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THE CONVERSATION

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Queuing up after power shortages. Lewis Pennock/PA Wire/PA Images

Train services are very efficient for shareholders – less so for customers

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Train fares in the UK will increase by 2.8% in January 2020, after rising 3.1% in January 2019 following a year of timetable changes and cancellations. Who do the train companies think they're fooling?

One thing is clear: the fact that they have paid out £1 billion to shareholders over the past six years demonstrates that the companies are efficiently delivering financial returns to private investors while delivering an inefficient service for the people who really matter – their customers.

Where work is considered to be a public service, it's interesting to consider the efficiency demands of the government versus the efficiency demands of a private company. After all, the decision to outsource public services relies on the idea that the market can be more efficient than government.

While companies performing government-outsourced services understand that their private interest in achieving market objectives is their key selling point, they must also understand that those same objectives must also align with the public interest. Indeed, train company customers are the public and those customers can see that efficiency costs have paid off well for private investors. Cost efficiencies, such as attempts to cut the number of train guards, raising fares and making it difficult to make a reimbursement claim, no doubt positively contribute to the generous rewards shareholders enjoy.

Similar efficiency-making measures and allegations of mismanagement exist elsewhere in government outsourcing. Consider the collapse of Carillion. It also reportedly paid £1 billion to shareholders over a 19-year period despite racking up huge amounts of debt. Its collapse also led to the loss of over 2,000 jobs.

Another example is the outsourcing of probation services to Interserve – one of the UK’s biggest government contractors and the largest provider of probation services in England and Wales – which headed into administration in 2019 with assets moved to a new group controlled by the firm’s lenders. The management of probation services is now being renationalised.

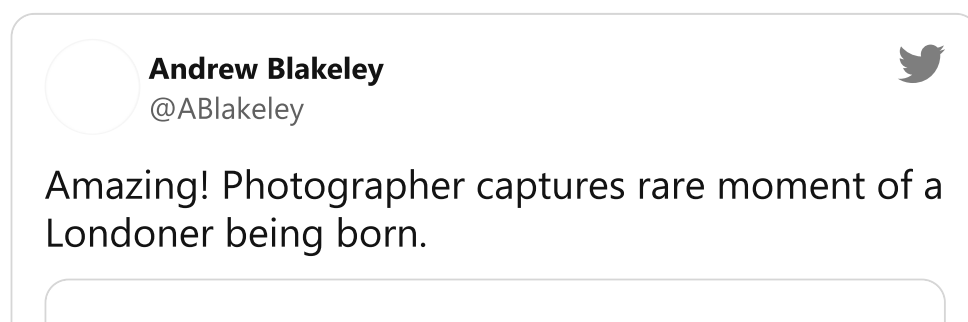
The GMT union said ministers had learned nothing from Carillion and the outsourcing of public services. “Shambolic mismanagement is putting jobs put on the line and services in jeopardy,” its national officer said.

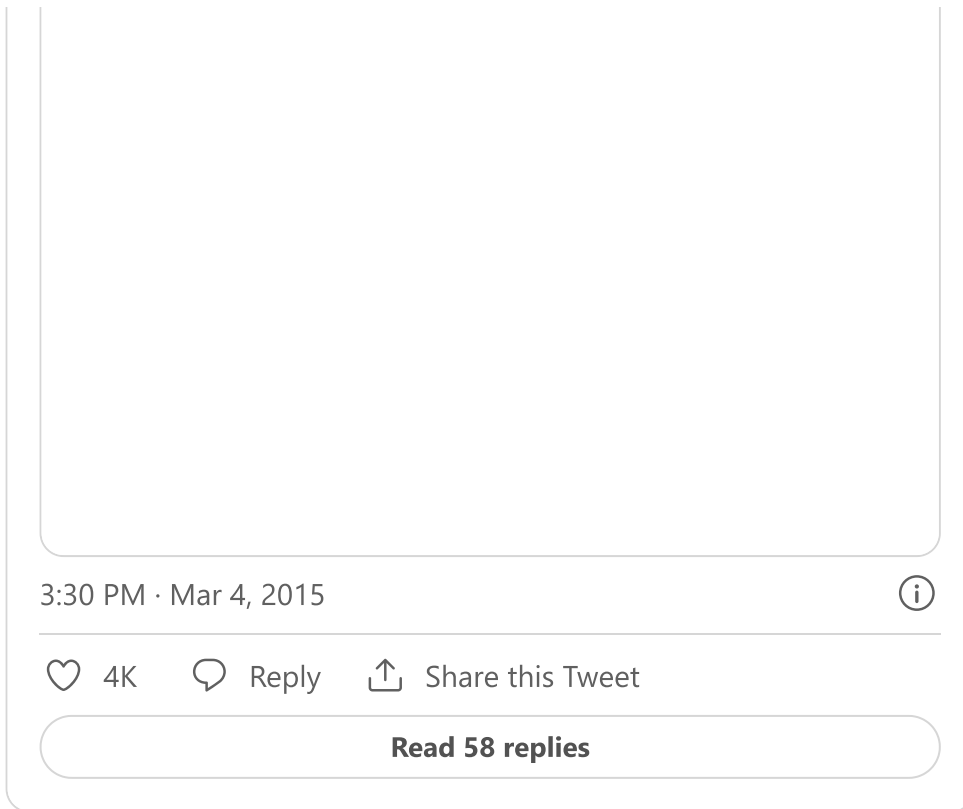
Read more: First rail, now probation: why it's time to reassess when public sector outsourcing goes wrong

The question commuters and legislators should be asking, then, is: are our transportation, construction and probation services efficient for the public or efficient for the companies?

Efficiency for whom?

Customer perceptions of efficiency should be important for companies. As consumers, we both consciously and unconsciously make efficiency judgements. For example, when our trains are cancelled for the umpteenth time, pictures of crowded platforms on social media begin to appear with captions like, “Why can’t the trains just run on time?” or “How do the trains run on time in Spain and not here?!”





What these posts communicate is a simple frustration: that a public service intended to efficiently get people to work on time and deliver them home at a reasonable hour can no longer be taken for granted.

I'm reminded of a story I read about a commuter who reported that she "was stuck in a never-ending cycle of despair", inducing anxiety, which eventually became a part of her every day commute. The consumer advocacy magazine Which? reported similar frustrations, including being disciplined at work and parents unable to get home for bedtimes.

The daily grind. Jo Adetunji

Unsurprisingly, neglecting the needs of commuters led the Office of Rail and Road to state that there is a lack of "responsibility and accountability" for train operators. Such experiences contributed to Which? magazine's review of the train services which ranked Northern, Southern, Thameslink and Southeastern at the bottom of their commuter rating table. All were "rated poorly for punctuality, reliability and value for money in particular".

Much of the ill will towards train companies has accumulated over time, but one event that is still prominent in the minds of customers is the Govia Thameslink Railways (GTR) timetable change fiasco.

Months of cancellations and delays resulted in a government commissioned review of the rail industry, a government order that GTR invest £15m in improvements for passengers, and a £5m fine. GTR has nevertheless retained its control over the railways it operates with commuters paying more to use its trains. Some have argued that the consequences for rail providers have been marginal, with the shadow transport secretary, Andy McDonald, describing GTR's £5m fine as a "slap on the wrist".

Read more: Chaos on Southern trains a symptom of Britain's rotten privatised railway industry

Against the backdrop of generous shareholder payouts, such fines can be interpreted as the price of doing business. But such corporate behaviour is not without risks. When train companies enrich their shareholders at the expense of their customers, their legitimacy is at stake. And when basic services necessary for everyday life can no longer be counted on, companies tasked by government to provide these services should worry if they want to succeed in the long term.

It's no wonder that the Labour Party's official position is to renationalise train services. What is clear is that the train companies are efficient money makers when they raise fares, but they have yet to provide the right kind of efficiency for the people who really matter.