

UK: Johnson government to unveil second multi-billion bailout of big business

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UK Chancellor Rishi Sunak is rolling out “Project Birch”, the government’s second major pandemic bailout for big business.

Project Birch follows on from the handing over of nearly a trillion pounds in the form of quantitative easing of £645 billion and £330 billion in business loans. If required, the Treasury is planning to take shareholdings in struggling corporations, as it did with some banks it bailed out after the 2008/09 financial crash.

Sunak will “save strategically important companies”. Any private conglomerate will be propped up whose failure would supposedly “disproportionately harm the economy”. The *Financial Times* commented, “Under Project Birch... Sunak has increased the capacity of the Treasury to handle bespoke bailouts of ‘viable companies which have exhausted all options’, including government loan schemes.”

As well as handing out billions in bespoke bailouts, speculation is mounting that Sunak will take state equity into companies “drowning in debt.” The FT cited the “chancellor’s allies,” who “said the Treasury would not initially look to take equity stakes in struggling companies, some of which do not have investment-grade credit ratings and cannot access a Bank of England commercial loan scheme. The preferred option would be to extend loans” to corporations and “Other ‘bespoke’ rescue schemes being examined could see state loans advanced which convert to equity.”

How advanced talks are over creating a body for the purpose of the government purchasing stakes in firms was revealed by the *FT*’s report. It stated, “Jim O’Neill, former Treasury minister and ex-chief economist at Goldman Sachs, has discussed with government officials the creation of a public-sector-

owned funding body—perhaps with an initial investment capacity of £25bn—to take stakes in ‘inherently stable’ businesses. ‘You convert into preferred equity on the assumption that some of these companies have a good future, then flog them—à la Margaret Thatcher—over time,’ he said.”

Corporations are queuing up for the additional handouts, including Virgin Atlantic owned by multi-billionaire Sir Richard Branson. Branson has been seeking around £500 million in funding from the Johnson government. This provoked widespread outrage, as Branson is a notorious super-rich tax exile. In March, all Virgin Atlantic staff were told “to take eight weeks unpaid leave over the next three months, with the cost spread over six months’ salary, to drastically reduce costs without job losses.”

Virgin announced it was “grateful to have the support of BALPA and UNITE [trade unions] ... in agreeing to support unpaid leave, alongside other extensive measures.”

The firm announced “a one-time voluntary severance package to all employees”, “Deferring annual pay increases until review in January 2021” and “Reducing employer pension contribution for a period of one year.”

Having pushed through the pay cuts, this month Virgin still announced plans to axe 3,150 jobs from its UK operation and end operations at Gatwick Airport.

Along with Virgin Atlantic, the *FT* notes, “Loganair are already in talks with the government, while Tata Steel has also said it is discussing what support might be available.” According to reports, Tata Steel, the UK’s largest steel producer, is seeking a financial injection from the UK and Welsh governments worth around £500 million.

The *Guardian*’s report on Project Birch noted,

“Jaguar Land Rover is in talks with the government over potential state aid of as much as £1bn, while Aston Martin has said that it is looking at options for further government funding.” Engine manufacturer “Rolls-Royce is discussing extra government support through existing research funding programmes.”

These bailouts are on top of the massive subvention to big business via the furlough scheme, under which the government is paying 80 percent of the wages of around 8 million workers. At least a quarter of the FTSE 250 index corporations are receiving these funds, with at least 20 billionaires benefitting. This largesse is costing the taxpayer £15 billion a month.

Ending the furlough scheme is central to the government’s agenda of returning millions to work under unsafe conditions. Sunak is set to announce major restrictions ahead of its effective ending in August. According to the *Financial Times*, Sunak will ban any new employees from entering the scheme from the end of July. Reports suggest Sunak will tell employers that from August 1 they must fund 20-25 percent of furloughed workers’ wages. Though the scheme supposedly runs until November, few companies will meet the additional costs from July 31. The majority of firms have already refused to pay the additional 20 percent to make wages whole under the present arrangements.

Sunak is also considering ending the state finance paid to two million self-employed people. Payments are due to expire in just a few days. Three quarters of self-employed people are reliant on the scheme and ending it would leave around 1.5 million workers without any income.

The Labour Party and trade union bureaucracy immediately endorsed the latest bailout proposals. Shadow Chancellor Anneliese Dodds declared, “We have been calling for some time for the Government to take a more strategic approach and ensure it supports critical UK industries.”

Steve Turner, assistant general secretary for Unite, said, “It’s very welcome news that a rescue plan for UK plc is finally taking shape. There is no more time to lose if we are to prevent a tsunami of job losses from sweeping through communities this summer.”

The claim that shovelling further billions at the corporations will stem a further jobs cull should be treated with contempt. Since the beginning of the

pandemic, the major corporations have not only taken advantage of an unprecedented crisis to slash workers terms and conditions, but have also announced tens of thousands of job losses. First among these are firms now seeking additional bailouts, including Rolls-Royce (9,000 jobs), Virgin Atlantic (3,150), British Airways (12,000). Others are Anglo-German TUI (8,000), the world’s largest tour operator, P&O Ferries (1,100), Britain’s second-largest energy supplier OVO Energy and heavy construction maker JCB (950). On Thursday, EasyJet announced it would shed up to up to 30 percent of its 15,000 strong workforce. This would reflect “the reduced fleet, the optimisation of our network and bases, improved productivity as well as the promotion of more efficient ways of working.”

The support of the unions for further bailouts was guaranteed by their pro-capitalist agenda and integral role in advocating a “mass return to work.” The unions played a critical role in Sunak’s original bailout out programme. Trades Union Congress leader Frances O’Grady hailed Sunak’s £350 billion loan guarantee scheme as “real leadership” and boasted that she was “glad he’s listened to the unions.”

The UK’s ongoing bailout takes place in the context of a developing trade war among the major global powers. In recent days, Germany’s flagship airline Lufthansa has been handed a €9 billion bailout, with the government taking a 20 percent share in the company and given a veto in the event of a hostile takeover bid. Berlin has established a €100 billion fund to take stakes in ailing but strategically important corporations.

On Wednesday, the European Commission announced it will hand over a further €1.85 trillion to corporations across the continent. The plan will be central to the EU’s long-term budget (2021-27) and a special recovery fund titled Next Generation EU.



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