

SETTING COMMUNITIES FREE

The Constitution of the Liberal Democrats asserts that we seek to balance the fundamental values of liberty, equality and community. However, our policy paper, 'Setting Business Free' starts with the line, "Liberal Democrats believe in freedom, choice and diversity". No mention there of our belief in equality and community. It is an inauspicious start and sadly the paper gets worse.

In its introduction we are told that, "Liberal Democrats start with a bias in favour of market solutions". Do we? This certainly came to news as me. I always thought that as Liberal Democrats we had a bias in favour of what works best, be that private or public. Should the party of Beveridge and Keynes approach issues with a prejudice in favour of the free market system? Should we enter every policy debate with an underlying belief that private is always better than public? I certainly do not think so. That was the approach which led the Conservatives to undertake the disastrous privatisation of British Rail in the mid 1990s.

Setting Business Free states that, "Liberal Democrats believe that there is a role for increased competition to be phased in" in the Post Offices collection and delivery system. Additionally our party is apparently, "increasingly coming to the view that a privatised Post Office – with a USO and a regulator - on Dutch lines could have a better chance of succeeding than the present structure". This Liberal Democrat believes no such thing.

It is interesting that the paper refers to the Dutch post office, TPG. It is true that in recent years the financial performance of TPG has been better than that of Royal Mail. However, the privatised TPG has not had to deal with competition in the Dutch mail market and will not have to do so until 2009. Indeed, Peter Bakker, the chief executive of TPG, has criticised UK proposals for introducing competition in the mail market too swiftly. TPG has operated as a privatised monopoly not a privatised company in a competitive market. The two beasts are quite different. This paper suggests not just privatisation of Royal Mail but a further opening up the market too.

It is of course the case that Royal Mail's financial performance has left a lot to be desired in recent years. It is coincidentally ignored in this policy paper that that is largely as a result of successive governments treating it as a cash cow and failing to invest in technology and modern management practises. Using Government failings as the basis for ripping off a public service is not a new trick – both Tory and Labour government have used it over the last twenty years. To see the Liberal Democrats follow suit is galling.

If ever there was a case of a natural monopoly, the mail system is surely it. Fragmentation of the system would help nobody, least of all the consumer. If the market was opened up to unfettered competition we would see dramatic rises in mail prices in rural and remote parts of the country as new entrants to the mail market concentrate on more profitable urban networks

It may be enough to give the authors of "Setting Business Free" a fit of the vapours but regulation of a market can work. When buses were deregulated in the mid 1980s

there was an explosion of new entrants and competition. Fares did drop initially as competing companies careered around our towns and cities. There was however no integration of timetables between competing bus operators or with other transport services. There then followed a period of consolidation until local bus services were run by one or two companies. Fares have since risen and services concentrated in peak times. Unprofitable routes at off-peak times and in rural areas have been reduced. As Will Hutton concluded in 'The State We're In', "deregulation has led to the emergence of private bus monopolies, a patchier network, higher fares, older buses, lower wages, poorly trained workforces, and chaotic timetables". The only part of the country where the picture has been different is of course London where buses remain regulated. Between 1985 and 2000 the number of journeys by bus in London rose by 13%, in the rest of the UK it fell by a third. Tells you something doesn't it?

Those in our party who see competition and free markets as the cure for all of our national ills must explain how these potions will help our mail market. Why will their impact not be the same as it has been for our rail and bus industries?

The paper argues that a universal mail service can be protected if commercial entrants pay a levy towards the USO. For a party which now wants to wage war against bureaucracy this sounds like a recipe for a red tape banquet. The regulator would have to work out exactly how much compensation Royal Mail needs to sustain deliveries to remote areas. They would then have to decide what levies to charge each commercial entrant. Will this vary according to how profitable the services offered by each company are? Account will have to be taken of the volume of mail commercial companies deliver. What if Royal Mail continues to make losses and the payments given to it are insufficient to cover the extra cost of delivering to the more remote parts of the UK? There would be increasing pressure to cut back the level of service to these areas. What if, like Railtrack and British Energy, Royal Mail became commercially unviable? Would we then take it back into public ownership? The paper is strangely silent.

When this paper was debated in Brighton many delegates expressed their discontent with this part of the paper. The response was that we "should always be prepared to consider ideas". That goes without saying. But this paper does more than to merely suggest we should consider the issue. It states very plainly that, "Liberal Democrats believe that there is a case for increased competition" in the mail market and that, "we are increasingly coming to the view that a privatised post office...could have a better chance of succeeding than the present structure". That does not sound to me like an invitation to discuss the issues but a decision in favour of one option. Given that we are now supposed to have a bias in favour of market solutions there can be little surprise that such a conclusion was reached.

Another quite breathtaking assertion to be found in the opening chapter of this paper is that, "Competition can help to create wealth and redistribute it". Heard it before? Yes, probably in the Tory manifestos of 1983 and 1987. However, scant explanation of this Thatcherite thesis is offered. I fail to see how competition will reduce large and growing income inequalities in our country. It is axiomatic that in a competition there will be not just winners but losers too.

One society that has introduced competition into almost every sphere is the United States. Is that country a model for wealth redistribution? I think not. According to the US Census Bureau, the share of national income going to those in the top fifth of American earners has risen from 44% in 1973 to 50% in 2000. The share going to the top 1% in 1998 was 15%, higher than it has ever been since the Second World War. Wealth disparities are even greater than income ones. The wealthiest 1% of US households controls 38% of national wealth, while the bottom 80% of households holds only 17%, according to the Economic Policy Institute (EPI). One is left with the nagging doubt that when the authors of “Setting Business Free” speak of redistribution they perhaps have in mind a model in which the rich get richer and the poor poorer.

The fundamental question is how will more competition, less regulation and smaller government lead to a more equal society? The answer in ‘Setting Business Free’ is through greater employee shareholdings in the companies they work for. At last a little bit of liberal thinking slips in. However, we should not kid ourselves into thinking that such a policy will lead to redistribution of wealth to the poorest. How will a cleaner or McDonalds’ worker, an unemployed person or pensioner see an increase in their wealth with this policy? Greater share ownership for some will result in additional income but for most of the really poor this policy is a non-starter.

This policy paper does propose some good measures. Allowing greater flexibility in the implementation of EU Directives, improving parliamentary scrutiny of regulatory bodies, extending one-stop shops for small businesses across the country and opposing the deregulation of pharmacies are all positive ideas. These aspects of the paper, however, seem to be there despite rather than because of the free market zealotry of its authors.

We all want to see unnecessary regulations reduced but this must be carefully balanced with the need to protect workers, our environment and local services. As constituents of mine know to their cost under-regulated markets allow unscrupulous individuals to declare bankruptcy, avoid their contractual obligations and then re-emerge with a similar company using the same assets. Unregulated markets allow exploitation of our environment and poverty pay for workers. Competition for its own sake can result in vital services being withdrawn from non-profitable areas, duplication of effort and falling standards of service.

I am delighted that the recent shadow cabinet reshuffle brings Malcolm Bruce back to the Trade and Industry portfolio. Malcolm has always been one of our best media performers and he has again got a job where his skills in articulating liberal values can be put to good use. He has a not inconsiderable job to do. The party’s Trade and Industry policy has got to be wrestled back from the hands of the free-market zealots and some balance restored to it. There are already two conservative parties in British politics, both enslaved to the doctrine that markets cure all. There is no room for a third. We have an historic opportunity to fight the corner for a social liberal economic agenda which will deliver for our country the values of liberty, equality and community. The contribution of “Setting Business Free” to this? Er, well how about we demonstrate our commitment to the environment and send its many copies for recycling.