Telecommunications of the future under public ownership

Maria Exall and Gary Heather

Since the privatisation of UK telecommunications in 1984, the industry has generated mega profits for its private shareholders. However, when telecoms was publicly owned it was also very profitable. Under public ownership surplus was used to finance social investment for the many, while under privatisation the emphasis has been on private profit for the few. Under public ownership the telecoms industry had a record of high levels of investment in technology of the future. Initially, following privatisation and liberalisation, there was sufficient confidence that future profits promised by a boom market would generate massive investment in telecoms, even if much of it was used for wasteful duplication of legacy (old technology) networks. Then the telecoms bubble bust. Major shareholders were appeased, profitability stabilised, and public interest and workers' security were sacrificed. There were job losses, massive pressure on remaining employees to increase productivity and the future development of services slowed or was abandoned with declining quality of service. Meanwhile bonuses for directors continued.

Since privatisation unionisation of the telecommunications industry has massively declined – falling from over 90% to under 50%. Direct labour in catering, cleaning, security, building services, repair services, directories, training, and IT services has all been contracted out. A two-tier flexible workforce has also been introduced into the telecoms sector, with contractors, agency staff, short term contract staff and workers offshore all competing with permanent employees to increase profits and drive down terms, conditions and costs. This has resulted in worse job security, pay, training, pensions, sick leave and other benefits for CWU members.

Union membership in the telecoms industry is disproportionately located in BT and companies that have been created from BT. The anti-union stance of many of the telecoms firms created after privatisation has meant that union recruitment and recognition in those companies has proceeded at a snail's pace. This has affected labour market standards throughout the sector, and has led to lower pay and casualisation in non-unionised companies. Anti-union employers have exploited the liberalised telecoms labour market to ramp-up competition between workers, so that terms and conditions in union recognised companies who have had to compete in the same market are forced down. We must step up union organisation and recruitment, but we must also not fail to recognise, and try to change, the underlying structural reasons that help perpetuate the difficult environment unions face in the UK telecommunications industry – liberalisation and privatisation.

When Labour was elected in 1997, many CWU members had high hopes that the "network of the future" the union had promoted would be developed. But the New Labour Government not only failed to live up to this aspiration, it crystalised the regulatory system that makes this impossible to achieve. As John Harper explained[1], the national telecoms network should have been kept under a common carrier. Privatisation has in practice stunted the development of the 'Information Superhighway' of the future. The asymmetry rule prevented BT carrying TV pictures as well as telecoms over its network and therefore gave the company no incentive to invest in optic fibre cable in its local loop access network. Other than BT, no other telecoms company has the finance, infrastructure or motivation to invest comprehensively to deliver this fibre network. The so-called "deal", or "understanding", between the CWU and the Labour Party in 1995, to install the 'Information Superhighway', never materialised.

Instead the New Labour Government's regulation of telecoms, based on the Ofcom competitive model, fully accepted the principles of liberalisation. The old DTI, now Department of Business Enterprise & Regulatory Reform, was, and remains, competition mad. And our industry is left floundering without proper strategic direction. It is not only the effect on jobs, and terms and conditions, for CWU members that is at stake under liberalisation, but standards of customer service and indeed the future development of our telecoms industry.

Mobile communications continues to grow exponentially, and be integrated with other telecoms services. While at the users' end there is no sign of a physical network, in practice the service still needs a core transmission network that links up mobile handsets. So the same issues of universal access and investment apply to mobile, as they do to the fixed line network. However, one of the dilemmas about making a £15billion investment in a Next Generation Access (NGA) fibre broadband network in the UK, is the uncertainly about the capability of mobile technology to be used instead of a fixed line network as the local loop to the customer. Mobile also generates huge profits, and BT's divestment of BT Wireless in 2001 was yet another example of a restructuring exercise that was done mainly for financial reasons rather than to satisfy any social, technological or customer service logic.

Now the challenge of introducing NGA technologies, allowing the potential for fast broadband, is exposing yet again the failures of the competitive market system. The current regulatory model that governs the development

---

[1] in his book: *Monopoly and Competition in British Telecommunications, 1997*

of our telecoms industry stifles development and leads to a digital divide of technology haves and have-nots.

There is, however, an alternative to the failed market model of regulation. Rational planning, organisation and democratic control of telecoms services within the UK can deliver positive change. All the stakeholders – Government, consumers and workers – must have a say in the way the industry is run. We as a union should be relating our experience of the decline in labour market standards, with the cutbacks in training, to the deterioration of quality in customer service due to privatisation. Most importantly we should be making it clear how continuing with the current objectives of regulation – the primacy of competition – leads to a digital divide and severely damages the future development of the UK telecoms industry.

Telecoms is an essential public service and a natural monopoly. This is borne out in telecoms by the natural re-integration of rival operators in both the core and local loop networks since their enforced separation under privatisation. The creation of Openreach in BT by the regulator, to provide network services to other communications providers, also bears testament to this. There is no logical or economic rationale for separating out the provision and repair of networks and customer services as economies of scale are lost due to unnecessary duplication of these activities. Competition has proved wasteful in terms of mis-spent investment on network duplication and over capacity, while necessary investment in the broadband network of the future has been neglected. The major investment necessary to develop the future telecoms technologies will not be undertaken by the private sector without guaranteed returns.

In a period of economic downturn if private investment is not available then a public finance alternative would be prudent. After all, investment in telecoms is profitable. The assets purchased are interest bearing. And Government investment would therefore be in accordance with the Treasury's golden rule. And if a surplus is created, we say better it serve the public good rather than private profit.

The contention that public investment in telecoms deprives other essential public services of funds is a misnomer. Public ownership of telecoms could be achieved by the compulsory exchange of shares in the companies involved for interest bearing bonds issued by the Government. This method involves the exchange of paper shares for paper bonds. The government would be committed to future interest payments but would receive in return a stream of income from the new publicly owned company with which to make these interest payments. If as anticipated income exceeds outgoings, the surplus could be reinvested either back into telecoms or in some other public service such as: housing, health, education or postal services.

It is true that by issuing bonds the Government would add to the national debt, and hence raise the ratio of national debt to national income. However, while liabilities in bonds have increased, so have public assets, and therefore the net wealth position of the Government remains in equilibrium. Moreover, investors' outlays would be secure with the Government as their guarantor.

Broadband technology has enormous potential as a vehicle for public good, social inclusion and economic prosperity. It can facilitate improved communications in all areas of life including: business, education, health and even enhance our democracy. E-commerce is now a reality, and it has the potential to grow very quickly and serve the public good. We need to make Broadband Britain a reality. E-communication over the Internet makes environmental improvements possible by the reduction of unnecessary travel and carbon emissions. And fast broadband can also facilitate the free exchange of information and knowledge essential for economic regeneration and prosperity within the UK. That is why we advocate a publicly-built and publicly-owned fibre core and access network.

However, this bright future will only become a reality if communications industries are planned, organised and democratically controlled under public ownership to serve the public good along egalitarian lines. Universal access to fast broadband must become an objective of public policy. Experience has proved that this cannot be achieved with private ownership of these industries, as the main focus is then placed on cost cutting in order to maximise profit. Our communications industry should be run in the interests of the public, not for private profit.