

Train Operating Company (TOC) Study: South West Trains 1996-7

Two of the first three franchised railways announced in December 1995 were management-buyouts at that point, so the third, South West Trains (SWT), being owned by Stagecoach, a buccaneering innovative bus-and-coach business, was the first successful bid by a stock-exchange quoted company. Therefore, as an archetypal exemplification of the new franchising system, SWT was in a pioneering position: it was not only frequently the first to undergo some of the early difficulties and setbacks later similarly experienced by some of the other TOCs, but it was also first to be cast in the role of both *bête-noir* for hostile privatisation-critics and 'poster boy' for privatisation-enthusiasts. In the medium-term SWT emerged from this pioneering experience the stronger, but in the short-term it experienced a major reputational hit.

Several of the bidders for the 1995 franchise offer had predictably been the recently-privatised bus companies. As a leading and bullish example of these, Stagecoach was already established as a *bête-noir* since the critical publicising of its successful sharply competitive practices, such as using temporary free travel to drive the rival municipal bus service in Darlington out of business.¹ From an opposing perspective SWT was alternatively a 'poster-boy' for rail privatisation by being the first 'proper' company to win a franchise (though its win had had only three competitors²). This win assured the government's supporters – and more importantly future bidders - that a genuine market was opening up, not just a 'fix' for management buyouts.³

SWT also lacked rail management experience, so inevitably close journalistic attention followed: partly – “how well would it perform?”⁴ - and partly (from its holding company's controversial reputation) – “how well would it behave?”⁵ An additional factor arose from its brother-and-sister owners, Brian Souter and Ann

¹ Philip Bagwell & Peter Lyth, *Transport in Britain: From Canal Lock to Gridlock* (London: Hambledon, 2002), 185. *Independent*, 20/12/95, Headline: “Predatory firm's tactics kill off rivals” - Christian Wolmar: “...the most controversial candidate as flagship ...” Also *Independent*, 24/12/95

² David Parker, *The Official History of Privatisation, Volume II: Popular Capitalism 1987-97* (Abingdon: Routledge, 2012, Kindle edition), Loc 13688

³ Christian Wolmar & Roger Ford, “Selling the Passenger Railway” in *All Change: British Railway Privatisation* ed Roger Freeman (McGraw-Hill, Maidenhead, 2000), 152

⁴ *Sunday Times*, 24/12/95, Headlined “Why it is wrong to rail against Stagecoach”, by Chris Baur, Scottish Business Correspondent. A contemporarily rare cautiously-positive dispassionate assessment.

⁵ *Guardian*, 29/1/96, *Independent*, 25/2/96, anticipating “massive” job cuts.

Gloag, basing their empire in Perth, Scotland – consequently the *Glasgow Herald* gave much attention to this south-of-London railway because it was Scottish-owned.⁶

Prior reputation heavily influences news journalism, for both broadsheets and tabloids. Although a sprinkling of letters and mini-features seemed to confirm that all was well from the start-date 4 February 1996 (or even better than before), soon a steady trickle of hostile news stories started to become a regular occurrence. Whereas the *Times* Business Section, clearly casting the first privatisation as a success, happily described the SWT franchise as a “cash cow”⁷ the less-overtly-friendly newspapers were able to produce a string of ‘bad news’ stories over reduced punctuality and job cuts.⁸ SWT featured often – though not exclusively – in the *Independent’s* regular series “True Stories from the Great Railway Disaster” (the “Mad” column) throughout 1996.⁹

Although the TOCs starting later in 1996 experienced similarly mixed stories SWT attracted particular attention because of the prior reputation of its owners. Notably, Christian Wolmar criticised Souter’s and Gloag’s business ethics at length in July, though this was interestingly ‘balanced’ by the Business Section’s cautiously positive report on SWT in the same edition of the *Independent*.¹⁰

Alongside anecdotes of specific passenger experiences, additional criticism could be extended to the company’s finances. It was noted that its prospective declining subsidy would mean that it would need to increase revenue or cut costs quite substantially in the near future. The ironic aspect of these stories is that SWT, being one of the first tranche of franchises, had a much gentler financial improvement to achieve (to stay viable under future reduced subsidies) than the later TOCs. SWT needed to achieve a two percent improvement annually while all the later franchises needed to achieve between four and twelve percent.¹¹ (This had been the reward for SWT’s pioneering 1995 bid at a time when risks for

⁶ *Glasgow Herald*, 1/1/96, 1671 words; 20/1/96, 913 words; 28/2/96, 611 words; 24/7/96, 342 words, 20/8/96, 402 words, et al

⁷ *The Times Business Section*, 30/1/96

⁸ *Independent*, 13/3/96, headlined “Privatised trains less punctual”, and *London Evening Standard*, 21/3/96 headlined “Private line axes hundreds of jobs”.

⁹ *Independent*, 2/6/96 (re group travel), 21/7/96 (re through-ticketing)

¹⁰ *Independent*, 24/7/96

¹¹ Christian Wolmar & Roger Ford, “Selling the Passenger Railway”, 161 chart

bidders had seemed worryingly uncertain,¹² also avoiding the “winner’s curse” of overbidding.¹³) Nevertheless this rationale enabled the stories about potential job cuts, always a newsworthy topic.¹⁴

There was also implied financial criticism of the parent company for buying the rolling-stock-company (ROSCO) Porterbrook (announced in July, confirmed in December 1996). Although the main outrage concerned the instant windfall profit made by those who had earlier bought the ROSCO from the state,¹⁵ there remained the implication that spending all that money somehow added to the tarnished image of SWT’s owners.¹⁶

Meanwhile customer relations fluctuated in 1996. Throughout the year there were regular stories of customer complaints increasing, notably in the Independent’s “Mad” column.¹⁷ Yet at year-end it transpired that customer complaints had not really increased at all: Wolmar acknowledged that the Central Rail Users Consultative Committee had found that complaints had actually decreased by 30 percent for punctuality, overcrowding and cancellations, and the “Mad” column would cease.¹⁸ During the year SWT had tended to sound abrasive in its pronouncements, yet (for example) in July they paid for a taxi from London to Dundee for a passenger whose train from Portsmouth was delayed by over three hours.¹⁹ Meanwhile, investment-focused columns gave SWT positive stories too during 1996’s latter months.²⁰

This public relations progress ended when the train-driver crisis broke in 1997, just when the worst of SWT’s year as pioneering *bête-noir* had seemed to be over. SWT had staved off a driver strike in September/October 1996 by making what was reported as the most generous deal to date for drivers.²¹ That episode exemplified the point that whereas the power of much of a unionised workforce

¹² Jon Shaw, *Competition, Regulation and the Privatisation of British Rail*, (Aldershot: Ashgate, 2000), 79-83.

¹³ Stephen Glaister, *British Rail Privatisation: Competition Destroyed by Politics*, Centre for the Study of Regulated Industries (CRI) Occasional Paper 23 (Bath: University of Bath, 2004), 27

¹⁴ *Independent*, 25 & 27/2/96. *Glasgow Herald*, 28/2/96.

¹⁵ Terry Gourvish, *British Rail, 1974-97* (Oxford: Oxford University Press, 2002), 440

¹⁶ *Guardian*, 6/1/97

¹⁷ *Independent*, passim; also *Guardian*, 16/10/96

¹⁸ *Independent*, 22/12/96

¹⁹ *Daily Mail*, 25/7/96

²⁰ *Evening Standard*, 28/11/96, *Times*, 29/11/96, *Independent*, 29/11/96

²¹ *Independent*, 12/10/96

was weakened by privatisation (as intended by some²²), the bargaining power of unionised workers with specialised skills such as train drivers was enhanced.²³

Early in 1997²⁴ SWT started cancelling a reported average of 14 trains a day after allowing voluntary severance to 70 drivers.²⁵ Service “suspensions” then reportedly increased to 39 a day.²⁶ The company was at the time defensive and even counterproductive in its response to the daily outrage over the numerous cancelled commuter trains, with Souter quoted as describing SWT drivers as a “hotbed of Trotskyism”,²⁷ and as having (jokingly) threatened to phone the bosses of complaining passengers to ask “Did you know this guy spends two hours a week writing to the train company?”²⁸ To many, Souter’s reputation as a reckless bully seemed confirmed. So even when SWT attempted to charm its customers with a ‘free tickets to anywhere’ day (costing the company “around £1.2m”) a ‘bad news’ angle was found about people who had missed out by starting their journey from outside the SWT area.²⁹

Later, SWT acknowledged that their driver shortages were caused by releasing too many drivers too quickly, after managers jumped at finalising the severance deal with the tough-minded ASLEF union. They claimed the problem was less the absolute total number of drivers and more that too many needed to undergo statutory training in new routes.³⁰ The problem rumbled on into the summer of 1997, with SWT reportedly having to pay large premiums to some drivers to cancel holidays to fill continuing gaps.³¹ Nevertheless, by the end of 1997 this meant that SWT had made the transition to a commercially effective system of

²² Bart Cole and Christine Cooper, “Deskilling in the 21st century: The case of rail privatisation”, *Critical Perspectives on Accounting* 17 (2006), 609. Also David Parker, Loc 13460

²³ Christian Wolmar, *On the Wrong Line: How Ideology and Incompetence Wrecked Britain's Railways* (London: Kemsing Publishing Limited, second edition, 2012), Kindle Location 1016. Also William Brown, “Industrial Relations and the Economy”, in *The Cambridge Economic History of Modern Britain Volume 3: Structural Change and Growth 1939-2000*, eds. Roderick Floud & Paul Johnson (Cambridge: Cambridge University Press, 2004), 27-65. Also *Independent*, 13/11/97, *Glasgow Herald*, 19/12/97

²⁴ From 19 January (*Investors Chronicle*, 14/2/97), 12

²⁵ *Independent*, 12/2/97, *Glasgow Herald*, 12/2/97, *Mirror*, 13/2/97

²⁶ *Guardian*, 15/2/97, *Independent*, 16/2/97, *Mirror* 16/2/97, *Glasgow Herald* 18/2/97

²⁷ *Daily Record*, 24/3/97

²⁸ *Independent*, 24/3/97

²⁹ *London Evening Standard*, 20/2/97

³⁰ John Balmforth, *South West Trains* (Hersham: Ian Allan 2011), 18

³¹ *Guardian*, *Western Daily Press*, 6/8/97

driver deployment, something that BR's hard-fought "flexible rostering" agreement of 1983 had failed to achieve in practice.³²

Some other TOCs later experienced comparable driver-shortage problems when reprofiling their workforce;³³ meanwhile SWT had sustained its twin pioneering roles as bullish innovator and (consequently) *bête-noir*. Subsequently, from 1998 onwards, it prospered - in contrast to the six regional TOCs flailing by 2001-2.³⁴

1257 total words (incl 59 in footnotes)

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³² Andrew Pendleton, "The Barriers to Flexibility: Flexible Rostering on the Railways", *Work, Employment & Society*, Vol 5, no 2 (June 1991), 241-257

³³ e.g. Connex in 2000 (*Guardian* 18/9/00), and Arriva Trains Northern in 2001 (BBC News online 5/9/01 <http://news.bbc.co.uk/1/hi/business/1526489.stm> accessed 18/5/17)

³⁴ David Parker, *The Official History of Privatisation, Volume II: Popular Capitalism 1987-97* (Abingdon: Routledge, 2012, Kindle edition), Loc 14428 - Merseyside, Northern et al, but not SWT