Chapter 9

Public ownership is back on the agenda in the UK

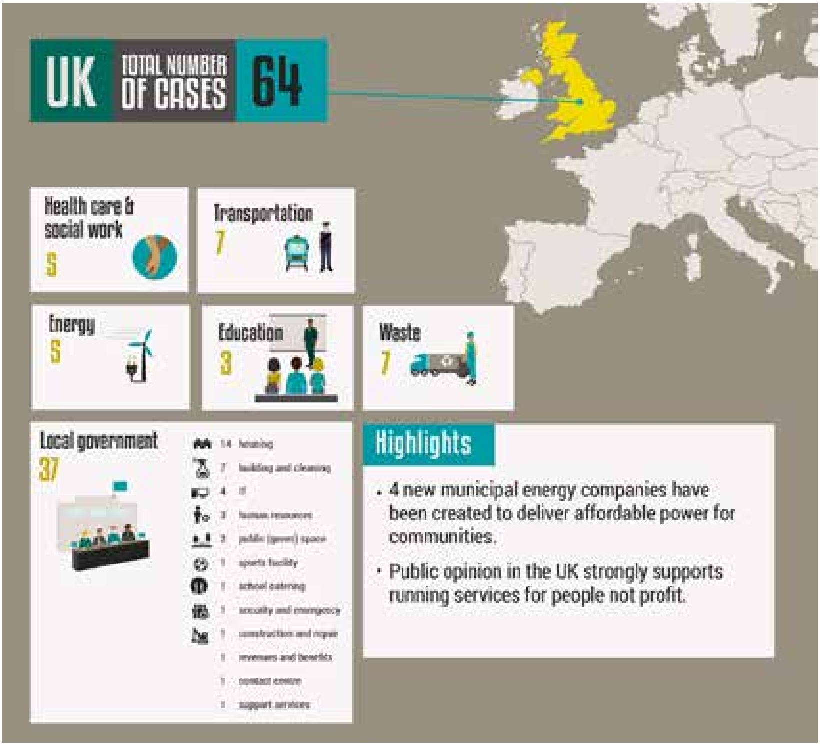
By David Hall and Cat Hobbs

The trend of remunicipalisation has even reached the UK – the home of Thatcherite ideology and an island asserting its independence through Brexit. As elsewhere, the need for cost savings and control over quality have been major drivers for bringing services into public ownership.

Over the last decade local authorities in the UK have carried out significant remunicipalisations, or created new services, most notably in the energy and public transport sectors. Metro schemes have been brought in-house in London, Newcastle and Birmingham, and the UK is seeing its first municipal energy companies set up by local authorities to deliver affordable power for communities. in Nottingham, Bristol, Leeds and Scotland.

Councils across the country are bringing services in-house when contracts fail, including highway maintenance, housing, waste, cleaning services, IT and human resources. Meanwhile a number of local authorities have chosen to buy themselves out of public-private partnerships (PPPs) for hospitals and other key services, years before the official contract end date. Services are often brought in-house without too much fanfare. However, the stories above add up to a rejection of privatisation on the ground, as local government (if not national government) discovers its failures.

Public opinion in the UK strongly supports running services for people not profit – polling shows that both EU Leavers and Remainers want public ownership. This popular mood is finally being reflected in mainstream politics. For the 2017 election, the Labour party embraced public ownership of the railways, energy, water, buses, council services, Royal Mail and the National Health Service (NHS) – making a decisive break with the 'third way' Blairite years.[1] Campaigns like "We Own It" are using examples of remunicipalisation to show that privatisation is not inevitable. It can be reversed or made irrelevant as local public companies displace multinational corporations.[2]



Local metro services

The most extensive remunicipalisation of public transport services was the termination and remunicipalisation of £20 billion worth of PPPs by Transport for London (TfL). The public authority had been forced to use PPPs for major redevelopment of the London underground, but by 2010 the two largest PPPs, known as Metronet and Tubelines, designed to renovate the underground system, had both collapsed. A cross-party committee of MPs produced a report that was savagely critical of the Metronet PPP and also of the arguments from efficiency and 'risk transfer' used for all PPPs:

> *"Metronet's inability to operate efficiently or economically proves that the private sector can fail to deliver on a spectacular scale (...). The legacy left by Metronet's former shareholders was one of poor programme management and system integration, ineffective cost control, a lack of forward planning and inefficient fiscal management (...). [I]t is difficult to lend any credence to the assertion that the Metronet PPP contracts were effective in transferring risk from the public to the private sector. In fact, the reverse is the case."*

By contrast, despite the complexity of the remunicipalisation process, TfL demonstrated the superior efficiency of direct public provision without the burden of managing contracts. Whereas lawyers had taken more than £400 million in fees from the PPPs, remunicipalisation provided multiple sources of greater efficiency that "will enable a cost reduction of £1 billion (...) [and] significant savings have been made through procurement and maintenance efficiencies." [3]

Following these remunicipalisations, TfL then embarked on a systematic review of all the other PPPs they had been forced to sign for other programmes of investment, achieving more and more savings, not only from reducing the cost of dividends and debt interest, but also through further efficiency savings.

Table 1. *Termination PPPs by Transport for London (TfL)*

Private Finance Initiative (PFI) project	Start date	Sector		Value (£m)	Status	End date
Metronet SSL	2000	LU	Renovation	6,700	Terminated	2008
Metronet BCV	2000	LU	Renovation	5,400	Terminated	2008
Tubelines	2000	LU	Renovation	5,500	Terminated	2010

LU=London underground
Source: TfL4

Remunicipalisation has produced similar savings for Tyne and Wear Metro, a light rail system covering the region around Newcastle, with 40 million journeys per year. Up to 2016 the operation was outsourced under a concession to Arriva, a subsidiary of Deutsche Bahn, but from April 2017 it has been taken back in-house and is now run directly by the 100 per cent municipal transport company Nexus.

This was not simply a political decision, but derived from analysis of the savings and improvements that could be made by bringing work in-house. This included major new engineering work, for example the modernisation of the signalling and fibre-optic cable system was carried out by a new in-house team for roughly £11 million, compared with £24 million if Nexus had contracted the work to a private company.[5]

Rail

The former nationally owned rail system, British Rail, was broken up and privatised between 1994 and 1997, and since then rail services in the UK have been provided by private companies under 16 concession contracts. The track network was privatised separately, but there was inadequate investment, excessive sub-contracting, and a disastrous safety record including two major accidents resulting in a number of deaths, and finally financial collapse. As a result, the track was effectively taken over by government as Network Rail from 2002. This represented a huge return to public ownership (though the public sector status of Network Rail was not officially recognised until 2012).[6]

There have been recurrent problems with the operating companies, which have resulted in at least two cases where private concessions were terminated and replaced by public sector operating companies – but both of these were re-privatised. In 2003 the government terminated the concession of Connex (a Veolia subsidiary) to run the South East train service, and replaced it with a public sector company, Southeastern Trains, which operated the franchise until 2006 when the government again gave the concession to a private operator.[7] In 2009, the East Coast line was taken into public ownership (after National Express walked out on the contract) and it was a huge success. The service had a 91 per cent customer satisfaction rate, required much less public subsidy, paid back £1 billion to the Treasury and was the most efficient franchise in the UK. In 2015, however, the government reprivatised the line.[8]

At the time of writing, spring 2017, there has been a major double problem with Southern Rail for 2015. Passengers have complained at the increasingly unreliable service, and there is a long-running dispute between the company and the unions over staffing levels, in which public sympathy is with the unions. There is now huge public support for taking Southern Rail, and the other operating concessions, back into the public sector.[9]

Finally, the new rail line across London from east to west, Crossrail, has not been assigned by the government to a private operator, but is under the control of TfL. This is a positive move toward public ownership and operation, but TfL has still outsourced the actual operation of the line to a private consortium.

Energy

The entire electricity and gas industry was privatised by the Thatcher governments in the 1980s and early 1990s. Some municipalities have now set up their own energy supply companies, both for social and renewable energy reasons. This reflects continuous, widespread massive discontent over household energy bills, which are blamed on rapacious private supply companies, and the failure of regulators and governments to take any effective action. There is also increasing public pressure for a genuine shift toward greener renewable energy. Local councils have therefore started to take action for the benefit of local citizens. This is a significant new development for the UK, where local authorities have not had a significant role in electricity or gas systems for many years.

Nottingham City Council (population 532,000) decided in 2015 to set up its new supply company because it found that many low-income families in the city were struggling to pay their energy bills, and that the creation of a municipal company was the best way to help them. Named Robin Hood Energy,[10] after the local medieval outlaw famous for robbing the rich to give to the poor, the company offers a cheaper service because it does not extract large profits of one kind or another, and it does not confuse customers with complicated tariff packages. As the company puts it: "No private shareholders. No director bonuses (...). Just clear transparent pricing."[11] The company has the cheapest prices in the UK for people on pre-payment meters (that is, households who have been unable to pay their bills and so have to pay in advance for their electricity by feeding a special meter with coins or credit), and new tenants moving into council houses are placed with the company by default. There is already a significant market impact beyond the company's own customers: the average cost of energy in the East Midlands region, where Nottingham is located, is now the cheapest in the country.

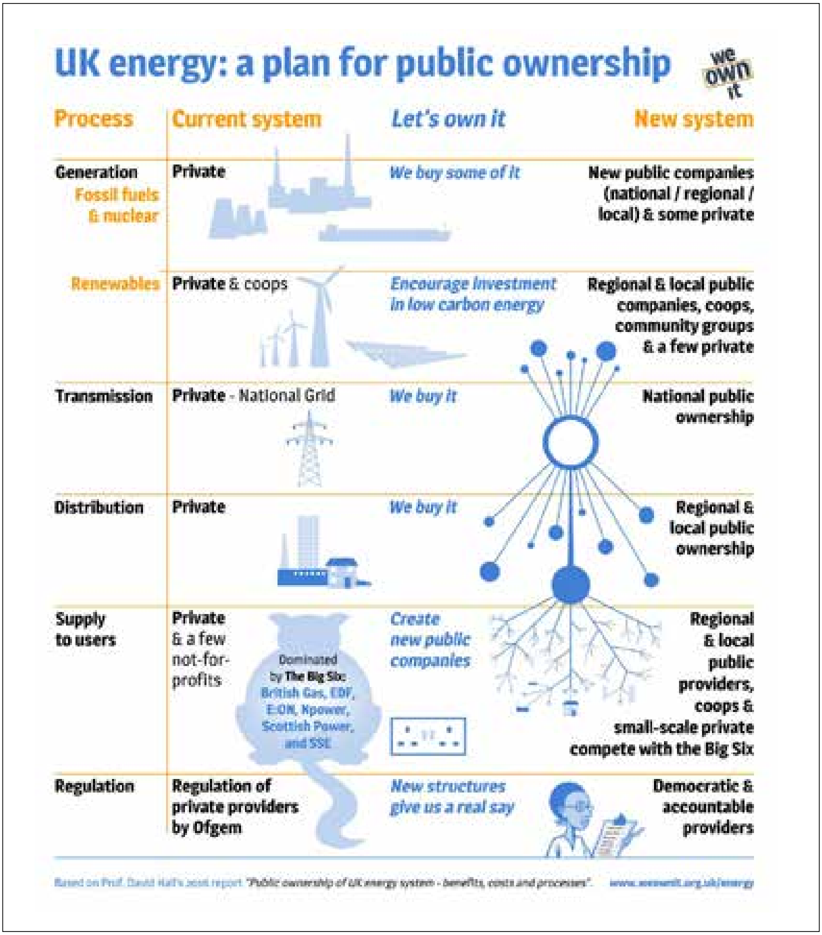
The company has now formed partnerships with other major cities. The city of Leeds (population 534,000) formed a municipal company, White

Rose Energy,[12] in 2016, to promote the simple no-profit tariffs of Robin Hood Energy throughout the Yorkshire and Humberside region, especially for those using pre-payment meters. In 2017 the cities of Bradford and Doncaster (528,000 and 80,000 inhabitants, respectively), also concerned with the inability of poor families to pay their energy bills, agreed to join the White Rose/Robin Hood partnership.

In 2015 Bristol City Council (population 428,000) created a municipal energy company, Bristol Energy.[13] This aims to offer lower prices than the big commercial companies, but also invests in renewable energy generation and offers a 100 per cent renewable energy tariff, and expects to provide the council with a dividend to help fund local services.

Together these new municipal suppliers already cover over 2.2 million people. An even bigger impact could come in 2017 as a result of a strong campaign, *Switched On London*,[14] which has demanded that a 100 per cent public energy company be set up for London. The objectives include supply of affordable energy, but also investment in renewable energy generation, energy efficient homes, fair pay and conditions, and a board including representatives of workers and local people. The Mayor of London, Sadiq Khan, has agreed to set up a company called Energy for Londoners, but as of March 2017 was still considering different options.[15] Other councils have also decided to start offering energy to local residents, through new or existing municipal companies, including Wirral and Liverpool.[16]

These initiatives are now reinforced by Labour party proposals that envisage the widespread creation of municipal supply companies, similar to Robin Hood Energy, which would be expected to provide cheaper electricity and gas because of the elimination of shareholder dividends and lower interest rates, and also for municipalities to have responsibility for developing new solar and wind electricity generation in their areas, either directly or through local co-operatives. The existing coal and gas power plants would be mostly allowed to continue in private ownership until they reach the end of their life. So there would be a gradual and simultaneous transition from private, thermal electricity sold for profit to public, renewable energy supplied universally. The cost of compensation is thus limited to the cost of buying the networks for the public sector. Moving to a publicly owned energy system in the UK would pay for itself in 10 years. Savings of £3.2 billion per year would be possible because no shareholder dividends would be paid out and the cost of capital would be lower.[17]



Remunicipalisation of PPPs

Since the 1990s, the UK has introduced an extensive range of PPPs under the Private Finance (PFI) programme. By 2011 the programme had become thoroughly discredited, rejected by a series of parliamentary reports and even right-wing media, such as the *Daily Telegraph*. Many PFI projects have run into major problems and more than 30 have been terminated.[18] The factors behind these terminations have included public pressure, financial collapse and the identification of savings from direct public management control. The PFI projects represent roughly 5 per cent of all PPPs in the UK, but because they include some of the largest their value totals an estimated 25 per cent of all PPPs, a very high proportion.

These terminations have often resulted in the remunicipalisation of public services, including:

- **Local public transport:** notably the PPPs remunicipalised by TfL (see above)

- **Health care:** one notable example was the buyout of the PFI scheme at Hexham Hospital in Northumbria, which was made possible because the elected Northumberland County Council decided to loan the NHS Trust £114.2 million to enable it to buy out its PFI contract, although this was a risk for the county council. Another was West Park Hospital, Darlington, bought out by the local hospital trust in 2011. But this avenue may be stopped by governments: in early 2016, the Highland Council was refused permission by the Scottish Government for additional borrowing powers to buyout two PFI schools' contracts.

- **Waste management:** the Crymlyn Burrows waste treatment plant in Swansea was started under a PFI, which was then terminated in 2005 and taken over for direct operation by the municipality.[19]

Prospects

Alongside these encouraging returns to public ownership, the current (May 2017) Conservative government continues to press for further privatisations. The most damaging and largest of these policies is the systematic attempt to outsource as much as possible of the NHS. The government has also privatised the Post Office in the last three years. But other smaller privatisation plans have been defeated, for example plans to sell the Land Registry and the second public TV channel, Channel 4.

But overall, this period has seen the emergence of stronger forces toward creating a new public sector. There are three political factors suggesting that this trend will continue. Firstly, public opinion in the UK is strongly in favour of public ownership of rail, energy, water and other services, and against the continuation of privatisation by PPPs and outsourcing of the NHS. This is based on bitter experience of rising energy and water prices, rail accidents and failure of the private sector to invest, but also on a new confidence in the future of a new public sector. One outcome of this is the creation of a highly successful national campaign, called We Own It, which provides for the first time a consistent and coherent voice for public ownership. The campaign has produced a summary of the case specifically for the general election campaign of June 2017, and a website with detailed information on each sector.[20]

Table 2. *Public support for public ownership in the UK (May 2017)*

	Should be public %	Should be private %	Don't know %
Energy	53	31	16
Water	59	25	16
Post	65	21	14
Rail	60	25	15
Bus	50	35	15

Source: YouGov UK[21]

Secondly, the polarisation of the Brexit referendum has shown how many people in Britain now reject the complacent establishment politics of austerity. But polling shows that the support for public ownership of these services is equally strong among those who voted to leave the EU in the Brexit referendum and those who voted to remain.[22] This opens two positive possibilities: to offer public ownership as a progressive alternative for people to reclaim control over their lives, the planet and the economy, and so reclaim popular support away from the xenophobic, nationalist right. And as a result of the Brexit decision itself, there is also the possibility of reshaping the public sector without the constrictions of EU policies on internal market, state aid, fiscal and macroeconomic policy dogmas.

Thirdly, the left leadership of the Labour Party under Jeremy Corbyn is, in effect, trying to convert one of the declining social democrat parties of Europe into a new left party like *Podemos* in Spain or *Syriza* in Greece, rejecting neoliberal austerity and privatisation politics in favour of transparent, democratic, community-based government. The Labour Party 2017 election manifesto[23] included a commitment to return railways, energy, water and postal services to public ownership – which may have helped them to capture more support than any other party among voters under the age of 40.[24]

In an historical perspective, these new developments are rebuilding the municipal capacity for providing services under local democratic control. In the 19th century Britain was one of the countries that first developed 'municipal socialism', with cities such as Birmingham taking responsibility for providing water, gas and electricity, public transport, housing and other services. These functions were stripped from municipalities in the second half of the 20th century: all gas and electricity systems were taken over by central government when the sectors were nationalised in the 1940s; water was nationalised by the Thatcher government in the 1980s as a prelude to privatisation, bus transport was privatised through liberalisation and outsourcing from the 1980s, public housing through the sale of many council homes and the restrictions on financing new build.[25]

The trends have also put the question of public ownership of public services back at the centre of political debate. For the first time in 25 years, the Labour Party manifesto included a commitment to bring water, electricity and railways into public ownership, to develop and strengthen local government in the UK – policies in tune with public opinion.[26] The election of 8 June produced a huge swing to the Labour Party, partly due to this clear commitment to extending public ownership. The political trend in the UK is now moving strongly against privatisation.[27]

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Endnotes

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