Getting the best out of BREXIT

Pauline Bryan
Vince Mills

Published by Radical Options for Scotland and Europe (ROSE)

First published February 2018

Price £2

ROSE Committee
c/o RMT offices
180 Hope Street
Glasgow G2 2 UE

As a multi party and non party organisation, ROSE does not endorse the content of this pamphlet. It publishes it as a contribution of the inter party and intra party debate on the EU and its implications for socialist practice and theory.

The authors of this pamphlet are Pauline Bryan and Vince Mills. They are Labour Party activists who have held a number of offices in the Scottish Labour Party and Scottish Labour Left organisations. They have also both written widely for a number of left wing publications including *The Citizen*, *Labour Briefing*, *The Morning Star*, *The Red Paper*, *Scottish Left Review* and *Tribune*. Pauline Bryan is also Editor of 'What Would Keir Hardie Say?' Luath Press, 2015.

CONTENTS PAGE

Introduction

For many people, including trade unionists and Labour party members, the EU has been a force for good, acting in the best interests of working people across its boundaries. The reality is somewhat different. The EU has promoted austerity through its fiscal framework; it has supervised the transformation of the UK and Scottish economy from a provider of comparatively good manufacturing jobs in favour of less secure, less well paid services sector employment; it has promoted the interests of large agribusinesses at the expense of small UK and Scottish farmers all the while rigging the international market to the disadvantage of the developing countries, seriously limiting indigenous food production in countries like Africa; it has encouraged the use cheap labour through the posted workers directives, undermining local trade unions. This is not to mention state aid rules designed to ensure that the private sector must be allowed to bid for anything from railway franchises to waste management, squeezing out the public sector. In short it has acted like the purveyor of neo-liberalism that it really is.

Why then does the EU and its Single Market and Customs Union remain popular with some sections of the labour movement and Labour Party? For many of those who are now called Labour 'centrists', but better understood as the Labour Right, the limitations that the EU imposes on its member states are welcome. Led by the europhile Tony Blair, this faction of the Labour Party encouraged privatisation and private sector engagement in public projects through schemes like PFI. It believed that it could build a political base through 'triangulation' - abandoning traditional class politics in favour of recruiting middle class voters by accommodating policies attractive to them. For the Blairites, the EU provided the perfect political framework.

Although limited by space this pamphlet seeks to highlight the obstacles that the Single Market would place in the way of the radical measures that Corbyn and Leonard need to introduce to change Scotland and to identify the opportunities that being outside the confines of the EU and the Single Market offers Scotland and the UK.

SECTION ONE SCOTTISH LABOUR AND BREXIT

Centrist or Class Politics

At first glance those arguing that supporting Brexit, especially in Scotland, will damage Labour's prospects seems unassailable: people in Scotland voted in favour of the UK staying in the EU by 62% to 38%. This ignores a number of important factors—some electoral and some political. Euro scepticism is historically not significantly lower in Scotland than the rest of the UK. As Ian Montagu Senior Researcher at ScotCen Social Research points out:

"According to comparable data from the high-quality British and Scottish Social Attitudes surveys, levels of Euroscepticism in both Scotland and Britain as a whole were well above 50% in each of the three years prior to the referendum, with the most recent available reading suggesting that by 2016, Euroscepticism in Scotland had increased to 66% (compared with 76% across Britain as a whole)."

It also worth noting that of those who did vote 'leave', all of them against the advice of the parties they usually voted for (unless they supported UKIP) a majority are most likely to have been working class. It is possible that the absence of around one third of Scots from the ballot boxes as well as and perhaps linked to, the advice pushed by all the major parties, helps explain the difference between levels of euro-scepticism and the vote in Scotland.

Abandoning largely working class 'leavers' in favour of a direct appeal to the centrist orientated politics of the 'remainers' obviously has a strong appeal to the Labour Right referred to in the introduction. No doubt this shaped the position on the Single Market developed by Anas Sarwar as part of his leadership bid and is congruent with the approach of Kezia Dugdale's team when she was leader. Dugdale and her supporters emphasised remaining in the Single Market and the Customs Union as well as sustaining the Union between Scotland and England as opposed to challenging class based inequality that defined the manifesto of Jeremy Corbyn and John McDonnell.

Richard Leonard, in his successful campaign for the Scottish Labour leadership, by contrast, proposed taxing wealth as well as income and developed an industrial strategy aimed, not only at generating more wealth, but giving workers more democratic control over the means of generating such wealth.

In an interview in the Morning Star Richard Leonard set out his stall on Europe. Having accepted that he voted and campaigned for 'remain' he added:

"But I am a democrat and the people have voted. I want a Brexit that safeguards people's jobs and the industry that we have still have as well as a Brexit that protects the environment and workers' rights. I am pragmatic about the process but dogmatic about outcomes. …I agree with the Labour leadership that there is an attempted power grab. But we need to watch out for another a power grab that is getting much less coverage and that is efforts by corporate capital to roll back on any advances that labour has made over the last four decades under the cover of Brexit."

Do we need to leave the EU and the Single Market to move left?

Of course, there is a sharp debate about the extent to which EU membership, as opposed to the political direction of indigenous governments, is the key driver for the neo-liberal direction of the vast bulk of EU member states.

Those who would argue the centrality of the EU in underpinning the neo liberal project throughout the EU point to a range of initiatives and directives. And they would argue that this will inhibit Labour's radicalism.

The National Investment Bank

The Corbyn manifesto, for example declares: "Our National Transformation Fund (NTF) will see the creation of a Scottish Investment Bank with £20 billion of investment to nurture business growth and stimulate the economy and create jobs. The NTF will deliver the investment that every part of Britain needs to meet its potential, overcoming years of neglect."

To set up such a fund the UK would currently need the permission of the EU commission. According to the Institute of Public Policy Research: "The EU has strict state aid rules that prevent national governments from providing various forms of aid to companies. In the case of a BIB (British Investment Bank), for example, the Commission would need to satisfy itself that any lending done by the BIB was not simply undercutting commercial banks, and thus effectively subsidising the rates at which companies could borrow. This could be a long and tricky process…"

The national investment bank would in reality need to try to function by working through sectors exempted in the EU rules, for example channelling money through SMEs and showing that it was not providing competition to existing commercial institutions. It could not, for example, fund the ailing steel industry, an issue throughout the UK.

The Green Investment Bank experience highlights the difficulties here. In 2012 the EU commission ruled that the Green Investment Bank could use £3bn of UK government funds on condition that it only gave loans to projects that could not find sufficient funding from commercial markets. Permission was granted for four years only, with the caveat that it might be withdrawn after that, if lending markets opened up to low carbon projects. The commission accepted that the Green Investment Bank concept had safeguards to give precedence to private investment and preserved a level playing field between competitors. Incidentally, but perhaps inevitably, The Green Investment Bank is now the Green Investment Group an independent organisation owned by Macquarie Group Limited having been privatised by the Tories.

Public Ownership of the Railways

There is also considerable controversy in relation to taking the Railways back into public ownership, another popular measure in the Corbyn manifesto. If the UK were to stay in the Single Market it would mean implementing the Fourth Railway Package. This package in the words of the Council of Europe website:
"…includes the proposal to open up domestic passenger railways to new entrants and services from December 2019. Companies would be able either to offer competing services, such as a new train service on a particular route, or to bid for public service rail contracts through tendering. The proposed changes would make competitive tendering mandatory for public service rail contracts in the EU."
And in relation to infrastructure the website explains the significance of the package:
"The proposed changes would strengthen the role of infrastructure managers - the people responsible for running tracks - ensuring they have complete operational and financial independence from train operators. Infrastructure managers would also control all areas at the heart of the rail network, such as infrastructure planning, timetabling, and daily operations and maintenance."

EU rules already require that freight and international passenger services are open to competition and that certain 'essential functions' of infrastructure management must be independent of train operators - the separation of infrastructure like Network Rail and the Railway Operating Companies like Scotrail Abellio – a separation which many believe has intensified recent difficulties in modernising the railways in Scotland and Britain.

So while it is true that public sector providers could still win a franchise in a battle with the private sector providers in the words of Urban Transport researcher at LSE, Nicole Badstuber :

"The EU appears to share the British ideological mindset of the 1990s that led to a fragmented rail network and privatisation. It is arguing for this under the mantra that competition will bring better and cheaper services for passengers.

"The EU package may not strictly require privatisation, but it is definitely designed to create an environment conducive to this."

In other words, while public sector organisations will still be able to run rail services, any service or route will need to be contracted out and not simply awarded, making a return to an integrated, publicly owned railway impossible because ownership will always be conditional.

Public Procurement and Energy

The Corbyn manifesto also promises: "…We are committed to a procurement process that supports the British steel industry and defence manufacturing industry, which in turn provide good jobs throughout the supply chain…"

Article 87 (1) of the EC Treaty, tells us that "any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings may be prohibited if they qualify as State aid." Thus ruling out using procurement as a tool to aid local manufacturers.

Similarly, Labour's manifesto pledge to "Regain control of energy supply networks through the alteration of operator license conditions, and transition to a publicly owned, decentralised energy system and "Reverse the privatisation of Royal Mail at the earliest opportunity" would appear to be in jeopardy.

According to Professor Danny Nicol of Westminster University:

"Under Article 106, the EU prohibits public monopolies exercising exclusive rights where this violates EU competition rules. The EU's Court of Justice has

interpreted Article 106 as giving private companies the right to argue before the national courts that services should continue to be open to private-sector competition."

Extensive state intervention and state ownership as promised by the Labour Party would be nearly impossible, on Professor Nicol's analysis. This interpretation has however, been challenged. Sam Fowles, a researcher in International Law and Politics at Queen Mary, University of London argues that EU law explicitly protects the right of member states to nationalise industries.

He cites article 345 of Treaty on the Functioning of the EU (TFEU) "The Treaties shall in no way prejudice the rules in Member States (MS) governing the system of property ownership."

He concedes that Professor Nicol's position that this provision has recently been ignored by the ECJ is largely correct, but argues that as long as article 345 remains in the treaty it is possible to operate some industries as national monopolies.

"Assuming that nationalisation was prominent in Mr Corbyn's manifesto, conducted on a transparent timetable and proper compensation was paid, Mr Corbyn would have a strong case based on Art. 345."

Public Ownership

This is indeed a generous interpretation of how the EU has responded to

Extensive state intervention and state ownership as promised by the Labour Party would be nearly impossible...

democratic decisions that have gone against the settled will of the leading clique of the EU. One need only think of Greece where in July 2015 the population voted by a margin of two to one to reject the EU austerity measures, only to have them imposed by the Troika.

But even if we assume that the leading EU states back off Britain in the event of a Labour victory, would the train operating companies and the big six (soon to be five) energy companies forgo their right to take the British government to the ECJ for their blatant flaunting of EU regulations?

Some have argued that faced with refusal from the ECJ we should 'just do it anyway' provoking a Greek style confrontation with the EU. While no doubt the Left would do its best to get behind such a position, the politics of it are almost untenable.

If there were to be an early election before the UK leaves the EU and Labour were to argue for membership of the Single Market and the Customs Union as a manifesto commitment, it would surely meet with a highly angry popular response if it mentioned, only after its election, that such membership was not compatible with other radical manifesto pledges. It would then be incapable of mobilising support for anti EU campaign. On the other hand if it does raise the possibility in advance that it may not be able to implement its manifesto within the Single Market but continue to argue for membership it would be damned, correctly, for political incoherence.

A more likely scenario if Labour won power and remained restrained by Single Market regulation is a long wrangle with the EU on what may or may not be acceptable to the commission, with public sector bids competing for fragments of the rail network and social providers as competitors in the power retail market and perhaps it may even allow the grid to be a government monopoly. But the driving force would remain competition, and profits would still pour into the coffers of the private providers.

The EU has been a central element in the right-wing hegemony of the Labour Party. The right knows the EU's capacity to mute left-wing ideas and amplify the power of markets and therefore money. That is why it was the cornerstone of the campaign to support Anas Sarwar and why he enjoyed the support of the Party's right wing and although Anas Sarwar lost the election to Richard Leonard, there remains a powerful lobby in the Scottish Labour movement for continued membership of the Single Market and

Customs Union. The election of Richard Leonard, however, may mark a fundamental shift in the politics of the Scottish Labour Party if the limitations of Single Market membership are recognised and the benefits of leaving the EU in terms of Left agenda are promoted.

SECTION TWO OPPORTUNITIES FOR THE SCOTTISH LABOUR LEFT

Repatriation of Powers

Below we firstly consider some of the powers that should be repatriated to Scotland which present opportunities for a radical response and then consider other options open to a left reforming Scottish Labour Party free of the EU restrictions discussed earlier.

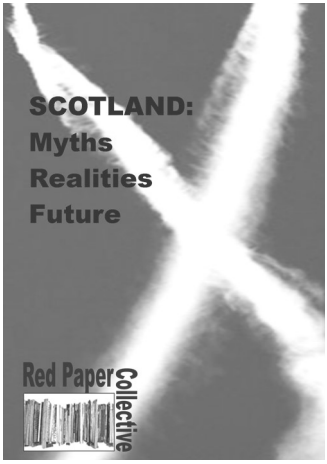
Agriculture

The Common Agricultural Policy is the oldest treaty of the EU. Its aim was to give support to farmers to produce more food by production subsidies and external tariffs. It was so successful we ended up with 'food mountains'. In terms of its impact on health, the Socialist Health Association reports that the CAP had resulted in over consumption of saturated fat and the under consumption of fruit and vegetables. The Policy, rather than supporting small farms has overwhelmingly favoured the larger more established farms. The bulk of funding still goes to farmers in Western Europe rather than the smaller, less developed farmer of the new entrants from Eastern Europe. Over years the largest UK recipients of support have been companies such as Tate & Lyle, Nestle, Kraft and a host of manufacturers of bulk animal fats, sugars and refined starches.

The Scottish Tenant Farmers Association has stated "Amongst all the uncertainty and changes, there could be a silver lining in that the Scottish Government will have greater flexibility outside of the CAP to target support payments to avoid some of the excesses of the past, in particular to put an end to 'slipper farming' [the practice of buying up subsidy entitlements and renting out the land for agricultural use to trigger payments] and ensure that payments only go to genuinely active farmers. There are elements of the CAP that are cumbersome and have restricted the ability of nation

states to implement policy suited to their own needs, and a future policy should be able to provide the freedom to tailor that has been missing under the CAP."

The impact of the CAP on the developing world has also been catastrophic. For example, the huge subsidies agribusinesses receive allow them to dump thousands of tons of heavily-subsidised food into Africa every year, pushing up the amount of food imported by Africa (currently around 80%) while reducing African exports which are uncompetitive because of lower European prices made possible by the CAP subsidies.



A Scottish agricultural policy should support and encourage a range of different types of farming and protect both farmers and consumers from the large supermarket chains. Subsidies should be used to support cooperatives and to ensure the affordability of healthy basic food products particularly fruit and vegetables. We should also open the door to imports from developing countries based on fair trade and solidarity.

Land Ownership

Some of the rules of the EU seemed to have been interpreted with greater vigour in the UK and in particular Scotland than elsewhere.

The Land of Scotland and the Common Good Report of the Land Reform Review Group Presented in May 2014 claimed that "The way that [EU] State Aid Rules have become interpreted and applied in Scotland is now proving a major obstacle to expanding local community land ownership, because the Rules are limiting the amount of public funding that can be given to support local community acquisitions." Local community bodies are therefore finding it increasingly difficult to obtain public funding to support land acquisition. Such bids, of necessity, generally include plans for economic activities, but that element of commercialism can prevent them receiving a

grant because of State Aid rules. Again, there is no evidence of the Scottish Government testing these restrictions.

Last year we saw the introduction of the Land Reform Act which is still to be tested. It did nothing, however, to help the tenant farmers who were being evicted at the end of 2016. These farmers had invested not just their labour but their own money into the farms because they believed their rights would be protected. When faced with eviction they received no help or support from the Scottish Government. A radical reforming Labour government must act to help tenant farmers and expand local community land ownership.

Fishing

The UK Fishing sector has had an uneasy relationship with the EU as it opened up UK waters to European trawlers at a time when fishing quotas were being introduced. A study by the University of the Highlands and Islands' NAFC Marine Centre discovered that boats from other EU countries on average caught 58 per cent of the fish and shellfish landed from UK waters between 2012 and 2014.

The withdrawal from the EU's Common Fisheries Policy will be well received in Scottish fishing communities but without further change the UK fisheries management regime will stay in place. The repatriation of power gives an opportunity to question this regime root and branch. Globally there has been a move to privatise and marketise fish stocks which in Scotland, as in the rest of the UK, has resulted in a market for the sale of quotas between those catching fish. Once the initial allocation of a catch is awarded (without charge) a secondary financial market trades these licences for quotas of fish which then take on a significant market value. This scheme naturally favours the larger vessels. Greenpeace gives an example of just one Dutch trawler holding the licence for 23 per cent of England's entire quota. Not only do the profits from fishing go overwhelmingly to large companies but the system has also created a market in derivatives for traders to make money from the sale of quotas.

When the Scottish Government has responsibility for fishing in Scottish waters it should work with Scottish fishing communities to develop sustainable fishing in a rational way that does not involve wastage and supports smaller fishing vessels. The encouragement of cooperatives at both fishing and processing stages would bring much needed investment and jobs into neglected communities.

Environmental Protection

The Labour Party's campaign body on the environment, SERA, made Brexit central to its AGM in November 2016 with a speech from Keir Starmer. He argued that "We should make the case for more progressive, more ambitious domestic environmental policy... Not to match EU standards but to go beyond them." Keir Starmer was quite right. EU standards have been criticised in relation to the effectiveness of abatement of emissions from cars and power plants because of corporate lobbying. There are currently around 30,000 lobbyists at work in the heart of the EU.

The Scottish Government has failed to safeguard health under EU regulations, such as they are and cannot be trusted to do so in the future. In power the Scottish and UK Labour Parties should make good Starmer's ambitions of going beyond the limited standards of the EU by enforcing strict regulations, free from influence by big corporate polluters.

Economic and Industrial Strategies

From entry into the Common Market in 1971 the UK's economic and industrial strategies have been both circumscribed and shaped by membership. Membership resulted in significant changes to the UK including the reduction in manufacturing and the growth of the financial sector. Over the years the ability of member countries to plan their own economic and industrial strategies became increasingly restricted and instead it was the role of the market to shape their economies. An end to EU rules could provide exciting opportunities for the Scottish Government to plan a more dynamic economy.

The SNP government does not acknowledge that EU membership has had any negative impact on the Scottish economy. In its most recent defence, *Scotland's Place in Europe* , it argues: "Today services [the service sector] contribute approximately three quarters of Scotland's GDP compared to less than half when we joined the EU. Over the same period the contribution of manufacturing has fallen from 36% to around 10% of GDP". This is presented as an advance for the Scottish economy, when in fact it has resulted in a huge loss of better paid high skilled manufacturing jobs and instead the creation of low paid low skilled service sector jobs.

Jeremy Corbyn, giving the Jimmy Reid Lecture in October 2016, referred us back to Labour's Alternative Economic Strategy of the early 80s with its focus on the investment in manufacturing and technology. It pre-dated Thatcherism and the subsequent rampant neo-liberalism that continued under Labour governments when the UK shared the same flawed consensus with the EU that markets, not democratic governments, should rule.

Corbyn outlined his plans for economic and industrial strategies. He committed a Labour government to a 10 year investment package for Scotland of £23 billion. This could enable a strategy for growth producing well paid secure jobs backed up by an industrial strategy aimed at supporting renewables, advancing manufacturing and accelerating the transition to low carbon economy.

Labour intends to take democratic control of our energy sector and invest in house building creating virtuous circle of growth, jobs and good homes. Unimpeded by EU regulations, The Scottish national investment bank could redress the imbalance against small business and the proceeds of growth could be more fairly distributed. Corbyn promised support for cooperatives and local and regional control of transport and public control of railways.

These last two areas are considered in more depth a little later. He argued the case for stronger trade union membership resulting in greater productivity and supported the advancement of workers' rights. Here in

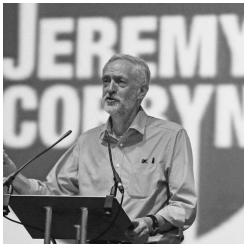
Scotland we need a government that is prepared to match Corbyn's ideas and ditch the economic orthodoxy of the present Scottish Government.

During his election campaign Richard Leonard offered to lead a SLP government that is committed to doing just that and more, promising for example, to introduce democratic planning to the economy. We now discuss some of the obstacles and opportunities for developing a radical economic and industrial strategy.

Procurement

The EU rules relating to procurement are intended to open up every possible opportunity for competition.

In 2014 the SNP resisted Labour's moves to make payment of the living wage a requirement of public sector procurement and to ban companies who engage in blacklisting or aggressive tax avoidance from receiving public money. The SNP government refused arguing that the EU's internal market commissioner had advised them that Labour's policy was "unlikely" to be possible. The then Deputy First Minister, Nicola Sturgeon stated that "I want to ensure we abide by the law and that we don't put our public bodies at that risk of being taken to court."



Controlling our own procurement rules will be much easier outside the EU. It will also give more scope for state aid to cooperatives, publicly owned enterprises or Scottish based businesses. If in future the UK trades under World Trade Organisation (WTO) rules a state can argue that "open procurement may cause damage to its domestic market".

Workers' Rights

Jacques Delors who became President of the European Commission in 1983, recognised that increased Labour movement resistance to worsening economic conditions could de-rail the EU project. So the Maastricht Treaty 1992, which was introduced primarily to develop the Single Market and monetary union, also included the social chapter.

In Britain, Workers councils, sex equality, health and safety laws, the working time directive and a range of other benefits included in the social chapter seemed all the more attractive when it was contrasted to the aggressive market led approach first under Thatcher and then John Major. Both opposed the social chapter and Britain negotiated an opt-out.

However, it is important to note the limited nature of the EU inspired workers' rights: in article 153 of the Treaty on the Functioning of the European Union, key areas in relation to class struggle like pay, the right of association and the right to strike, are explicitly excluded. In fact the EU Court of Justice has directly limited TU rights. Its Laval and Viking judgements in 2007-8 made it illegal to take strike action to defend collectively-bargained rates for 'posted' workers from another country.

The reality is that some of the key rights we still enjoy stem not from the EU but from struggles undertaken collectively by trade unions in this country: paid holidays (Holiday Pay Act 1938), equal pay (1970) and trade union rights to intervene on health and safety (1974).

the EU works on the basis of the primacy of the market and the legal right of 'establishment' (to run a business). Collective labour organisation is seen as an impediment to effective markets.

The EU provides individual as opposed to collective rights, for example TUPE –to limit resistance to EU-imposed privatisation and outsourcing and rights for agency workers - The Directive on Temporary Agency Work to mitigate the effects of casualization which the EU itself helped create though its strategy of 'flexicurity'.

The reason for this that the EU works on the basis of the primacy of the market and the legal right of 'establishment' (to run a business). Collective labour organisation is seen as an impediment to effective markets.

Leaving the EU gives the Labour movement an opportunity to address the limited rights available in the EU and the UK.

For most of the powers being repatriated from the EU there is an obvious and logical reason for where they can best be delivered, whether at the UK level or by devolved administrations. Workers' rights may be one area that is contested. There is a powerful case for a UK wide approach ensuring that when workers are in struggle they are united throughout the UK, particularly where they have the same employer or are covered by the same terms and conditions. On the other hand, the argument that if workers in one nation or region achieve better rights, it would motivate a campaign to achieve the same elsewhere, cannot be ignored, nor a solution based on a UK wide 'floor' on rights that the devolved nations can only improve on but not reduce.

Wherever employment rights are located , Labour in power in Westminster and Holyrood should introduce a charter of workers rights based on that developed by the Institute for Employment Rights in 2002 and that proposed by Neil Findlay MSP in 2004 which included banning zero hour contracts and using public procurement to give the minimum wage to all public employees in Scotland.

Transport

In terms of railways the Left needs to ensure that leaving the EU also means leaving behind the absurd obligatory franchising of train operating companies and the separation of responsibility of track currently run by Network Rail and train operations undertaken by a raft of private companies. The EU's Fourth Railway Package agreed in April 2016 extends rail privatisation throughout the EU. We must ensure that no such regulations apply in Britain or Scotland.

The intentions of the SNP government remain unclear. Despite a promise to ensure a public sector bidder, as the RMT has pointed out, the announcement of a £3 million pound subsidy for fare reductions on Abellio Scotrail suggests the Scottish government is trying to placate rail users rather than accepting that privatisation is both expensive and has failed.

Privatisation has also failed in the bus sector. The largely private system in Scotland is dominated by four large bus companies and a number of local providers. One of those large companies, Stagecoach, also has enormous political influence because its owner Brian Soutar has, according to the Daily Record, donated some £2 million to the SNP. Twice the SNP have failed to support re-regulation since 2007 when they took office. Since then, the number of bus journeys has fallen by 74 million, local bus fares have risen by 18% over the past five years while £2.6 billion in public subsidies has been given to bus firms in Scotland.

However, the publicly-owned Lothian Buses has sustained its passenger base and is using profitable routes to cross-subsidise other routes to ensure as comprehensive service as possible. It therefore provides a model that could be implemented across Scotland, but this requires re-regulation and public ownership at local level. The SNP have promised that their Transport Bill will give local authorities the power to run publicly owned bus franchises. To ensure this happens a major campaign should be built on this issue. Unite have already begun with their 'Haud the Bus' campaign.

An incoming Labour Government in Holyrood should ditch franchising in favour of public ownership

The Clyde and Hebrides Ferry Services remains in public ownership following a new contract being awarded to the state-owned operator Caledonian MacBrayne (CalMac) in 2016. Calmac's success followed a vigorous RMT campaign against a possible takeover by private sector bidder Serco. Serco currently operates the Northlink Ferries service to Orkney and Shetland as well as the Caledonian Sleeper rail franchise. There is, according to RMT, an annual subsidy to Serco for the Northern Isles contract of an average of £40.5m annually over the six year term.

SNP ministers had previously argued that they were obliged to put the service out to tender because of EU rules however, the Northern Isles ferry service that should have been out for tender for award in 2018 is now under review with the possibility of the Scottish government bringing it in-house.

The government maintains this is only possible if the EU accepts it does not breach state aid rules and that the public support the move. This is a welcome if belated attempt by the SNP to limit the damage done by EU rules. The outcome, however, remains uncertain at this point . As with rail, an incoming Labour Government in Holyrood should ditch franchising in favour of public ownership for services which are for the large part, lifeline services for island communities.

Energy – Oil

Public ownership and state aid are required if we are to intervene effectively in saving the ailing oil and gas sector and its skill base and so is close cooperation between a Labour government in Holyrood and a Labour government at Westminster. This is not only because energy is a reserved matter, but because the resource implications of such an enterprise require it. Left to market forces there will be a run down in extraction, and early decommissioning meaning loss of jobs, attacks on conditions of service and a diminishing of skill base as labour leaves the industry.

The Scottish Labour Party, in conjunction with the Labour Party at UK level, has already called for a new public body, UK Offshore Investment Limited (UK OIL) take a stake in assets in North Sea Oil, for example platforms and pipelines. Under Labour's plan, assets deemed to have a long-term future either by returning to profitability or because they are important in the production cycle of other profitable assets would receive government investment. With no EU regulations to adhere to, this could be an indefinite arrangement rather than a temporary fix.

This is a superior strategy to that offered by the SNP and Tory parties which lean entirely on fiscal regimes that favour the oil companies with no return to the government and no recognition of past profits. Without having to comply with state aid rules Labour should commit to permanent public ownership of the oil industry infrastructure.

Energy - Gas and electricity

Hundreds of thousands of households in Scotland – more than 1 in 3 – are in fuel poverty unable to afford adequate warmth in the home, but they live in an energy rich country. The privatisation of gas and electricity has been a disaster for the working people of the UK. The average standard tariff bill is now £1,200 compared with £472 10 years ago (150%) with the real prices of gas and electricity having increased by 13% and 67% respectively since the year 2000.

British Gas was floated on the stock market in 1986 and in 1990, the UK's regional electricity boards were privatised. The Big Six supply companies British Gas, E.ON, EDF Energy, nPower, Scottish Energy and SSE, most of which are owned by multinational companies, have an effective monopoly over supply to customers as well as being involved in energy generation. The 'Six' may soon become 'five' as SSE and nPower are currently discussing a merger, furthering the move to monopoly. Transmission and distribution are also private, including the National Grid.

Like transport, support for public ownership is high while customer satisfaction with the big energy companies is low: only 32% of the public trust the energy industry but 68% of the public believe the energy companies should be run in the public sector, according to YouGov. It is an industry crying out for public ownership.

Given the highly integrated nature of UK industry this is best done on a UK basis. Jeremy Corbyn has already expressed his support for public ownership of the 'big six' and as the Labour manifesto argues, a range of different types of ownership that can engage and sustain local communities is desirable. Consequently after Brexit Labour north and south of the border should collaborate on achieving the manifesto commitment of regaining control of energy supply networks and moving to a publicly-owned, decentralised energy system.

PFI/PPP/NDP

Under Article 126 of the Treaty on the Functioning of European Union the UK as part of the (EU) must endeavour to avoid what the EU considers to be

excessive budgetary deficits. Specifically, this means a deficit to GDP ratio of 3% (deficit is the annual difference between government income and public expenditure) and a debt to GDP ratio of 60% (debt is the historically accumulated sum the government owes to UK private sector organisations and overseas institutions.)

Hence the attraction of the Private Finance Initiative and Public Partnership Projects and in Scotland the Non Profit Distribution (NPD).

As the Independent wrote in October 2016 "It is no coincidence that John Major's government ratified Maastricht and introduced the Private Finance Initiative (PFI). The two are intimately connected. Once public spending was curtailed, governments turned to the financial sector for private investment of infrastructure."

Although it was introduced in 1992 under John Major's conservative government, PFI became widely used under Gordon Brown, chancellor of the exchequer, re-branded as Public Private Partnerships (PPP) in the 1997 Blair government. In 2008 the SNP introduced a modified form of PFI called Non Profit Distribution.

In both PFI and NPD a private sector 'special purpose vehicle' (SPV), is set up, for example to build a hospital, and undertakes key project tasks. Projects are mostly financed by private debt, for example loans from banks and around 10 per cent private capital from the SPV member companies. The key difference between PFI and NPD is that in a PFI the SPV capital includes an element of private equity (shares in the project). In the NPD its members can only invest loans and profits are capped. These schemes are not considered public spending and therefore not accounted for as such. Of course, the public sector does pay, by leasing back the building typically over 25 years and often at exorbitant rates for the capital lent to fund the project.

These schemes have been a disaster, saddling the public sector with debts they it can ill afford given austerity cuts. In April 2017, for example, the Daily Record reported that NHS boards face paying back £10 billion for new hospitals that cost just £2billion to build. The figures included the SNP's NPD scheme, with health boards paying back almost £2billion for hospitals worth less than £750million. An attempt by the SNP Scottish government in 2014

for more public control of a number of projects through a 20% stake by public partners was disallowed by new EU rules pushing the cost of the projects up considerably by increased reliance on private sector capital. The projects are being run through the Scottish Futures Trust.

Free from EU interference in levels of deficit and debt the UK and Scotland could buy out the existing exploitative PFI/PPP and NDP debts and return to models of borrowing and spending that favour the public not the private purse.

Innovation: myths and opportunities.

In addition to key industries and utilities considered above we also need to think about how we might grow new publicly owned enterprises that are driven by innovation. Without the limitations imposed by EU state aid regulations we would be free to fund innovation and growth in any way we thought effective.

As part of the mystique of the private enterprise system, innovation is often presented as act of a 'heroic' entrepreneur funded by 'business angels' and the function of the state therefore is presented as the provider of an education system that encourages an 'entrepreneurial culture'. However, as Mariana Mazzucato points out this is far from the truth. Using the Apple iPod as an example she points out it was the US state funded Defence Advanced Research projects Agency that funnelled millions of US state dollars into the development of spintronics that allowed Steve Jobs to develop a transformatory technology in the entertainment sector. Mazzucato argues: "The public sector's active role in shaping and creating markets is even more relevant in today's "knowledge economy". …Sectors such as the Internet, biotechnology, nanotechnology and the emerging green economy have depended on direct 'mission oriented' public investments, creating a new technological landscape—not only facilitating existing ones—with business following only after returns were clear in sight."

However, rather than making private sector business the focus of such activity, there is a strong argument for seeking to socialise it from the very beginning by encouraging not for profit, community or cooperative engagement and ultimately state ownership if economies of scale require it. And in terms of what is already on the ground it is worth noting that

according to Scottish Development International there is already, for example, a thriving life sciences sector in Scotland that is fed by start-ups. The largest group in Life sciences is Medical technology which employs around 6000 people, generates £1 billion in turnover and makes an important contribution to Scotland's economic health.

Unfortunately, despite the fact that the biggest customer is the NHS and state sector universities the source of many of its staff and start-ups, such companies are the targets of large corporations and the benefit deriving to the Scottish public as well as the public sector is therefore sacrificed to the cause of private profit. Vascutek formed in Scotland 1982 has become a world leader in the design and manufacture of products of vascular and cardiovascular clinicians throughout the world. It is now a subsidiary of the Japanese owned Terumo Corporation. There is an unanswerable case to keep such companies in Scottish control and under social ownership.

Conclusion

Rather than a framework for economic growth and progressive politics the EU has aided and abetted the neo-liberal drive for profits at the expense of workers and the public services and utilities they need to lead decent lives.

It has also played its part in reducing the manufacturing base of the Scottish economy by limiting state intervention while ensuring that corporations reap the benefits of the EU policies on agriculture and fisheries. Meanwhile it has been exploitative in how it has dealt with developing countries. This has got to change.

Brexit coupled with the repatriation of powers presents us with the opportunity to redress the inequalities in agriculture and fishing and land ownership created by the EU. Free from Single Market rules and regulations a Labour Government in Holyrood in partnership with a Labour government in Westminster could use state intervention to re-build our manufacturing base by encouraging innovative approaches right across the economy, from renewables to medicine. This is an enormous opportunity. The Scottish Labour Party must grasp it.

Opportunities for Change free of EU Rules and Regulations

1. Agriculture— support and encourage a range of different types of farming and protect both farmers and consumers from the large supermarket chains. Support cooperatives to ensure the affordability of healthy basic food. Open our markets to the developing world.
2. Land Ownership— support tenant farmers and expand local community land ownership.
3. Fishing— sustainable fishing that supports smaller fishing vessels and more cooperatives at both fishing and processing stages
4. Environment— develop an Environmental Protection standards agenda free of corporate influence with an emphasis on implementation.
5. Industrial strategy— a state interventionist approach including planning and support for indigenous industries.
6. Workers' rights—introduce a charter of workers rights including the right to strike and the right of association.
7. Procurement — use procurement rules to exclude companies from public contracts who behave in unacceptable ways and introduce the minimum wage.
8. Transport— Public ownership of the railways and municipal ownership of the buses.
9. Oil—permanent ownership of offshore infrastructure.
10. Gas and electricity - public ownership of key energy companies and the creation of Scottish based social energy producers and retailers.
11. PFI/PPP/NPD— end restrictive deficit and debt limits and end exploitative private sector engagement in the public sector by buying out PFI/ PPP/NPD
12. Innovation— active state engagement to encourage research and innovation and social ownership models of start-ups.


ScotRail
Rèile na h-Alba