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Zimbabwe

Rover

Anti-Capitalist Demonstrations

London Underground

Regular Features

The Case For Mugabe

The state which is now called Zimbabwe was set up as a white settler colony after the Boer War less than a century ago. Britain made war on the Boer Republic in order to gain control of the gold and diamonds that had been found in them, and in order to open the way for the expansion of the British Empire towards Central Africa. The chief British propagandist in the Boer War was Sir Arthur Conan Doyle. He explained that it was intolerable that those unprogressive Boer Republics should be allowed, on the plea of sovereign right, to block the flow of Empire and progress into the regions beyond them.

The Boer Republics were defeated and incorporated into the new Imperial entity of South Africa. Rhodesia was found to be suitable for white settlement, and vigorous and enterprising Britains flooded into it, assuming the position of a master-race as if it was the most natural thing in the world. Rhodesia, of course, took part in the 1939-45 war against Germany, which nowadays is generally represented as a war against master-race ideology. But the flow of British settlers to Rhodesia resumed after 1945 and continued into the 1960s, and possibly into the 1970s, without any diminution of master-race attitudes on the part of the settlers. It is reasonable to conclude from this that some of those who fought the Nazis were not opposed to the idea of a master-race as such. Their position can only have been that it was the British, not the Germans, who were the master-race.

Soviet Cold War pressure on the Empire caused Harold Macmillan to announce in the late fifties that a "wind of change" was blowing in Africa. Nyasaland (Malawi) and Northern Rhodesia (Zambia) were granted independence in 1964, the electoral franchise having been reformed in favour of the African majority. But franchise reform was delayed in Southern Rhodesia (Zimbabwe), and the granting of independence was delayed accordingly. The reason for the difference was entirely racist. Although the British population of Southern Rhodesia was a very small part of the whole—being little more than a twentieth—it was vastly greater than the white populations in the two other associated regions. In Northern Rhodesia the British were about a fiftieth of the population, and in Nyasaland it was less than a five hundredth part.

There was a formal apartheid system in Southern Rhodesia under British rule. Certain areas of land were designated as European and others African. And there were two electoral rolls, the African one electing 15 members to a Legislative Assembly of 65.

In the international atmosphere of the time Britain did not dare to grant independence to an Assembly dominated by a

quarter of a million British in a population of four and a half million. At the same time it could not bring itself to act decisively to reform the franchise in favour of the majority.

While Westminster dithered, a British independence party was formed in Rhodesia, the Rhodesian Front. It was led by Ian Smith, who had been a British fighter pilot in the war against Hitler. The Rhodesia Front won all 50 white seats in the elections of May 1965, and on Armistice Day 1965 Rhodesian independence was declared.

That was an act of rebellion against the sovereign authority of the Westminster Parliament. When Ireland in 1918 voted by a great majority, on a democratic franchise, to establish an independent government, Britain put in the Black-and-Tans. But when white Rhodesia asserted its independence on the basis of a minority racist franchise, for the purpose of continuing to oppress nineteen-twentieths of the population, Britain stood idly by. It declared the new regime illegal, but did nothing to depose it, apart from imposing trade sanctions which it made no serious attempt to enforce.

Military action was out of the question because the rebel white minority were our 'kith and kin' while the majority were uncivilised (to use a word that Peter Hain still finds acceptable).

The papers were full of 'kith and kin' sentiment. And it was a widespread sentiment, not confined to Tory backwoodsmen. *The Times* had complained editorially only a few years earlier that the British race stock was being damaged by the emigration of the more vigorous elements to Rhodesia and South Africa and immigration of inferior stock to Britain from the Caribbean and Asia. Superior genes were flowing out and inferior genes were flooding in.

A skilled worker of our acquaintance—a good trade unionist and a socialist—went to Rhodesia for a year in the late sixties to do a job for an international company and came back as a fully-fledged racist who would not have been out of place in Hans Frank's Nazi regime in the Ukraine—and was entirely unaware of the change, having absorbed it from the all-pervading racist atmosphere of white Rhodesia.

Mary Holland, then a journalist on a London Sunday paper, recently recalled a visit to Rhodesia in the late seventies: "Pas devant les noirs". My host

smiled, a warning finger raised to his lips. We were sitting in the open, enjoying a lunchtime barbecue on a spacious farm in what was then Southern Rhodesia. That was more than twenty years ago, but the occasion is...clear in my memory. For a start the setting was one of the most beautiful I have ever seen. The long, low white house was furnished with an eclectic mix of exquisitely graceful African carvings, modern paintings bought in Paris and New York, and antique furniture brought out from "home", which was, of course, England.

"The lawn was immaculately green against the burnt red earth; vivid blossoms hung voluptuously from the trees and the hills of Africa were hazy in the distance. It was easy to understand the white farmers' attachment to their land.

"I was there as a reporter, in the last days of Ian Smith's regime. A journalistic contact...had brought me...to hear the views of the farmers and their wives. African servants, dressed in uniform, glided across the lawn to bring us our food. The assorted guests discussed whether the appalling guerilla campaign could be brought to a peaceful end. In particular they wanted to talk about the loyalty, or otherwise, of their black workers.

"It was agreed that some behaviour could not be condoned. Mr X, who farmed several thousand acres a few miles away, was heading for real trouble if he continued to make his black workers copulate in front of him. It was at this point, as a servant moved to refill our wine glasses, that our host warned his guests to be discreet.

"Later my journalist friend spoke in more measured tones of the relationship between the white farmers and their black workers. It was accepted, for example, that many farmers, even those who considered themselves relatively liberal, beat their labourers. He was not hopeful about a happy future for his beautiful country, even if the British Government got tough with Ian Smith. Most of the good land was held by the white farmers and they would not easily part with it". (*The Irish Times*, 27th April)

The "appalling guerilla campaign" was the war waged against the rebel regime by elements of the African population who were attempting to do

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what a succession of British governments, Labour and Tory, refused to do with the British Army. When the rebel regime executed it engaged in murder since it was not a lawful authority under the British state, but the lawful authority did not call it murder because the white Rhodesians were 'kith and kin'—and even though they had behaved naughtily they were an outpost of civilisation. But the African resistance fighters were described as terrorists.

The settler rebellion lasted for fifteen years, and it would be there yet if the matter was left to the British Government. When the French settlers in Algeria declared independence in 1958 General de Gaulle took them on hard and broke them, regardless of the sentiment of 'kith and kin'. But that was not the British way.

In 1980 Mrs Thatcher was

Continued on p. 15

Gwydion M. Williams

Notes on the News

Fairy Tales of Saint George

Once upon a time the ethnic English assumed that Englishness, Britishness, United Kingdom identity and the global English-speaking culture were all centered on them.

Not any more.

The recent upsurge in interest in St. George was not much celebrated on April 23rd until this year. It was regarded as part of 'popery' and was played down by the Church of England.

According to the Encyclopedia Britannica, the real Saint George was an early Christian martyr who probably lived in the 3rd century; died, according to tradition, in Lydda, Palestine [now Lod, Israel]. During the Middle Ages he became an ideal of martial valour and selflessness, and then patron saint of England.

Nothing of George's life or deeds can be established, but legends about him as a warrior-saint, dating from the 6th century, became popular and increasingly extravagant. One of these was the story of his rescuing a Libyan king's daughter from a dragon and then slaying the monster in return for a promise by the king's subjects to be baptized. George's slaying of the dragon may be a Christian version of the legend of Perseus, who was said to have rescued Andromeda from a sea monster near Lydda. It is a theme much represented in art, the saint frequently being depicted as a youth wearing knight's armour with a scarlet cross.

"George was known in England by at least the 8th century. Returning crusaders likely popularized his cult (he was said to have been seen helping the Franks at the Battle of Antioch in 1098), but he was probably not recognized as England's patron saint until after King

Edward III (reigned 1327-77) made him the patron of the newly founded Order of the Garter. He was also adopted as protector of several other medieval powers, including Portugal, Genoa, and Venice. With the passing of the chivalric age and finally the Protestant Reformation, the cult of Saint George dwindled. His feast is given a lesser status in the calendar of the Church of England. It was a holy day of obligation for English Roman Catholics until the late 18th century, but is now an optional memorial for local observance."

Perhaps the time has come to revive St George as one aspect of an assertion of Englishness which the actual diminishing of England's role makes necessary. Since we don't have many genuine surviving traditions so it may be necessary to invent some: maybe persuade some of the skinheads to bang their heads against a brick wall as part of the celebration. Or you could take St. George as a fine embodiment of a wider idea of Englishness as it has actually become. Point out that if this Palestinian-Christian came seeking refuge here today, we would of course lock him up and then throw him out.

Race Cards

There is a difference between allowing new people in and accepting those legally here, mostly now born here and distinctly British in outlook. But I can't see that the protests made are really drawing much of a difference.

The Tories deny 'playing the race card'. And yet a cynical Tory strategist might wish to copy US republican strategy. Attract a racist vote, while retaining a much larger number who would never vote for an overtly racist party. And if possible keep a fringe of non-white Tories, though in practice you can't juggle too many balls and cannot attract in large numbers of non-white

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votes while keeping the racist vote.

That's how a Cynical Tory strategist might see it. I make no assertion as to how particular individuals might be thinking (or whether they are thinking at all).

Voting With Their Bodies

In the USA, unofficial segregation continues, with different ethnic groups mostly scared of each other and living apart. Not in Britain, despite quite widespread racist attitudes, especially among young people.

What is remarkable is the number of couples who get together without regard for any ethnic barriers. People are 'voting with their bodies', with the same mix of erotic and romantic factors as any other pairing.

It's not just black and white. The bulk of Britain's Jewish population is being absorbed. It is not so much that the bulk of English families forbade it (though might not be their first choice) but it was acceptable, and any objections were much more to culture and religion than to race as such. It was much more a question of pressure from the Jewish community against 'marrying out', which is now no longer so effective.

Non-whites would have been another matter, there was and still is a definite racist resistance, and yet it is happening. Coexisting communities under British conditions will merge, that's just how it is. It's no place for white racists, nor is it recommended for minorities seeking to preserve ethnic puritan and a distinct culture.

In a hundred years time, on present trends, most people in England will be of mixed heritage, predominantly 'English' but with so much mixture of Jewish, Afro-Caribbean and Asian heritage that the distinctions will cease to be meaningful.

You can understand why the racists getting desperate and now targeting interracial couples. They can see that the mainstream of the society is turning away from them, that essentially they've lost the game.

Mainstream, My Mainstream

I was interested to hear William Hague speaking of the social 'mainstream'. I've been using the phrase for several years now, along with 'Overclass', the disconnected rich people he seems to identify with.

Taxes recycle money and present an unhealthy concentration among the rich, the actual mainstream benefit and get a good return from the taxes they pay.

Working members of the mainstream can't drop three million pounds into party coffers or expect a peerage. Also in Britain—unlike America—you are not respected on account of having acquired a lot of money. If you've done something decent for it, fine. But you can have more of a reputation with very little money—and some notable achievements.

It's the actual views of the 'mainstream' that Hague is targeting and trying to change. And the Tory Party seems quite happy with the concept, if not the lack of voter response.

If this goes on, we'll have to redefine 'Conservative' as someone who tries to demolish everything for which they see no immediate need. And then blames the poor for the resultant chaos.

It would be rather a strange development, but since those who might have defended the old usage have proved as useless here as in all their other functions, I'd prefer to emphasise that there has been a shift in the meaning.

I'd see it also as part of a general collapse of the late-Puritan moral order, with some incoherent extremist outbursts as part of the process.

Privatised Death

When William Hague calls for softening of the proof for self defence, he is wanting to privatise the death penalty, as well as unofficially reintroducing it for property offenses.

In the USA, it seems that most courts do stretch 'self defence' to total meaninglessness. Attacking those who pose no threat or who are fleeing is still 'self defence'.

There is a big difference between killing or injuring someone in the course of defending against robbery, and killing or injuring because they tried to rob, and even when no longer pose a threat. In the case of the Norfolk farmer Tony Martin, the jury was acting on the mass of evidence that he made a conscious decision to exercise a privatised death penalty.

If such actions were endorsed, violence between householders and burglars would escalate. Burglars would always go armed, and, if disturbed, would fire first regardless of whether the householder was even armed, let alone intending to shoot.

The worst thing about guns is that there is no defence except to shoot first. And it's why the USA has much more robbery and murder, and much more dangerous and aggressive criminals.

Godfrey and the Demon

There has been much discussion of the way in which Dr Laurence Godfrey got £250,000 from Demon Internet because they refused to remove a false accusation posted on an Internet bulletin board.

It's all very well to call for 'free speech'. But supposing it was you? Something totally false, but with enough factual detail to make it plausible?

As I see it, the problem is the slow, punitive and unreliable libel law in Britain: a system which makes it much safer to tell lies about someone who can't sue you than to tell the truth about someone who can.

What is now happening is that any complaint gets a story taken down. This would apply even if it were true, one suspects.

Why not some quick arbitration, is this a reasonable allegation? The only losers would be the lawyers, which is why it would meet strong resistance, of course.

N.B As we go to press, the US Supreme Court has held that an Internet Service Provider is like a telephone company and therefore cannot be held responsible for defamatory statements by its users.

The Unending Earth

The world has existed for some 4000 million years, and would have been generally habitable by us for more than 300 million years. It will last at least another 100 million years before perhaps flipping into some less stable pattern, this is a bit uncertain. What's much clearer is that the end in terms of the actual scorching destruction will not come for maybe another 5000 million years, which means it will be preceded by long aeons of life quite unlike what we know now.

In terms of expected lifetime relative to time so far experienced, the Earth is a shade younger than Tony Blair or Bill Clinton. (Considerably younger than Ronald Reagan, obviously.)

Concluded p. 8

You are invited to a mini-launch, introduced by Chris Winch:

7th June, 2000 at 7.30

at the Printer's Room, Red Rose Club, Seven Sisters Road, London, N7. Nearest Tube: Finsbury Park. Buses: 4, 29, 153, 253, 259, 279.

Adam Smith - Wealth Without Nations

by Gwydion M. Williams

Contrary to both the Marxist and New-Right view, the British Industrial Revolution was as much state-sponsored as capitalist. Adam Smith paved the way for a cosmopolitical world, a world where wealth flourishes but nations decay.

140 pp. Bibliography. Index. Athol Books. ISBN 0 85034 084 5

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The Wealth Of Nations (1776) provided the theoretical foundations for a Political Economy of the right, much as Das Kapital did for the left. The division of labour, necessity for small government, free trade, and need to promote productive—as opposed to non-productive labour, are ideas supposed to have found their theoretical justification and development in this seminal work.

That supposition turns out to be ill-founded. Gwydion Williams has cast a critical eye on this very much unread 'foundation-text' of capitalism. He has found that Smith provided an ideology, rather than a scientific foundation, for British pioneering industrial capitalism. For instance, the well-known descriptive term, "the invisible hand" of the market, is not a worked-out idea of Smith's, but merely a phrase which occurs a couple of times in his work. As for the famous "division of labour", the productive advantages of which are used to justify de-skilling and mindless factory work, Williams finds that Smith's advocacy of it is ill-based. To begin with, what Smith describes is not the division of labour between different trades, but fragmentation of work. And his famous example of pin-making proves the opposite of what Smith intended: it was the pre-industrial State-sponsored bodies that pioneered the making of pins by labour sub-division. And, as Williams points out, the Division of Labour is as old as society itself, was commented on by Plato, and is not a particular feature of Industrial Capitalism. Indeed, the industrialism with which it has become associated can be developed by any social system. Even worse for Smith's case, it emerges that pin-making was a trade which very much developed and prospered under the protection of the State.

Britain's economic revolution flourished on the huge profits from systematic capitalist plantation slavery, which financed technological innovation in Britain, as well as on the availability of a destitute workforce, driven from the land by enclosures in Britain—all within a political context where traditional structures had been disrupted by a century of political turmoil.

Gwydion Williams writes fluently and in every-day language. His book provides an insight to Smith's political origins as well as a critique of a work which continues to provide ideological cover for market predators.

Full launch of this book will be at the Labour Party Conference:

Adam Smith: Father Of New Labour?

Speakers to be announced.

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Monday 25th September, 2000
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Go No More A-Rover?

David Morrison points out that the future of Rover cars depends on overcoming the problem of selling them.

In 1994 Rover sold 362,876 cars worldwide. That was the year Rover was bought by BMW. In the next three years, the number sold remained fairly steady. In 1997 364,350 Rover cars were sold. But since then, sales have plummeted, by 18% to 299,839 in 1998 and by another 32% to 203,755 in 1999.

In crude volume terms, Rover sales are now running at not much more than 50% of their 1994 level, which is why several months' sales are parked, unsold, on disused airfields.

When BMW bought Rover in 1994, its share of the UK car market was about 12%, in 1999 it was less than 5%, an all-time low. Even British car buyers have deserted Rover—and the vast bulk of Rover sales are in the UK. Unlike the French who still buy mostly French built cars, British car buyers have little loyalty to home built products.

These appalling sales figures, and the resulting financial losses, have forced BMW's decision to divest itself of Rover. But they have been almost entirely absent from public discussion since the decision was finally announced on 17th March. They may have been cited in some news item on Rover in the past six weeks but I haven't come across it. (I got them from BMW's 1999 Annual Report, which is available on the BMW's web site, [HYPERLINK http://www.bmwgroup.com](http://www.bmwgroup.com)).

The bulk of Rover sales are Series 200 and Series 400 middle range models built at Longbridge. They are the problem. The sales of Series 75 executive model, the first Rover model totally

designed and engineered by BMW and built at Cowley in Oxford, is selling well but, occupying, as it does, a niche market, it can never compensate for the failure of the mass market Series 200 and 400.

How Can Phoenix Succeed?

f Rover, because the story is that it plans to continue volume car production at Longbridge. A figure of 200,000 units a year has been mentioned (which is small by today's standards for an independent carmaker in that segment of the car market). But, making Rover cars is not the problem. Selling them is the problem, and turning a profit while doing so. The question is: how can the Phoenix consortium succeed where BMW, with all its technical knowledge and financial strength, has failed?

Since several months' sales of Series 200 and 400 are parked unsold on disused airfields, it is obvious that the current level of production far outstrips sales, perhaps by as much as a third in the past year. So, if the Phoenix consortium does take over Rover, the first thing it will have to do is cut production of Series 200 and 400 models at Longbridge. This means that large numbers of workers will have to be laid off, either temporarily or permanently, or put on very short time. It is inconceivable that the present level of employment can be maintained in the short term at Longbridge or in the firms which supply Rover at Longbridge.

It can be taken for granted that, at the moment, Rover sales are at rock bottom given the uncertainty surrounding its future. Who wants to buy a car, which might not be maintainable because its manufacturer may be going out of business, particularly when there are so

many excellent cars available from other manufacturers?

It may not be possible to revive the sales of Series 200 and 400 models at all. But if it is, a necessary condition is that the car buying public be convinced that Rover will still be in business in 5 to 10 years. And even then it will take cost cutting on a grand scale, to levels way below the cost of production, to shift them. If the Phoenix consortium does take over Rover, then, in the short term, substantial losses are inevitable.

What About The Long Term?

But what about the long term, assuming it can survive the short term? BMW intended to replace the Series 200 and 400 models in 3 years time with a new BMW designed and engineered range, to be built with £150m of state aid at Longbridge. The target was to produce 350,000 units of these annually plus 150,000 of the new Mini to be introduced this year and also to be built at Longbridge.

These plans have been overtaken by events. Sales have plummeted, in part because of the high value of sterling against the Euro, which means that UK built cars with a high UK-made content like Rovers are at a competitive disadvantage both at home and in the Euro zone, compared with cars built within the Euro zone. BMW's 1999 Annual Report contains a graph, which shows a high degree of correlation between falling Rover sales and rising sterling value. But I suspect that is not the whole story. The Rover brand was weak when BMW bought it in 1994 and they haven't managed to strengthen it against its competitors in the interim by

the introduction of new models.

But the rising value of sterling has had a dramatically negative impact on the BMW balance sheet, simply because losses and investment in Rover operations in the UK cost the BMW group more Deutschmarks. Expected losses and planned investment in Rover operations in the UK which were manageable with the pound at DM2.80 have become next to impossible to bear with the pound at DM3.20. According to BMW's 1999 Annual Report, the rise in sterling in 1999 cost BMW an extra DM1 billion, that is, around £300m in 1999. (The pound is now at a 15-year high against the Deutschmark at DM3.36 compared with DM2.78 when it crashed out of the ERM in 1992, because currency traders believed it to be overvalued).

If the Phoenix consortium does take over Rover, then it will have to have sufficient reserves to cover the substantial losses, which are inevitable until new models have been developed, and to cover the development costs of the new models. It is a tall order. The question remains: how can the Phoenix consortium succeed where BMW, with all its technical knowledge and financial strength, has failed?

Alchemy Plans

The details of any arrangement between BMW and the Phoenix consortium remain to be worked out. The original plan was for the venture capitalists Alchemy Partners to take over the Longbridge plant and the Rover brand, while BMW retained the Cowley plant, where the Rover 75 would continue to be made by BMW for Alchemy. Also, the manufacture of the new Mini would be moved from Longbridge to Cowley and marketed under the BMW brand. This at least seemed to offer job security to the 3,000 or so Cowley workers. But, Alchemy intended to cease manufacture of Series 200 and 400 Rovers at Longbridge and sack more than half the 9,000 workforce, which would cause many more thousands of redundancies in firms which supply Rover at Longbridge. (The total number of jobs involved in this is estimated at 24,000).

With the remaining workforce at Longbridge, Alchemy said it was going to build sports cars and sports saloons under the MG brand, with a production

target of between 50,000 and 100,000 units. In recent weeks Alchemy have been portrayed as the villains in the affair—second only to BMW itself, which has a head start because it's German—because it intended to cease volume production at Longbridge and sack half the workforce. There has therefore been general rejoicing that the Alchemy deal has collapsed and, at the time of writing, negotiations between BMW and the Phoenix consortium have commenced.

But the Alchemy plan, or some variant of it, may turn out to be the only viable game in town. The Rover cars built at Longbridge are difficult to sell, and after the recent unprecedented uncertainty, may prove next to impossible to sell. There may be sentimental attachment in Britain to the Longbridge car plant, but it doesn't extend to buying the cars produced there. In those circumstances, to cease building them, and to build something else which might be more saleable, is not an unreasonable plan. The alternative is to support massive losses on the existing models until new models arrive, and to pay for the development of the new models, in the hope that in perhaps 5 years time you will be able to recoup some of the losses. It's a tall order and Phoenix needs to have very deep pockets to undertake it.

Land Rover

One part of the Rover Group, Land Rover, has prospered since it was bought by BMW in 1994. Land Rover sold 166,101 units in 1999, unbelievably nearly as many as Rover cars, compared with 94,472 units in 1994. Whatever happens to the Rover Group in general, it looks as if Land Rover is going to be sold to Ford, ostensibly because of the success of BMW's own off road vehicle, the X5. This is the story in the BMW 1999 Annual Report, but the Land Rover sale is probably motivated by the need to raise cash to set off against the appalling losses which are going to be incurred in getting rid of the rest of the Rover Group.

Rover has a plant at Swindon, employing about 3,000 people, which makes body panels for the whole Rover group including Land Rover. Its future is also in doubt (a) because of the inevitable decline in Rover car production, and (b) because Ford may

choose to source body panels for Land Rover from its own plants.

BMW's Misjudgement

BMW made a serious misjudgement in 1994 when it bought the Rover Group. Why it decided to buy an ailing British carmaker, which wasn't even a major player in its home market, is a bit of a mystery. It appears to have been driven by the belief that, unless it entered the mass car market, it would be taken over by one of the major carmakers. This doesn't make much sense since the Quandt family owns 48% of BMW, and is therefore effectively in a position to decide whether or not BMW remains independent. Having said that, it is no coincidence that the architect of the deal no longer works for BMW.

At the time BMW was operating very successfully at the high end of the car market, selling nearly 600,000 units a year. The BMW marque has continued to prosper since with 755,000 units sold in 1999. Meanwhile, the Rover Group, apart from Land Rover, has become a millstone round its neck.

It is a sorry tale both for BMW and for Rover cars, which would probably have done better if it had been bought by Honda, with which it worked in partnership in the 1980s with reasonable success.

World Wide Web

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Problems of Capitalism & Socialism

No 57. *KOSOVO: Serbs Good, Albanians Bad, Albanians Good, Serbs Bad.* Current international commentary on NATO's Kosovo War reviewed in the light of the facts of history by Gwydion M. Williams (May 1999, 18 pp, £1.50)

P. O. Box 339, Belfast BT12 4GQ

Anti-Capitalist—For What?

Gwydion M. Williams

Britain is not, and never has been, a capitalist society. It is a society in which capitalist decision-making plays a large, and growing, role, but still only a partial role, and a role which was much smaller back in the 1970s.

In the 1970s, there was a widespread willingness to reduce the role of capital still further, to move to much more social control. This included an incomes policy that would have decided wages and salaries according to criteria of social justice rather than bargaining power in the labour market. There were even moves back then to introduce widespread Workers Control, giving employees some democratic control of their office or factory. The Tories in those days were resigned to such a retreat, just as they had accepted the socialist advances made by the Labour Government of 1945-1951.

Lady Thatcher in her memoirs denounces Edward Heath for having been willing to accept a quasi-socialist system with the Tripartite Talks. Heath was seeking a sensibly conservative solution after the Miners' Strike of 1974 ended with a victory for working class power. Had it succeeded, under Heath or under the subsequent Labour Government, Britain would have conserved rather more of the valuable parts of its actual social heritage. Had Keynesianism been reformed and revitalised, Britain would be at least as well off economically, and a decidedly nicer place to live.

Left propaganda laid society open to Thatcherism by not distinguishing between a capitalist society and a society in which capitalist decision-making plays a large role. In terms of standard Left theory, the alternative to 100% socialism was 100% capitalism, and today's Blairites are busy damaging Britain's social structure in pursuit of the latter ideal.

The drift under Thatcher was to turn Britain into a second-rate copy of the USA. It is much easier to copy American vices than American virtues; we are heading towards US level of drug-taking, urban decay, violent crime and social emptiness. We have wholly failed to acquire their efficient management of manufacturing industries, with good British ideas still tending to go to France, Germany or the USA to be turned into marketable products.

The current round of 'anti-capitalist' and 'guerrilla gardening' demonstrators appear to be almost exactly the same type of people who sabotaged the chance of a socialist advance in the 1970s. These people have learned by heart all their mistakes and are determined to repeat them exactly, without ever compromising or learning anything from the setbacks of the 1980s and 1990s.

Pumping up the capitalist element in the 1980s and 1990s has been good for the richest ten per cent, not so good for the economy as a whole. Even considered just in terms of growth in GNP, Britain's best period ever was the quasi-socialist era 1950 to 1975.

Tories like Michael Portillo hark back to our Victorian 'greatness'. Even ignoring the poverty and cultural impoverishment, the Victorians had a much slower rate of economic growth than anything Britain has had in the second half of the 20th century. The Victorians were in fact wasters of a grand Georgian heritage, it being the Georgian era that saw the Industrial Revolution and saw Britain become the dominant world power after defeating the French in India and North America.

Capitalism, in the sense that Adam Smith described it, was just one element in Britain's Industrial Revolution. There were money men (and even a few money-women) who invested in other people's

speculative ventures, having no other motive than to get back more money than they put in. This was the strict and technical sense of 'capitalist', one element in a complex system of private enterprise. Moreover, the state sector was large and growing all through the Georgian and Victorian periods.

People cannot live as detached specimens of 'the individual', in the manner that Liberal, Libertarian and Anarchist theory supposes that they do. The raw material of human nature can be formed into many different version of 'the individual', and a good society is one in which each individual person has some role in deciding how they are formed. Turtles hatch knowing all they need to be successful adult turtles. 'The turtle' can exist quite satisfactorily with or without other turtles. Liberal, Libertarian and Anarchist theory supposes to be possible for a standard human unit, the entity commonly known as 'the individual'.

Politics is commonly conducted in terms of 'the rights of the individual'. Who is this 'individual' person? George Bernard Shaw had the quintessence of the idea when he had his evolved superhumans hatch out of eggs and spontaneously acquire the correct Liberal-Left sentiments in *Back To Methuselah*. He also had the essence of New-Right ideas in the concept of a religion of 'Money and Gunpowder' in *Major Barbara*. Updated as 'Money and Gun-Power', it is exactly the modern creed, even though it generally gives itself a gloss of Christianity, or occasionally Judaism or New Age Spirituality.

Humans do not hatch from hard-shelled eggs. They are not born with a fixed human nature, even though each particular baby may already have a distinct personality and disposition that will interact with the social shaping that any society must give.

People living in a complex society are likely to defend it against simple disruption. Previous 'stop the city' efforts have been seen as something between a hassle and a joke by the networks of pushy anarchic individualists who actually constitute the 'city' as a social entity.

Left-anarchists tend only to see the state that restricts them, not the state that is the main protection against the rich. In another sort of society, the rich would hire goon squads and the protestors would be swept off the streets. (Admittedly, in the last round of demos, the police acted more like hired thugs than one would have expected, even allowing for things being rougher and nastier than they once were.) Anarchists of the Emma Goldman type are inconsistent, denouncing authority but also arguing that selected acts of coercion and terror may produce a net liberating effect. Was that so different from the state power she was were protesting against?

Lessons need to be learned from the rise and fall of the USSR. Bolshevism always showed its origin as a semi-anarchist deviation from strict Marxism. If you have the view that all state power is bad, but find you have to exercise it, then obviously you don't hamper yourself with rules. This includes the Fantasy-Authoritarianism of Trotskyism as well as the functional left-wing authoritarianism of Stalin. (For comparison, in the Russian Civil War, Trotsky was more authoritarian and more willing to bend principles than Stalin was when facing the same problems.

The present round of demonstrations, separate from the official Trade Union celebration of May Day seem rather futile, and dangerous if they should ever get beyond futility: a continuation of the world-view that wouldn't take 'yes' for an answer in the 1970s.

So do your gardening in your own back yard, please, and do not invade other people's home turf with the idea that you have some God-given right to do so!

The Thatcherite ideology is wearing thin, society is open to going off in some other direction, but not necessarily in any better direction. If the twenty-hundreds are not to be wasted, as the nineteen-seventies were, then it's time to get much more serious about how we can reform the society as it now is, and taking into account the opinions that the bulk of people actually hold.

Newsnotes Concluded from p.4

18th century rationalist geologists like Hutton did correctly note that the Earth had no prospect of an end; no vestige of a beginning. Only much later did science get an inkling of both.

Meantime the French Revolution scared the ruling class into restoring support for the irrational and the flip side of Christianity. (Which did indeed start as an end-of-the-world cult, even though it has mostly grown out of it.)

Horrors like the mass murder and suicide by members of the 'Movement for the Restoration of the Ten Commandments of God' keep on happening, because they are a logical development of the officially sponsored religion.

An article in *The Independent* (6th April) expresses surprise that the former prostitute who was the leading spirit managed to draw in a Roman Catholic priest who "had just returned from three years in California, where he had obtained a Ph.D. in theology." Myself, I'd say that three years in California is surely a preparation for just about any craziness.

Christian theology is a mass of evasions, creating demands which are not in the Bible and ignoring much that is. It also cannot escape its origins as a small Jewish end-of-the-world cult.

Dying for Star Wars

The idea is being floated of an anti-missile system which would shield US from attack, maybe. And the British Government seems willing to go along with it.

Unlike Ronald Reagan's not very practical idea, this defense would shield only the US. In a crisis, anyone who might have been think about launching a missile strike against the USA would surely move to a secondary target if Star Wars was in place.

Such as Britain.

Given the policies of most British governments over the past 30 years, we'd surely be second on the list of any government that might seriously think

of attacking the USA. Star Wars would ensure that the US was safe and we'd be hit instead.

Now that's being a loyal ally, isn't it.

Weaving the web.

You can find the Bevin Society at <http://members.aol.com/BevinSoc/is.htm>

Letter from John Clayden

I would be more impressed by Wilson John Haire's rebukes if his last contribution showed more signs of being a genuine attempt to achieve an understanding of the dilemmas and contradictions presented by present-day Cuba for socialists—and wasn't such an obvious hatchet job. Is this a case of old habits dying hard?

Where could Cuba go from here? Haire has no suggestions, but it is a real dilemma considering the fate of the former Soviet Union. You would conclude from his article that there are no achievements worth preserving. He is strangely silent when it comes to Elaine Canty's comments on the undoubtedly superior educational and health provision there compared with most of the rest of Latin America, let alone the poor of the US or Australia. And hasn't Cuba still got a lot of catching up to do before it gets into the same league as the US as regards the level of street crime and indifference to the plight of the poor?

It is difficult to know what to make of Haire's argument about the validity of the economic aspirations of Cubans, because I couldn't find anything in her article in which Elaine Canty equates being working class with being poor, as he claims. She was talking about the 'underclass' in America, which, just because all exiled Cubans don't find themselves in it, does not mean it does not exist. Presumably the impeccably proletarian Mr Haire does acknowledge its existence.

"There are millions of disadvantaged Americans, some of them third-generation welfare recipients, who, if they knew what is supplied to all citizens of communist Cuba, might wonder who really is living in the Land of the Free". That seems fair comment to me, and I can't understand how it isn't for him unless he considers their misery as fair trade for the freedoms of the 'globalised' world. Of course everybody knows it was the US that forced Castro into the hands of the USSR. But I can't see his frustrated liberalism as sufficient explanation for the Cuban stall in Belfast. I would have thought it was more to do with the unstinting support they always gave to the Provos.

Kevin Brady

Parliamentary Diary

What Price Loyalty?

A recent survey showed that the average yearly income of a Premiership footballer over the age of 20 was £409,000, or £8,000 a week; and this does not include money from endorsements and sponsorship, which could raise their income by at least a further £250,000 a year. This prompted the inevitable question: are they worth it? Which seems rather pointless, given that there is no rational basis to professional football. Take away the fans and it becomes meaningless. But the support of fans is based on blind loyalty, not reason, so football clubs can do what they want, including paying inflated wages to overated players. It was ironic that the survey's findings were published in the same week as the death of Wilf Mannion, a truly great footballer who was never paid more than £20 a week.

No one, of course, wants to go back, to the days when footballers were exploited, tied to a club which paid ridiculously low wages, as in Mannion's case. But the pendulum has swung the other way and now players, and their agents, are the exploiters. This has isolated many of them from the supporters and engendered, in some at least, an alarming degree of anti-social behaviour. It will be interesting, for example, to see what action Leeds United take against Lee Bowyer and Jonathon Woodgate if they are found guilty of racial violence. Women, including, no doubt, the Minister for Sport, Kate Hoey, will be particularly interested, for Stan Colleymore's and Paul Gascoigne's football clubs did nothing when they beat up their female partners.

Ken's Blarney

The Diary's support for Ken Livingstone over Frank Dobson does not extend to urging readers to vote for him on 4th May. Serious doubts must be cast about someone who panders to minority groups as much as Livingstone. His Mayoral manifesto is a case in point. It says that he would like to see an annual St

Patrick's Day Parade, along the lines of that in New York, as a celebration of the Irish in London. Leaving aside the fact that St Patrick wasn't Irish, Livingstone's proposal would alienate the protestant Irish in London at a time when the Governments and people of Britain and Ireland are desperately anxious to bring their compatriots in Northern Ireland into closer union with their Catholic neighbours.

There are also few signs that there is any demand for such a parade. If there were, you can bet that the Irish themselves would have organised one years ago. Of course, as someone who knows what is best for people, this doesn't bother Livingstone. The fact that the Irish haven't done it for themselves, means that they need the help of our Ken. Nor does alienating the Protestant Irish worry him. His attitude is similar to some elements in Sinn Féin when asked, some years ago, about the reaction of Ulster Protestants to British withdrawal: If they don't like it, they know what they can do.

The Diary is opposed to a Public-Private Partnership for the London underground, but is Livingstone? He claims to be and says that, if necessary, he will legally challenge the Government if his proposal for the use of bonds is thwarted. Why, then, did he vote with the Government when the question of funding was debated in Parliament? His conversion, if that is what it is, suggests not so much a politician who has changed his mind on rational economic grounds—although that is how it is presented—but more as one who has been swayed by public opinion. Public transport in London is in a mess, with the underground leading the way. If Livingstone is elected on 4th May he will have his hands full sorting it out. Is it just possible that the people would rather he attended to this and leave the organisation of St Patrick's Day parades to the Irish?

Caring Clare?

In her *Tribune* article of 7th April, 'Don't Fall into the Tory Trap', Clare Short said that Labour's vision is, among other things, "where public services receive the money they need but only in return for effective services". No one would deny that public services should be delivered effectively, but the Government's, and presumably Clare Short's, view is that local authorities, for example, should no longer have an operational role in service delivery; that services should be delivered not by public authorities accountable to the people, but by private companies accountable to their shareholders. A case of Public is Bad, Private is Good, which is far removed from the view of previous Labour governments, and close to that of the last Tory governments under Thatcher and Major.

The problem with Clare Short's statement, however, lies in assessing the effectiveness of service delivery. The Government's criterion is based on the 'Best Value' principle; ensuring that services are delivered in the most economically efficient way possible. But this emphasises the economic (i.e. the cost) at the expense of other factors. If cost efficiency is the driving force then services will suffer, as service delivery staff become buried under the weight of a cost-conscious management. The implication of her message is that if a public authority fails to deliver an effective service, according to Government criteria, funding will cease; and if this is what Short meant then she should have said so. But when it comes to the political dynamite of funding and organising public services the straight-talking 'page three' Clare, becomes ambivalent Clare.

The article as a whole is an apologia for New Labour, but Clare pretends that the values of Blair and Co. are the same as those of Bevan and Co., or certainly those of previous Labour governments. But then she has to do this, for how else could she remain a Government Minister, let alone a Labour MP, if she believed otherwise? However, such self-deception is not hers alone. Other former left figures such as Peter Hain, have had to swallow nasty Government medicine in order to remain in post. In his *New Statesman* interview of 3rd April, Hain told John Lloyd that "this is one of the most radical Labour governments there has ever been, which is why I am proud to be a Minister in it". But if radicalism is the test of good government, then Thatcher's must have been the best of all.

London Underground's Funding Gap

David Morrison

Ken Livingstone proposes that money be borrowed by a bond issue to fund the maintenance of the London Underground infrastructure. Susan Kramer, the Liberal Democrat candidate for London Mayor, agrees. The Government proposes that money be borrowed by three so-called Public Private Partnerships and expects that by 2001/2 the Underground will be able to operate on fare revenue only without government subsidy.

But, no matter how money is borrowed, there is going to be a huge funding gap. To meet it, travellers will have to pay a lot more for their tickets or government subsidy is going to have to be continued.

That is the main conclusion of a very informative Report entitled *Funding London Underground: Financial Myths and Economic Realities* commissioned by 'Listen to London', an alliance of the rail unions ASLEF, RMT and TSSA, set up to campaign against the government plans for PPPs. Its authors are Declan Gaffney from University College London, Dr Jean Shaoul from the University of Manchester and Professor Allyson Pollock, also from University College London. All of them have written widely on the Private Finance Initiative. (An article by Jean Shaoul entitled 'Mind the gap' based on the Report was published in *The Guardian* on 19th April.)

Underground Funding

At the moment, the main sources of funding for the tube are fares revenue and government subsidy/grant. The latter has declined rapidly as a proportion of total funding in the last few years.

Fares revenue has risen dramatically in recent years, in part because of increased passenger journeys as the economy grew, but also because of

above-inflation fare increases. Fares have risen at double the rate of inflation over the past ten years.

From 1993/4 to 1998/9, when prices in general rose by only 19%, fares revenue rose by 60% from £642m to £1,009m. In part this was because of a 20% rise in passenger journeys to a record level in 1998/9, but also because of a 27% increase in fares (from 0.11p to 0.15p per passenger km).

Like other urban networks, the tube has historically been dependent on significant levels of subsidy and grant. Until the abolition of the GLC, a large proportion of this was provided by the GLC through a precept on the rates. Since then, it has all come from central government, in three broad categories:

(a) A revenue subsidy for passenger services: this was phased out in 1994/5

(b) Grants for renewals, that is, maintaining and replacing the existing infrastructure. These grants have declined rapidly in recent years from £398m in 1994/5 to £160m in 1998/9, so that in the last two years it has not met London Underground's expenditure on maintaining the network.

(c) Grants for enhancing the network, for instance, the construction of the Jubilee Line Extension.

No Network Extension

The Government's PPP proposals (and Ken Livingstone's for bond issue) are not concerned with building new lines, such as the East-West Crossrail, to relieve overcrowding. They are concerned solely with stopping the existing network falling apart. This includes addressing the maintenance backlog, which hasn't been carried out up to now because of a lack of funding. London Underground estimates the cost of this to be around £1,200m, that is, more than a year's fares revenue.

Nevertheless, the DETR is working on the assumption that "the introduction of the PPP will remove the need for government subsidy in respect of the London Underground" (1999 DETR Annual Report) and expects to phase out grant for renewals in 2001/2. In other words, the Government's long term policy is to fund the London Underground by fares revenue alone.

Borrowing, Not Grant

Both the PPP proposals, and those for bond issue, involve financing investment through borrowing rather than by grant, which of course involves no obligations to make repayments or to pay interest. Under PPP, borrowing by the PPP consortia will have to be paid back with interest. And that will have to be met by London Underground, along with dividends to the consortia shareholders. Money borrowed by bond issue will also have to be paid back with interest, less interest, it is true, and unlike PPP there would be no dividends to pay. Nevertheless, bond issue is simply another method of borrowing money, which unlike government grants has to be paid back with interest.

The question posed by the 'Listen to London' Report is, where are the funds going to come from to repay the borrowing from whatever source? If the government sticks to its decision not to provide grant aid after this year, then it has to come from fares revenue alone. But if fares revenue plus an extra 20% or so from government have not been able to prevent a maintenance backlog of around £1,200m building up, how can fares revenue alone pay for operating costs and ongoing maintenance plus the maintenance backlog, let alone repay borrowing with interest and shareholder dividends? On the face of it, this seems a trifle unlikely and there is likely to be a substantial funding gap. The Report gives estimates of this gap.

Breaking Up The Tube

To prepare for the implementation of the PPP proposals, the tube infrastructure—track including signals, stations, rolling stock—has already been divided into three sections, one involving the sub-surface lines and the other two the deep lines. Each section, plus maintenance staff, is due to be handed over to a private consortium next year, from which the much-reduced London

Underground, employing only drivers and station staff, will contract to hire for the next 25 or 30 years suitable infrastructure on which to run trains.

Under the contracts, each of the three PPP consortia will receive a regular payment known as an Infrastructure Service Charge from London Underground. Initially, the Infrastructure Service Charge will be set for 8 years but will increase within the 8-year period when major enhancements to the network are delivered. At the end of the first 8-year period a new Infrastructure Service Charge will be negotiated.

The accountants PriceWaterhouseCooper published a briefing last December giving the latest projection for the cost of the PPPs. This makes the assumption that passenger journeys will rise by 40% over the first 15 years of the PPP contracts giving a 40% increase in fares revenue (above-inflation increases in fares are not envisaged). This is a doubtful proposition on two counts. Firstly, a reasonable level of economic growth will be required since the number of passenger journeys has always been related to the state of the economy. Secondly, it is assumed that the extra 40% passenger journeys can be carried merely by more intensive use of the existing network—which seems a trifle optimistic given the overcrowding now at peak times.

Funding Gap

The PWC projection envisages some £8,380m being invested in the network over the next 15 years (in addition to about £4,150m on day-to-day maintenance). Only about £2,440m of private finance will need to be raised by the PPP consortia (at an estimated cost of £1,970m in interest and dividends). The rest will come directly from fares revenue and, the Report points out, would be available without recourse to PPP schemes.

On the basis of this PWC projection, the Report gives estimates of the Infrastructure Service Charge to be paid out over the first few years of the PPP contracts:

"The latest estimates of the costs of the PPP imply that there is a gap of at least £110m a year between available fares revenue and the Infrastructure

Service Charge that will be required at the start of the contract. We believe the gap is likely to be closer to £175m.

"The Infrastructure Service Charge will constitute an additional claim on revenues equal to 10-20% of passenger receipts which London Underground simply does not and will not have. The [PPP] proposals have not addressed either the size of the charge or how it can be met." (Page 5)

This estimate assumes fares revenue growth of 40% in 15 years without above-inflation increases in fares. If, for whatever reason, this increase in revenue fails to materialise, the funding gap will be greater.

In addition, as mentioned above, there are going to be as yet unquantified increases in the Infrastructure Service Charge when the PPP consortia deliver major enhancements to the infrastructure. The Report says:

"The Infrastructure Service Charges which London Underground will pay to the PPP companies are expected to increase on an almost annual basis as more enhancements are carried out to the network. Once the contracts are signed, London Underground will be obliged to meet these increased charges whether fares revenue rise or not, unless the PPP companies fail to meet their side of the contract. The responsibility for meeting any shortfall will ultimately rest with the Mayor of London and the Greater London Authority, who will not be a party to the PPP negotiations."

"The Infrastructure Service Charge will take precedence over all other claims on London Underground's revenues." (Page 5)

The Government has trumpeted their PPP scheme as ensuring that the underground will be "publicly owned, publicly run and properly financed". Whether the arrangements can be described as publicly owned and publicly run is open to question, but undoubtedly the underground will not be properly financed—unless adequate revenue from other sources is guaranteed.

Congestion Charges

One possible source, directly

available to the GLA, is the revenue from congestion and parking charges. Understandably, Ken Livingstone is anxious that people who are encouraged out of private cars by these charges have available to them a reasonable alternative form of public transport. So, at this stage he is talking about imposing these charges in 2 or 3 years time, so they will not be a source of revenue for the underground in the first couple of years. It is hard to see how they can be a reliable source of revenue in the long term, for the simple reason that, if they are successful in keeping cars out of central London, the revenue from them will diminish.

Whatever about that, in the first couple of years of the PPP contracts the only realistic source of revenue to meet the tube's funding gap is the Treasury.

Who Bears The Risk?

The 'Listen to London' Report contains startling information about who will bear the risk in the event of a PPP consortium failing to deliver on its contract.

This goes to the heart of things as regards PFI/PPP. The transfer of risk to the private sector is the chief reason advanced by the Government for PPP for the underground (and other public projects). Without PPP for the underground, they say, there would be a re-run of the horror story of Jubilee Line Extension, which was delivered 18 months late with a cost overrun of more than £1.4b, which had to be picked up by the tax payer. By contrast, PPP means delivery on cost and on time, and at no risk to the public purse due to cost overrun. It is even admitted that PPP borrowing carries with it a higher rate of interest. But it is price worth paying, the advocates of PPP say, since risk is transferred to the private sector. So the story goes.

(The Report comments as follows on the Government's citing of the Jubilee Line Extension example to justify their PPP proposals:

"Given that the PPP does not involve any developments remotely as ambitious as the JLE, this is scaremongering rather than argument. Risk can be shared between the public sector and contractors by means of

contracts with penalty terms, without any need for private finance." (Page 19)

Now, there's an original idea.)

This story has fundamental implications of another kind also. PFI/PPP borrowing is excluded from the Public Sector Borrowing Requirement, because, it is said, risk has been transferred to the private sector. The state may be committed to pay out large sums of money as a result of PFI/PPP projects (£2b a year and rising for the next 25 years, according to Sir Peter Kemp in the *New Statesman*, 18th October 1999) this is for the purchase of services. Theoretically, the state is not liable for any borrowing by the PFI/PPP consortia in order to provide those services. And therefore it is reasonable to exclude PFI/PPP borrowing from the PSBR.

That is the story touted by the advocates of PFI/PPP. But listen to this from the 'Listen to London' Report, which describes lucidly the very different reality:

"It is worth considering what the position of LU, and by implication the Mayor and the GLA, will be in the event of the PPP failing to deliver the required improvements.

"The bulk of the finance to be raised will in all probability be in the form of debt, with a minor contribution (10-20%) contributed by shareholders in the PPP companies. Debt service and returns to shareholders constitute totally new claims on LU's revenues, and the nature of these claims needs to be understood. One of the main arguments in favour of the PPP policy is that it allows the risk of things going wrong to be privatised. In other words, all the claims on LU's revenues arising from the PPP are held to be conditional on the performance of the PPP companies. This only gives part of the picture.

"Firstly, it needs to be borne in mind that PPP and PFI deals involve a three way relationship between the public sector, the PPP contractors and the lenders providing debt to the contractor. The interest of the lenders is to ensure that there is an assured stream of future revenues to meet the cost of debt service. It is not, therefore, in their interest to

make it easy for the PPP contract to be terminated due to poor performance by the PPP company. Under Treasury guidance, public sector bodies should take account of this in drawing up contracts: 'The Contract must achieve a fair balance between the (Public Sector) Authority's desire to be able to terminate for inadequate service provision and the Contractor's and its financiers' interest in restricting termination to the severest of defaults' (Treasury Taskforce, Standard Contract Terms, 20.2.1.1). Thus, for example, contracts should make provision for sufficiently generous "rectification periods" where PPP companies have a chance to put things right rather than having the contract terminated immediately.

"Furthermore, if previous Private Finance arrangements are anything to go on, LU will, implicitly or explicitly, guarantee that most of the debt taken out by the PPP companies will be paid back to the lenders even in the event that the contract is terminated due to default on the part of the PPP. Some earlier PFI contracts have guaranteed debt by simply including compensation clauses in the contract specifying that debt will be repaid. The agreement for LU will take a different form but will have to achieve a similar effect: if the PPP company loses the contract, and if the lenders fail to find another contractor to take it on, London Underground will have to buy the contract back. While the lenders may lose out to a certain extent under this arrangement, they can count on LU meeting most of the cost of the outstanding debt.

"There is a powerful financial incentive on LU to take this approach, as an implicit acceptance of liability by the public sector allows PPP companies to force down interest rates and thus reduces the overall cost of the arrangement. There is also a commercial logic to these provisions. If the public sector client could simply walk away from PPP debts, there would be the possibility of 'windfall' gains where the public sector would benefit from any investment undertaken by the PPP companies without, in effect, having to pay for them.

"However, while this type of arrangement may be commercially fair, it is not unreasonable to question the

fairness of the distribution of political costs it implies. Even if PPP failed to meet any of the performance targets set out in the contract LU would still have to maintain debt service on loans it has not itself taken out. In this event, the decision on how the cost was to be handled would rest with the Mayor and the GLA who will not, of course, be party to the negotiations between LU and the PPP companies. The concession arrangement is expected to last for 25 or 30 years. Any notion that the PPP will not impose long term liabilities on the Mayor and GLA should be dispelled." (Pages 17-18)

Impossible To Get Rid Of

If anybody has any lingering illusions that PPP for the underground is a method of transferring risk to the private sector, and getting projects done on cost and on time, that should dispel them. It is always difficult to get rid of an under-performing contractor, which is central to the supply of a vital public service. Because there will be all hell to pay if the service isn't provided, there is a natural tendency to stick with the devil you know and attempt to get him to perform better. But if you have to take over his debt in order to get rid of him, then a cash-strapped body like the London Underground will find it next to impossible to get rid of him no matter how badly he performs.

The corollary of that is that London Underground is in a very weak position when it comes to applying pressure to under-performing contractors to make them perform—which has very serious implications for service delivery to London Underground by PPP consortia. These consortia will be around for 25 or 30 years, with contracts that mean that they can take a minimalist attitude to service delivery (and thereby maximise profit) in the full knowledge that they cannot be kicked out.

It is beyond belief that the Government is forcing public sector bodies to enter into PPP contracts of this kind, which puts the public sector buyer at the mercy of the private sector seller. The more so because for the privilege of entering into such a contract, which makes it next to impossible to enforce service delivery, the public sector buyer has to pay exorbitant private sector interest rates on borrowed money.

How can any sane person imagine that this kind of 25 or 30-year arrangement is superior to the traditional method of the public sector buying services from the private sector? That is, under a contract specifying the services to be supplied and the costs to be paid in exchange, with penalty clauses in the event of failure to deliver satisfactory service on time. Such a contract might last for a couple of years but could be renewed if satisfactory service is delivered on time and if not another, hopefully more satisfactory, contractor could be found.

Compare that with taking out a 25 or 30-year contract, which is almost impossible to break even if the service delivery is woeful.

Bond Issue Alternative

The bond issue alternative to PPP is another method of borrowing money. It is a much cheaper method. The PWC projection for the costs of PPP estimates a requirement for about £2,440m to be borrowed by the PPP consortia in the first 15 years at an estimated cost of £1,970m in interest and dividends. If London Underground itself borrowed the same amount by bond issue, the 'Listen to London' Report estimates that it would cost about £991m, giving a saving of almost £1bn. Here, an interest rate of 5% is assumed. (It is also assumed that money is borrowed as and when required to supplement fares revenue and paid off evenly over 15 years, the same assumptions as for the PPP estimates.)

The PWC briefing published last December has been used by John Prescott and others to assert that bond finance is more expensive than PPP finance (by £1.6bn). Here is what the Report has to say about this:

"This document does not make the case to support the government's argument. It assumes from the start greater inefficiency on the part of the public sector, leading to higher costs over the contract period and thus the need to borrow more than would be necessary under the PPP. As the briefing assumes what it is held to demonstrate (the lower cost of the PPP option) it provides no evidence to support the argument." (Page 19)

So, it is plain that bond finance would cost less than PPP finance. However, there remains the problem that, assuming central government subsidy is ended, fares revenue will not be sufficient to cover operating costs and the bulk of maintenance costs, plus the £1bn cost of some £2.5bn of bond finance over 15 years. The Report's conclusion about bonds is as follows:

"We conclude that bonds can only be a practical option if they are secured against sources of revenue other than fares. The possibility may exist of using the proceeds of a congestion or parking tax, but future revenues are uncertain and increased Underground capacity would almost certainly be required before the tax was introduced. While bond finance may have a role, it is unlikely to serve as the primary way of securing increasing investment." (Page 19)

"Revenue bonds may involve lower financing costs [than PPP], but they should not be seen as an alternative mechanism to achieve an undesirable and in all probability unfeasible policy aim: that of making passengers meet the full cost of the Underground infrastructure. The common assumption that the Underground currently generates a surplus, which could be used to fund a debt service, makes this seem a plausible option: unfortunately, as we have seen, it is incorrect. Bond issues have to be secured against future revenue streams, and no such revenue stream is currently available. Securing debt against fares revenue alone is not a realistic option. In the absence of government grants, fares would almost certainly have to increase to meet the cost of debt service, if possibly to a lesser extent than under PPP." (Page 20)

Bonds won't sell unless there is an assurance that sufficient revenue will be available to pay the interest on them and to redeem them when they are due. It is difficult to see how this could be achieved without a Treasury commitment to meet any funding gap. In any case, the London Underground couldn't issue bonds without Treasury permission.

Central Government Must Pay

The conclusion is plain: continued central government funding will continue to be necessary whether the £2.5bn

required is borrowed via PPP or by bond issue (but about £1bn less over 15 years in the latter case). The simple solution to this is that, instead of subsidising dear methods of borrowing by London Underground, the Treasury should simply give the London Underground £2.5bn over 15 years. Whether the £2.5bn is paid out taxes or borrowed, the taxpayer would be quids in since the Government can borrow more cheaply than anybody else can.

The notion of borrowing by bond issue came from the New York's Metropolitan Transportation Authority, where a proportion of investment capital is raised in this way. But the MTA is in a position to do this because it is heavily subsidised through hypothecated state and city taxes. In 1997 46% of its total revenue came from these sources. Only 52% of its total revenue came from fares, compared with around 80%, soon to be 100%, in London. The revenue stream against which the bonds are issued includes both fares and subsidies. The Report makes the point that "the importance of public funding, rather than the advantage of bond issues, is the lesson to be learned from New York" (Page 21).

If money is borrowed by bond issue for investment, or if central government supplies the money out of taxes, then London Underground can be left as a single unit in the public sector, and can contract the private sector to provide services in the normal manner, with penalty clauses for unsatisfactory service delivery. It is no surprise that the MTA operates in this way. This is much to be preferred to 25 to 30-year PPP contracts, which are almost unbreakable no matter how unsatisfactory the service is.

BR Privatisation All Over Again?

The privatisation of British Rail has not been conspicuously successful. In large measure this has been because of the way it was broken up. In the days of British Rail, one company was responsible for looking after the infrastructure and for running the trains. Today one company, Railtrack, is responsible for the infrastructure but many companies run trains, so there is a multitude of private companies with separate, and conflicting, commercial interests, which have to work together to run trains safely. It would have been far

better to sell off British Rail as a single entity, or as a set of vertically integrated regions like the system was prior to nationalisation.

The proposed PPP arrangements for the underground will produce an even worse mess of complexity. The London Underground infrastructure has already been split into three:

Sub-surface: Circle, District, East London, Hammersmith & City and Metropolitan lines

BCV: Bakerloo, Central, Victoria and Waterloo & City lines

JNP: Jubilee, Northern and Piccadilly lines.

Each section, and around 2,000 employees, is to be handed over to a PPP consortium next year. London Underground will remain in the public sector and employ drivers and station staff only.

The Report describes the resulting complexity as follows:

"Each PPP company will be responsible for providing full infrastructure services for a set of lines, stations and depots. Among the infrastructure assets to be included in the arrangement are: rolling stock (with the exception of some Northern Line stock which is already subject to a separate PPP arrangement), track, signalling, tunnels, bridges, lifts and escalators. There is considerable overlap of infrastructure between three sets of lines, for example, where stations or track are used by more than one line, as well as a number of network wide services such as track renewal which will be allocated to individual PPP companies. This means that as well as providing services to LU, the PPP companies will be providing services to each other."

"The Public Private Partnership sounds like a simple enough idea. But it will involve an immensely complex set of relationships: LU will sign three separate contracts with the PPP companies, which in turn will have to agree contracts with each other for the provision of network wide services and the sharing of infrastructure. Moreover, each of the short-listed bidders is a consortium consisting of four or more members, and apart from agreements linking the consortium members, there will be

further contracts linking each company to the providers of finance." (Page 14)

Utterly Unnecessary Complexity

The vertical disintegration of British Rail is to be repeated, with the added complication of having three bodies responsible for the infrastructure instead of one. The latter will give rise to utterly unnecessary complexity: London Underground will have to interface with, and monitor the performance of, three PPP consortia, and each of the three consortia has to interface with each other.

Understandably, the Government has never tried to justify this absurd complexity. The obvious question is, why not one PPP consortium and therefore one interface in total? Interfaces cost money so why not have one rather than six? Railtrack owns and maintains the entire British Rail infrastructure, so there's no reason why one company can't maintain the whole underground infrastructure, perhaps Railtrack itself (on some sub-surface lines underground trains already run in part on Railtrack owned track). Splitting up the infrastructure makes no sense whatsoever, particularly since, as the Report points out, it cannot be done cleanly.

One PPP would obviously be more efficient than three, but it would still leave a system, which, like the privatised rail system, isn't vertically integrated. Running trains safely would be the joint responsibility of corporate bodies with conflicting commercial interests. Track and signals would be the responsibility of an infrastructure consortium, but the drivers of the trains would continue to be employed by London Underground. It is a recipe for a less efficient system running less safe trains.

The London Underground should not be broken up. If it is not retained in the public sector, it should be privatised as a single entity, and regulated. In either case, it will continue to require central government subsidy. It wouldn't be saleable without the promise of continuing subsidy, as the last Government had to promise in order to sell British Rail.

But privatisation as a unit with appropriate regulation would be a much better option than the Government PPP

proposals, and probably less dependent on public funds. At least there would then be one company responsible for running the system and if it didn't provide an acceptable service you would know who to blame. If the Government's proposals are implemented, it won't be fair to blame the residual public sector London Underground, since it will have been saddled with contracts with PPP consortia which are almost unenforceable and will have to pay through the nose for the privilege.

Subject Of Debate

These matters will presumably be the subject of debate between Ken Livingstone and the Government in the coming months. Up to now the argument between them has been on alternative ways of borrowing money, with Livingstone asserting (quite rightly) that PPP finance would very much dearer.

But, as we have seen, the PPP route has other horrendous consequences. The Mayor and the GLA will be saddled with long term, and almost unbreakable, contracts with PPP consortia for which they will be obliged to pay Infrastructure Service Charges but which may be well defined for the first few years only and are scheduled to rise by an unquantified amount thereafter. And to make matters even more difficult, if central government subsidies are withdrawn completely with the introduction of PPP, there won't be enough funds to meet the Infrastructure Service Charges in either the short or long term.

We assume that, having won the mayoral election by a street, Livingstone is not going to take that lying down.

It is possible that he will persuade the Government to drop its PPP proposals. Theoretically, the Government has to prove that the PPP route is cheaper than any public sector alternative, which gives them a way out if it becomes politically necessary to take one.

But, even if Livingstone wins that round, he will still have to persuade the Government to continue central government subsidies. Otherwise the underground infrastructure will continue to fall apart.

Editorial continued

manoeuvred by the old-guard Tory grandees into a more active posture towards Rhodesia. By this time the African guerillas had sufficiently unsettled the life of the settlers to make them amenable to a kind of independence brokered by Whitehall. They agreed to relinquish political power in exchange for a guarantee of their safety. It was in reality something much less than independence for the Africans, but since they had failed to win an outright military victory they had to make do with it.

Edgar Ansel Mowrer, a pioneer anti-fascist of the 1920s and 1930s, author of a famous book called *Germany Puts The Clock Back* (1933), reflected on the nature of politics a couple of years after the defeat of Hitler: "Power is the primary purpose of people in politics... For power can be transformed into almost all things individual human beings desire... therefore all politics are power politics. There can be no other kind... If this basic fact is forgotten for an instant, politics become incomprehensible". (*The Nightmare of American Foreign Policy*, 1949)

Britain, having reneged on its

Constitutional Imperial obligations in Rhodesia from 1965 to 1980, intervened in 1980 to broker a kind of majority rule independence under supervision—political independence which was bereft of power in certain crucial respects. Colonial property was put beyond the reach of Zimbabwean politics.

All over the old Eastern Europe people have been taking back properties which they lost fifty or sixty years ago—and the power to which they lost them was the power that defeated Hitler. But the suggestion that Africans should reclaim the property that was taken from them by master-race types has been denounced across the entire spectrum of British politics.

On the BBC's Question Time (April 23rd) it was asked if Britain had moral obligations towards Zimbabwe dating from the Empire period. The secretary of State for Defence (Geoffrey Hoon) said: "Well, in a sense we have a legal responsibility because at the time of independence we did agree to finance some limited programme for resettlement"—and that was all. And the government of Zimbabwe had relieved Britain of meeting that responsibility up to the present because it has not provided the right conditions.

An "absolute prerequisite" is peace. (But when there is peace there is, of course, no urgency). And then the land must "be made available to poor farmers—not simply to President Mugabe's cronies". And he saw no reason for doing more than was legally required by the independence settlement, when the conditions were right. Another panellist was a retired Lord Justice of Appeal, Sir Frederick Lawton. He began: "I think one's got to remember that a hundred years ago the whites invaded and took over the part of Africa now known as Zimbabwe. They appropriated the land. They got rid of the local farmers who were then farming it. It seems to me that that's got to be put right at some time in the future".

But judges, as we all know, are eccentric old fogeys. Socialists, Tories and Liberals agreed on a minimal, legalistic reading of Britain's obligations, deriving not from deeds of Imperial plunder and racist government, but from the 1980 Lancaster House Agreement—and they agreed that Zimbabwe had to behave as Britain told it before even these minimal obligations should be met.

The refrain of "Mugabe's cronies" relieves Britain of all present

Announcement

Open meetings of the Bevin Society/Labour & Trade Union Review are held on the first wednesday of every month. The next meeting is on June 7th.

Theme: 'Adam Smith'

(Introducing Gwydion M. Williams' new book, *Adam Smith—Wealth Without Nations*)

7.30 p.m. Printer's Room, Red Rose Club, Seven Sisters Road, London N.7

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All Welcome

responsibility. It is about a year and a half since the British airwaves were full of propaganda against Mahatir's "crony capitalism" in Malaysia. But the combined pressure of Britain and the USA failed to get rid of Mahatir, and Malaysia came through the Asian economic crisis intact and strong.

Contradictory demands are being made on Zimbabwe—on the one hand that any land reform should not undermine the agricultural economy as it now exists, and the other that the land should be transferred to poor farmers and not to rich cronies. The white farmers engage in very large scale farming for the world market, using a labour force that verges on serfdom. Distributing the colonial estates between poor farmers would largely replace commercial farming for the world market with subsistence farming.

The "cronies" are Africans who have succeeded in becoming wealthy in spite of the ongoing colonial monopoly of the land. And it is hard to see how a decolonisation of the large estates could maintain them as large estates if they do not pass into possession of wealthy Africans—'cronies' as we choose to call them. (The alternative of conducting them as state enterprises is, of course, out of the question these days.)

Lord Lamont agreed with Hoon. He added (and Hoon did not dissent): "President Mugabe has launched this ridiculous military adventure in the Congo so that his armed forces can get their hands on diamond resources there. It is a deeply corrupt country".

The situation in the Congo is that the government of the Congo, headed by Laurent Kabila, which was established through the overthrow of General Mobutu a couple of years ago, is under military threat from Uganda, acting in co-ordination with Britain. The President of Uganda, Museveni, is treated with immense respect by British interviewers. They never ask him hard questions—like why he doesn't get himself elected. Museveni, with American and British support, organised the invasion of Rwanda by an army of the Tutsi aristocracy which set off the Tutsi/Hutu conflict there. Then he organised the overthrow of Mobutu in the Congo and his replacement of Kabila with the intention that Kabila should be his front man. When that didn't work out right he launched a war against Kabila. Mugabe has dared to conduct an independent

foreign policy by sending a military force to the Congo in support of the established regime there. That isn't the kind of thing these African pseudo-states were expected to do. And that's the real trouble of course—they are ceasing to be pseudo-states.

The war in the Congo certainly contributed to the economic crisis which led to the decision to tackle the land question by direct action—the kind of action used by Britain in the first instance—and to use political power as Britain has used it, changing the law when existing law is found to be inadequate. (A couple of years ago Mugabe attempted a land reform on the basis of paying the colonial farmers for the value of improvements they had made to the land, but not for the value of the land itself, which they had simply taken. But the "commercial farmers" (the same people who operated the regime described by Mary Holland) got the initiative bogged down in the Courts).

Robin Cook and Peter Hain set out to isolate Mugabe. They thought it would be easy, but they found it to be impossible. They called on other African leaders to speak up, but when they did they always said the wrong thing. President Mbeke of South Africa said that Britain should put up the money to buy out the colonial farmers and should not try to interfere with what Zimbabwe did with the land thereafter. That was not what Cook and Hain wanted to hear, and we did not see the South African statement repeated at all in the media in Britain.

Cook and Hain have no support abroad, but appear to have total support across the political spectrum at home.

P.K. van der Byl, the security minister in the Rhodesian racist rebellion of 1965-80, died last November. He was given an admiring obituary in *The Daily Telegraph* (Nov 19th): 'Rhodesia's old rebels pay tribute to "an inspiration"'. He brought an attitude of "finely tuned arrogance" to "the bitter bush war against black nationalist guerrillas". He declared a determination to "contest every river, every crossroads, every village and every kopje", saying that "out of the crucible of this terrible war a new race of warriors has been forged". It is as if a Nazi gauleiter in the Ukraine was praised in the *Frankfurter Zeitung* in Schroder's Germany for his efforts in defence of civilisation.

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The September issue of *Books
Ireland* carried the following review:

"Two years ago the Aubane Historical Society had a confrontation with the *Irish Times*, which had called them racist for questioning the Irishness of Elizabeth Bowen in their *North Cork Anthology* of 1993. Here the articles and letters of the controversy are reproduced *in extenso*, and up front is the text of some of Elizabeth Bowen's wartime reports to the British Ministry of Information on the state of things (and particularly of popular opinion) in 'Eire'. These, released by the British Public Record Office, are supposed not only to settle the question of the writer's loyalty once and for ever, but also to prove her to be a spy (or a traitor if one insists on her Irishness); they agree that the reports don't seem to contain 'sensitive security information', but reasonably point out that other reports (referred to in them) have apparently—and suspiciously—been withheld by the PRO. It would rather belittle us if—as the book claims—this business really "goes to the heart of that Irish culture is", but Elizabeth Cameron's notes are very well worth reading as a sampler of wartime sentiment as seen by someone of her class. In case the reader does not see them as espionage or treachery, Brendan Clifford sets the scene with a major essay—just half the total extent of this book—on 'The Reasons for Irish Neutrality' which concludes among other opinions that "the British version of the War is a compilation of fairy tales". Does the first casualty of war never recover?"

The Labour & Trade Union Review is entirely dependent on subscriptions and sales for its continued existence. It is on sale in London in Dillon's, The Economist's Bookshop, and Housman's at King's Cross. It is also obtainable at Books Upstairs, Dublin and in Eason's, Botanic Avenue, Belfast.