

# New labour relations challenge in Britain's privatised railway

By Brendan Martin

Britain's government and its railway employers and unions have been handed a big challenge by a new official report into value for money in the privatised industry, *Realising the Potential of GB Rail*. The report says that costs must be cut by 30 per cent over the next seven years, and stresses that this means "it is essential that employee representatives at national and local level are fully involved with the implementation of change".

It adds: "This is not a time-limited obligation; it must be undertaken from the beginning of the change process right through to the end. Improved employee relations will make the industry better able to handle the significant changes that the Study envisages. This is a key enabler to the changes identified in this report."

That approach demands a move away from the industry's "somewhat adversarial approach to employee relations", says the report, adding that the fact that the industry is strongly unionised need not be a barrier to efficiency.

However, how will such a cooperative approach be reconciled with cutting jobs, which the report also strongly recommends? The report says trains should no longer have guards -- driver-only trains should be the default option -- and recommends cutting 4,000 of the 18,000 rail maintenance jobs.

"Faced with an extremely difficult financial position, the industry must work with its people to bring about change while keeping everybody in the industry informed," it states, adding: "One key element of reducing the cost of the railway is reducing the industry's employment costs. Achieving this, while ensuring that the staff remaining in the industry have more satisfying and rewarding employment, is a critical factor in delivering value for money."

It does not help, however, that the report also suggests that railway workers are overpaid and underworked, and recommends that future pay settlements should not exceed price inflation although working time and productivity should increase. Unfortunately, that message rather than the report's promotion of more cooperative approaches to productivity improvement is more likely to set

**A new report about value for money in Britain's railway poses a big challenge to both employers and unions about how to improve industrial relations while cutting costs.**

**You can download it [here](#).**

**This is our commentary about the challenges it poses, and the background to them.**

the tone of the responses to the report of the government, employers and unions.

Overall, although Britain's Conservative-led government will not admit it, the report, commissioned by the previous Labour administration, amounts to a condemnation of the fragmentation carried out by the last Conservative government in 1996 to enable the industry's privatisation.

It notes that there have been many improvements since then. "Over the last 15 years," it states, "the GB rail network has enjoyed a sustained period of growth and development in both passenger and freight markets. Today the industry can demonstrate continued improvement in safety, increasing customer satisfaction, historically high levels of operational performance and significant investment in rolling stock, new infrastructure and customer information. Particularly striking is the recovery in passenger numbers since the mid 1990s after half a century of decline.'

It adds, however, that this has come at great cost to both the taxpayer and to passengers, and points out that unit costs per passenger are now about the same as they were at the time of privatisation, while public subsidy has grown. In fact, it finds that Britain's railway efficiency would need to improve by 40 per cent to match the average in the four European countries it compared it with -- Germany, Spain, Sweden and Switzerland -- while France uses its passenger trains twice as productively as Britain does.

Moreover, it points out that the safety improvements have been achieved over the last decade following a series of fatal train crashes during the first five years of privatisation. Those crashes led to effective renationalisation of the privatised company responsible for maintaining track and signalling, Railtrack. Railtrack had outsourced and casualised the work involved in maintaining track and signals, while Network Rail, the state-owned company that replaced it, had to deal with the huge costs of Railtrack's failures before bringing the work back-in house and improving productivity since then. (For more on this history, see [The high public price of Britain's private railway.](#))

In addition, noting that Britain's train operating companies (TOCs) "are commercial organisations and it is perfectly understandable that they pursue their commercial interests", the report adds: "At times, such commercial interests appear to stand in the way of co-operation between the TOCs, and between them and Network Rail to enable the industry to function better as a system." In particular, the continuing separation of responsibility between infrastructure and train operations leaves each side without incentives to promote productivity, the report points out. Instead, it gives each side incentives to "optimise their position within their own 'silo', rather than optimising outcomes for the customer or for the industry as a whole."

The report adds: "This makes cross-industry decision-making slow and often difficult, and arguably leads to weakness in key areas such as standards and technology development, asset management, supply chain management, programme and project management, and HR/IR (human resources/industrial relations) management, where the system often needs to be looked at as a whole." The result is poor relationships right across the industry, it concludes.

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It was poor relationships arising from that fragmentation and from the profit-maximising priorities of Railtrack that led to the safety crisis that caused an operating crisis that produced a financial crisis 10 years ago. Taxpayers and passengers have paid for that since then, and that is the background to the cost challenge the new report addresses. This issue now is, how will it will be resolved?

It is clear that the use of casual labour by the companies to which rail maintenance was outsourced was at the heart of the industry's problems 10 years ago, and that reversing that has contributed greatly to overcoming the legacy of unsafe but costly track maintenance. The new report stresses it does not support "the widespread employment of unskilled casual labour", which "undermines the need to increase the competence of the industry's workforce". Rather, it "recommends that the industry's employers should continue to encourage a more flexible and diverse workforce and, in particular, provide opportunities for more women to be part of the industry".

Will they do that, and if so, how will they go about it? And how will the unions respond? The future of Britain's railway will depend in no small part on the answers to those questions.

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Public World,

34b York Way,

London N1 9AB

[admin@publicworld.org](mailto:admin@publicworld.org)

[www.publicworld.org](http://www.publicworld.org)