Designing Future Public Ownership

Global lessons from Labour’s plans for public ownership of key sectors 2016–2019

By David Hall
DATE December 2022
AUTHOR David Hall, visiting professor at PSIRU, University of Greenwich
COORDINATOR Lavinia Steinfort, coordinator of the Public Alternatives project at TNI
PUBLISHERS Transnational Institute (TNI) and Public Services International Research Unit (PSIRU)
COPY EDITOR Sarah Finch
DESIGN & LAYOUT Ivan Klisurić / ivanklis.studio

For inquiries please contact David Hall (halldj@gmail.com or d.j.hall@gre.ac.uk).

This paper benefitted greatly from comments on earlier drafts from Max Harris, Lavinia Steinfort, and Mary Robertson. It should not be assumed that any of them agree with any of the views expressed in this paper. The author was one of many participants in the policy development processes discussed in the paper. It is not meant as an ‘official account’ or definitive assessment of these policies: its aim is to present aspects which may be of continuing international interest. A special issue of the journal Capital and Class will publish academic assessments of the policies.

The Transnational Institute (TNI) is an international research and advocacy institute committed to building a just, democratic and sustainable planet. For more than 40 years, TNI has served as a unique nexus between social movements, engaged scholars and policymakers. TNI has gained an international reputation for carrying out well-researched and radical critiques. As a non-sectarian institute, TNI has also consistently advocated alternatives that are both just and pragmatic, for example providing support for the practical work of public services reform. Find out more: https://www.tni.org/en

Public Services International Research Unit (PSIRU) was set up in 1998 to carry out empirical research into privatisation, public services, and globalisation. It is based in the Business School, University of Greenwich, UK. PSIRU researches the privatisation and restructuring of public services around the world, with special focus on water, energy, waste management, and healthcare. It produces reports and maintains an extensive database on the multinational companies involved. This core database and website are financed by Public Services International (PSI), the global confederation of public service trade unions. For more info: http://www.psiru.org/

This publication is licensed under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 license. You may copy and distribute the document, in its entirety or separate full chapters, as long as they are attributed to the authors and the publishing organisations, cite the original source for the publication on your website, and use the contents for non-commercial, educational, or public policy purposes.
Contents

1. Introduction 3

2. Actors and process: elections, party, unions, campaigns, research, international actors, events 4
   - Elections and public debates
   - Party: leadership, internal differences and open debates
   - Unions re-engaged
   - Campaigns, researchers and international links
   - Real life: problems of privatisation as a constant driver

3. General themes: economic policy framework and democratisation 8
   - Economic policy framework: public finance, green and regional development, public institution
   - Democratisation

4. Practicable transformative policies in six area 10
   - Ending outsourcing and return to inhouse direct employment
   - Energy
   - Public transport
   - Water and sanitation: compensation and the law
   - Internet and post
   - International promotion of public services

5. Losing an election, winning support for public ownership 20

6. Some international lessons 21
   - Trend in development of progressive plans: Labour in UK, Biden in US, New Delhi public services
   - The process: role of public debate, engaging social movements and unions, and opposition
   - Multi-level reconstruction of public sector and economy
   - Efficiency and equality are continuing drivers for public ownership
   - Drafting another world is possible

Annexe: Policy documents 23
1. Introduction

All these are collective issues, which need public action: democratically planned public policies, a public sector raising taxes to finance the public spending, public services, and direct public productive capacity to transform economies and societies to deal with these issues. There has been a surge of political activity demanding such action, from the constant activity of the climate emergency movements, the demands of Black Lives Matter, strike actions by unions, and social movement campaigns. Relatively progressive political parties have won electoral victories, especially in Chile, Colombia, and Brazil in Latin America.

Political and electoral successes highlight the need for policies which actually strengthen public finance, services and capacity. It is therefore useful to look at cases where such policies have been developed and applied, to see what lessons can be learned to help develop policies elsewhere.¹

This paper looks at the series of plans developed by the UK Labour Party under the progressive leadership of Jeremy Corbyn between 2016 and 2019 for re-establishing public ownership and operation of services and infrastructure which had been privatised over the previous 40 years. This period included two general elections: in the 2017 election, contrary to all expectations, Labour won its highest share of the vote for many years, and the result was a ‘hung’ parliament; it then lost the 2019 election, which was dominated by the issue of Brexit, although most people supported the party’s policies for reversing privatisation and outsourcing (as discussed below in section 5).

This attempt to set out a practical roadmap of how ‘another world is possible’ may be of wider international interest, for four reasons:

- The plans evolved through open processes, including public debates, involving party policy advisers and a range of other actors including researchers, campaigns and social movements, unions, and international activists.

- The plans focused on issues and sectors which are of great global relevance: energy and climate, public transport, water and environmental protection, universal healthcare, social care, Internet, and the cross-cutting issues of insourcing public service work and strengthening public finance.

- They detail how public services can be restructured with local democratic control and direct labour participation.

- Although the party lost the 2019 general election, these policies for public ownership gained widespread public support, which continues to this day.
Elections and public debates

Public debate was a very important effect of the new policies for public ownership. Public opinion in the UK is very hostile to privatisation. Despite the British electorate having voted for governments led by Margaret Thatcher in 1979, 1983 and 1987, there was never popular support for the privatisation of state-owned industries and utilities that her government carried out. Yet since Tony Blair’s election as leader of the Labour Party in 1994, none of the three largest parties in the UK have reflected this in their policies and statements.

Public debate faded away until 2012, when the independent ‘We Own It’ campaign was formed by activists from some of the local and national campaigns against the effects of privatisation on public services. — It was not at all an initiative of the Labour party. The campaign explicitly rejected privatisation and advocated for public ownership and operation of public services. It grew steadily over the next 10 years, sustained by donations of thousands of supporters, leading public resistance to further privatisation plans in central and local government and calling for public ownership of services already privatised including rail, water, and energy. The level of public debate on progressive policies, including support for the ending of privatisations and the rebuilding of the public sector, grew even more from 2015, when the Labour Party held a leadership election, which resulted in Jeremy Corbyn being elected leader in September 2015.

This was quite unexpected. For over 20 years the party had been dominated by its right-wing, although in leadership elections it became a conventional gesture of tolerance to allow one of the relatively small number of left-wing Labour MPs to be a candidate. In 2015, it was Corbyn’s turn and he took the opportunity to run a very active campaign, with a series of meetings around the country on progressive policies — including reversing privatisation.

These meetings attracted unusually large numbers of mainly young people and considerable media coverage. As a result of these meetings, and their welcome for progressive policies, Corbyn won the leadership election by a big majority. The neoliberals in the party made two more ill-conceived attempts to replace Corbyn by demanding repeated leadership elections, which created further opportunities for public debate, generated more media coverage of the issues, and demonstrated the strength of support for pro-public policies. The process also resulted in a surge in Labour Party membership to over 500,000, ‘driven by a massive growth in support from young people, which has in turn enthused and invigorated others’, building on a similar base to the new progressive parties elsewhere in Europe such as Syriza in Greece and Podemos in Spain. Lea Ypi of the London School of Economics and Political Science commented that: ‘Labour has acted not only as a political party, the largest political party in Europe, but also as a social movement, with more than half a million activists committed to a transformative vision of social justice’. 
There was an even bigger unintended boost to public debate on progressive policies when the Conservative government called an early election in May 2017, confident that it could defeat a Corbyn-led Labour Party by a large majority. The new leadership of the Labour Party had to rapidly prepare a manifesto, which included explicit proposals for reversing privatisation, including the renationalisation of water and energy companies.

As the election campaign progressed, there was a steady growth in support for Labour and its policies for strengthening the public sector. Labour won its highest proportion of the vote since 2001, and the Conservative government lost the small majority they had held, but continued in government with the support of a small party in Northern Ireland. The Labour Party manifesto and the election campaign made public ownership and operation of public services a key political issue for the first time in 20 years, and opinion polls showed widespread public support for these policies across all sectors, including energy, water, public transport, and postal services.

**Party: leadership, internal differences and open debates**

This context of public debate provided strong support for the development of progressive economic and social policies led by party leader Jeremy Corbyn, John McDonnell, who became shadow chancellor (finance minister), and others including Rebecca Long-Bailey, who became shadow energy minister. The process was, however, subject to dynamic conflict with other elements within the party, especially the many Labour MPs who continued to support the Blairite acceptance of privatisation, public-private partnerships (PPPs) and outsourcing as the norm.

This affected the shape of policy development in different sectors in various ways. In healthcare, this group argued against new policies for the National Health Service (NHS), on the grounds that it had been disrupted by too many changes in recent years. On renewable energy, there was significant support among the Blairites for the view that public subsidies should enable individual householders and local voluntary groups to develop all the solar and wind generation needed, supplemented by big concession deals with multinationals for offshore wind farms, so there was no need for public sector generation. In social care, some MPs resisted direct public sector provision of residential care for the elderly, preferring to subsidise private provision on a large scale. In both social care and renewable generation, it was argued that the public sector could not afford to finance all the investment necessary.

These differences were not generally dealt with by imposing central discipline to enforce the new ‘party line’. The new leadership rather encouraged opportunities for public and activist debates, including a series of regional conferences on economic policy. These attracted large numbers, created a lot of live debate, and helped develop a strong sense of collective mission. An internal party group committed to progressive policies, Momentum, also provided a forum for activist discussions at the local level, and set up an annual festival at
Labour Party conference, ‘The World Transformed’, with multiple events on a wide range of issues. Political education programmes were also developed in a number of party branches and regions.

The internal differences were thus treated as a normal part of the process, and addressed by engaging in open debate within the party and beyond, which strengthened the progressive position. The party leadership contributed to this process, for example by commissioning two papers setting out competing approaches to social care and producing a report on why renewable energy needs to be public as well as local. Openness exposed the differences but also exposed the right to wider pressures. The internal differences nevertheless limited some policies, for example by reducing the extent of commitment to public ownership of renewable energy generation (see below). And while there was a commitment to public financing of social care at home, the policy for residential care institutions was to “move to greater public provision” by building local government capacity, and to regulate private providers by enforcing ethical standards in procurement.⁶

► Unions re-engaged

The processes of policy formulation also opened discussions with organisations beyond the party, especially the trades unions. In some sectors, such as post and internet, the unions provided key research support to policy development. The Trades Union Congress (TUC) hosted a number of meetings on the water and energy sectors, at which union officials and activists discussed policy issues with Labour Party policy advisers and researchers; this had a significant effect in attracting union activists and officials at all levels to engage with policy debates. Individual unions also invited researchers to discuss policies with their national committees and conferences, including UNISON, Unite, General and Municipal workers union (GMB), and the Communication Workers Union (CWU). Unions began to have significant inputs to policies for example in relation to the energy sector, by encouraging the extension of public ownership into retail supply, and emphasising the importance of transition plans to protect workers.

These processes revitalised the traditional relationship between the unions and Labour, in contrast to the approach adopted under Blair, who had welcomed the union’s financial support but minimised their influence on policy, and specifically asked them to say nothing publicly during election campaigns. In 2016–2019, by contrast, union leaders gave public support to party policies.

► Campaigns, researchers and international links

The policy development process also drew on existing campaigns, organisations, researchers and academics working on public services. Some activist researchers were appointed as policy advisers within the Labour Party, policy papers were commissioned from others, and campaigning organisations were actively involved in policy discussions.
The We Own It campaign, created in 2012 to campaign against privatisations and outsourcing, and in favour of public ownership and inhouse services, was brought into many discussions, especially on future democratic structures for public services. Sectoral campaigns were also involved, including Transport for Quality of Life on public transport; Friends of the Earth on energy policy; the think-tank Common Wealth on Internet policy; and NGOs such as Global Justice Now and Oxfam on international development policy.

Academics were centrally involved as economic policy advisers to Corbyn and McDonnell, both formulating overall economic policy, and leading and commissioning policy work on public services and public ownership. The process also brought in a range of academics, many from research units with relevant expertise, including the Public Services International Research Unit (PSIRU), contributing on water, energy and care; the Association for Public Service Excellence, leading on local government and outsourcing; the European Services Strategy Unit, with its research record on private finance initiatives (PFIs) and public-private partnerships and others, for example in healthcare and public administration.

Links with international organisations were also important, strengthening confidence that the British left was not alone in seeing public ownership as important for economic, social and environmental policy. Such links included discussions with democracy researchers and activists from the US and elsewhere. The international campaign Trade Unions for Energy Democracy (TUED) took the initiative in organising a meeting of UK union officials to discuss the energy policies, and continued to act as a lead organiser of further union meetings with Labour shadow ministers, advocating policies on renewable energy and just transition. Shadow ministers and advisers met with Anne le Strat, who had led the remunicipalisation of water in Paris, and with scholar activists of the Transnational Institute (TNI) who coordinate global campaigns against privatisation. The progressive groups who had won control of key city councils in Spain, notably in Barcelona, provided detailed advice on insourcing policy. Labour policies were also presented and discussed at a number of international meetings, such as the International Social Forum in 2019 and meetings organised by the international union confederation Public Services International and TNI.

**Real life: problems of privatisation as a constant driver**

The failures and problems of privatisation provided a constant reminder of the need for public ownership and operation of services. The collapse in 2018 of one of the UK’s biggest construction companies, Carillion, which held hundreds of contracts under PFI (the UK’s programme of PPPs), required weeks of painstaking work and the transfer of thousands of employees to the public sector, providing a powerful demonstration of the need for direct public sector operation. The exploitative prices charged by the ‘Big Six’ largest retail suppliers of gas and electricity forced even the Conservative government to introduce a blunt system of price-capping, a stark admission that there was no effective competition, just a privatised cartel. The growing unionisation and militancy of
outsourced and privatised workers showed how badly workers were treated under these systems, and gained public support for the workers and unions in standing up to the private companies.

3. General themes: economic policy framework and democratisation

- Economic policy framework: public finance, green and regional development, public institutions

Policies for public ownership and public services in different sectors were not developed in isolation. A clear overall economic policy was developed at an early stage, focused on the objectives of employment, environment and equality. Proposals included the creation of new public sector financial institutions: a £400 billion National Transformation Fund, a separate National Investment Bank to fund industrial and cooperative business, and a new public sector retail bank managed through the Post Office.

There were also progressive tax plans to raise public revenue. New taxes were proposed to raise an extra £78 billion per year in tax from top earners and corporate profits, including: a general increase in taxation of large company profits; higher taxation of dividends and capital gains; an extended financial transactions tax; a clampdown on tax avoidance; higher income tax on the top 5 per cent earners (again, a similar package of tax changes was proposed by President Biden in 2021), plus a windfall tax on oil and gas company profits.

As evidence of the urgency of the climate crisis had grown by the 2019 election, the overall economic policy framework was structured as a ‘green industrial revolution’. Over half the National Transformation Fund was assigned to a £250 billion Green Transformation Fund, and energy and public transport were treated as core vehicles of economic policy. The framework was presented not only in terms of national objectives, but as a set of regional economic plans, with their own regional development funds. Each of the regional plans included infrastructure investment; job creation; new affordable homes built and owned by local councils; and broadband internet connections. Procurement conditionalities were used to ensure the creation of good, unionised, local jobs. (President Biden’s ‘American Jobs Plan’ in the US in 2021 used a similar emphasis on regional and local development.)

This provided three big advantages for elaborating policies on public services.

- First, there was a clear and credible economic policy into which public services, and the building of a new public sector could be integrated: they were expected to help deliver the overall objectives including, for example, savings from public ownership.

- Second, policies requiring extra spending in the first five years, such as the re-nationalisation of water and energy companies, could draw on the transformation fund.
Third, sectoral policy proposals were not simply wish lists, but were practical programmes including at least an outline of necessary legislation, and credible estimates of costs, as well as gains from eliminating the extraction of excess profits.

**Democratisation**

The democratisation of the whole economy was a consistent theme of Labour’s economic policy in general, not only for public services. Both the 2017 and the 2019 manifestos created rights for workers to elect representatives onto the boards of private companies, and to own up to 10 per cent of the shares in the company that employs them.

As the public ownership policies developed, democratisation became an increasingly important element. This was partly because the most natural level for such authorities does not exist as part of the electoral system in England, partly because of the strong demand from the left and unions for real participation and representation by workers and users in the system, and partly in response to hostile criticism of ‘nationalisation’ plans, which made it important to demonstrate that this new model of public ownership would be very open and democratic. At the same time, all policies emphasised that the new public sector operating units would be professionally managed, not under the direction of politicians, so the democratic structures needed to recognise that boundary.

Similar structures were developed for the new public authorities in different sectors — water, energy, transport, telecomms — drawing on the Transport for London model (see below under public transport). The boards of these...
Designing future public ownership

Authorities would be made up of elected councillors, and would also include representation of workers, service users, and environmental organisations. All documents would be publicly available, and meetings would happen in public as well as online, and enable public participation. The boards would have a supervisory role over the new public companies, which would have their own boards of professional managers.

These parallel plans for sectoral structures were synthesised into a general framework for democratic public ownership, developed and published by We Own It, in a report titled *When We Own It: A model for public ownership in the 21st century*. This model included a role for democratised ‘sunshine’ regulation⁹ by collective sharing of experience, and the innovative idea of a new nationwide association of citizens and users, Participate, which would provide a direct voice for the public.

“The key organisations in the new structure will include the publicly owned companies which sit at the heart of the model, ‘Participate’ a new organisation representing users and citizens, civil society including social, environmental and community groups, the Office for Public Ownership to promote best practice and innovation, sunshine regulation trade associations who share data to improve services and the trade unions”¹⁰

4. Practicable transformative policies in six areas

Labour’s 2019 manifesto included policy commitments for all public services. This paper does not attempt an evaluation of the whole programme, but focuses on six policy areas, each of which provide some lessons of international interest, either because of the process of policy development or the policies themselves. They are:

- ending outsourcing;
- democratisation of
  - energy;
  - public transport;
  - water and sanitation;
  - internet and post; and
- international promotion of public services.

Ending outsourcing and return to inhouse direct employment

Reducing the public sector’s role in providing services of any kind is a central objective of neoliberal politics. Privatisation by outsourcing all kinds of work to private companies — cleaning, construction, waste collection, accounting, engineering, policy advice — has been a key strategy for achieving this. Outsourcing ‘hollows out’ the capacity of the state by shrinking the number of directly employed staff, and drains expertise and knowledge to the private sector.
Labour most significant proposal in terms of rebuilding public sector capacity was a detailed, powerful but simple plan to reverse the vast majority of outsourcing from local government. The proposal is for legislation which makes direct employment the universal default as existing contracts expire, so the majority of work would automatically return inhouse. This 'insourcing by default' steadily reverses the outsourcing process, and rebuilds public sector capacity by rebuilding public sector employment. It also protects workers' pay and conditions, strengthens democratic accountability, and reclaims the money which private contractors have taken out of the system. As the policy document states:

"When our local services are handed over to private companies, our councils continue to have responsibility for these services, but they lose the ability to deliver them. With every contract that's outsourced our local institutions lose dedicated, qualified staff, and the staff that remain often see their pay and rights slashed....

Insourcing involves lower costs, a public service ethos, a longer time horizon, greater scope for coordination and integration of services, economies of scale, greater accountability and transparency, and better management of risk."¹¹

The proposal sets out strict criteria for allowing the use of contractors, and spells out positive conditions for such contracts. These include requiring fair pay by all contractors:

"In line with relevant international agreements (in particular, the International Labour Organisation's Labour Clauses (Public Contracts) Convention 94), wages (including allowances), hours of work, and all other conditions of labour should be no less favourable in outsourcing work than if workers were employed by councils."

This is vital to prevent contractors under-cutting direct labour provision by lowering workers' pay. (Indeed, the whole programme of outsourcing introduced by the Thatcher governments in the 1980s depended on the repeal of the UK's adherence to ILO 94, because contractors insisted they could not undercut the public sector otherwise. The re-imposition of ILO 94 standards is thus a powerful protection against outsourcing.) It also ensures that contracts issued by public authorities have the effect of raising standards of employment in the private sector, and so has a strong positive role in the wider economy.

The Labour policy is summarised in the box below.

"First, it makes inhouse provision the default option, backed up by clear criteria for when it is okay to outsource. Second, it strengthens the standards built into outsourced contracts, making sure that service delivery, employment standards and costs do not suffer when services are out-sourced, and that local economies benefit."
While some elements of the Labour plans reflect the UK context, this policy could be applied without much change in virtually every country in the world. It can also be applied throughout the public sector, including in central government, and in arms-length public sector bodies such as schools, hospitals, energy and water companies, etc. It is a simple but powerful way to stop the damage done by outsourcing to standards of service, employment conditions, and democratic accountability, and instead build up strong public sector capacity to manage and deliver services in the public interest.

**Energy**

Energy became increasingly central to Labour’s plans as climate change and decarbonisation became key policy objectives, as well as affordability and universality. The final proposals in the 2019 manifesto created a new structure for public planning of energy, including democratic structures providing for public participation, public ownership of grids and supply companies, and partial public ownership of renewable generation where it was supported by public finance. It set out a vision that:
"Public ownership will secure democratic control over nationally strategic infrastructure... Publicly owned networks will accelerate and co-ordinate investment to connect renewable and low-carbon energy while working with energy unions to support energy workers through the transition. Under Labour's plans:

- A new UK National Energy Agency will own and maintain the national grid infrastructure and oversee the delivery of our decarbonisation targets.
- 14 new Regional Energy Agencies will replace the existing district network operators and hold statutory responsibility for decarbonising electricity and heat and reducing fuel poverty.
- The supply arms of the Big Six energy companies will be brought into public ownership where they will continue to supply households with energy while helping them to reduce their energy demands.”

The manifesto also pledged that: “Whenever public money is invested in an energy generation project, the public sector will take a stake and return profits to the public.”

The process of policy development was complicated by a number of factors:

- As in the rest of the EU, the UK had been forced to ‘unbundle’ its energy system, separating the generation of electricity the retail supply companies, who were simply traders buying wholesale energy and selling it on to households; and the transmission and distribution grids, treated as monopolies under ineffective regulation. As the Labour Party was still committed to remaining in the EU, all policy proposals had to fit into this framework, which required the continuation of unbundling and liberalisation — despite its inefficient fragmentation, costly privatisation, and complete unsuitability for renewable energy.

- As noted above, there was division in the party — and beyond — among the strongest supporters of renewable energy, between those who favoured reliance on individual or voluntary installation of wind and solar and those who supported a planned effort by public authorities.

- There was also a concern to avoid having to pay excessive levels of compensation, which constrained the number of existing companies and operations which could be nationalised, in all three categories.

Initially the nationalisation proposals covered the natural monopolies of the transmission and distribution networks, showing clear large annual savings of £3.7 billion through the elimination and reduction of financial extraction of dividends and high interest payments. The plans acknowledged that compensation would be paid, but rejected the legally false assumption that the private owners had to be paid compensation equivalent to the market value of shares, which is of course inflated by the excessive profits extracted. UK law is clear that parliament decides what compensation is due, and can take account of any factors it wishes, including rectifying past injustices (see the section on water below)."
Designing future public ownership

The plans thus emphasised the two key issues of savings and planning:

"Energy networks that are owned by the public and responsive to the public interest will be able to prioritise tackling climate change, fuel poverty and security of supply over profit extraction, while working with energy unions to support energy workers through the transition."¹⁵

The existing retail supply companies were not originally included, because of the (incorrect) assumption that they remained highly profitable and would require too much compensation. There was a further incorrect assumption that municipalities could be encouraged to set up supply companies in competition with the private companies, and would be able to gain significant market share through lower costs of capital and overheads, thus delivering some remunicipalisation without the need to take over existing suppliers. In practice, the few existing municipal supply ventures failed to deal with the market pressures affecting all of the smaller suppliers. However, the retail supply companies themselves were starting to make losses, and the unions wanted to protect the transition of thousands of jobs: so in effect, even the large companies indirectly indicated they would welcome being nationalised, even with much lower levels of compensation than originally expected — and so the final proposals included the nationalisation of the major suppliers.

In respect of electricity generation, there was no plan to nationalise all existing generation companies: at the time, these included a number of coal-fired and gas-fired power stations, which were expected to be closed down as part of the low-carbon transition. On renewables, based on a report by a group of experts, there was a commitment to large-scale wind and solar (and nuclear) investment to achieve 90 per cent of electricity generation and 50 per cent of heating from renewables by 2030. There was considerable discussion of the role of public finance and public ownership in relation to renewable energy, including the great economic advantages of using public finance, but there was no national-level commitment to how much of this would be delivered through public sector companies. There was however a commitment to take partial public ownership of any generation supported by public finance; and local energy authorities were enabled to develop publicly owned renewable companies.¹⁶

The proposals for public ownership included a framework of new public sector bodies from the national to the local level. This created new public bodies to own the grids, and provided a democratic and transparent public sector structure for planning the entire system of generation, distribution and supply, based on the key public objectives of affordable and renewable energy. This gave the proposed new public authorities responsibility for decarbonisation, as well as supply and distribution, and so enabled the possibility of regional and national decisions in favour of greater direct public sector generation. It also allowed for the possibility of municipal, community-based and household-based renewables, subject to strict criteria of competence and capacity, without making them the main vehicle of decarbonisation. These local generation initiatives were thus allowed to develop as far as they were capable, while maintaining the
regulation of the system through the democratic regional authorities, who also retained the universal obligation to develop renewable energy in their regions. There was also a blanket commitment to protect all workers in the energy sector from the effects of transitions by guaranteeing new jobs and retraining, reflecting the ongoing involvement of trade unions in the process.

> Public transport

Expanding and improving public transport was central to Labour policies, because of its multiple public benefits: it is a key way to cut emissions, by reducing the use of cars, and brings the social, economic and environmental benefits of public mobility and reduced road congestion.

For rail, which had been fragmented into a network company and multiple operators of services, to enable privatisation the policy was simply to ‘bring our railways back into public ownership’ under a national integrated system. This would plan investment, including complete electrification to eliminate the use of diesel fuel, and take over all train services. Operations would be transferred to new public sector companies as the private concessions expired — thus avoiding the need for compensation — and these new public sector rail operators would be run by professional managers with transparent supervision by democratically elected public authorities.

For buses, the existing system was based on fundamentalist privatisation laws, which actually prevent local councils from running their own bus services and even make it very difficult to regulate private bus companies. The simple policy step adopted by Labour was thus to: "ensure that councils can improve bus services by regulating and taking public ownership of bus networks, and we will give them resources and full legal powers to achieve this cost-effectively".¹⁷
This would enable and finance public ownership and regulation of buses at local level, not create a single nationalised system, but there would be government finance for free fares for people under-25: a policy with great social benefits for young people, and an effective way of reducing private car use, so reducing emissions. The policy was also structured to reinforce public ownership: the subsidies would only be provided to councils which took control of bus services in their areas.

Three wider features of the policies are worth noting.

• First, the policies emphasised that public ownership would bring greater emphasis on safe staffing levels and decent pay and conditions for workers in both rail and bus services. The recent wave of strike action by unions over these issues, with strong public support, has confirmed the importance of these policies.

• Second, the plans created new democratic transport authorities, based on elected local councillors and direct representation of citizens and workers, along with transparent availability of documents, and regular open online meetings to allow and encourage public participation. This approach was based on the model used by Transport for London, the only public transport authority in the UK which is already under public ownership. This democratisation structure was picked up and repeated for the proposals for other sectors, such as water and energy.

• Third, it included policy commitment to government support for supply chains, including for ‘development and manufacture of ultra-low-emission vehicles, electric vehicle charging infrastructure and electric community car clubs’. The importance of this has become more obvious since the COVID-19 pandemic exposed the inadequacy of global capitalist supply chains, and as the need to respond to the climate crisis has become ever more urgent.

Water and sanitation: compensation and the law

The regional water and sewerage companies of England, originally owned and run by municipalities as in the great majority of countries, were privatised in 1989. The private owners not only gained licensed monopolies for these essential services, but also became owners of the entire system of reservoirs, pipes and sewers. The primary case for public ownership was based on the huge savings of £2.5 billion per year that could be made by eliminating private extraction of dividends and excessive interest, equivalent to a price reduction of over 25 per cent.¹⁸ This was reinforced by the environmental gains to be made by subjecting the companies to democratic public controls, to eliminate the frequent sewage pollution of rivers, and to provide reliable water supplies without the inefficient waste of leakage.

Labour’s policy is to transfer ownership and control to public authorities.¹⁹ These would be run by boards, with elected local councillors holding a majority of seats, along with representatives of citizens and workers. As with transport, the new system would include regular actual and online meetings open to public participation, and online publication of information about all aspects of
Designing future public ownership

water and sewerage services, including their finances. In most countries, where water has been privatised under lease or concession contracts, a return to public ownership can be achieved when the contracts expire without the need for compensation, as was done in Paris, for example. But the privatisation by the Thatcher government had sold the entire network of pipes and sewers to the private companies, and the law requires the government to give 25 years notice to terminate a private company’s licence, for any reason. So the transfer of the English water companies to public ownership and control could only be done by nationalising the companies themselves, which involves the question of compensation.

This allowed the companies to make the question of compensation the main issue of public discussion. They did not bother arguing that the private system delivered better services, they simply claimed that they would have to be paid very high compensation — over £100 billion — and that this would be a waste of public money that could be used on other services. The Labour proposals countered this in three ways.

• First, under normal commercial accounting rules, buying the companies would not be a loss to the public sector, but simply an exchange of money (the compensation) for assets of equivalent value: the public sector balance sheet would thus be unchanged.

• Second, Labour emphasised the surprising fact that under UK law, parliament can decide on the basis of compensation to be paid in each case, taking account of public interests, and is not bound to pay ‘market prices’. This principle was explicitly reiterated by the judgment in 2009 case concerning the nationalisation of a failed bank, Northern Rock, where the European Court of Human Rights (ECHR) ruled that:

“Legitimate objectives in the ‘public interest’, such as those pursued in measures of economic reform or measures designed to achieve greater social justice, may call for less than reimbursement of the full market value.”²⁰

• agreeing with the earlier judgment of the UK Court of Appeal in this case,²¹ with both courts repeating with approval these words used in an earlier 1986 judgment by the ECHR on a UK case²².

This is very different from USA law on compensation, which large corporations tend to assume. One simple lesson is that, in any country where nationalisation is proposed, it is important to challenge commercial assertions about the law on compensation.²³

• Third, the companies argued they could bypass the UK courts by using the investor-state dispute settlement (ISDS) provisions under various free trade agreements to win large settlements. For example, investors have used ISDS provisions in the Energy Charter Treaty to sue Spain many times and of the 51 decided arbitrations, 21 have been in favour of the investor.²⁴ In response, Labour argued that, in the case of the water companies, the prospect of corporate
wins against the UK was much lower. There have been very few successful investor-state disputes against the richest OECD countries of the Global North, including the UK. And more generally there has been big global resistance and popular campaigns against these ISDS clauses and their use: many countries in the Global South, including Bolivia, Brazil, Ecuador, India, Indonesia, and South Africa, have started terminating, renegotiating or rejecting bilateral investment treaties altogether; the EU is committed to prevent ISDS from being used by companies in one member state against another in the future (on sovereignty grounds) and right wing regimes such as that of President Trump in the US have also rejected FTAs with ISDS clauses (for nationalist reasons). One notable result has been the ending of the North American Free Trade Agreement (NAFTA), which had originally led the spread of ISDS, and its replacement by a new trade treaty without ISDS clauses; and in late 2022 many EU countries were also withdrawing from the Energy Charter Treaty, including Germany and Netherlands.²⁵²⁶

Internet and post

Labour’s final proposals also included the nationalisation of the broadband part of the privatised telecoms company BT, creating a new public company which would roll out full fibre connections to every home in the country, at no charge.²⁷ This meant replacing a system of market incentives based on a patchwork of tax reliefs and grants to private investors with a public entity charged with an ambitious goal. This new public monopoly would significantly reduce the cost of creating a universal network, avoiding wasteful duplication and partial coverage, from which the public would benefit.

The case for public ownership was thus based partly on the efficiency savings from developing the network as a public de facto monopoly, and on the economic and social gain of universal full fibre broadband and free connection — needs which became even clearer during the COVID-19 pandemic with the growth of working from home and home schooling.

This would also have created a strong arm of regional development. The installation of the fibre network itself would involve thousands of local jobs, and a visible programme of regeneration continuing over some years, with tangible benefits for every household. Full fibre connections would also enable people in rural or small urban areas to take advantage of the possibilities of working from home, business and educational activity.

There was also a commitment to renationalise the mail delivery service of the Post Office, which had recently been privatised; and to create a post bank, providing public banking services through the post office network. A similar Post Office Bank had been set up in the UK in the 1960s, producing technical innovations such as electronic transfers, but was later privatised as the commercial banks resented the competition. The Post Office Bank would also have promoted regional development by enabling local access to small business loans.²⁸
Labour proposed progressive policy changes for the UK's international role in aid. The UK government’s Department for International Development (DFID, now closed and replaced by the Foreign, Commonwealth & Development Office) had become a major promoter of private equity investments and PPPs across the Global South, which were seen as profitable investment opportunities in ‘emerging economies’. This played a significant role in reproducing the neocolonial extraction of wealth and resources from countries in the Global South to the benefit of northern capital.

Under Corbyn’s leadership, there were two proposals for a fundamental shift in the UK’s development policy. First, Labour rejected the use of privatisation and PPPs, and restated its policy in terms of human rights and gender equality, including support for fairer international tax rules and for trades unions and women’s organisations. The function of the UK’s main development finance institution, the CDC Group (now renamed British International Investment), would be completely transformed from promoting PPPs to become a green development bank.

The second proposal was to divert all of DFID’s existing funding for public services, which was used to support privatisations, into a new global centre for the promotion of universal public services in education, health and water. The proposed unit would provide a centre of international advice ‘to ensure that it is coordinated and focused on strengthening the public sector’ in middle and low-income countries. The idea emerged from researchers and activists working on public health, and was then generalised through a process of organised discussion with campaigners and researchers in other services. The unit was intended to provide a global centre for research and discussion of public service provision, using conferences to bring together researchers and activists from across the world:

"The unit will pool existing global knowledge on public services, as well as conduct and commission new research to ensure that all DFID’s work is based on robust evidence and best practice on public services delivery. It will engage a range of experience and expertise from across the world, including from academia, grassroots organisations, civil society including women’s rights organisations, trade unions and development practitioners. It will work alongside governments from the global south, development agencies from across the world and international institutions, such as UNCTAD.

"The scope of policy and research will include exploring the root causes of lack of access to such services, best practice on ensuring public services are inclusive and gender-responsive, the role of public sector employment in delivering the highest standards of employment rights and decent work, the positive role of public services in social and economic development, the impact of...
different funding mechanisms on public services, and how public services can work within environmental sustainability goals.

“The unit will organise global and regional conferences, starting with an initial conference on the role of public services in tackling inequality, bringing together stakeholders and allies in order to develop a detailed plan of action and identify priority countries.”

There is little prospect of the UK government setting up such a centre in the near future. However, following a successful conference in June 2022, a new network between academics, unions and social movements, called Shifting Narratives, has been created, to build further research, education, conferences and events, and provide a forum for co-ordinating progressive advice.

5. Losing an election, winning support for public ownership

Labour lost the general election of December 2019, and the right regained the leadership of the party. Despite the large Conservative majority in the election, direct surveys of voters show that Brexit and leadership were the key issues influencing the way people voted, not party policies on public ownership.

On the contrary, opinion polls taken at the time of the election in 2019 showed that a substantial majority of UK voters supported nationalisation and public sector operation of key services — as proposed in the Labour Party manifesto. The same voters who elected the Conservatives were also strongly in favour of nationalisation and public provision of postal services, water, energy, railways, and buses (though not telecoms). Moreover, this majority support was very consistent across all age groups, regions, income, gender, and ethnicity and had grown significantly since 2017. It is also strong across all parties: extremely strong among Labour voters, but Liberal Democrat voters also support public ownership and operation in all sectors, and even Conservative voters are evenly divided and actually supportive of public ownership of water and rail. Further surveys in 2022 confirm that this support has become even stronger, with three to one majorities supporting public ownership.

This is a new political consensus among the general public, which has developed as a result of Labour policies and the campaigns of We Own It and others, against the background of continued economic and operational problems with privatised services.

Even the Conservative party no longer offers a general defence of privatisation, and since the election, Conservative governments have renationalised rail franchises and introduced a bill to set up a new national energy authority and nationalise part of the National Grid. There continues to be public discussion of the desirability of public ownership, driven by continuing failures of privatised water companies (sewage spills, water shortages) and energy companies (huge price increases). The UK unions are continuing to publicly support public ownership in these sectors, and the We Own It campaign has gained supporters, not
lost them. In Wales and Scotland, the devolved governments have continued to develop progressive policies for a stronger public sector, notably in public transport.

6. Some international lessons

The economic and political context of the UK is different from those of middle and low-income countries, especially those where the International Monetary Fund or World Bank continue to impose neoliberal policies through conditionalities. But it is perhaps possible to offer some comments on the general relevance of Labour’s experience from 2016–2019.

**Trend in development of progressive plans: Labour in UK, Biden in US, New Delhi public services**

Labour's policies are just one example of new progressive policies with a strong role for the public sector. Other examples include President Biden's American Jobs Plan of 2021,³³ the dramatic implementation of quality, democratised public services in New Delhi,³⁴ and the attempt to construct a new constitution in Chile, despite its rejection³⁵. These all demonstrate that there is a growing demand for transformative policies, and a growing number of attempts to implement them. Every one of these attempts may be flawed in terms of their own countries, and none should be treated as templates. But there may be relevant lessons in each experience.
The process: role of public debate, engaging social movements and unions, and opposition

The role of public debate stands out as a powerful element in both the development and the reception of Labour’s policies. This is more than an issue of media relations strategy, rather a continuous process of changing perceptions and narratives about the public sector. The political economy of this process involves both mobilising supportive actors, especially social movements, unions and supportive research institutions, and countering hostile elements, including internal opposition as well as the expected resistance from international capital and the dead weight of the international financial institutions' conditionalities.

Multi-level reconstruction of public sector and economy

Like the examples in New Delhi, Chile, and the US, the UK Labour Party’s experience shows that it is possible to draw up detailed plans for new democratic and powerful public authorities, not only at national but also at regional and local levels. Beyond the initial extension of public ownership, the structure of these bodies can create favourable environments for continuing political activity to strengthen the public sector.

Efficiency and equality are continuing drivers for public ownership

The continued growth in public support for public ownership across sectors reflects the material, social and economic impacts of an increasingly dysfunctional system based on privatisation. In the UK and elsewhere, the experience of COVID-19 has shown how public health systems can respond to pandemics in a way that the private sector cannot; the climate crisis, and inflation, continue to demonstrate how commercialisation of energy exploits people instead of protecting them. The value of public ownership lies in the way it deals with these material factors of efficiency and equality in delivering public goods.

Drafting another world is possible

The Labour Party experience between 2016–2019 was just one attempt to design a transformation of the economy and the role of the state. There are others, and will be more. It is encouraging that, even though the details can and must be disputed and debated, it is possible to use organisation, public debate, and disciplined analysis to plan how another world is not only possible but can be achieved.
# Annexe: Policy documents

<table>
<thead>
<tr>
<th>Category</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manifesto</td>
<td>For The Many Not The Few</td>
<td>2017</td>
</tr>
<tr>
<td>Manifesto</td>
<td>It's time for real change</td>
<td>November 2019</td>
</tr>
<tr>
<td>Economic framework</td>
<td>Green Industrial Revolution</td>
<td>November 2019</td>
</tr>
<tr>
<td></td>
<td>Green Transformation Fund</td>
<td>November 2019</td>
</tr>
<tr>
<td>Regional manifesto</td>
<td>Regional manifestos</td>
<td>November 2019</td>
</tr>
<tr>
<td>Insourcing</td>
<td>Democratising Local Public Services</td>
<td>July 2019</td>
</tr>
<tr>
<td></td>
<td>A Plan For Twenty-First 21st Century Insourcing</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>Bringing Energy Home</td>
<td>September 2019</td>
</tr>
<tr>
<td></td>
<td>Electric car charging network</td>
<td>September 2019</td>
</tr>
<tr>
<td></td>
<td>30 by 2030: decarbonisation</td>
<td>September 2019</td>
</tr>
<tr>
<td>Water</td>
<td>Clear Water</td>
<td>September 2018</td>
</tr>
<tr>
<td>Social care</td>
<td>Towards the National Care Service</td>
<td>September 2019</td>
</tr>
<tr>
<td>Internet</td>
<td>This is public ownership for the future</td>
<td>November 2019</td>
</tr>
<tr>
<td>Aid and development</td>
<td>A World For The Many, Not The Few</td>
<td>August 2019</td>
</tr>
<tr>
<td>Democratic structure</td>
<td>Labour's International Public Services Unit</td>
<td>August 2019</td>
</tr>
<tr>
<td></td>
<td>When We Own It</td>
<td>May 2019</td>
</tr>
</tbody>
</table>
Endnotes


4. Ypi L. (6 April 2020) ‘Another future is necessary. Will Keir Starmer fight for it?’ LSE blogs. Available at: https://blogs.lse.ac.uk/government/2020/04/06/another-future-is-necessary-will-keir-starmer-fight-for-it/


9. Sunshine regulations require transparency and disclosure in government or business.

10. We Own It (2019) When We Own It Available at: https://weownit.org.uk/when-we-own-it


27. Labour Manifesto 2019: It's time for real change.


30. See https://www.ucl.ac.uk/bartlett/public-purpose/events/2022/jun/shifting-narratives-conference. The SN network was launched at the 2022 'Future is Public' conference.


32. We Own It (16 August 2022) Biggest ever poll shows huge support for nationalisation. Available at: https://weownit.org.uk/blog/biggest-ever-poll-shows-huge-support-nationalisation.


This paper was prepared for the Democratic Public Ownership discussion at the international conference *Our Future is Public: from global inequalities to social, economic, and climate justice* in Santiago, Chile, 29 November to 2 December 2022.

The Transnational Institute (TNI) is an international research and advocacy institute committed to building a just, democratic and sustainable planet. For more than 40 years, TNI has served as a unique nexus between social movements, engaged scholars and policymakers. TNI has gained an international reputation for carrying out well researched and radical critiques. As a non-sectarian institute, TNI has also consistently advocated alternatives that are both just and pragmatic, for example providing support for the practical work of public services reform. Find out more: https://www.tni.org/en

Public Services International Research Unit (PSIRU) was set up in 1998 to carry out empirical research into privatisation, public services, and globalisation. It is based in the Business School, University of Greenwich, UK. PSIRU researches the privatisation and restructuring of public services around the world, with special focus on water, energy, waste management, and healthcare. It produces reports and maintains an extensive database on the multinational companies involved. This core database and website are financed by Public Services International (PSI), the global federation of public service trade unions. For more info: http://www.psiru.org/