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Joe Guinan is Executive Director of the Next System Project at the Democracy Collaborative at the University of Maryland. Thomas M. Hanna is Senior Research Associate at the Democracy Collaborative.

The privatisation of Royal Mail has been excruciating to watch. The sell-off of a perfectly successful company, in public hands for hundreds of years and returning regular profits to the Treasury, is an act of vandalism not even Margaret Thatcher contemplated. It has been done in the face of widespread public opposition as well as overwhelming hostility – 96 per cent against in an official ballot – from postal workers.[i] There has also been a strong whiff of crony capitalism about a sale presided over by some of the most predatory firms in the financial jungle, including Bank of America, Barclays, UBS and Goldman Sachs. Unsurprisingly, given that the foxes were auctioning off the henhouse, the share price was grotesquely undervalued and there was a feeding frenzy of oversubscription. After the initial public offering at 330p, Royal Mail shares shot up above 500p, representing a clear loss to the taxpayer of well over £1 billion.[ii] TUC General Secretary Frances O'Grady described this as 'little different from selling five pound notes for four quid'.[iii] Other estimates placed the undervaluation as high as £6 billion.[iv] The government argued the vaulting share price was a product of market 'froth and speculation' and asked to be judged on the price in three months' time. Those months have now passed and the price hasn't dropped; it is currently around 600p and in JP Morgan's estimation will settle at 700p.[v] The verdict is clear; Royal Mail is only the latest in a long line of state assets to be sold off at bargain basement prices.[vi]

Now that the deed is done, the danger is that a well-worn script, set down in the serial privatisations of the 1980s and 1990s, will play out relentlessly. First undervaluation and a skyrocketing share price. Next the weeding out of the small fry as individual investors sell within a relatively short period, reaping quick capital gains but relinquishing their ownership stake and exposing the myth behind easy promises of a shareholder democracy. Then, once ownership is concentrated in the hands of the real intended beneficiaries and the 'blood funnel' of big finance is firmly attached to the company, the vampire extraction of value.[vii] This would mean social and economic costs from job losses and a deterioration of services due to lack of capital investment while consumer prices rise; from a public interest perspective, a car crash in slow motion.

Among the general public, the tendency has been towards sorrow and resignation. But postal workers were livid, and understandably so. Their livelihoods have been put on the line and the public service they helped build has been – in the words of Billy Hayes, General Secretary of the Communication Workers Union – 'flogged on the cheap for no good reason'.[viii] A CWU ballot of 115,000 Royal Mail workers last year produced a 78 per cent vote in favour of strike action to seek guarantees on pay and working conditions.[ix] As a result, the CWU has been able to negotiate what it hails as a 'landmark' contract on pay, job security, pensions and a host of other concerns. The five-year agreement, ratified overwhelmingly by the rank and file, includes a ban on outsourcing and zero hours contracts and an increased role for the union in running the company, billed as 'a move towards German-style long-term industrial co-operation'. On this latter point, the agreement – according to CWU deputy general secretary Dave Ward – will allow postal workers to help 'shape the values and principles that the Royal Mail Group will operate under as a private organisation'.[xi]

So where does this leave privatisation? In a sane world Royal Mail would simply be re-nationalised by an incoming Labour government, preferably at the original flotation price to teach speculators a lesson. But the Labour frontbench has refused to give such a commitment, citing fiscal constraints – and in any case there is no guarantee that there will be a Labour government in 2015. The impetus to change the equation around Royal Mail must come from elsewhere. The obvious place would be the workers themselves, who have shown remarkable unity to date. The new contract – undoubtedly a success for the union in the current industrial landscape – raises a number of questions in this regard. Do they still favour re-nationalisation? Or have they conceded privatisation in exchange for the lure of codetermination?

Codetermination does not have much of a track record in Britain, being the product of more corporatist social democratic cultures like Germany. The Royal Mail contract offers a tepid version of codetermination at best. The union will take part in a monthly 'growth forum' with company bosses, but beyond that there is no real transfer of power and workers have not been given representation on the board, as is common in German codetermination schemes. There is a real risk that, having committed themselves to some minimal exercises in co-management of the company, postal workers will find themselves confronting very different circumstances in the future should profits wane or management change course. They would be well advised to look for an insurance policy in case the promised era of worker-management cooperation does not last.

Interestingly, there might just be a way for them to do this. It is a long shot, and would require some visionary leadership from the union, but it may be worth a try. The opportunity is to be found in the shares issued to postal workers as part of the government's privatisation scheme. These shares amount to 10 per cent of the company.[xii] Issuing shares to employees was a cynical attempt to bribe the workforce into acquiescence, and was treated as such in CWU ballots. (A few stoical workers refused their shares altogether as a matter of principle). Undoubtedly, the employee share distribution was intended as a fig leaf to disguise the true nature of Royal Mail privatisation. The assumption was that postal workers would either cash-out their shares after the three-year restriction on selling them expires, or hold on to them individually, giving each shareholding worker about as much say in running the company as small shareholders have with any large corporation – virtually none at all. Exercised collectively, however, these ownership rights could be a source of real strategic power.

Given the danger that codetermination will not survive future hard times or competing pressures from changing ownership, what if the Communication Workers Union were to canvass support among its members to try something genuinely radical? The union could look into the creation of a trust – to be run by the CWU or its agents, and operated with the utmost transparency and accountability, including elections to the board, regular consultations, and so forth – to which workers would cede their Royal Mail shares as soon as they are able. Already, this would give ordinary postal workers the collective clout they lack as atomised individual shareholders. If enough workers signed up, the trust would be the largest single private investor – ahead of the hedge fund TCI, which gobbled up 5.8 per cent of the company at the initial public offering.[xiii] By thinking as worker-owners rather than simply workers they could obtain genuine representation through their ownership of a significant chunk of the company. Moreover, if the workers were willing to go a step further and give up their dividends, these could be used to purchase more shares that would accrue to the trust, gradually expanding their ownership stake and shoring up their position independently of what future rounds of collective bargaining may bring. They could eventually acquire a controlling interest in the company as the trust increased its holdings over time. This would not impede any drive towards codetermination and could in fact complement it by providing workers with the board representation missing under current arrangements.

The strategic aims of such an exercise would be two-fold. First, in political terms it would have a powerful symbolic effect. Against the unseemly backdrop of greedy investors scrambling for profits from undervaluation, here would be the workers, forgoing immediate individual financial gain in order to place their piece of a vital public service into a trust for the benefit of society as a whole. In thus occupying the moral high ground they would increase the pressure on a future Labour government for re-nationalisation. Then again, even if a Labour government were to plead fiscal excuses and an inability to take Royal Mail back into public hands directly, it could still be put on the spot and made to demonstrate whose side it is on. Everyone is clear that Royal Mail shares were undervalued. Using the precedent of the windfall tax on privatised utilities enacted by the incoming Labour government in 1997, a compelling case could be made for some form of restitution.[xiv] In this instance, perhaps the best way to recoup the lost value would be via a share levy in which a new share issue would dilute the value of existing holdings with minimal impact on the public balance sheet. These new shares could then be directed into the workers' trust, thereby speeding it along its way to greater ownership and control. A share levy could even be enacted again and again in the name of increased profit sharing.

A partial precedent for such a scheme can be found in the example of the Meidner Plan in Sweden.[xv] The German-born Rudolf Meidner, chief economist at the Swedish trade union federation, first outlined his proposal in the 1970s as a response to strategic problems facing the labour movement at the time. Against the backdrop of a solidaristic wage policy, and based on the moral claim that corporate profits derived in part from hidden public subsidy, the Meidner Plan required that corporations return a significant percentage of their profits to workers as equity. To safeguard capital formation, employees would not have the right to sell their shares but instead they would be entrusted to regional public bodies – 'wage-earner funds', or löntagarfonder – which would maintain investment for a time, assets accruing to the funds remaining as working capital within the firm, and direct eventual returns to meet agreed-upon social purposes.[xvi]

Meidner estimated that it would have taken wage-earner funds 35 years to acquire 49 per cent of the equity of a corporation operating at an annual rate of profit of 10 per cent.[xvii] But the real beauty of the scheme was that the higher the profits, the faster the socialisation. Renowned economist Robert Heilbroner calculated that, 'For a company, such as Volvo, that sets aside 20 percent of its profits, the employees' fund would control 17 percent of the voting stock after five years, probably enough for working control. In twenty years it would have over 50 percent and would be in fact the owning as well as controlling interest'.[xviii] The original Meidner Plan was adopted as official policy in 1976 but the Swedish social democrats lost the election that year and the plan was subsequently diluted almost beyond recognition, a much watered-down version finally being implemented in 1983. But as Robin Blackburn has noted, a full-blown version of the Meidner Plan with repeated share distributions could have made the wage-earner funds master of the economy within decades.[xix]

In the case of the CWU trust, the end result of such an effort might even prove better than outright re-nationalisation. Far more than weak codetermination, it would vault the union to the very forefront of exciting and innovative experiments with economic democracy and workers' control in Europe. It may even point the way to a transformation of industrial power relations and new arrangements superior to top-down public ownership. The 'public-public partnerships' currently emerging in Latin America provide a glimpse of what's possible, with water re-municipalisation being conducted by local authorities and worker cooperatives together with unions and civil society organisations.[xx]

There are doubtless a host of technical legal and financial questions that would need to be answered by experts proficient in these areas. But the trust is just one idea about how to get the trade unions off the back foot on privatisation. In floating this proposal, our aim is to generate a more wide-ranging discussion of the options beyond reliance on what a hypothetical future Labour government may or may not be willing or able to do.[xxi] As a new wave of privatisation comes rolling in on the back of austerity and a loaned-out economy, it is essential to move from a defensive posture and go on the offensive.[xxii] Our proposed trust, or something like it, represents an instance in which this can be done by harnessing accumulation not for private individual gain but for shared social purpose, all the while opening up new horizons to collective capital formation, new forms of participatory public ownership, workplace democracy – and a whole world beyond.

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