When Labour party leader Jeremy Corbyn flagged up the potential re-nationalisation of British railways, and later made similar comments about the energy industry, his ideas were dismissed as a return to the past. But the evidence is that the public has bought into it. YouGov polls show that a majority of British people now support the nationalisation of the railways (66%) and energy sector (68%).

From the end of the 1970s, the British electorate voted four times in a row to give the Conservative Party a mandate to implement an extensive privatisation programme. So why has public opinion turned around so sharply?

**Ideological views**

Privatisation, in many cases, was an ideological programme which promoted solutions driven by the private sector and financial markets. It was a simplistic rationale: self interest and competition would bring about the much desired outcome of efficiency. This has been promoted as sensible economic policy by both Conservative and New Labour governments.
In the background, there was the financial downturn of the 1970s and 1980s that had knock-on effects on public services and utilities, which implied poor financial performance and created the ideal conditions for arguments in favour of privatisation.

The emerging view was that public enterprises only helped self-interested bureaucrats, inhibited cost cutting and innovation and distorted the allocation of resources. Privatisation was supposed to reduce the burden on the taxpayer and force these sectors to become more competitive, efficient and deliver better value for “customers”.

As early as 1984, at the Conservative Party conference, Margaret Thatcher proudly announced:

… again and again, denationalisation has brought greater motivation to managers and workforce, higher profits and rising investment, and what is more, many in industry now have a share in the firm for which they work.

Building evidence

The ideological basis of neoliberal views around privatisation has gradually become clearer with the arrival of more and more evidence in the last two decades. Research has laid bare the myth that privatisation is somehow a panacea for improving public services and utilities.

Britain did see short-term improvements in some cases such as energy. But over the long term, it has become clear that private services do not deliver good value. Charges have remained high and service quality is often dismissed as poor or indifferent. Research commissioned by the TUC, a federation of trade unions, looked at the £358 monthly rail ticket for the 35-minute journey from Chelmsford, Essex, to London and compared it to the cost of similar European examples. The results were startling: £37 in Italy, £56 in Spain, £95 in Germany, and £234 in France. In these countries a large majority of railways remain under public control.
Moreover, meeting the investment needs (which is where the real risks lie) to ensure safe, regular and high-quality service has been a challenge. Where there were failures as in the case of Metronet, the public sector was forced to pick up the pieces. It can appear that private companies acquire the benefits, without fully taking on the risks.

In the energy sector, average UK domestic electricity prices outstrip the average of OECD countries, as shown in the chart below. In an ongoing investigation of the UK’s six large energy companies, one of the initial conclusions of the Competition and Market Authority was that the companies used their unilateral market power to overcharge domestic customers to the tune of £1.2 billion a year between 2009 and 2013.

![Residential Electricity Price Chart](chart.png)

Source: IEA

**Health check**

There are clear failures then in both rail and energy privatisation – enough to drive the sharp turnaround in public opinion. This is only reinforced by the role of the private sector in the National Health Service.
The National Audit Office found that the use of Private Finance Initiatives (PFIs) was one of the major reasons for deficits at hospitals that provide acute healthcare services. PFI deals with private firms reduce the investment cost for the public sector in the short term, but they introduce an annual unitary charge (a sort of debt repayment) which has to be paid over a long period of time.

The most recent data show that for Department of Health projects which delivered over £11 billion of capital investment, the undiscounted cost of the unitary charges to be paid until the end of these projects was around £80 billion.

It’s not just about the headline numbers. PFIs may involve considerable differences between projected and actual outcomes, and can be beset by cost overruns and delays. And skills are often not in place to negotiate and administer PFI contracts successfully. And so we end up with disagreements about contract terms, price reviews which rarely lead to price reductions, limited use of penalties for poor performance and a failure to share future savings or efficiency gains.

And it’s not just a UK problem. A wide range of research shows similar results in other parts of the world and our own research at the University of Hertfordshire Business School has confirmed these findings for the water and sanitation sector in developing countries. High profile examples include Argentina cancelling a large number of contracts with multinational water companies after a major economic crisis in 2001. It is still counting the cost.

Sectors such as health, education, energy, transport and water provide essential services where there are social and developmental consequences to ownership. Access to and affordability of these services cannot be treated as secondary to efficiency objectives and profitability. The private sector usually has no inherent motivation to achieve these social goals unless they are incentivised by measures which often dump the cost on taxpayers or users.

In fact, the surprise shouldn’t be that the public appear to have rejected the rationale for private ownership in these sectors, but that they ever voted for it in the first place.