

UK corporations scramble for coronavirus bailout funds

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The financial measures of governments globally in response to the coronavirus pandemic are laying bare class divisions under capitalism.

In Britain, Chancellor Rishi Sunak announced on March 17th that a £350 billion bailout would be made available for businesses. The bailout is an unprecedented financial handout to UK corporations, conducted without even the rubber stamp of a parliamentary vote.

Virgin Atlantic was quick to demand a £7.5 billion bailout of the British aviation industry, while simultaneously demanding that its workforce agree to eight weeks “unpaid leave.” The company also offered all employees “voluntary redundancy.” Owner and tax exile, Sir Richard Branson, whose personal worth is \$3.8 billion, made a show of putting \$250 million into the company to keep it afloat. His aim is to maintain operations under conditions in which it has virtually no customers, while he awaits a vast transfer of public resources into the company’s coffers. It has been reported that Branson will claim £500 million pounds from the bailout fund.

The firm staying afloat is vital for the continued profitability of other corporations and entities. Airbus, Rolls-Royce and Heathrow Airport have all lobbied Transport Secretary Grant Shapps in support of Virgin’s bailout application.

EasyJet owner Sir Stelios Haji-Ioannou, whose personal wealth is \$1.7 billion, is also set to receive government loans. Sir Stelios has instructed his pilots and cabin crew to take two months’ unpaid leave. He has also called on the company’s board to cancel an order for new aircraft and to fire staff just days after receiving his personal dividend of nearly £60 million.

Multimillionaire Tim Martin, chairman of the JD Wetherspoon pub chain, recently alerted his 40,000

staff that they would not be paid because there was no money coming in and contemptuously said they should look for work at the Tesco supermarket conglomerate. He told suppliers they would not be paid for goods already delivered until the pubs reopened. JD Wetherspoon had a turnover of £1.8 billion and reported pre-tax profits of £102.5 million last year.

It should also be recalled that Martin fought against calls for social distancing and the closure of restaurants as the pandemic was developing, absurdly claiming, “There’s hardly been any transmission of the virus within pubs.”

Sunak’s initial bailout of these corporations pledged £330 billion in loans, equivalent to 15 percent of the UK’s annual GDP, to be made available to businesses at “attractive rates.” He insisted that it could be extended with “unlimited lending capacity” if required. A further £20 billion was pledged as tax breaks, cash grants and compensation for companies required to pay statutory sick pay.

The corporations are covered by the Covid Corporate Financing Facility (CCFF), a scheme allowing companies to sell commercial paper—unsecured, short-term debt that can be held for up to 12 months—to the Bank of England. CCFF was criticised because companies needed to be defined as investment grade by a rating agency in order to be eligible. Rating agency Fitch noted that only just over 100 UK companies qualified.

The government subsequently allowed lending banks to make their own assessment of a company’s credit worthiness. This was ostensibly to allow the inclusion of medium-sized concerns, but the majority are still unlikely to meet the Bank of England’s criteria, which would depend on their financial health at the beginning of March.

The priorities were clear. Only days later did Sunak issue any wage subsidy measures. This was originally slated for the following week but had to be brought forward because of business anxiety over the spiralling economic crisis and mounting concerns by millions of workers facing unemployment.

Former Business Secretary Greg Clark MP warned that many businesses were rejecting the idea of government-backed loans because they had “no idea when they would be able to pay back the debt they would incur.” Workers were just the pawns in this negotiation between business and the Tories.

Senior Tories told the *Times* that Sunak’s initial measures were “simply not going to be enough.” Clark said businesses could see “no choice but to lay off workers now.”

Their concerns were not over the fate of workers, but the bailout of corporations. Sunak announced that companies furloughing workers would be able to claim up to 80 percent of their wages in a job retention scheme, to a maximum of £2,500 per month for the initial period of three months. Only later were provisions made for the self-employed and gig economy workers, who now make up 15 percent of the labour market, 5.75 million workers.

Only a fraction of the Sunak bailout will go towards paying wages. Writing in the *Sunday Telegraph*, economist Julian Jessop described the cost of the scheme as “bearable.” An average wage subsidy of £1,500 a person each month for three months would cost around £4.5 billion per million jobs covered. He posited a total upfront cost of up to £40 billion—around two percent of annual national income—demonstrating just how little relatively has been reserved for paying workers.

Even after this move, some companies continued laying workers off. Celebrity chef Gordon Ramsay issued redundancy notices to more than 500 workers in his restaurants.

The latest billionaire to demand public money is Philip Green, head of fashion retailer Arcadia. Arcadia shut its 550 shops two weeks ago and is demanding wages support for 14,500 of its 16,000 staff. Arcadia is owned by Green’s wife Tina, a tax exile based in Monaco. Her salary in 2017 was £25 million. Green became a symbol of venality and greed following his role in the systematic plunder of his BHS retail chain

and its pension scheme before its final collapse, with the loss of 11,000 jobs.

On Tuesday, the Bank of England reached agreement with Britain’s largest banks that they would temporarily halt shareholder pay-outs and share buybacks for 2019 throughout 2020. This was intended to hand the lenders an additional £8 billion in reserve for increased lending demands from corporations during the pandemic. Such is the economic volatility that the move triggered a collapse in banking shares Wednesday, as part of broader chaos on the market. Many of these supposedly cancelled bonuses had already been paid out before the agreement was reached.

Opening of the cash spigot for big business is fuelling anger among millions. Nearly 70,000 people have signed an online petition demanding “Tax dodging Virgin—no bailout!” The petition’s author wrote, “Branson has avoided paying taxes in our country. He has taken vast amounts of money from the railways and bled the NHS [National Health Service] dry. He has a huge amount of personal wealth, and should not be subsidised by our nation.”

The raid on the public purse for big business, just as was the case after the 2008/09 bailout of the banks, will be paid for by working people.

The last act in the pathetic exit of nominally left party leader Jeremy Corbyn was to endorse the bailout without even his customary whimper. The Trades Union Congress, who were involved in lengthy discussions with big-business representatives to put a case to the government before Sunak’s budget, was effusive in its praise. TUC General Secretary Frances O’Grady, who sits on the Bank of England’s court of directors, described the jobs retention scheme as a “breakthrough.” Praising Sunak’s “real leadership,” she stated she was “glad he’s listened to the unions.”



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