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THE ANTI-PRIVATISATION MAGAZINE FOR THE LABOUR MOVEMENT

No 28 April 1987

What's in store from **A THIRD TERM?**

Right-wing organisations are pressing ahead with their agendas for a third term for the Thatcher Government. Demands for the privatisation of electricity, British Rail and prisons have been made in recent weeks. Twelve policy groups, each headed by a Minister were set up by the Tories last autumn to develop policies and ideas for the third term. But the Tories' election manifesto will be a half truth – remember privatisation developed way beyond both the 1979 and 1983 election commitments.

The threat of a third term must not just be seen as selling off virtually all the remaining nationalised industries and public assets. The long-term consequences of this strategy are bad enough. The Tories have a much wider agenda. Thatcher has publicly stated that she hopes to "get rid of socialism as a second force" in British politics.

A third term will also mean:

- continued mass unemployment with unemployment benefits increasingly dependent on "work" and "community service" on MSC schemes – workfare in the US
- increased central government control over policies and finances, giving an assemblance of user choice but in reality giving less real control over the quality of services and taking responsibility

and resources away from local authorities

- further trade union legislation – a Green Paper has already been published calling for further controls on the closed shop, industrial action, use of union funds etc

- increasing intervention by the Audit Commission and auditors and the continued spread of the accountancy mentality – grey, myopic, obsessed with costs, and lacking any conscience

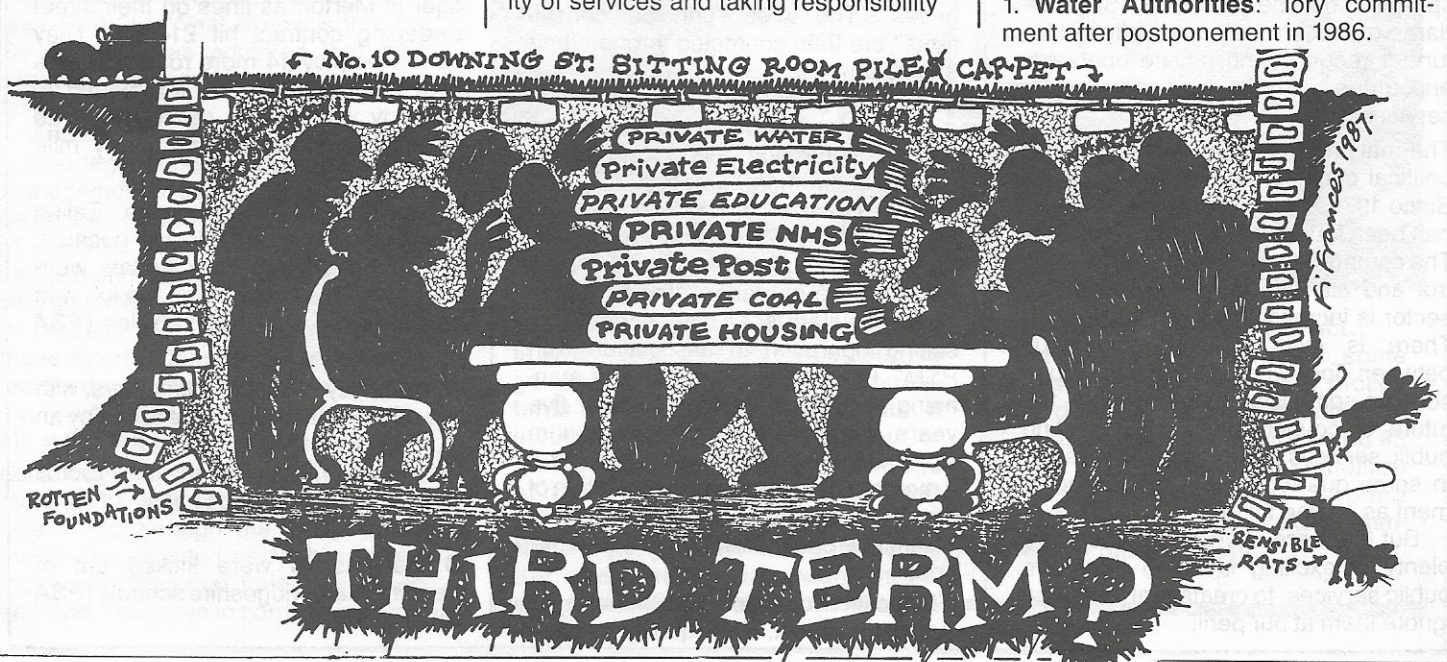
- continued pressure in both public and private sectors for changes in working practices, casualisation and flexibility in the labour market effecting women and black workers particularly hard

- further cuts in income tax will be more than offset by higher and wider VAT (eg on food) and increased charges for public services increasingly run on market criteria.

The closing down sale

Another four or five years of Tory rule will see the privatisation of the following:

1. **Water Authorities:** Tory commitment after postponement in 1986.



FROM PAGE 1

2. **Electricity:** the Centre for Policy Studies (CPS), founded by Thatcher and Joseph, recently called for the CEGB to be replaced by ten competing power companies and the Area Boards to be privatised (see page 4).

3. Partial sell-offs and private ventures for **British Coal** and **British Steel** – a recent House of Commons Select Committee report argued that British Coal should be opened up to private enterprise.

4. Sections of the **Post Office** and **British Rail** hived off – the right-wing Adam Smith Institute argues that BR's stations and tracks should be sold off as a whole and then services and subsidiaries sold to competing firms.

5. Powers will be given to parent governors to take **schools** out of local authority control and receive funding directly from the Government. It has already been announced that **polytechnics** are to be taken out of council control. Student grants likely to be replaced in whole or part by **loans**.

6. Attempts will be made to **marginalise local authorities** – urban development corporations will be set up in many cities taking over large sections of the inner cities, including council housing, with wide powers and public money.

7. **Contracting out** will be pushed across all public services – the legislation covering a wide range of local government services postponed in February 1987 will be quickly introduced.

8. **Council housing** will be "opened up to private enterprise" with public money financing private deals with drastic consequences for tenants and housing workers (see page 11).

9. More and more sections of **NHS hospitals** will be hived off to private firms, greater use made of private hospitals for NHS patients, leading to a spiralling decline of the NHS. Standards of care in the community will be further reduced and private operators encouraged to take over more social services.

The real problem is the lack of any real political challenge to these Tory plans. Since 1979 each privatisation measure has been fought one by one in isolation. The comprehensive case for public control and alternatives within the public sector is increasingly seen as "loony". There is even political consensus between Tory and Labour spokespersons on some issues, for example, the future of council housing. Subjecting public services to "competition" is seen in some quarters of the labour movement as no bad thing.

But there **are** alternatives, there are plenty of exciting ideas to transform public services, to create real jobs – we ignore them at our peril.

Final sale of BP

Immediately after the Budget in March the Government announced it was to sell its remaining 31.6 per cent of BP shares – the largest sale of BP shares since the Labour Government sale in 1977. Within days the City financial institutions were contacting the Government offering to buy all 578 million shares in bulk for re-sale onto other investors.

	per cent sold	gross proceeds	cost of sale
1979	5.0	£290m	£14m
1983	7.0	£565m	£22m
1987	31.6	£4800m*	£100m*

* estimate

A week later BP launched a £4.6 billion bid for the remaining shares in Standard Oil, BP's American subsidiary. This would make BP the third largest oil company in the world after Exxon and Shell.

US ownership of BP shares has already risen from 1 to 6 per cent of traded shares in the past year and the

Standard Oil share acquisition is seen as helping the government sell at least 12 per cent of BP shares to American investors. It is also planned to sell BP shares in Tokyo – the Japanese are now thought to hold over 10 per cent of British Gas shares.

GRAVY TRAIN

Public Sector Management (PSM) is a relatively new company selling its "expertise" in privatisation or achieving savings through cuts to local authorities. The particular areas where it claims specialism are: grounds maintenance, fleet management, cleansing, domestic services.

The company offer training, guidance and consultancy and charge £350 per tutor day. Advertising themselves as "acknowledged experts in competitive tendering" they aim to sell themselves to local authorities with insufficient staff, knowledge, or expertise to explore competitive tendering.

PSM claims to employ "associate consultants in different parts of the country backed by administrative and technical resources at its office in Newbury". A call to Newbury reveals that the organisation is run by one telephonist and another person who organises "seminars, workshops and conferences". The three "principal consultants" are then contacted through their answerphones.

Managing director is Tony Houghton, a civil engineer, who contributed to the Audit Commission report on Vehicle Fleet Management, Maurice Sellwood is an "associate" of PSM, formerly he was chief leisure officer for Epsom and Ewell in Surrey with a "slimline grounds maintenance operation", the third principal consultant is "an independent consulting operation in association with PSM". He is Philip Lloyd who was managing director of Taskmasters for five years gaining £3 million per annum worth of local authority contracts. He is a member of the National Association of Waste Disposal Contractors select committee on privatisation of waste disposal.

The political direction of PSM is clear – privatise or cut. The quality of their



advice can be judged through the record of its consultants. **Taskmasters**, for instance, have a long history of fines and failures, eg

- In 1983 they were sacking their manager in Merton as fines on their street sweeping contract hit £14,500. They had to employ 14 more roadsweepers than they planned and threatened to fine any worker who didn't sweep 20 miles each week £10 for every mile unswept (**PSA** 4).

- Taskmasters' bid for the Ealing street cleansing was rejected because the council thought their figures were wrong and they couldn't do the job with the proposed staff and vehicles (**PSA** 3).

- In Dudley schools Taskmasters, with two other contractors, were found by an NUT survey to produce dirty floors, table tops and sinks and often rooms weren't touched due to lack of time. (**PSA** 6).

- Taskmasters were kicked out of cleaning Cambridgeshire schools (**PSA** 18).

Defence Industries

PRIVATE ARMS TRADE

Royal Ordnance, the state-owned munitions business, was sold to British Aerospace – privatised only five years ago – for £190 million. British Aerospace (BAe) was already the largest UK defence contractor before it acquired Royal Ordnance (RO).

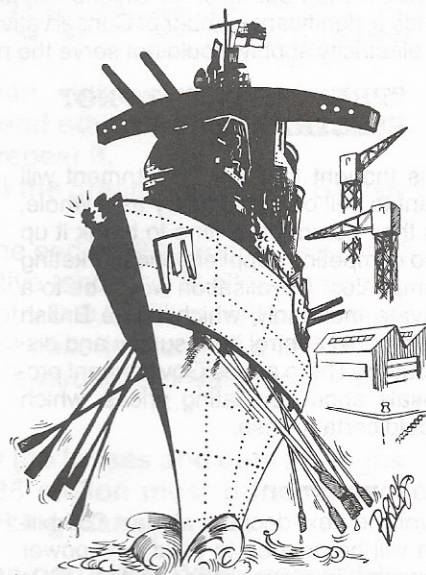
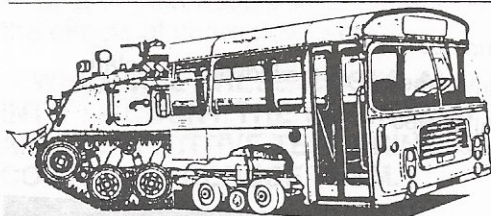
About 40 per cent of its sales were to the Ministry of Defence, and this will go up to about 50 per cent. Buying RO gives it a virtual monopoly of defence contracts in this country and makes it the biggest manufacturer of arms in Western Europe. Several of its competitors, including rival bidder GKN, have asked the Office of Fair Trading to refer the sale to the Monopolies and Mergers Commission.

Jobs disaster

The T&GWU, one of the unions representing the 16,300 workers, called it "disastrous" for the workforce. They report one of the consultants advising BAe have recommended the closure of two factories and the loss of 3,500 jobs, on top of the closure of one of the research establishments at Waltham Abbey. The unions are campaigning against the privatisation policy and the loss of preferred source status as the only way to defend the jobs in the defence industries. Although the Government says it wants to keep RO in British control, they admit there is nothing they can do to enforce that.

Competition is not exactly the name of the game in the saga of privatising RO. Since RO was incorporated as a wholly Government-owned company in 1985 3,000 jobs have been lost. Last summer moves to float the company on the stock exchange were halted after a row with Vickers. The MoD had tried to "fatten up" RO for sale by awarding it a £100 million order for tanks without going out to tender. Tenders were then invited and RO won the contract: the factory was promptly sold to Vickers giving them a monopoly of tank manufacture.

The sale of RO completes the privatisation of the defence manufacturing industries: only two nuclear warhead factories remain in Government control. The clerical, supplies and depot staff are still threatened by plans to put all that work out to agencies (see **PSA 26**).



'IN ONE SENSE, CUTTING MAINTENANCE COSTS IS PAVING THE WAY FOR DOCKYARD PRIVATISATION....IN ANOTHER, IT'S REDISCOVERING THE SPLENDOUR OF NAVAL TRADITIONS!!!'

LEGAL CHALLENGE FAILS

Rosyth and Devonport Naval Repair Yards are to be handed over to commercial agency management (see **PSA 27**) trade union attempts to delay this process on the basis of lack of consultation and information failed, when their High Court writ was rejected. Rosyth Yard comes with £200 million worth of Tri-dent-related work.

TAKING THE TRAIN?

BREL – British Rail Engineering – is to make another 1,411 people redundant as part of its pre-privatisation "streamlining". These job cuts follow the 8,000 announced last summer. BR has not only reduced its replacement of coaches and locomotives – contributing to what the Transport Users Consultative Committee describes as "massive overcrowding on trains" – but also placed orders with private firms. A recent order for main line coaches was placed with Metro Cammell who has no history of similar work, who then had to sub-contract part of the work back to BREL.



SELLING THE ROLLS?

Rolls Royce will be privatised – by share flotation – this spring with all its outstanding debts written off by the Government and a record 48 per cent increase in profits. Of the expected £1 billion raised by the sale, the Treasury will only make about £300 million, after paying off the debts.

Nonetheless, the future of the aero engine manufacturers does not look good in the face of the competition from American rivals, and the desire of the Japanese to break into the industry. Rolls are already considering closing its engine making plant at East Kilbride, making 2,400 people redundant.

The unions' suspicions were confirmed by a leaked management document proposing that Rolls Royce trade on its famous name and move into services such as unit trusts, banking, private health care etc.

PRIVATE TESTS

Driving tests are under serious consideration for privatisation, to the amazement of the unions and motoring organisations.

1,700 driving examiners – members of SCPS – and about 300 clerical staff who are employed by the Department of Transport would face compulsory redeployment to the private companies or redundancy. Two years ago a Rainer review found the organisation of the 2 million driving tests a year to be 99% efficient.

The British School of Motoring – one of the main contenders for a privatised service – are opposed to such a move. "The Government's thrust is to improve the pass rate (currently 49 per cent and has been for the last 12 years) and to cut waiting times for tests. Privatisation will not do either of those things". Their view is that examiners should remain independent of the driving schools.

The current charge of £14 covers the £40 million costs of the driving tests, so there are no "savings" to be made by the Government. In fact it would cost the Government to monitor and regulate standards. The dangers of unscrupulous companies being able to sell pass certificates or alternatively to fail more people and sell more driving lessons means that motoring organisations and road safety organisations are joining SCPS in a joint campaign to oppose this latest excess.

New towns

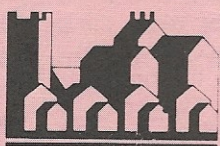
What happens to tenants?

There is strong resistance to Minister Patten's plans to privatise the housing in new towns from the councils which expected to inherit the housing stock of development corporations as they were wound up. Surveys of tenants in Telford and Peterborough have shown a majority to be in favour of councils taking over the public housing stock, rather than housing associations.

The National Federation of Housing Associations and the Association of District Councils have called on the Government to consult the tenants and organise a "binding ballot" to decide which landlord the tenants should be handed over to.

Housing associations: building empires

The charitable image of the housing association "movement" is looking somewhat tarnished as associations fall over each other in the race to take over new town stock – despite warnings about compromising on principles from their own Federation. A consortium of five associations is bidding to take over 9,000 homes in Telford: two of the associations involved – Bromford and Carinthia – are non-charitable organisations. The other three are Beth Johnson, Bournville Village Trust and Coventry Churches.

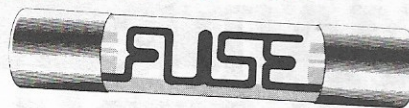


Ironically the ambitions of these HAs, backed by building society finance will involve doubling the stock of each – thereby removing one of the virtues of HAs as landlords which is the small scale of their operation.

The DOE is apparently postponing decisions on transfers of new town housing until after the local elections in May – perhaps the housing association movement should use the time to ponder on how far its members' ready acquiescence in government housing strategy might affect not just their image but their very existence. How long before the takeovers and mergers with building societies, construction companies, managing agents, etc?

The AMA Housing Committee is considering proposing a withdrawal of support by its members for housing associations which bid for local authority or new town housing.

Electricity Unions campaign:



FEDERATION OF UNIONS SUPPLYING ELECTRICITY

All the unions covering the 135,000 workers in the electricity industry have launched a joint campaign to oppose the privatisation of electricity, predicted to be high on the agenda of a third Tory Government. Their aim is to win the argument against privatisation before any legislation is put forward.

FUSE – the Federation of Unions Supplying Electricity – are campaigning to "convince a significant number of Conservative MPs and opinion formers that privatisation of electricity supply would not serve the national interest."

"PRIVATISATION? – NOT ELECTRICITY"

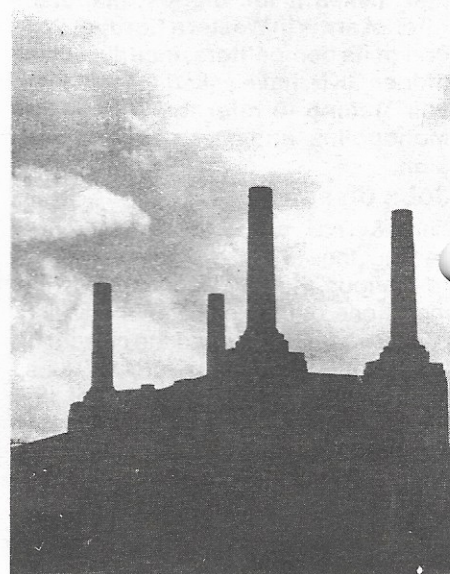
It is thought that the Government will want to sell off the industry as a whole, as they do not have time to break it up into competing suppliers and marketing companies. Privatisation would be to a private monopoly, which unlike British Gas would control both supply and distribution. There are no Government proposals about regulating prices, which would certainly rise.

No investment

Over the next decade, at least £50 billion will be needed to build new power stations. The experience in the US is that the private companies have not been able to raise investment finance and the result is inefficient and expensive power stations and unreliable supply. At the moment the electricity industry in the UK is required by law to guarantee supply.

Jobs are threatened, not just from cuts in investment and services such as showrooms, meter reading, repairs etc, but also in the suppliers. If the experience of BT is anything to go by, the privatised company would move away from a policy of buying from British companies.

It raises the prospect of privately owned nuclear power stations. How would the "political" choice between coal-fired power stations and nuclear



power be taken? There are no proposals about how the Government would regulate, for example, imports of coal from South Africa.

Private power station

In the tradition of the British Government using Northern Ireland to test out policies later introduced on the mainland, an Order in Council is currently going through which will allow the construction of a private sector power station. The Northern Ireland Electricity Board will then be compelled to buy from a private supplier.

Charter for electrical supply

Part of the campaign is a Charter that promotes improvements in the industry's responsiveness to consumers. The Charter covers such areas as:

- strengthening the powers of the Consumer Consultative Councils: giving them a say in the priorities not just to administer complaints
- strengthening code of practice covering cut-offs, and for the industry to tackle the issue of fuel poverty
- better advice on the very confusing price policies
- more flexibility in the industry's investment needs so the industry can plan
- better consultation with environmental groups
- free safety checks
- investment in energy conservation

Leyland Trucks sold to Dutch

GOING FOR A RIDE



The sale of the Rover Group's Leyland Trucks to the Dutch firm DAF has cost the Government and taxpayers a massive £680 million and resulted in 2,000 job losses. The sale of Leyland Bus to a management buy-out cost the Government £55 million.

Leyland Trucks and Freight Rover (the Sherpa van subsidiary) have been merged with DAF with the Rover Group retaining a 40 per cent stake in the new group. Originally, the Government announced that the cost of factory closures and redundancies and the write-off of accumulated losses would amount to £750 million. The deal had to be approved by the EEC which placed some restrictions on the amount of debt which could be written-off.

Closures

The deal with DAF includes the closure of the Scammell heavy vehicles plant at Watford and the foundry and engine production at Leyland in Lancashire. Jobs are also being cut at the Albion axle plant in Glasgow and at Chorley, Lancashire. There are no planned closures or redundancies at DAF plants in Holland.



The new firm started trading in April although the DAF and Leyland dealerships have yet to be combined and the location of the marketing and spare parts operations have yet to be decided. Leyland-DAF, as the UK subsidiary is named, starts with a 23 per cent share of the British market for trucks over 3.5 tonnes. However, Sherpa vans have only 13 per cent of the medium size van market, way

behind Ford Transit with 43 per cent. DAF has "promised" to invest £150 million in Britain over the next five years, over half for a new range of Sherpa vans.

Whether DAF can retain let alone increase its market share with intense European competition remains to be seen. One thing is sure – the sale of Rover's truck, van, bus and spare parts operations is yet another step in preparing Rover Group for privatisation.

Unipart sold

The much delayed sale of Unipart, the spare parts and accessory division of the Rover Group, has gone ahead to a consortium of management, employees and city financiers led by the Charterhouse Bank.

The deal and the opportunity to buy up 12% of the shares was explained to groups of Unipart's 4,000 workers at a specially arranged three hour floor show at the University of Warwick Arts Theatre in January. Dancers sang specially written songs like "We're Going to the City".

Under the deal management will take 10% of the shares now with the possibility of a further 10% later. Rover Group will retail 21.67% and receive £30m in cash plus a further £15m if Unipart achieves certain profit levels, and an extra £7m if and when the firm is floated on the stock market.

Unipart is already profitable – £6m in 1985 on £366m turnover. Profits of £11m are expected for 1986. The firm has assets of £73m.

Bus departure

A similar type of consortium has brought Leyland Bus from the Rover Group for £4m. A consortium of Bankers Trust, the Bank of Scotland, management and employees now own 72%

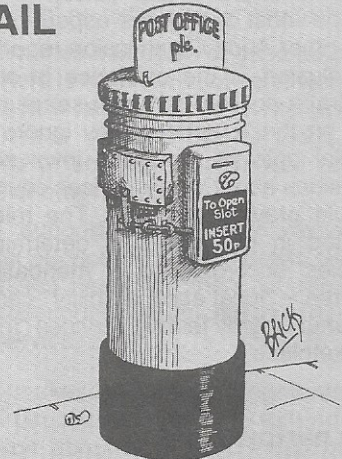
of Leyland Bus. Employees are being offered a 16.1% stake. A further 12% stake is being held in reserve for other shareholders including Lancashire Enterprises, the Lancashire County Council enterprise board which originally made a bid.

The consortium originally agreed to pay £11.7m in a deal which included a 1% stake in Leyland Parts, the truck and bus spare parts division, but this has been excluded from the new deal.

Following £33.2m pre-tax losses in 1985, Leyland Bus cut over 750 jobs last year and closed the Eastern Coachworks at Lowestoft. The current workforce of 1,250 at Preston and Workington are expected to produce 1,000 buses this year – down from 1,200 in 1986. These cuts in capacity will mean that any future large scale expansion of public transport and the reversal of Tory policies will force transport authorities to increase the imports of new buses.

Post Office

SECOND CLASS MAIL



The restructuring of the Post Office into four separate "companies" and the decentralisation of the Royal Mail makes it a clear target for privatisation.

The proposals in a recent study by the right-wing Centre for Policy Studies suggests that the letters could be handled by a series of regional courier companies, parcels would go to the many private freight companies; Giro would be sold to one of the big five banks. Local Post Offices and counters would be closed, and big supermarkets would be given the franchise for cash payments and stamps, with most benefits or pensions be paid directly into bank accounts.

These ideas have met a storm of protest from unions and groups representing the disabled and pensioners who would have to travel miles to cash pensions and purchase stamps. The cost of ordinary letter or parcel delivery would double or even treble, as private companies competed for the profitable business mail and expanding mail-order and mail-advertising markets.

Audit Commission

NO ACCOUNTING FO

The Audit Commission launched a new report on contracting out in local authorities in February this year – as their contribution to the Parliamentary debate that never happened, because Ridley dropped that section of his Local Government Bill (see PSA 27). PSA looks at this and some other recent Audit Commission reports to question the value placed in their work by politicians, auditors, council officers and others.

The cost of competition

In "Competitiveness and contracting out of local authority services", the Commission maintains its repeatedly stated view that:

"Contracting out does not represent an appropriate universal prescription" BUT also that:

"The costs of in-house services should be tested regularly against the *local marketplace*" (our italics).

The most dangerous aspect of this and other Audit Commission reports is the illusion of the existence of some neutral a-political common-sense position on these issues. They ignore the crucial political questions involved in decisions about what services councils should provide and how. The role of elected in councillors in determining policies according to a mandate is ignored – "local accountability" can be secured only by testing services "in the marketplace".

The narrow mind

The ONLY criterion for decision as to whether services should be provided in-house or by contracting out is "cost competitiveness". "Value" now means only the cost to the ratepayer for a "similar" quality of service: the role of the local authority as creator of jobs, as good employer, as provider of training and equal opportunities, is ignored. How far services meet needs and the principle of free services are not at issue: the existing service to consumers only – and its cost to the ratepayer – is in question.

But even within this limited accountants' view of council services, the Commission warns of dangers of contracting out entire services:

- Increased overheads involved in tendering and contract monitoring may offset savings made, particularly for small authorities.

- Contracting out entire services to one contractor will merely replace a public monopoly with a private one, and the precious "competitive ethos" will be lost.

- Contractors' business elsewhere may suffer from "inevitable" bad publicity which will follow a contract failure.

The Commission argues that part of the direct labour force would be maintained for greater control, flexibility and competitiveness. The implication of this argument is to promote a system like that in building and engineering DLOs since the Land Act, where a proportion of the work has to be tendered for in competition with the private sector. This creates insecurity and low morale in the DLO workforce and provides management with a permanent weapon to put pressure on workers for greater productivity and worse terms and conditions. But no doubt it's "cost competitive" – the only concern of the accountants.



Written in a taxi?

The Management of London's Authorities: Preventing the Break-down of Services is the worst example of the Commission's unbacked assertions, distorted use of statistics, selective use of figures, plain inaccuracies and glaring contradictions. Ironically it was entirely written by the departing head of the Commission, John Banham with "bits of information from one or two people". It has all the hallmarks of being written in a taxi. These include:

- It totally avoids the role of central government in the problems that it lists. Having catalogued a host of problems in education, housing, employment etc it argues: "local authorities often lack the powers and resources to tackle these problems. But it is not for the Commission to propose policies for the solution to inner city problems nor to comment on government policy towards inner cities generally or London in particular." Instead it argues that there is a "need for outstanding management," implying that such management will solve housing conditions, lack of skilled staff, etc.

- It uses a confused and insulting flow chart of an "urban underclass" which suggests that high youth unemployment is connected with single parent families and that single parent families have poor interpersonal skills.

R QUALITY!

boroughs such as Tower Hamlets, Wandsworth and Westminster (members of Group B) because they spend more and have more employees. Yet John Banham fails to ask whether such figures are due to a better service, better wages and conditions, better training, less government grants, higher historic costs or any other factors which will affect any comparison. In fact they go on to argue "the quality of local service is not the issue, the analysis compares like with like", when clearly they are not comparing like with like!

● Having argued quality is not an issue the report criticises Group A authorities who "spend £7 per week per household more and the services they provide are often no better – and in some cases worse – than Group B authorities". There was no evidence at all to back up this statement. We asked the Commission's press office to provide it. After three phone calls they admitted they could not provide any evidence. John Banham was away and despite 600 staff, no-one else could help.

● The selective and distorted use of statistics is widespread throughout the report. For instance in one example in Social Services it criticises under-occupancy in residential accommodation for children and quotes figures of £30,000 a year per resident in one authority and £55,000 in another. Ironically in its community care report the Commission actually explains how this can occur. Closing any institution is naturally very expensive since for a period there are high staff costs and overheads and low occupancy and hence high unit costs! Yet in the London report it is used as an example of the failure of management!

● More detailed information such as the example above makes a nonsense of their centrepiece charts. For instance the "bad" boroughs have an overall unit costs of £438 per week for each child in residential care according to the Commission. Yet if they are embarking on a policy of closing homes this cost will inevitably be higher than other authorities with full homes. Their key statistic becomes meaningless.

The rest of the report is of the same poor quality. Its solutions include pushing up rents, increasing charges for services, imposing a hiring freeze in administrative areas, fewer councillors, abandonment of sub-committees and strengthening chief officers' powers as if these are simple politically neutral accountancy decisions. It predicts an inner city like Harlem or Chicago if nothing is done. Perhaps the most remarkable omission is its avoidance of

social needs. It totally shies away from the questions of what inner Londoners want and how it can best be provided.

Cheap community care

In contrast the report on **Community Care** does discuss care in the community and acknowledges the range and variety of NHS and Social Services work. It contains a range of useful background material and statistics. For instance "in well over half of local authorities expenditure on services for mentally ill people is less than £1 per head of the population even though one in ten people each year consult their GP about a mental health problem". Or the fact that cost of private residential homes in 1986 was "£500m and growing rapidly."

The main arguments of the report are that community care is efficient and effective and that every local authority should radically switch resources and provide effective community care. This would cost the same as the current annual spending, £6 billion, on long-term care and support for the elderly, mentally ill or physically handicapped where the present emphasis is more on institutional care.

Whilst the report does recognise many of the present problems (eg inter-professional rivalries; disagreements between NHS and Social Services; the fact that no-one knows exactly what has happened to many mentally ill people discharged from hospitals to date; the national scandal of social security payments for private homes etc) it misses some key social problems, fails to tackle others and has some suspect solutions:



LOOK! WHEN WE MAKE COMPARISONS, OF COURSE WE TAKE INTO ACCOUNT ANY DIFFERENCES BETWEEN BOROUGHS... LIKE YOU'RE LEFT-WING, THEY AREN'T !!!



● It doesn't sufficiently recognise the desperate situation of NHS funding and its effects eg bed bartering to get one person in and another person moved out.

● It quotes the House of Commons Social Services Committee 1984/5 which rejected the idea of community care as "cost-neutral" yet sticks to its claim that no extra cash is needed.

● It quotes examples of good practice but there is no information for anyone to judge how far the examples really meet the needs of users and to judge the quality of service, employment conditions or other details.

● It supports the Fowler vision of Social Services where the public sector assesses need and then contracts in private or public organisations to deliver the service.

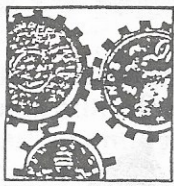
● It makes dangerous judgments on what people may want and with no discussion about how people can make their own choices. For instance it quotes its earlier findings that in three authorities half the residents in homes should have been in community care and talks of people "receiving more care than they need, undermining their independence and increasing costs".

● It suggests the possibility of transferring all residents of local authority homes, geriatric in-patients and those in mental health hospitals to private homes. This move would be financed by supplementary benefits and the NHS, giving the private sector an income of some £2 billion each year.

Ironically one table exposes the Audit Commission's political attitudes and undermines its obsessions with comparative tables. Table 10 shows how local authority homes cost from £86 to £185 per week. Usual Audit Commission practice would be to claim some authorities were overspending, were wasteful and not obtaining value for money. No such comments exist here however, because the range of costs included in the same table for private homes range from £36 to £247 per week!

Audit Commission

FINANCIAL GUARDIAN



ECONOMICS
AGENDA

THE AUDIT
COMMISSION

Can auditors put a price on democracy?

Brendan McSweeney sees danger in government rules for accountants assessing the work of town halls

Sometimes it is possible simultaneously to achieve all three Es, or one without adversely affecting the others. But more frequently the conflict and the gap between what VFM audits are supposed to be and what the auditors are capable of presents its version of VFM audits as an impartial, technical diagnosis.

RAISE RENTS, SELL ESTATES

The last report is entitled **Improving Council House Maintenance**. In some ways it is least offensive of the three since it concentrates on a specific area and manages to cover it in some detail. A number of its suggestions could certainly improve the housing service and are already being tackled in some areas eg detailed analysis of condition of housing stock, five year plans, switch from jobbing repairs to programmed maintenance, setting response times for particular repairs, more tenants involvement etc.

However other ideas simply echo current government thinking. Some of these ideas have already been aired in the Commission's earlier report **Managing the Crisis in Council Housing**. These include:

- Raising rents to pay for repairs and maintenance. Yet there is no mention of the run down in subsidies or how restoring such subsidies could fund such work without rent increases. Its basic assumption is that lack of funds is a problem for local authorities alone.
- Selling estates to reduce major maintenance problems!
- Selling land and introducing equity sharing.

● Seeing the main justification for DLOs as their emergency repair service and using them as a benchmark against which to judge the private sector.

● It uses the unsubstantiated claim that in one area 20 per cent of tenants "were said" to request 80 per cent of the repairs and concludes that tenants who ask for "too many" repairs need dealing with – in what manner they do not say.

● It completely misses out major factors such as the way in which council house sales have distorted the balance of the stock, those in better condition demanding less maintenance have been sold whilst the housing demanding most work remains in the public sector.

● It completely omits any employment or trade union issues.

● It ignores the effects that central government cuts have had and how departments have been forced into crisis management and the very obvious difficulties of breaking out of that position.

Overall the report claims management could make 25–30 per cent savings on maintenance worth some £700m nationally. Exactly how this could definitely be achieved is not spelt out.



Too confident and arrogant

Letter from the right-wing ranters
PULSE:

6 February 1987

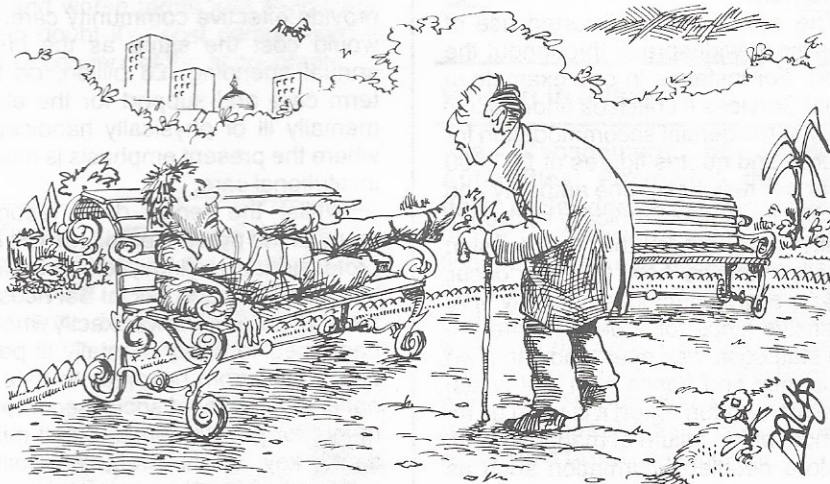
Dear Member

As you will no doubt have read by now, the Government is introducing a Bill in the current session of Parliament which will require all local authorities to invite competitive tenders from the private sector for the provision of a wide range of services.

This is a great victory for PULSE, and has been one of the major aims of our campaign...

18 February 1987

Nicholas Ridley, Secretary of State for the Environment, announces that legislation has been shelved.



"NO, MATE, THIS IS TEMPORARY HOUSING.... THE NEXT ONE ALONG IS COMMUNITY CARE...."

Our verdict

All these reports demonstrate one thing – the Audit Commission is a useful instrument of the government to provide suspect evidence for attacks on local authorities in general and the Labour local councils in particular. It also helps provide useful propaganda for pressing government policies by recommending such policies as higher rents, higher charges and increased privatisation, as if they are "common sense" solutions, not controversial political decisions.

Ironically whilst criticising the public sector for lack of economy, effectiveness, efficiency, the Commission fails on all three counts. Despite an operating budget of £22 million last year the Commission continues to produce reports with selective evidence, contradictory claims and unsubstantiated assertions, often with insufficient detail to be of much use to anyone. At the same time it fails to address the quality of services, the employment issues involved and the role of central government.

PSA challenged the Commission's London office to provide some of the missing evidence from its London report and to produce costings of these reports. It was unable to.

THE BIG LIE

Tendering saves NHS £86m

23/3/87

BY DAVID BRINDLE, LABOUR CORRESPONDENT

ANNUAL SAVINGS of £86m are being achieved by the Government's competitive tendering programme in the National Health Service, according to latest official figures.

dry services had been tested by competitive tender.

Of the total, £25.7m had come from 187 contracts awarded to outside companies and £60.3m had come from savings on 936 contracts kept in-house—a proportion of only 16.7 per cent

Employees suggest that contractors are having rather better success than the Government's statistics indicate.

Nupee's records, which seem more up-to-date, deal with a total of 1,281 contracts—162 more than the Government's data—and reports that 274 of those (21.4 per cent) have gone to outside companies.

The media report it without question, right-wing organisations and academics use it as evidence, and others believe it because the media and these organisations repeat it.

"Savings" is fast becoming one of the greatest myths in British politics.

The DHSS recently announced by the end of 1986 annual "savings" had reached £86 million from competitive tendering in NHS domestic, catering and laundry services. Of the total £60.3 million had come from "savings" on 936 contracts won by in-house tenders. The remaining £25.7 million came from 187 contracts awarded to private firms—16.7 per cent of all contracts.

"Savings" are mainly achieved by job losses and cuts in wages and benefits. So the bulk of the £86 million must be seen as a direct loss of income for mainly working class people.

But the £86 million "saving" does not exist. Whilst some NHS hospital budgets may show a reduction this is meaningless because:

- the full cost of preparing specifications, contract conditions and tendering is rarely costed let alone included in the cost analysis
- the full additional cost of monitoring contractors work is rarely taken into account nor is the time taken by nurses or other NHS staff involved in covering or remedying work not done or carried out inadequately by contractors or in-house workers constrained by new working practices
- the full cost of a poorer service to patients is never taken into account

But this is only part of the real story.

"Savings" by one section, department or service cannot, by any sane person or elementary accounting standard, be considered savings because their achievement results in **increased costs and loss of revenue** in other government departments.

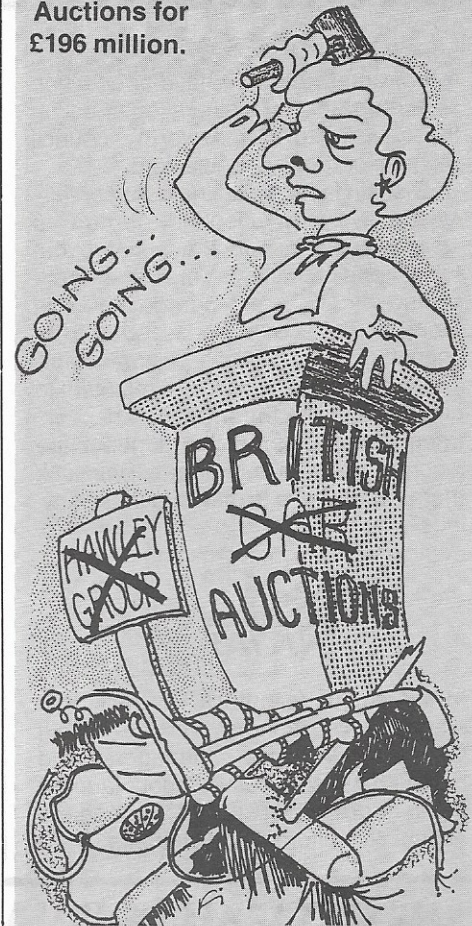
Job losses and wage cuts have a price. The additional costs and loss of revenue include:

- cost of redundancy payments (DHSS—employer now pays full costs)
- increased cost of unemployment, supplementary and housing benefits and rate rebates as a result of job losses (DHSS and DE)
- the net costs of placements on MSC employment schemes (DE)
- loss of income tax, National Insurance and VAT (Treasury)
- cost of increased use of council services and initiatives to mitigate the effects of unemployment

WHEN ALL THESE COSTS AND LOST REVENUE ARE TAKEN INTO ACCOUNT THE SO-CALLED SAVINGS VANISH INTO THIN AIR. COMPETITIVE TENDERING CAN BE SHOWN TO INCREASE COSTS, NOT REDUCE THEM.

(See Public Cost of Private Contractors, SCAT for a detailed study into the full costs of contracting out in Sheffield)

Hawley Group—one of the big two companies that now monopolise the public sector cleaning industry—has increased its profits by 93 per cent. Now Hawley is to buy up British Car Auctions for £196 million.



ANOTHER PRIVATE KIDNEY UNIT

East Anglia RHA has given a private company **Unicare Medical Services Limited** a seven year contract to run a dialysis unit for NHS patients. It will be in an existing NHS ward in Ipswich Hospital and will only treat NHS patients. The company will do the ward conversion and provide the equipment and staff. They claim to be able to do it for half the price of the NHS—thanks to the gift of the free premises.

Unicare is a subsidiary of **Travenol** who run similar units in Wales.

PRIVATE GAS: CUT-OFFS INCREASE

The privatisation of **British Gas**, announced by the Government in 1985 and finally sold in November 1986, has led to a hardening attitude to customers with fuel debts. Disconnections of domestic gas supplies increased 27 per cent last year to 45,255 compared with a one per cent increase by Electricity Boards. Evidence from the north west region where disconnections rose 79 per cent shows that although British Gas has not formally changed its code of practice it is taking a much harder line in negotiating payments from poverty stricken families and disconnecting supplies more regularly.

CONTRACTORS Fines & Failures

CLEAN ESTATES OR GO

Initial and **Exclusive** have been given six months to "get their act together" on the cleaning of Wandsworth's council estates, or they will be sacked.

Dissatisfaction with the poor service, especially snow clearing, turned to anger when the council discovered that **Initial** and **Exclusive** are now both owned by **BET**, and no-one has told them! A Tory councillor is quoted as accusing them of "brinkmanship"; "They recognise that we are reluctant to quickly admit to the failure of this contract ... savings on this contract are incorporated into our budget. If we sack them we will have to make up those savings".

ISC
INITIAL

Initial are under attack for their poor standard of laundry service within Oxford RHA area. Managers and unions have complained about laundry being returned wet and below standard, especially uniforms and clothing.

PRIVATISATION OR COMPETITIVE TENDERING?

NUPE reports that of the 1,281 NHS contracts that have gone out to tender 1,007 have stayed in-house and only 274 gone private; 13 in catering (4%), 220 in domestic services (27%) and 41 in laundry (30%).

Meanwhile the DHSS is claiming £86 million a year savings: £26 million by private firms and £60 million from in-house contracts.



'CAN I INTEREST YOU IN BECOMING A HABITUAL OFFENDER...?'

NHS TENDER IN-HOUSE CUTS

Management at Oxford's John Radcliffe hospital have agreed to appoint extra staff and restore a bonus scheme as their in-house cleaning tender has caused major problems.

In 1985 the cleaning service at the hospital went out to tender. Management put in a winning tender which was to save £100,000 over three years. This involved abandoning the 10 per cent bonus and reducing the workforce by a third. The result has been an over-worked and demoralised staff. Crisis cleaning has replaced the previous service. Betty Ward, NUPE Branch Secretary reports: "the toilets, handbasins and essential areas were cleaned but the pressure meant floors got damp mopped rather than scrubbed. The offices and admin buildings were virtually left and public areas like lifts were left dirty and sub-standard. My members had to rush from one ward to another just doing essentials. The pressures were extreme".

Staff shortages

No bonus, higher rates of pay at the university, and a demoralising workrate has lead to severe shortages of staff. In March the hospital found itself about 50 staff short out of 147 due to sickness,

holidays and lack of new recruits. Management even proposed a private company to blitz clean which trade unions immediately vetoed.

Now management are proposing the re-introduction of a 5% bonus and a night cleaning team to cover non-essential areas. They will also offer existing cleaners a £25 fee for recruiting a new cleaner if that recruit stays over three months and a further £25 if they stay a year.

Tony Stapleton, general manager (recruited from Selfridges), told the *Oxford Times* that the in-house tender saved a lot of money but "whether it was won by us or by someone else, we are still trying to do the same job as we used to". Management is clearly deeply embarrassed by this disaster and Tony Stapleton flatly refused to give **PSA** even the most basic information such as the supposed savings through the in-house tender, the hourly rate of pay and the number of cleaners needed, whilst admitting he knew all these figures.

PRIVATE PRISONS

When the idea of private prisons last appeared on the British political agenda, it was easily dismissed as yet another flag flying exercise from the far right. But as in so many other of its crusades, the Adam Smith Institute has eventually found willing listeners among Tory MPs and Ministers.

Now, 110 years after Prisons Act which nationalised the system, the Home Secretary is reported to be looking "very seriously" at the introduction of private prisons, the Commons Home Affairs Committee looks set to back the idea, and it is expected to be included in the Tory election manifesto.

The UK has a disproportionately large prison population in comparison with other countries. Numbers are rising by 300 per week and will soon reach 50,000, resulting in appalling overcrowding and understaffing in prisons. The Government is caught between public concern for "law and order" and its determination to keep public spending down. The idea of private prisons is also attractive, to break the bargaining power of the Prison Officers' Association.

Tory MPs on the Home Affairs Committee were impressed by the private prisons they visited in the US, where it's a big and profitable business. The largest US company, CCA (Correctional Corporation of America) operates nine gaols with 1,600 inmates. They claim to build far more quickly and cheaply than the state – and undercut the running costs of state prisons by 20 per cent. The Prison Officers' Association delegation was appalled at what they saw. Listing a catalogue of horrors, they said:

"We have never witnessed such shocking conditions, which considering the state of some of our prisons is a terrible condemnation in itself. We have never seen so many prisoners so obviously confused and despairing."

There is concern, too, in the US and the American Bar Association has called for a moratorium on the expansion of private prisons. Widespread disquiet has been fuelled by convictions of senior figures in the private prison sector for "inflicting cruel and unusual punishment", including the vice-president of CCA and the head of another company, Buckingham Security.

There is already a consortium of UK companies including a construction firm and a security firm reported to be planning to bid to build and run the first private prison here. CCA is expected to be called in as consultant. The Government will like what CCA says is its guiding principle: "There are no votes in prisons".

ANY FUTURE FOR COUNCIL HOUSING?

A curious kind of consensus is appearing between certain Labour politicians – notably Jeff Rooker, Shadow Spokesperson on Housing – and John Patten, Minister for Housing at the DOE.

Recent speeches by Patten sets out the Tory manifesto for a third term.

He intends to remove council housing from local authorities altogether. It will be handed over to a variety of undemocratic and profit orientated bodies:

- More urban development corporations will be set up to circumvent the “obstructiveness” of local planning authorities. They will have expanded powers to take over all council housing in their areas.

- Housing will be given over to housing associations – a trend that is already growing fast. They will not get money for repairs or modernisation through the Government but through the private sector.

- More housing trusts will be set up, like those in Stockbridge or Thamesmead, which are completely unaccountable and run by private businessmen, local worthies and a proportion of “local representatives”.

- Tenants will be encouraged to take over their estates as co-ops; any money for repairs or improvements will have to come from the private sector.

- Estates will be sold to private landlords, or to the new “social landlords” such as building societies/pension funds etc who need a secure source of profits and rent income.

- Estates will be handed over to private companies to manage. Westminster is currently planning two pilot projects.

The legislation and the financial controls are already in place to force this through. Disposal of council housing to these bodies is already taking place (see **PSA 26**). What is new is that the Government has admitted that their intention is to dismantle council housing for good.

And Jeff Rooker appears to agree. It is reported that he is proposing that the management of council housing should be handed over to committees made up of one-third tenants, one-third councillors and one-third the private financiers who lend money – for profit – for repairs or modernisation. He has not denied these reports. Other speeches have called for the private sector to come and “work with” local authorities.

He who pays the piper . . .

Local authorities have always borrowed money from banks etc to build or modernise – but through the Government; therefore it counted as “public spending”, something that Tories are obsessed with. The move to borrowing money

direct from the private sector has important implications:

- the loans are index-linked ie payments go up with inflation

- they will be direct to a particular estate, so the costs will have to be paid by increased rents, with no contribution from taxpayers or ratepayers

- if the private companies don't think they will be able to make enough money, then estates will not get the money to do improvements, unless they sell land or properties to raise it

- private financiers will be able to dictate the conditions on which the loan will be made – which could affect tenancy conditions, attitude to arrears or allocations to tenants on housing benefit etc, or use of DLOs for building works.

Housing provision would no longer be a social responsibility, paid for out of taxation and allocated according to need. The quality of your housing will reflect your ability to pay. Under the guise of “more choice”, tenants or homeless people with low incomes will be forced to live in squalid conditions with even less chance than now of ever improving their housing.



CASE-UK

The National Campaign Against the Sale of Estates

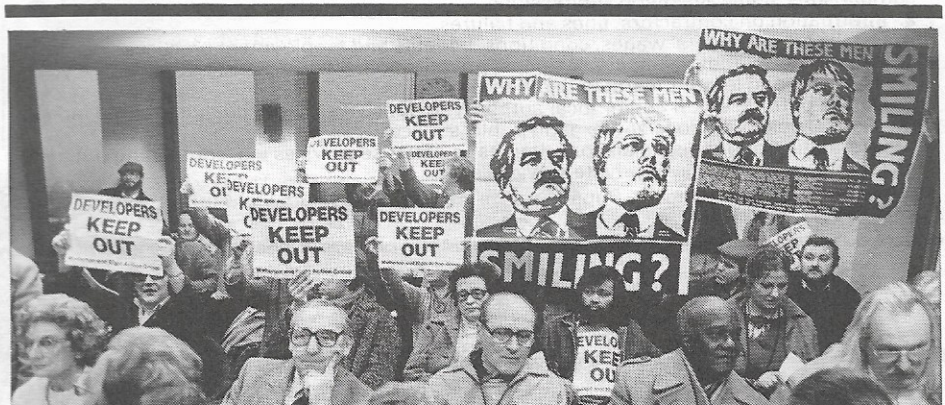
AGM and CONFERENCE

Saturday May 9th

10.45 – 4.30

Queens Walk Community Centre, Nottingham

Affiliations and more details from:
CASE-UK c/o SCAT
65 North Road, West Bridgford
Notts NG2 7NG
Tel: (0602) 813714



Walterton & Elgin tenants protested at Westminster Council's decision to go ahead with the private consultants PMI's plans for their estate. It involves forcing 500 tenants out of their homes, using the old Ground 10 of the 1980 Housing Act, so they don't have to get the Secretary of State's permission as required by the new eviction procedure in the

1986 Housing and Planning Act.

The barter deal involves some houses and one of the tower blocks being done up by the developer; in return they get a tower block and 83 houses to sell plus about £3 million worth of properties around Westminster; they will make an estimated £6 million profit.

PUBLIC SERVICE ACTION

Information

A DAY IN THE LIFE OF . . .

Free, from NUPE West Midlands Division, 101 Sutton New Road, Erdington, Birmingham B23 6RE. Thirteen workers for Birmingham City Council explain what their jobs involve, the pressures, the pay and so on. Jobs covered include home help, care assistant, school meals worker, tractor driver, social worker, caretaker etc. Excellent idea but it is appalling that not one black worker was involved.

A GUIDE TO COMPANY RESEARCH by Andrew Scott

An introductory guide for trade unionists on how and where to find out information on a company's finances and operations. As the author says, it does not tell you how to understand and use company accounts, but nonetheless useful material on sources of company information, and how to put together a company profile.

From: Merseyside Trade Union Community and Unemployed Resource Centre, 24 Hardman Street, Liverpool L1 9AX (051) 709 3995. Price £1.50 & 20p postage. Bulk rates available.

THE BUS BOOKLET

Free, CPU, Town Hall, Sheffield S1. Explains the effects of ratecapping and the Transport Act in Sheffield showing why fares have gone up and services have been cut. Has details of effects on passengers, eg reductions in bus routes and services and redundancies on the buses in South Yorkshire.



HOMES AND JOBS Information Pack from Greater London Trade Union Resource Unit, Caxton House, 13/16 Borough Road, London SE1 0AL

This pack contains useful information on the housing crisis and the state of the construction industry in London. It argues the case for public investment to build homes and provide decent jobs for building workers and includes a charter of demands for homes and jobs. There are however surprising gaps: for example, no mention of private tenants organising in the "tenants' movement" section, or of problems of racism facing black tenants; no section on the threat of wholesale privatisation of council housing – and no action section.

CONTRACTORS' FAILURES

A round-up of 15 failures between September 1986 – February 1987 published by the Joint Privatisation Research Unit set up by the health service unions COHSE, GMBATU, NUPE and T&GWU. Much of the material will be familiar to PSA readers, but this welcome joint union initiative should contribute to the evidence of contractors' failures.

From: Joint NHS Privatisation Research Unit, Civic House, 20 Grand Depot Road, London SE18 6SF.

PRIVATISATION: PAYING THE PRICE

£1.15 from Labour Research Department, 78 Blackfriars Road, London SE1. A very useful account of the effects on jobs and services of contracting out and sell-offs since 1979. Has specific sections on bus privatisation, housing sales, and the effects of selling state-owned firms and nationalised industries. Also several tables on political links of contractors, job losses etc.

CAN YOU HELP

Public Service action urgently needs:

1. Copies of council, NHS and other public bodies' reports on the tendering of services, cost comparisons, and trade union submissions.
2. Information on contractors' fines and failures.
3. Details of contractors' wages, conditions, benefits and employment practices.
4. Regular news about campaigns against privatisation, cuts and contractors. Share your ideas, tactics and lessons learnt with other campaigns.
5. Details of trade union and/or local authority, NHS, civil service and nationalised industries' initiatives to improve and expand public services.
6. Information about new plans or schemes to privatise services e.g. contracting out, use of volunteers, expansion of private services etc.

Please write or phone now – Public Service Action, 27 Clerkenwell Close, London EC1R 0AT. Tel: 01-253 3627.

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