefore, it could have prevented both Railtrack's privatisation and the completion of the franchising process. By the time of the share flotation, only five of the 25 franchises were being operated by the private sector. As the Transport Department argued, completing the franchising process 'was dependent upon the successful flotation of Railtrack' (*ibid.*, para. 6).

What if New Labour had strongly opposed the franchising process?

Even though New Labour had acquiesced in the flotation of Railtrack, it would still have been possible for a determined Opposition to bring the franchising process to a halt before the 1997 general election. Many of the remaining rail franchises fell within the influence of Passenger Transport Executives (PTEs), local government bodies which are responsible for public transport within large urban areas. PTEs fund commuter and suburban rail services, by means of government grants, in large conurbations. These conurbations, in areas like West Yorkshire, Greater Manchester and Tyne and Wear, had PTEs which were Labour-controlled. In order to let the franchises, OPRAF had to gain the agreement of the PTEs. This agreement was crucial as the companies bidding for franchises were negotiating progressively higher subsidies as the privatisation process threatened to stall as the inevitable general election loomed. The total subsidy for 1997/98 agreed for the 13 franchises established in 1996 was just under £550 million, averaging £42 million per franchise (SRA, 2004, pp. 70-71). The average subsidy agreed for 1997/98 for the five franchises established in January 1997, which included one in a PTE area, then increased to £60 million. The remaining seven franchises, which included four in PTE areas, were agreed in March 1997. The bidders managed to negotiate a subsidy averaging £142 million per TOC, more than double the average subsidy agreed just two months before. The collective subsidy for the remaining seven franchises of almost £1 billion in 1997/98 represented 54 per cent of the total subsidy of £1.84 billion agreed for all franchises for that year (SRA, 2004, pp. 70-71). The PTEs were responsible for disbursing £412 million, representing 22 per cent of the total subsidy for 1997/98 (*ibid.*).

As the negotiations over the franchises had continued into 1997, it would have been perfectly feasible for the local Labour politicians to have delayed the franchising process until the general election in May of that year. Instead, Andrew Smith, who had replaced Clare Short as Shadow Transport Secretary, instructed the local politicians to reach agreements on the franchises as ‘Labour did not want to be saddled with a hybrid railway after the election’ (Wolmar, 2005, p. 76). The potential to delay franchises was demonstrated by the Strathclyde PTE in its ‘awkward negotiations’ over the letting of the ScotRail franchise (Gourvish, 2002, p. 440). Intended to be one of the first to be awarded, the ScotRail franchise was only agreed on the 31 March 1997, and received the largest subsidy of all - £289 million for 1997/98. Ironically, this agreement came after the Major Government’s announcement earlier in the month that the general election would be held on 1 May. Although New Labour had retreated ‘from radicalism’ by foregoing the opportunity to prevent Railtrack’s flotation (Gourvish, 2008, p. 5), a ‘hybrid’ railway would still have given it the opportunity to renationalise rail around the core of unfranchised services. Other franchises could have been added as they expired, and then combined with a replacement for the failed infrastructure provider, Railtrack, in a gradual reintegration and renationalisation of the rail industry.

What if the move to privatise rail had failed?

Several possible consequences of the failure to privatise rail may be examined. These include the impact on public opinion, the impact on costs and subsidy, the impact on passenger growth, and the impact on safety and punctuality.

The rail privatisation plans were unpopular with the majority of the public, and so public opinion would have approved of the failure to privatise rail. It is, however, very unlikely that the Major Government would have benefited from an opinion poll uplift, as the failure to privatise rail would have added to its reputation for weakness. The Major Government's poll ratings had collapsed shortly after an unexpected election victory when it was forced to remove sterling from the European Exchange Rate Mechanism in October 1992, an act which destroyed the centrepiece of its economic policy. Throughout John Smith's leadership in 1993 and the early months of 1994 Labour was consistently scoring 45 per cent, compared to the Conservative score of 30 per cent (Butler, 2000, pp. 277-278), and Smith was even more popular than the party with a poll lead above the Prime Minister averaging 25 per cent (*ibid.*). The substantial Labour lead was maintained under Tony Blair, and the Conservative Government's poll ratings generally remained at around 30 per cent until its defeat in 1997.

In order to justify its unpopular plans to the public, the Major Government made optimistic claims that rail privatisation would produce 'greater efficiency' through 'greater opportunities to cut out waste and otherwise reduce costs' (Department of Transport, 1992, para. 19). The reality was that there was very little 'waste' as labour costs, which represented 60 per cent of British Rail's costs, had fallen significantly because of a 30 per cent reduction in the number of employees in the 1980s, followed by an additional fall of 12 per cent in the early 1990s (Gourvish, 2002, pp. 291-294). Hence, labour productivity improved and 'remained strong in comparison with other European railways' (*ibid.*, p. 291), and British Rail's subsidy was only 0.16 per cent of national income compared to the European average of 0.52 per cent (Harris

& Godward, 1997, p. 52). The idea that British Rail's costs 'were too high and could be reduced substantially by a private sector approach has proved to be erroneous' (Gourvish, 2008, p. 287); it was the fragmentation and privatisation of the integrated rail industry which produced a very significant increase in costs. In 1993/94, the last year of its operation, British Rail's costs for running passenger and freight operations, and for carrying out track maintenance and renewals work, were both around £1.8 billion, producing total costs of £3.6 billion. In 1997/98, the first full operating year for the privatised rail industry, the total costs of the TOCs for passenger operations amounted to £4.8 billion. Thus, privatisation brought an initial £3 billion increase in costs (Jupe & Crompton, 2006, p. 1053). While a small part of the increase reflected increased passenger numbers, the most important cause was the interface costs introduced by privatisation. Interface costs arise as many companies are involved in a supply chain, with upward pressure on prices as each company aims to squeeze a profit out of its contribution to the system. The key interface costs were the track access charges paid by the TOCs to Railtrack, the train leasing charges paid by the TOCs to the rolling stock companies, and the outsourcing of maintenance and renewals expenditure to infrastructure companies. In addition, there were the preparation costs of privatising the railways, including consultancy and legal fees, of at least £600 million (Gourvish, 2002, p. 444), and the 'immeasurable costs resulting from the loss of skills and expertise' as many employees, particularly engineers, were made redundant (Shaoul, 2006, p. 157). In 2006, even Chris Grayling, the (then) Conservative Shadow Transport Secretary, repudiated the original privatisation model by acknowledging that the 'separation of track and train into separate businesses ... has not been right for our railways .... the separation has helped push up the cost of running the railways - and hence fares - and is now slowing decisions about capacity improvements' (BBC, 2006).

Had privatisation not occurred, then not only would rail costs have remained significantly lower, but also the rail industry would have required less subsidy. The rail privatisers' over-optimistic claim was that the subsidy to the TOCs would be progressively reduced and finally eliminated by 2005/06. The reality was that subsidy rose from an average of £740 million per year provided to British Rail in the decade before privatisation, to an average of £1.5 billion per year provided to the TOCs in the decade up to 2005/06 (Jupe, 2009, pp. 718-721). The infrastructure provider was not subsidised initially, but subsidy was provided from 2000/01 as Railtrack's costs escalated. The total subsidy provided to the TOCs and Railtrack/Network Rail then averaged nearly £3 billion per year from 2000/01 up to 2005/06, increasing to £5.2 billion in the year 2006/07 (*ibid.*). This unprecedented subsidy for rail, needed to support nominally private companies, is unlikely to have been available had British Rail remained nationalised. Instead, the railways would still have been subject to Treasury-inspired 'parsimony, in terms of both investment and subsidy ... a situation which ... does not obtain in Europe as a whole' (Gourvish, 2002, p. 448). In the period 1987 to 1991, for example, rail infrastructure investment in France was five times higher than in Britain (*ibid.*, p. 444). Rather than increasing British Rail's subsidy to European levels, or increasing public expenditure elsewhere, it is likely that the planned increase in subsidy would have been scrapped as a contribution to fiscal tightening. Faced with a budget deficit of 7.6 per cent of national income in 1993/94, the Major Government introduced both 'significant tax raising measures' and 'cuts to public spending as a share of national income' (Chote et al., 2010, pp. 2-3).

Assuming subsidy was maintained at pre-privatisation levels, the key question is how British Rail would have coped. Its performance in the 1980s and early 1990s suggests that it was in a strong position to benefit from the increased passenger demand of the mid-late

1990s. British Rail's organisational reforms meant that it provided 'comparatively safe, improving services', had begun to 'revolutionise marketing, and showed greater attention to customer care' (Gourvish, 2002, p. 450). Passenger traffic had increased sharply in the 1980s as the economy recovered from recession, with passenger miles increasing by 26 per cent between 1982 and 1988/89 (*ibid.*, p. 443). The reduction in the workforce over that period meant that as average wage costs rose total labour costs only increased by 14 per cent (Shaoul, 2006, p. 30), and so important parts of the network, such as InterCity, emerged briefly into profitability. Subsidy fell by one third in the 1980s from £933 million in 1983 to £606 million in 1988/89 (Shaoul, 2004, p. 29). Further, financial improvements were accompanied by punctuality gains. The performance of InterCity trains improved steadily, with the proportion arriving on time increasing from 77 per cent in 1986/87 to 91 per cent by 1993/94, and the proportion of all trains arriving on time averaging 90 per cent by 1993/94 (Gourvish, 2002, p. 504).

British Rail's financial position had deteriorated in the late 1980s with the onset of recession, a change which privatisers used to justify their radical scheme. As Britain moved out of recession, the rail network experienced passenger growth of 36 per cent in the years from 1995 to 2002, the longest and most sustained period of growth in the postwar era. Examining this phenomenon, the SRA argued unequivocally that 'the most significant influence on the growth in rail demand is rising economic prosperity: passenger rail growth is strongly correlated to GDP' (SRA, 2003, p. 24). Nash and Smith (2007, p. 27), who made a valiant attempt to justify rail privatisation, accepted that most of this growth resulted from 'external factors, particularly the state of the economy', but argued that 20 per cent of the growth for London and the South East 'may be due to improved marketing or other unmeasured factors following privatisation .... up to 1998' (*ibid.*, p. 24). Hence, it is plausible to conclude that most of the passenger growth would also have materialised under nationalisation, and so British Rail would have benefited from passenger revenue which increased from £3.2 billion in 1997/98 to £4.5 billion in 2002/03 (Jupe & Crompton, 2006, p. 1053). British Rail's capabilities would certainly have been 'stretched' by the growth in demand, (Gourvish, 2008, p. 286), as were the capabilities of the privatised railway, but the additional revenue would have been channelled by the integrated organisation into rolling stock and infrastructure investment more effectively than under privatisation. As Gourvish (2008, p. 217) highlighted, British Rail introduced more rolling stock 'in the recession years of 1979-82 than the privatized railway has done in more favourable circumstances'. Further, there would not have been the leakages from the rail system which occurred under privatisation. Privatisation introduced major leakages in the form of interest payments and dividends required to finance debt and equity, respectively. Railtrack alone, for example, distributed dividends totalling £640 million between 1996/97 and 2000/01, equivalent to 59 per cent of its total net operating profit of £1,081 million over the period. By 2009, Railtrack's successor, Network Rail, had government-guaranteed private borrowing of £22 billion, compared to British Rail's pre-privatisation public debt of £2.5 billion (Network Rail, 2009; Jupe, 2009, pp. 724-725).

With the benefit of increased revenue from passenger growth, British Rail is likely to have performed better than the privatised railway in the key interrelated areas of safety and punctuality. British Rail had been staffed by an integrated workforce, which developed a culture 'in which safety was nurtured as a habit of thought' (Terry, 2001, p. 5). There were fewer deaths in railway accidents in each successive postwar decade: from 344 deaths in the 1940s, to 337 in the 1950s, with a major reduction to 75 in the 1980s, and then a dramatic reduction to just eight up to privatisation in 1996/97 (Wolmar, 2005, pp. 100-101). British

Rail's safety culture was, however, splintered and weakened by privatisation. There was 'a direct relationship between post-privatisation organisational changes' and the four fatal accidents at Southall, Ladbroke Grove, Hatfield and Potter's Bar (Crompton & Jupe, 2007, p. 910). All originated in the 'fragmentation of the industry and the neglect of safety considerations between organisational boundaries' (*ibid.*). Railtrack's reaction to the Hatfield crash, which was caused by a broken rail on a stretch of line earmarked for renewal for nearly two years, plunged the company into what proved to be a terminal crisis. Lacking an asset register, Railtrack was unable to establish whether there were more broken rails. Its panic response was to introduce speed restrictions at over 1,000 places in an attempt to remedy the accumulated maintenance deficit. The proportion of trains arriving on time, which had reached 90 per cent before privatisation, fell from 87.9 per cent in 1998/99 to 78 per cent in 2001/02 (SRA, 2002, p. 15).

Conclusions

Evidence has been provided through an examination of counterfactual questions to demonstrate that rail privatisation in the form of the package of measures introduced after 1993 could have been prevented. The best evidence that rail privatisation could have been prevented is revealed by the examination of New Labour's approach. A firm commitment to renationalise, as City sources confirmed, would have derailed Railtrack's flotation and, hence, the privatisation process. Even after Railtrack's flotation, a determined Opposition could have blocked the franchising of the final seven franchises in 1997. Two scenarios were examined to provide the context for these counterfactuals, as, had events unfolded differently, the prospect of stronger opposition from Labour would have been strengthened. It is plausible, based on the historical record, to suggest that Adley would have continued to press for significant changes to the flawed privatisation model. It is also possible that more aggressive lobbying from British Rail's Chairman and Chief Executive, including threatened or actual resignations, could have delayed rail privatisation.

Given that rail privatisation might not have succeeded, the third counterfactual focused on the key issue of what might have happened had the move to privatise failed. It is plausible that the reorganised British Rail would have been in a better position to cope with the increased passenger demand, largely related to the long period of economic growth which began in the mid-1990s, than the fragmented, privatised industry. British Rail would have benefited from a significant increase in revenue, while keeping costs under control. Privatisation led to a doubling of costs through the introduction of interface costs, such as rolling stock leasing charges, and to a tripling of subsidy. Further, a significant proportion of the increased subsidy leaked out of the privatised rail system in the form of dividends and interest payments. Under nationalisation, subsidy was focused on the rail network.

Rather than maintaining its commitment to renationalisation, New Labour adopted the 'third way' approach which provided a smoke screen for its accommodation with rail privatisation. The result of appearing business-friendly and devoid of new expenditure commitments in Opposition, however, was the undermining of transport policy in Government. Railtrack collapsed into administration after years of poor performance. Its replacement under the 'third way', Network Rail, is 'a very expensive mechanism for channelling large amounts of public money to private companies. The additional annual costs incurred as a result of Network Rail's private sector status and continued use of outsourcing are over £600 million' (Jupe, 2009, p. 731). Further, the railways remain 'fragmented, confused, subsidy dependent' and largely 'unable to expand capacity' (Crompton & Jupe, 2007, p. 924).

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Notes

[i] House of Commons Select Committee on Transport, The Future of the Railways in the light of the Government's White Paper Proposals, HC 246-I, Session 1992-1993, HMSO, para. 364.

[ii] *Ibid.*, para. 367.

[iii] *Ibid.*, para. 501.

[iv] *Ibid.*, paras. 499, 500.

[v] *Ibid.*, para. 474.

[vi] *Ibid.*

[vii] *Ibid.*, para. 475.

[viii] *Ibid.*, para. 476.

[ix] *Ibid.*, para. 535.

[x] *Ibid.*, para. 547.

[xi] Bob Reid II was Chairman of British Rail from 1990 to 1995. He succeeded Bob Reid I, who was Chairman from 1983 to 1990.

[xii] BR Press Release 14 July 1992 , 44/92, The National Archive (henceforth TNA), AN 192/1070/2.

[xiii] Department of Transport: Track Access & Charging Study Final Report, Putnam, Hayes & Bartlett Ltd, 1991, TNA, AN 192/1040.

[xiv] Comments on the PHB Paper – Professor Bradshaw, 23 May 1991, TNA, AN 192/1040.

[xv] *Ibid.*, pp. 1, 3, 5.

[xvi] Briefing Pack for Chairman on White Paper: Dinner with Secretary of State, 24 June 1992, TNA AN 192/1070/2, note 2.

[xvii] *Ibid.*, note 4.

[xviii] John Welsby was Chief Executive of British Rail from 1990 until 1995, when he succeeded Bob Reid II as Chairman.

[xix] Letter from Bob Reid, BR Chairman, to Brian Mawhinney, Transport Secretary, 15 November 1994, TNA AN 192/1087.

[xx] John Smith, 9 June 1993, House of Commons Debate, Vol. 226, Hansard, col. 292.

[xxi] *Ibid.*, col. 294.

[xxii] John Prescott, 12 January 1993, House of Commons Debate, Vol. 216, Hansard, col. 771.

[xxiii] *Ibid.*, col. 782.