RAILWAY FINANCE AND NATIONALISATION

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THE crisis on the railways has raised the whole question of the administration of the nationalised industries, of the relation of the wages paid in them to those paid in private industries, and above all the questions of how and for whom the railways should be modernised. The Tories hint that this crisis shows that nationalisation is a failure, and the Labour Party keeps strangely quiet, because it cannot effectively reply to the Tories unless it admits the mistakes in its own nationalisation policy.

In the period before the nationalisation of the railways the Labour Party propagandists put forward two propositions which appeared similar and were in fact quite different. The first proposition was that given publicly owned railways as part of a publicly owned transport system and given the expenditure of adequate capital on modernisation it would be possible to provide better wages and in the *long run* lower fares than a privately owned transport system could do. The second proposition was that given nationalisation it would be possible *right away* to increase wages and keep fares at a low level immediately.

Now this second proposition was only practicable if interest on the Transport Stock, which the shareholders received in exchange for their holdings in the private companies, had been very much lower than that agreed upon or if it had been paid out of taxation and not out of the current revenue of the railways. The Labour Government expected the railways to perform an almost impossible task when it gave them the job of (1) contributing over £40 million per annum to British Transport stock, (2) keeping the rise in fares and freight charges below the general rise in retail or wholesale prices, (3) paying wages comparable with those that could be earned in manufacturing industry. Subsequent developments demonstrated only too clearly that it was utterly impossible to do these three things simultaneously.

In their evidence before the Court of Inquiry the National Union of Railwaymen and the Associated Society of Locomotive Engineers and Firemen claimed that the railways were subsidising other industries and the general public. They gave the following figures. The general level of wholesale prices was 223 per cent. above pre-war while railway freight charges were only 153 per cent. above pre-war. Retail prices were 134 per cent. above pre-war while fares were 90 per cent. above pre-war. It may have been politically and socially advisable not to allow fares and freights to advance as much as prices in general, but having arrived at such a conclusion the consequences should have been faced. It was asking the impossible to expect the railways to forego revenue and yet meet the big interest burden on Transport Stock.

Even the first and more modest proposition advanced by Labour propagandists remained inoperative. That proposition was based on the assumption that there should be a massive modernisation of the railways. In fact the resources for comprehensive modernisation were withheld. In each of the crises with which the Labour Government was afflicted, there was a decision to cut down capital expenditure in the nationalised industries. When large-scale rearmament was adopted in 1950 the capital development plans were cut further. It is only now, seven years after nationalisation, that a large-scale plan of modernisation has been put forward. The Labour Party's policy of treating transport as a whole (except in respect to traders handling their own goods) was sabotaged by the Tory de-nationalisation of road transport. The failure of seven years of nationalisation to produce a radical improvement in the transport services, is due to the fact that both the Labour and the Tory governments pursued policies which virtually wrecked nationalisation.

What is to happen to the railways in the light of the Court of Inquiry's report, the recent wage award and the Transport Commission's recommendations on modernisation? The short-term problem is how the Transport Commission is to meet the recent increase in wages. The Commission expects the railways to provide around £40 million per annum to service the present British Transport stock. In fact the railways, on the basis of their present charges, will only be able to find £10 million per annum. There are, therefore, only two possibilities. The first is to increase fares and freight charges, and the second is for the Government to take British Transport stock over into the national debt and pay the interest out of taxation revenue. (A variant of this would be to reduce the rate of interest payable on Transport Stock.) This would enable the railways to carry on without yet another increase of fares and freight charges.

The Tory Government has, however, resolved on an increase in fares and freight charges. 'Not only must organisation and costs be reviewed so as to increase efficiency, but fares and charges must be adjusted to produce the best level of revenue,' Mr. Butler told the House of Commons on February 3. We believe that while some freight charges might be increased an increase of fares should be resisted. The Government and its tame economists fear an increase in prices this year, greater than in 1953 or 1954. An increase in rail fares would certainly give a stimulus to any such trend. For reasons which will be apparent when we have dealt with the modernisation plan, we favour the Government taking the responsibility for meeting the charges on existing stock.

The modernisation plan presupposes an expenditure of approximately £1,200 million over 15 years. £210 million will be spent on improvements of the track and signalling; £345 million will be spent on replacing steam locomotives with electric or diesel locomotives; £285 million will be spent on the replacement of many of the existing passenger trains by 'multiple unit electric or diesel trains'; £365 million will be spent on 'remodelling the freight services'. This expenditure is expected to produce 'a net increase in railway revenues of £85 million a year'. Of this sum Mr. Butler says '£40 million will be required to meet the interest and capital charges on the amount to be borrowed. . . . Depreciation will require an extra £15 million owing to the higher value of the new assets. That leaves £30 million to make good the annual deficit which now faces the railways'. To have arrived at conclusions as to the net revenue that will result from the modernisation plan, the Transport Commission must have made some calculation as to the movements of wages over the 15 years of the plan. Whether it assumed that the average money wage would be more or less stationary or whether it assumed an increase, we do not know.

The modernisation plan presupposes that a greater volume of traffic will be handled by the same or by a smaller labour force. A greater volume of traffic per man employed will be handled. In these circumstances the railwaymen will unquestionably insist on higher wages on the basis of a normal working week. If the modernisation plan makes this possible that is all to the good. If it does not it had better be revised. As the plan will take 15 years or more to carry through there need not be mass redundancy as a whole if the rate of recruitment of new labour is reduced and if unnecessary overtime is cut out. There can, however, be redundancy in particular grades, especially locomotive grades, and signalmen and in the goods depots. There will be redundancy in higher grades, alongside shortage of labour in lower paid grades. It is necessary, therefore to insist that no railwayman shall be downgraded or have his status or earnings reduced as a result of modernisation. If this means carrying more labour than is strictly necessary for a time, it will have to be done. The minimum conditions for a modernisation which will improve the conditions of the railwaymen and will provide better facilities for the travelling public must include the nationalisation of road transport on a more comprehensive basis than that of the Transport Act of 1947. The Tory policy of unrestricted competition between road and rail as envisaged by Mr. Butler would be a disastrous waste of resources. It would lead to the creation of excess capacity on the railways and on the roads alike and in the last analysis this waste would result in meaner working conditions and a poorer service to the public. An integrated transport system is necessary if the huge expenditure projected for roads and rails is to yield the best possible results.

The modernised transport system should be given a fresh start by transferring the interest charges for the old stock to the national debt. The alternative is to raise fares or press down wages and will not be tolerated by the railwaymen and the travelling public. In the world of private enterprise a firm undergoing re-organisation and raising new capital has frequently to reduce its capital obligations to the old shareholders. This would most certainly have had to happen if the railways had been left to private enterprise. If the Government is too tender-hearted to undertake this necessary operation on the railways the least it can do is to reduce the burden of interest that they have to carry by transferring it elsewhere. These changes can only be brought about if the rail unions, backed by the entire Labour movement, close all alternative ways now open to the Government, such as speed-up, more work for the same wages, mass dismissals, etc. Then nationalisation will have a chance to show its superiority in solving Britain's transport problems.
