Britain's Privatized Railtrack Goes Bankrupt

by Alan Clayton

While Tony Blair thrashed around the world with Rule Britannia rhetoric hardly seen since Great Britain's 19th-Century heyday, the island's rail infrastructure was collapsing. While he promised to send troops throughout the world in Great Britain's new crusade, it was far from being entirely clear whether there would actually be trains to take soldiers from their barracks to ports and airports. The reason was, of course, the dramatic collapse of the privatized company Railtrack, a collapse which has been imminent for over a year.

In the absence of a bin Laden look-alike, the collapse was blamed on the £5 billion cost of upgrading the London-to-Glasgow rail line, a main economic artery of the island, and one which would certainly be vital if the island were to be integrated into Lyndon LaRouche's Eurasian Land-Bridge proposal, or any similar international economic initiative.

Railtrack's bankruptcy is Britain's biggest business failure since Barings Bank six years ago. A High Court judge agreed to place the company in administration after the government refused to bail out Railtrack any further. With debts of more than £3 billion and no hope of raising the cash itself, Railtrack was unable to continue operations. The bill for upgrading the west coast line was claimed to be the final straw, coming on top of the cost of track repairs demanded after the Hatfield wreck last year.

Small investor shareholders and company pension funds, are likely to be big losers. The company slipped out of the Financial Times-100 index as the share price slumped from a high of £17 to just £2.80, £1 lower than when the company floated in 1994.

Greeted With Relief

Railtrack had been dogged by misfortune, including a series of rail disasters, since privatization. Lord Cullen's inquiry into the 1999 Paddington disaster, in which 31 people died, heavily criticized its record in maintaining safety, and recommended it be stripped of this role. It came under fire again last year for the disruption caused by urgent rail repairs required after the fatal crash at Hatfield, leading to the departure of former chief Gerald Corbett.

Farewell then, Railtrack. Nothing in the five-year life of Britain's biggest privately owned monopoly became it as much as the leaving of it. The announcement that the railways are to return to public stewardship was greeted with relief by at least two audiences. The first will be those passengers who have endured the worst peacetime disruption of the railways in history. The second audience will be all those delighted to see the first example of the public being put back into public-private partnerships. Hitherto, this has been a one-way street in the other direction, with more and more private capital being given a free hand to exploit public services.

Even the rail unions, which had warned against the industry's fragmentation in the first place, and have long campaigned to take back the track, were scarcely expecting what amounts to a return to public ownership without compensation.

There will be no tears for Railtrack's major shareholders. They were feasting at the trough as the network collapsed and the company teetered towards bankruptcy. The Railtrack board's solicitous concern for shareholders, while all around disintegrated, invoked huge public hostility. The week after the Hatfield disaster, which was caused entirely by the state of rails owned by Railtrack, the board jacked up dividend payments to shareholders. This Summer, it paid out a further £150 million on the day it received a £1.5 billion subsidy from the taxpayer. Lubricating the City of London interest with public cash was the last despairing attempt to keep the profit-led, market-driven structure of the railways, as created by Margaret Thatcher and John Major, in business.

While Railtrack may have deserved to be cast as the main villain in the British railway tragedy, the 100 train-operating companies, often running unreliable and over-crowded services in dirty rolling stock, should not be overlooked.

One option being canvassed, is to restore them to the new public railway as and when their franchises expire. However, swifter action may be necessary if the government wants to go into the next election with a real improvement in the railways to show for its money. The Railtrack bankruptcy may also give ministers the excuse they need to re-think the wildly unpopular privatization arrangements planned for the London Underground, where it is intended to pour public money into private pockets through a scheme that reproduces the fragmentation of the main line network.

Railtrack's return to public control may come to be seen as a landmark in more than just railway history. Over the last 20 years, privatization has become almost unchallengeable dogma. Now, for the first time in Britain (in parallel with similar shifts elsewhere in the world, in part due to the remorseless logic of the arguments of Lyndon LaRouche), it was put into reverse. The problems of the private railways, while extreme, are not unique, and the behavior of other privatized industries now deserves greater scrutiny. A tide may have turned. Let's not be afraid to say it yet again. LaRouche really was right.