

The collapse of London Underground's privatisation: Ken Livingstone to the rescue

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Metronet has been put into administration with debts of at least £2 billion. It had two of the three 30-year, £17 billion contracts under the Labour government's hugely unpopular Public Private Partnership (PPP) programme to maintain and renew the London Underground rail network. Metronet's owners, five international corporations, refused to put in another penny beyond their original £350 million commitment under the terms of the contract.

With Metronet's debts guaranteed by Transport for London (TfL), London Underground's parent body, and ultimately the government, the taxpayers, workforce and travelling public will bear the cost. Yet another privatisation has proved to be a disaster.

Metronet's bankruptcy was precipitated by the refusal of the Rail Arbitrator to award more than a fraction of its appeal for increased payments from London Underground to fund its near £1 billion overspend and a further £1 billion projected overspend by 2010. Chris Bolt, the Arbitrator, said that if Metronet "had delivered in an efficient and economic way, its costs would have been lower".

It is yet another—very expensive—refutation of the myth, so assiduously promoted by big business and the government, to justify privatisation: that the corporations are more efficient at delivering public services than the public sector.

It is also potentially a huge political embarrassment for Prime Minister Gordon Brown, who as Chancellor of the Exchequer was responsible for the PPP. The London Underground PPP, the government's attempt to partially privatise the Tube, was almost universally opposed. It followed the Conservative government's disastrous break up and privatisation of Britain's national railways, and the subsequent collapse of Railtrack, the network operator, in 2001.

The PPP was the flagship project of Brown's Private Finance Initiative for privatising essential public services. The London Underground PPP constitutes more than a quarter of the capital value of the £55 billion deals signed thus far—more than a few of which have already been a financial and service disaster.

But it turned out that Brown had nothing to fear from the project's collapse. After all, who better to rescue him than the man who had formerly opposed the PPP? That is, the Mayor of London "Red" Ken Livingstone, who runs Transport for London (TfL), stepped into the breach, reassuring the City and limiting the political fallout for Brown.

Livingstone, who was elected Mayor in 2000 on the basis of his opposition to the PPP, announced that £750 million would be made available to the Administrator to ensure that the trains would keep running. Metronet would continue its work while in administration, while suppliers—Metronet's sister companies—and the workforce would continue to be paid. Transport for London would reconfigure

the contracts and sell them back to the private sector. TfL warned that some of the improvements expected under the PPP were likely to be postponed.

Far from the private sector bearing the risk and cost when things go wrong—another myth parroted by government ministers to justify the higher cost of private over public finance—it has simply handed back the keys and left it to the taxpayer to sort out. Furthermore, Metronet's successors will be rewarded with yet more lucrative and expensive contracts at public expense.

Livingstone's determination to reassure the financial establishment and the government was so great that London Assembly members were moved to ask whether he had been asked not to "gloat" to the Prime Minister after years of attacking the PPP. Livingstone retorted, "How many people have you heard saying 'I told you so' and found that it makes them a more attractive human being?"

Within a few days, the collapse of Brown's flagship policy was off the front page without a single commentator calling for the end of the PPPs, the creeping privatisation of public services, or raising any awkward questions.

The future of the Underground and how it is run is an issue of fundamental social importance. The Tube carries 3.4 million passengers a day. With 40 percent of commuters into London using it for at least part of their journey to work, it is one of the most grossly overcrowded subway systems in the world. The cost of travel in London is the highest in Europe, if not the world. Yet reliable and affordable public transport is crucial in determining access to jobs and housing as well as reducing the polluting effects of high car usage.

As the administrator repackages the PPP to make it financially attractive to the private sector, a task that could take at least a year if it can be done at all, it is worth recalling how and why the London Underground PPP came into being, Livingstone's role, and the euphoria on the part of the left radical groups when he decided to run for Mayor against the Labour candidate.

Back in 1997, the Underground was widely acknowledged to be crowded and unreliable with a backlog of £2 billion worth of repairs and maintenance, the legacy of successive governments' decades-long refusal to renew basic infrastructure.

Geoffrey Robinson, the millionaire businessman who had funded Gordon Brown's office while in Opposition and now Paymaster General under Brown at the Treasury, convened a group of four businessmen with experience of privatisation to advise on what should be done. Their proposals were refined by the international financial consultants PWC and the law firm Freshfields.

In 1998, the Blair government announced that it would separate passenger services from the network, which would be offered to the

private sector in three PPPs to maintain and renew at a cost of £15 billion over 30 years. The private sector would finance the investment that the state could not afford, thereby ending the need for a state subsidy.

At the same time, the government was proposing to devolve power for London's transport to a new Mayor of London, who was to be directly elected. While the new Mayor would be responsible for the PPP, he or she would not be involved in the negotiations. The PPPs with Metronet and Tube Lines were pushed through in April 2003, in the teeth of popular opposition and critical reports from the board responsible for running the Underground, the National Audit Office and financial and transport analysts.

Livingstone had, as the leader of the Greater London Council in the 1980s until it was abolished by Margaret Thatcher in 1986, built up a reputation as "Red Ken" with his verbal championing of cheap fares, along with support for the Palestinians and Irish independence. In practice he did nothing. While he held a leading position in the Labour party's left wing, he never allowed Labour's rightward lurch under Neil Kinnock, John Smith and Tony Blair to force him into opposition, even when Labour under Blair abandoned its former social reformist programme.

Livingstone was adopted as Labour's mayoral candidate in a ballot of London party members on a platform of opposing the PPPs. But Blair and the Labour leadership blocked his nomination, insisting that Livingstone's left wing image would deter international business from investing in London. When Livingstone responded by running as an independent, he was expelled from the party.

Despite Blair's hysterical reaction, Livingstone's differences with the government were only tactical. He proposed to open up London Underground to the City and Big Business by financing the investment programme with public bonds (something that local authorities were not then allowed to do) and outsourcing the work to private contractors. This, he argued, was a more viable model than the PPP. Secondly, he wanted to introduce road pricing under the guise of a "congestion charge" to be administered by private contractors and spent on purchasing additional services from private bus operators.

At no point did Livingstone mount a political challenge to Labour. Instead he made it clear that he wanted to be readmitted to the party. Despite this, his candidacy and opposition to the PPP was trumpeted by the trade unions and radicals. The Socialist Workers Party and others proclaimed his standing as the start of a new socialist revival—only the first of a number of Labour lefts who would take a stand against Labour that could be used as an opportunity to recapture the party for the left or as the base from which to launch a new party. The radicals came together in a joint slate, the London Socialist Alliance, to promote Livingstone's candidacy.

While he refused to join a common slate with the Alliance, he was not averse to letting them act as foot soldiers in his election campaign. With Blair's hostility to Livingstone only serving to enhance his popularity, he went on to win the Mayoral election in May 2000 and pushing the Labour candidate into fourth place.

Livingstone's opposition to the PPP was to be based upon the courts, not the working class. He would do nothing that would antagonise the City. Much to the delight of the City, the Mayor then brought in Bob Kiley, a former CIA operative, as Commissioner for Transport, on the UK's highest public sector salary. During the 1980s, Kiley had used public bonds to refurbish New York's subway and overseen cuts in workers' wages and conditions to pay for them while safety plummeted.

Despite calling Kiley a "union buster", the rail unions refused to organise against the PPP. Even though rail workers had voted three times for joint action, the Rail Maritime and Transport union (RMT) repeatedly called off strikes and overturned ballots for strike action in an effort to demobilise workers' opposition to the privatisation of the Tube. Such one-day strikes, as were held in 2001, were the result of unofficial action.

While workers saw strike action as a means of opposing privatisation, the unions refused to make this their explicit aim. Livingstone lambasted the strikes.

As negotiations over the PPP continued, its costs escalated, and projects to be included were scaled back to make it more affordable. Far from privatisation ending the need for grants as Brown had expected, the government was forced to subsidise it to the tune of at least £1 billion a year for the first seven and a half years, ten times the amount awarded under the first years of the Labour government! But that was not all. Transport for London would guarantee 95 percent of the contractors' approved debts in order to reduce the cost of borrowing and reassure their financiers.

The government gave an open-ended commitment to the City and big business. In February 2003, just before handover, the Department of Transport wrote to TfL stating that in the event that London Underground found itself in financial difficulties as a result of the PPP, the Secretary of State for Transport "regards it as untenable that" he would not consider further financial aid or that "he would stand by and do nothing in those circumstances".

The contractors and bankers saw this for what it was—a blank cheque—with taxpayers footing the bill for the opening up of public services to private profit. Livingstone's challenges via the courts to the privatisation of the Underground were soon exhausted and, with the government's implicit guarantees in his pocket, his opposition to the PPP evaporated.

Brown adopted Livingstone's suggestion that local authorities be allowed to borrow from the City in his Local Government Finance Act and Livingstone went on to issue bonds to finance Transport for London. TfL's staff toured the corporate conference circuit, promoting private finance for public infrastructure. The City was delirious. Within months of the Tube's privatisation, and in the run up to the second Mayoral election in 2004 when Labour faced another humiliating defeat, Livingstone achieved his aim of re-admittance to the Labour party. It is from this position that, thanks to the good auspices of the trade union bureaucracy and the radical groups, he now steps forward to cover Brown's exposed rear.



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