

# The Fundamentals of Public Ownership: Learning from UK Historical Experience and Recent Scottish Policy

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## Abstract

Public ownership has emerged as desirable and achievable in the United Kingdom in the 2020s. The ongoing water crisis in England and concerns about ‘greedflation’ in sectors such as electricity and gas following recent price rises have encouraged interest in public ownership. Informed discussion is compromised, however, by a gap in public knowledge. This partly stems from the distance of time, a generation or more, since publicly owned enterprises operated in these sectors across Britain. We argue that public ownership is best understood in terms of fundamentals. Our proposed typology presents the predominant form of public ownership, nationalisation, as a response to fundamental problems, or devised as more efficient management of fundamental sectors, or established to achieve fundamental citizenship values. The typology is developed in dialogue with historical British experiences, then applied to contemporary examples of Scottish government policy, namely shipbuilding, social care and railways.

**Keywords:** public ownership, nationalisation, privatisation, fair work, economic democracy

## Introduction

PUBLIC OWNERSHIP has emerged in the United Kingdom in the late 2010s and early 2020s as a desirable and pragmatic response to a range of economic and social problems. The chief vehicle for public ownership is nationalisation, where ownership and control are transferred to national government, including in the UK to devolved governments in Wales and Scotland. It can also mean ownership and control by local authorities, and regional or metropolitan offices. Nationalisation is a contentious label which can promote positive and negative connotations. These are derived primarily from understanding of nationalisation historically as a socialist policy intervention. It is seen as damaging on the political right, compromising private enterprise and market relationships, retarding economic growth and allocative efficiency, and disappointing on the left because its manner of organisation did not sufficiently promote industrial democracy or benefit workers.

This article suggests a new interpretation. In the past, public ownership was, and is likely in the present and future, to be organised

around three *fundamentals*: problems, sectors and values. Fundamental problems are beyond the purview of existing systems of organisation. Fundamental sectors anchor the economy. Fundamental values relate to citizenship and security. Not mutually exclusive, these were three drivers of demand for public ownership in particular sectors and at particular times. In some cases, public ownership has been forced reluctantly upon politicians and civil servants, acceding to demands rooted in the fundamentals. Public discussion of water quality and sewage management in 2022–23 in England highlighted the interaction of each of these elements. Privatisation of the industry in England and Wales in 1989, although not in Scotland, was widely accepted as resulting in prolonged and continuous under-investment in infrastructure. Environmental damage, accelerating in the 2010s as UK government austerity lowered regulatory checks, was a fundamental problem. Corporate rent-seeking had arisen because there was no market competition for consumers in a fundamental economic sector. Profiteering offended fundamental values, particularly on environmental despoilation.

Public ownership obviously remains contentious, but it is clearly back on the political and policy agenda, as demonstrated by debate relating to the Greater Manchester Authority's new project of bus franchising and controls in 2023. Campaigners sought the extension of this enterprise to include public ownership.<sup>1</sup>

Our intervention is organised in two parts. The first establishes the historical basis of public ownership in the UK, focussing chronologically on the twentieth century, and setting out the three fundamentals. The second focusses on Scotland, explaining the changing public ownership agenda from devolution to the mid-2010s. The case of water is highlighted and the social democratic turn in the Scottish government is emphasised. This followed the 2014 independence referendum, stimulating new public ownership initiatives. Three of these are examined, refining the fundamentals typology: shipbuilding, social care and railways.

## The fundamentals of public ownership

A typology of three rationales for nationalisation is provided in Table 1. While rarely mutually exclusive, different fundamentals have been emphasised to a greater and lesser degree in different nationalisations. No instances of nationalisation come easily to mind where none of these rationales applied.

Public enterprise and the specific form of nationalisation have deep chronological roots which predate the Anglo-Scottish Parliamentary Union of 1707. England's and then Britain's Royal Dockyards built warships from the early modern period until the late 1990s. National and imperial security constituted a fundamental problem that shaped state control over energy sources and communications. Just before the First World War, Winston Churchill at the Admiralty oversaw the partial nationalisation of the Anglo-Persian Oil Company, later British Petroleum (BP), through a government majority shareholding to safeguard

Royal Navy oil supplies. In the 1920s, British governments incrementally acquired a dominant stake in the monopoly provider of telephone and telegraph communications, Cable and Wireless, which was nationalised formally in 1946. Public ownership of sectors fundamental to everyday life expanded from the late nineteenth century onwards, with local authority corporations supplying electricity, gas and water. Incremental national developments included the establishment of a Central Electricity Board (CEB) in 1926, and the National Grid, first developed in the 1930s.

Public ownership greatly accelerated under Labour governments between 1945 and 1951. Fundamental sectors, some mislabelled by socialist enthusiasts as the 'commanding heights' of the economy, were nationalised. In terms of research and development, productivity, production and sales, the true commanding heights were chemicals, electrical and mechanical engineering, motor vehicles and man-made fibres. Among industries nationalised by Labour, only electricity and steel were growing and profitable. These sectors were fundamental in that their output enabled activity in so much of the wider economy, especially higher growth manufacturing sectors, which remained in private hands. Iron and steel were quickly 'de-nationalised' after 1951 by the incoming Conservative government, demonstrating the always contentious nature of debate over where the frontiers of public ownership should lie.

Nationalising coal in 1947 secured much needed industrial reorganisation. Smaller private enterprises lacked the capital required for technological modernisation; this was a general tendency within Labour's programme. Problems tackled included restructuring complex sectors, eliminating inefficiencies and duplications, and leveraging large-scale investment to renew productive capacity. Electricity followed a similar logic. Centralising ownership delivered growth and rationalisation through new power stations built on a scale which dwarfed the municipal and privately owned undertakings they replaced.

Nationalised sectors operated under public corporations accountable to the relevant government department, and hence to Parliament. Leadership and upper management personnel were drawn from existing sectoral elites, selected for their technical and professional expertise.

<sup>1</sup>'Buses are better in public hands', *We Own It*, 2023; <https://weownit.org.uk/public-ownership/buses#:~:text=In%20March%202021%2C%20following%20a%20We%20Own%20It,area%20to%20regulate%20services%20in%20over%20four%20decades>

**Table 1: Typology of public ownership**

Fundamental	Example	Rationale
<b>Problem</b> Economic problems which were not resolvable under private ownership such as securing a supply of a fundamental commodity.	British Petroleum, 1914	Obtaining secure supplies of oil for the British navy.
<b>Sector</b> Managing the development of a fundamental sector of the economy to meet economic or social priorities which were not realisable under private ownership.	Electricity, 1948	A major expansion of electricity generation and rationalisation of supply and distribution was required, which only nationalisation could deliver.
<b>Values</b> Furthering values relating to contemporary understandings of citizenship, which often included the welfare and voice of industry workforces.	Coal, 1947	Building consensual industrial relations and safer working conditions through enhanced union 'voice' and material improvements.

The indirect application of democracy and consolidation of existing management disappointed those on the left hoping for a form of workers' control. Labour's nationalisation programme is summarised in Table 2.

Important citizenship objectives were also realised through nationalisation. Cinema newsreels captured ceremonial moments. In the coal industry, National Coal Board (NCB) flags were raised, and plaques were unveiled at mines stating, 'This colliery belongs to the people'. This fanfare obscured the more prosaic motives underpinning the change of

ownership. Louder union 'voice' plus harmonised safety standards shaped fundamental improvements, notably much reduced fatality rates. The Coal Board also provided the national economy with stable supplies of fuel, sold at a price below the cost of production in Scotland until the early 1960s. The welfare of those involved in delivering this fundamental good was advanced, because the incentives that influenced the operation of private companies were removed.

Nationalisation as the means of safeguarding fundamental values was especially important in a second 'wave' in the 1970s. Unlike the late 1940s, productive major firms in leading manufacturing sectors were nationalised, notably Rolls-Royce in aero engineering in 1971, and shipbuilding in 1977. Claims of socialist or collectivist motives remained problematic. Rolls-Royce was reluctantly nationalised by Edward Heath's Conservative government, obliged to respect the 'fundamentals' argument for protecting strategic capacity and know-how, along with employment and incomes in areas of above average unemployment. Rolls-Royce duly anticipated the bailout of the banking system in 2008, when Gordon Brown's Labour government in effect nationalised the Royal Bank of Scotland, as the majority shareholder, and part-nationalised Lloyds, as the largest minority shareholder. Although not intended as permanent measures, on par with nationalising

**Table 2: Labour's nationalisation programme of 1945–51**

Sector/Firm	Employment (number of workers)
British Airways	23,300
Bank of England	6,700
Telecommunications/ Cable and Wireless	9,500
Electricity Boards	176,200
Gas Boards	143,000
British Steel	292,000
National Coal Board	765,000
North of Scotland Hydro-Electric Board	2,700
British Railways	600,000

M. Florio, *The Great Divestiture: Evaluating the Welfare Impact of the British Privatisations, 1979–1997*, Boston MA, MIT Press, 2006, p. 18.

electricity or coal in the late 1940s, these steps were forced on governments which reacted to the economic logic of fundamental arguments. Strategic concerns in fundamental sectors were preserved through nationalisation, because private ownership was unable to resolve the fundamental problem of intractable financial crisis.

UK nationalised holdings were expanded by the Labour governments of 1974–79, with the entire merchant shipbuilding sector and British Leyland in motor manufacturing. The extension of public control over the infant North Sea oil and gas sector had parallels with earlier concerns about rent-seeking behaviours in the supply of crucial commodities and exports, especially in the building of a new fiscal regime. This became particularly important as the North Sea industry assumed great agency as a source of domestic energy and, through the Petroleum Revenue Tax and other levies, of public revenues and hence public expenditure. The British National Oil Corporation (BNOC), publicly owned, was established with headquarters in Glasgow to take a share in the North Sea. By ensuring the provision of essential services and raw materials, public ownership provided considerable benefits. Massimo Florio understood nationalisation in terms of reduced rent-seeking. He saw the subsequent reversal of public ownership, under Conservative governments led by Margaret Thatcher (1979–1990) and then John Major (1990–97), as institutionalised restoration of this inefficiency. Table 3 summarises privatisations during this period by sector. The preponderance of energy, transport and telecommunications, thirty-one of the itemised fifty-six, underlines the importance of seeing nationalisation in terms of economic and social fundamentals. In the North Sea the privatised BNOC was renamed Britoil and then, with symbolic purpose, Enterprise Oil.

The antecedents and mixed aims of both the 1945–51 and 1971–79 nationalisations have important implications for understanding the 1979–97 privatisations. The Thatcher-Major agenda was based on a moralised narrative of public ownership as socialist, prioritising employment protection and economically inefficient. Privatisation was said to be necessary, because nationalisation had crowded out private investment, discouraged entrepreneurial risk-taking, and inhibited desirable structural change by ossifying labour and

**Table 3: UK privatisations by sector, 1979–1997**

Sector	Number of privatisations
Energy	17
Manufacturing	12
Services	9
Transport	8
Telecommunications	6
Water	2
Agriculture and Forestry	2
<b>Total</b>	<b>56</b>

*ibid.*, pp. 40–42.

product markets. Overly influential union representatives vetoed technological innovation and productivity improvements.

Under privatisation, accountable monopolies were replaced by less accountable oligopolies, with privatised firms and their successors controlled by a small number of major shareholders. These trends are exemplified in a Scottish setting by the ownership and control of the Grangemouth oil refinery and petrochemical complex, which was first established in 1924 as Scotland turned towards petroleum in place of domestic shale oil. Until 2006, the plant was operated by BP. The public stake in BP, initially acquired, on security grounds prior to the First World War, was incrementally sold off between 1977 and 1990. While publicly owned, BP had accepted social obligations in Grangemouth, supporting housing and cultural and recreational infrastructure. These responsibilities were gradually relinquished in the 1980s and 1990s, then abandoned altogether by the privately-owned INEOS, which purchased the facility in 2006, later entering a joint venture with a foreign state-owned enterprise, PetroChina, to become PetroINEOS.<sup>2</sup> Employment conditions were downgraded; union representatives were harassed and victimised; a trend to fire and rehire, with greater reliance on subcontracted labour, was accelerated by the outcome of a serious industrial crisis in 2013, when Jim Ratcliffe, the owner of INEOS,

<sup>2</sup>R. Shibe, 'Economic security, Grangemouth, and the petrochemicals industry from c.1957 to c.2005', Sociology MSc Dissertation, University of Glasgow, 2022.

secured cuts to pay and benefits by indicating that the site would otherwise be closed. Ratcliffe's actions demonstrated the fundamental importance of the refining and petrochemicals sector, threatening not just the workforce and the town of Grangemouth, but also the larger Scottish economy given its dependency upon the refinery for petrol and feedstocks. INEOS's website boasts of Grangemouth's 'strategic importance to Scotland's energy supply and regional economic development', underlining that the site is one of just six refineries in the UK which supplies fuel across Scotland, Northern Ireland and the Republic of Ireland.<sup>3</sup> In November 2023, PetroINEOS announced its intention to cease refining operations at Grangemouth, possibly as early as 2025. This immediately prompted a renewed debate about private ownership of nationally strategic resources in Scotland and the UK.

The 2013 crisis at Grangemouth showcased a broader trend within privatisation to the degradation of employment conditions. In terms of our typology of public ownership, privatisation has flouted fundamental values of fairness while exacerbating the fundamental problem of inequality. The concentration of corporate power in formerly publicly owned industries and services contravened Thatcherite forecasts of an emergent shareholding democracy. There have been serious market defects, with imperfect competition and asymmetric information demonstrating the weak nature of the safeguarding of consumers and workers in a regulation process routinely 'captured' by business. Running through these criticisms, however, is the over-arching objection that privatisation has contributed to the remarkable and sustained growth of economic and social inequality in the UK since 1979. Privatisation has been a prolonged exercise in institutionalised rent-seeking, exemplified in the securing of rail franchises or provision of domestic electricity and gas. It has, likewise, contributed to the 'greedflation' of the early 2020s, where rising consumer prices in formerly publicly owned energy sectors are significantly higher than movements in wholesale prices warrant. One response to this has been the Labour Party's call for a publicly

owned British energy company which can serve as a 'national champion', ensuring public benefit from renewal resources instead of profiteering.<sup>4</sup>

In summary, public ownership expanded for most of the twentieth century, using nationalised enterprises to meet political, economic and social fundamentals where the private sector could not. Perspectives on motivations clashed between the political left and right, but public ownership was rarely pursued for doctrinal ends, with governments responding, sometimes reluctantly, to political and economic pressures from the consuming public and industry workforces. Sectors were nationalised to mitigate fundamental problems, manage the development of fundamental sectors and protect fundamental values in a maturing industrial society in the early and mid-twentieth century, and within a deindustrialising economy in later decades.

## Devolution and public ownership in Scotland

The privatisations summarised in Table 3 were overseen by Conservative governments which enjoyed limited and falling levels of electoral support in Scotland. This arose from the unpopularity of economic and social policies that shaped the acceleration of deindustrialisation and increased marketisation in public services. Privatisation was regarded by the electoral majority in Scotland as weakening economic security and democratic control of resources.

In Major's unexpected general election victory of 1992, the Conservative Party retained its ten seats in Scotland and even added another, but this was followed by an immensely significant defeat for the privatisation agenda. The Local Government etc. (Scotland) Bill of 1993 set out the basis for restructuring the boundaries and powers of councils, moving from the two-tier model of regional and district authorities to the unitary model that still applies in the 2020s. This proposed transferring responsibility for water and sewerage from the outgoing regional councils

<sup>3</sup>'Grangemouth', PetroINEOS, n.d.; <https://www.petroineos.com/refining/grangemouth/>

<sup>4</sup>Labour Party, *Make Britain a Clean Energy Superpower*, 2023, p. 3; <https://labour.org.uk/wp-content/uploads/2023/06/Mission-Climate.pdf>

to three territorial quangos (quasi-autonomous-non-governmental organisations), that were intended for later privatisation. Water and sewerage had been privatised in England and Wales in 1989, despite significant opposition in many areas. Financial gouging by the privatised suppliers, along with concerns about safety and leaks through under-investment, were new problems which, it was argued, could only be solved by a restoration of public ownership. The experience in England and Wales contributed to a major campaign of resistance in Scotland. Brian Wilson, Labour MP for Cunninghame North in 1994, and with Shadow Cabinet responsibilities for transport and then trade and industry, recalled the episode in 2022. Writing in *The Herald*, he described water privatisation as, ‘a step too far; a natural monopoly and essential public service which did not lend itself to the myths of competition and improvement through the profit motive’.<sup>5</sup>

Strathclyde Regional Council, led by Labour, channelled opposition to water privatisation with an imaginative postal referendum. Labour and trade union voices presented the issue in the language of values, emphasising the immorality of marketising and financialising a fundamental life resource. Voters were asked, ‘Do you agree with the government’s proposals for the future of water and sewerage?’ Turnout was 71.5 per cent, comparable with the 75.5 per cent turnout across Scotland in the preceding general election of 1992. Some 97.2 per cent of votes cast were No, with only 2.8 per cent Yes, a tally of 1,194,667 against 23,956.<sup>6</sup>

Following this campaign, the three boards appointed under the act remained in public ownership. Questions about democratic control remained, of course, but the goal of privatisation was not achieved, because of the extent of public opposition. When Scottish Water was established in 2002 as a merger of

the three boards, it became accountable to the recently established Scottish Parliament. This represented a template for future renationalised energy firms, Wilson concluded, writing amid the electricity and gas price shock of 2022. The 1980s model of privatisation plus regulation had not provided a fair deal for the public. This could only be overcome by extending the Scottish model of public water ownership to England and Wales.<sup>7</sup>

The Scottish Parliament worked from 1999 on a reserved powers basis. This narrowed the scope for strategic interventions at devolved level in economic, employment or industrial policy, where responsibility was retained by Westminster. Opportunities were nevertheless taken initially by Labour-Lib Dem coalitions to strengthen economic security where this was jeopardised by the legacies of privatisation. In 2002 the coalition, styled at this point as the Scottish executive, provided significant support funding for Rolls-Royce, which, having been saved by nationalisation, was returned to private ownership in the 1980s. The public investment maintained employment for more than 1,000 skilled workers who otherwise would have experienced redundancy.<sup>8</sup> Intervention in Renfrewshire was an affirmation of fundamental values: commitment to retaining viable industrial employment in Scotland within the context of the broader rundown of mining and manufacturing sectors.

The SNP restyled the Scottish executive as the Scottish government after winning office in 2007. The new government was not obviously attracted to public ownership. It only hinted at the possibilities of ownership alternatives in *Scotland’s Future*, the ‘comprehensive guide to an independent Scotland’ published in November 2013 ahead of the referendum on independence. Independence was projected as a future ‘opportunity to decide the best way to structure and support our railways, including the best ownership model for rail and track for the benefit of the people of Scotland’.<sup>9</sup> The muted approach to public

<sup>5</sup>B. Wilson, ‘Scotland’s water success should point the way ahead for energy’, *The Herald*, 16 August 2022; <https://www.heraldsotland.com/opinion/20658385.brian-wilson-scotlands-water-success-point-way-ahead-energy/>

<sup>6</sup>‘Strathclyde water referendum: 97% say no’, *Local Government Chronicle*, 22 March 1994; <https://www.lgplus.com/archive/strathclyde-water-referendum-97-say-no-22-03-1994/>

<sup>7</sup>Wilson, ‘Scotland’s water success’.

<sup>8</sup>R. Crilly, ‘Rolls-Royce set to remain in Scotland’, *The Herald*, 19 April 2002, p. 3.

<sup>9</sup>Scottish Government, *Scotland’s Future*, 2013, p. 127; <https://www.gov.scot/publications/scotlands-future/>

ownership was also evident in the important strategic area of capital financing. This focussed on ending the private finance initiative (PFI) and subsequent public private partnership (PPP) models which paid the private sector to build, own and maintain capital assets to provide public goods, including newly built schools, hospitals and the Skye bridge. These were judged as steps necessary to protect fundamental sectors from dysfunctional private ownership. This critique also extended to the perceived extension of the private sector into the provision of public services including, in the medical sector, general practices and the Stracathro Hospital in Tayside.

A social democratic turn at Scottish government level arguably followed the referendum. There are perhaps two interrelated electoral-cum-structural explanations for this shift, along with an important caveat. The change in leadership was partly generational. Alex Salmond, born in 1954, was succeeded as first minister by Nicola Sturgeon, born in 1970, who was shaped politically by the various economic and social crises promulgated in her youth and early adulthood under UK governments. The social democratic turn from 2014 was also reflective of the SNP's growing and changing electoral presence in Scotland. Two of Salmond's six-member Cabinet in 2011, Kenny MacAskill and Sturgeon, represented urban constituencies in lowland Scotland, which had directly experienced the negative effects of accelerated deindustrialisation in the 1980s and 1990s. In Sturgeon's 2016 ten-member Cabinet, eight were from such constituencies, as the SNP prevailed over Scottish Labour in Dundee and Falkirk, as well as in Glasgow, Renfrewshire, Clackmannanshire and West Lothian. The SNP ascendancy was clear in Westminster as well as Holyrood elections, symbolised by the winning and retaining of first past the post contests in the ex-coal counties of Ayrshire, Lanarkshire and Fife. The contest to succeed Sturgeon as SNP leader and first minister in 2023 was won by Humza Yousuf, MSP for Glasgow Pollok. The social democratic turn was constrained, however, partly by the survival of the SNP's established political and territorial bases. Among MSPs, within the Cabinet and SNP membership, there remained champions of a small state and fiscal conservatism. In the leadership election of 2023, 48 per cent of party members

supported Kate Forbes, the MSP for the Highland constituency of Skye, Lochaber and Badenoch, who favoured curbing public sector ambitions.<sup>10</sup>

The change in policy approach from 2014 was illustrated broadly by the Scottish government's adoption of the community wealth building approach to economic development.<sup>11</sup> This seeks to use public sector power to generate economic growth within local areas, narrow inequalities, and lower unemployment and underemployment. It involves five pillars of activity to minimise economic leakage to private profit: plural ownership of the economy (that is, increased municipal ownership, co-operatives, social enterprises); making financial power work for local places (through pension fund investment decisions); progressive procurement of goods and services (by prioritising local, plurally owned, firms to spend public money through); socially productive use of land and property (by ensuring that publicly-owned property creates income that is shared equitably); and fair employment and just labour markets (wage equity, targeted employment programmes, and so on).

The apparently distinct approach since 2014 has not ended private sector involvement in public services, either in terms of the ownership of capital assets or service provision, with some examples of extending private sector provision in some areas under the SNP (for example, prisoner transport). There is also debate about the new models of capital investment and the extent to which these remove profiteering by private industry from the ownership of publicly funded capital assets. The use of private consultancies to undertake reviews and tasks that would otherwise have been undertaken by civil servants and public sector administrators at different levels also continues and arguably represents an ongoing privatisation of public sector administration. There is little doubt, however, that since 2014, there has been a new enthusiasm for nationalisation from the Scottish government. Three

<sup>10</sup>S. Nicholson, 'Humza Yousaf succeeds Nicola Sturgeon as SNP leader', *BBC News*, 27 March 2023; <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-65086551>

<sup>11</sup>Scottish government, 'Cities and regions. Community wealth building', n.d.; <https://www.gov.scot/policies/cities-regions/community-wealth-building/>

examples, briefly discussed below, illustrate this appetite and refine our three-part typology of public ownership: the case of Ferguson's shipyard highlights the importance of values, with nationalisation preserving employment and productive capacity; in social care a coordination problem was addressed with moves towards a National Care Service; and the remedy to defects in the vital sector of railways was sought through nationalisation of Scotrail.

### *Ferguson's shipyard*

The shipyard in Port Glasgow has a long history, stretching back to at least 1903. It has long fulfilled contracts for the private and public sector, including the Ministry of Defence and Caledonian MacBrayne, itself a nationalised operation running essential ferry routes on the west of Scotland. In 2015 Ferguson's won a contract to build two ferries for Caledonian MacBrayne, but suffered from escalating cost and delays, leading to administration in 2019. The Scottish government responded by nationalising the yard. Public ownership in this case can be understood as driven by fundamental values: preserving local employment within an area that has suffered from the effects of decades of deindustrialisation; and maintaining Scottish capacity to build passenger ferries.

By these criteria the nationalisation was initially successful, but there were significant production difficulties, which resulted in political problems for the government. The delivery of the ferries contract was repeatedly delayed, running over budget. Even with the apparent stabilisation of nationalisation, new contracts to sustain the yard in the longer term were not forthcoming. There has also been substantial criticism of the process surrounding the nationalisation decision. Labour and Conservative opponents in the Scottish Parliament emphasised a lack of transparency and financial accountability for taking on what had ultimately become an economic liability (in terms of the late-running ferries contract). Labour MSPs also highlighted what they saw as the immoral payment of bonuses paid to shipyard management. The 2019 motives behind the nationalisation appeared to have been forgotten, for these bonuses were contrasted with an alleged failure to invest 'in facilities at the yard to improve efficiencies

and to help win future work'. This was compromising the longer-term future, jeopardising the employment of union members who saw such investment as urgent necessity. An effective voice mechanism for workers, which evolved in historic UK nationalisations, was not yet evident in Ferguson's.<sup>12</sup>

### *National Care Service*

During the Covid-19 pandemic, the shortcomings of the current provision of social care, particularly for older adults, was laid bare. The sector is known for employing a large female workforce, typically on low wages and with little provision for skills development and career progression. Despite this lack of recognition in pay or respect, the work is clearly essential. Public ownership of social care was required owing to a coordination problem. A decentralised sector, with mixed forms of ownership, was judged incapable of achieving the needed improvements in service provision and labour standards.

Social care in Scotland is a complicated sector, often divided into adult and children's services (including foster care, adoption services, residential homes). The adult care sector involves provision of services in people's own homes, residential care and nursing home care. A longstanding mixed economy of care varies greatly across Scotland, with examples of directly owned and managed services by local authorities, local authority sponsored arms-length organisations, charitable provision (for example, through the Church of Scotland), and for-profit companies. There has been a number of high-profile social care companies entering administration in recent years, citing rising costs, declining revenues from local authorities and workforce shortages (including as a result of Brexit), as explanations.

The Scottish government has announced its intention to bring social care services into a National Care Service (NCS) and is currently developing the specific policy proposals for

<sup>12</sup>Scottish Parliament, *Official Report. Meeting of the Parliament, 16 May, 2023: Ferguson Marine*; <https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-16-05-2023?meeting=15308&iob=130553>



implementation. There have been many criticisms of the proposals, including that the NCS might only involve a franchising of service provision, with little change to skills development, wages, quality of service provision, or funding.<sup>13</sup>

### Scotrail

Passenger rail is another instance of a fundamental sector absorbed into public ownership by the Scottish government in recent years. Since rail privatisation in the 1990s, there has been a complex arrangement for service provision, with Network Rail managing the physical infrastructure and a series of train operating companies (TOCs) providing the trains (usually on lease) and train services to the public. At the end of its contract the TOC for the Scottish franchise (comprising all services starting and ending within Scotland, but excluding cross-border trains, including the sleeper services, and freight trains), did not have its contract renewed, and Scotrail was nationalised in 2022. The TOC had been the Dutch firm Abellio, one of several European nationalised train companies running services in the UK.

The transfer was not smooth. Ongoing pay disputes at the time of nationalisation involved overtime bans and strikes of different groups of rail workers, with substantial disruption to services as a result. Labour disputes were generalised across the UK rail network in 2022 and 2023, exacerbated by the rapid and sustained increase in inflation sustained chiefly by fuel and food costs. It was telling that these disputes were less prolonged and extensive in the Scotrail network, with the ASLEF drivers' union, as well as the RMT, reaching settlements through direct negotiations.<sup>14</sup> This was a very early sign that nationalisation might yield positive outcomes on the Scottish railways. Profits, moreover, were no

longer being extracted from the public purse, or reinvested in an overseas rail network.

## Opportunities for learning and unanswered questions

Given the extent of privatisation that occurred under Conservative UK governments from 1979 to 1997, the institutional memory of public ownership for current policy makers is thin. British-wide historical experience and contemporary Scottish innovations, therefore, provide important potential for learning around the rationale and practice of public ownership. Within recent Scottish experiences of public ownership, there has been disappointment over the extent of change within the workings of new public enterprises and concerns over their performance, although there are signs, from the railways, of a strengthening workforce voice that might stabilise the quality of service enjoyed by passengers.

Revisiting the extension of public ownership in Britain during the twentieth century gives us access to important examples of successes across the three fundamentals, but also conditions what extent of transformation can be expected from public enterprises. In the past, publicly owned enterprises were largely characterised by strong managerial hierarchies, which prioritised efficiency gains and technical expertise. This disappointed some socialists, hoping that nationalisation would involve greater industrial democracy, although the pursuit of rationalisation and reorganisation of sectors was often in a form which extended, rather than threatened, the economic security of workers, partly through the amplification of union voice. These were changes made possible with programmes of extensive capital investment, particularly in utilities such as electricity, as well as energy industries like coal mining.

Growing interest in public ownership is visible across all levels of government in England and Wales, as well as Scotland: in local and metropolitan authorities within England, exemplified by the Great Manchester Authority's new bus initiative; at UK level, the official opposition has endorsed a publicly-owned energy company; and at devolved level, where 'Transport for Wales' was established as a new consolidated national transport company in the 2010s. The history of public ownership provides a valuable learning resource when it

<sup>13</sup>Scottish Government, 'National Care Service: consultation analysis', 10 February 2022; <https://www.gov.scot/publications/national-care-service-consultation-analysis-responses/pages/5>

<sup>14</sup>Significant new pay deals offered in Scotland and Wales', *ASLEF*, 17 May 2023; <https://aslef.org.uk/publications/aslef-significant-new-pay-deals-offered-wales-and-scotland-now-its-time-dft-do-same/>; 'RMT negotiate Scotrail deal', *RMT*, 8 June 2023; <https://www.rmt.org.uk/news/rmt-negotiate-scotrail-deal/>.

comes to understanding how the fundamentals have structured public enterprises across sectors and at varied levels of government. This will be especially important in Scotland, where there is recognition by the devolved government of the utility of nationalisation as a response to poor private sector performance in strategic economic sectors. There are, however, uncertainties about the appropriate level of direct government involvement in public enterprises and the structures of workforce and consumer voice which they require. The frontier of public ownership will remain politically contentious, as it was across the twentieth century, but pressures to extend it will continue to be founded on arguments rooted in the failure of private ownership to match the requirements of fundamental problems, sectors and values.

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by all three authors in regular team meetings at the University of Glasgow, where the focus and content of the article were also agreed. A fourth colleague at the University of Glasgow, Clementine Hill O’Connor, provided advice on recent policy developments in England. Writing was informed by learning and research undertaken separately by the three authors in earlier projects. The article was jointly written and then revised by the authors in light of editorial guidance on the basis of referee reports. We thank our editors and referees.

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