

PUBLIC SERVICE ACTION

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Information
New Threats
Contractors
Organising**

PRICE 60p

Bulk rates - see back page

Ealing meals contractor:

HEALTH WARNING

The operations of a private contractor are dangerous and need urgent action to avert the risk of food poisoning, according to a damning report on catering services in the West London Borough of Ealing.

Commercial Catering Group provides all the school meals and the vast majority of meals on wheels and luncheon clubs from a central cook chill unit. Eighty-seven per cent of the four million meals Ealing Council needs each year are provided by this contractor, a few small franchises and a local restaurant.

Problems revealed by the independent London Food Commission report on school meals, meals-on-wheels and luncheon club catering include:

- A constant risk of contamination from cook-chill operations
- "Serious defects" in foodhandling

and "a risk of food poisoning" at one central kitchen

- Difficulties monitoring the service of the major contractor
- Failure to provide for ethnic minorities
- A big drop in take-up of school meals following cuts in funding and a change to cook-chill meals provided by a contractor
- Food provided for meals-on-wheels which was "virtually inedible" and below contract requirements for protein, calories and fibre.

Now a Labour-run council, the poor

standards reported in the borough's catering services are testimony to years of Tory cuts and under-investment. Ealing's problems are also a glimpse of the future planned under the Government's compulsory "competitive tendering" regime. Councils face increasing reports of poor provision by private contractors but massive financial and legal barriers to providing good quality in-house services.

The report recommends Ealing develop an integrated borough-wide catering service and set up a Direct Labour organisation to staff it.

More than 500 council catering jobs were lost when a Tory council bought Commercial Catering Group, Britain's largest privately-owned management catering company, into the borough. From its cook-chill centre, CCG now provides 21,200 meals a day for use in Ealing, mostly in schools.

An inspection of the centre for the LFC study found:

- Unacceptable chilling methods
- Problems with temperature control
- Excessive handling of some food
- Raw and cooked meats stored in the same area
- Bulk goods unpacked in a vehicle wash-down area next to the refuse compactor.

At a central kitchen used for regeneration of cook-chill food to be distributed to schools, an inspection found:

- "Haphazard regeneration procedures"

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"I'LL SAY THIS FOR COOK-FREEZE DINNERS, THEY CERTAINLY DRAW PEOPLE ROUND THE YULETIDE HEARTH!"

INSIDE:

- Management Consultants' "bonanza"
- Housing Bill proposals

FROM PAGE 1

Ealing

- Food below legal minimum temperatures
- Contractors' staff inadequately trained and supervised in temperature control and work methods.

DANGEROUS

The report said the kitchen was "operated in a dangerous manner" with "several serious defects" in foodhandling. An urgent review was needed to avert the risk of food poisoning.

The report found the nutritional quality of CCG meals was very low, with menus high in saturated fats but low in fibre, lacking in fresh fruit and vegetables, and lacking in variety.

The falling take-up of school meals shows how Ealing pupils are responding to the quality of food provided. In some schools it is now as low as 16 per cent. Take up is significantly lower in those schools where meals are not reheated on the premises.

In 1983 53 per cent of Ealing pupils took school meals but this has fallen to 45 per cent. By contrast, children in ILEA taking school meals rose two percentage points to 72 per cent over the same period.

School meals made only token provision for children from ethnic minorities, and for children who are vegetarian or have dietary laws governing their food habits.

Meals were found to be served lukewarm or heated up several times unintentionally in a potentially hazardous way. Unacceptable warmholding and serving facilities were found in schools and the LFC has recommended 19 schools be equipped with regeneration kitchens.

Shortage of staff in the Environmental Health Department, inadequate specifications and lack of co-ordination between different "client" departments made contract monitoring very difficult.

COUNCIL'S DILEMMA

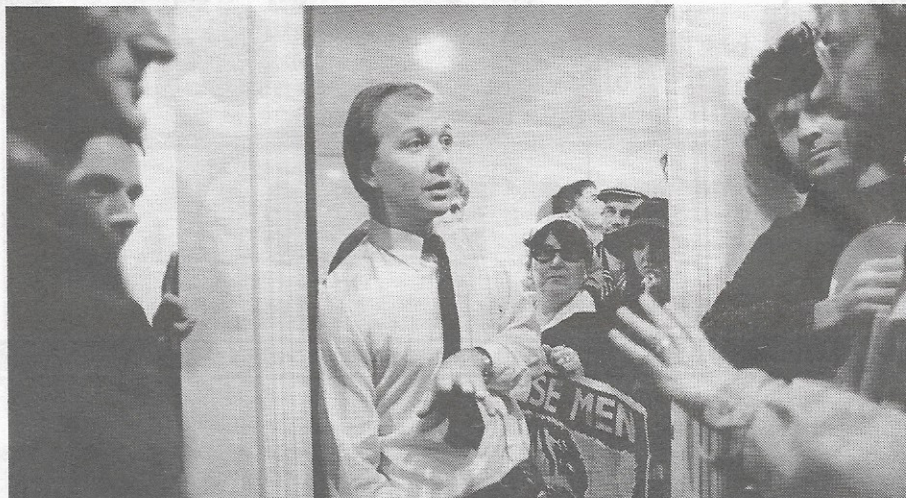
The LFC report presents Ealing's council with a major dilemma. The Labour administration is committed to bringing school meals in-house as soon as possible and reviewing the extent of other contracted out services.

However the problem lies in the cost to a rate-capped council of providing the recommended capital investment and staffing for a new council-wide catering services which can compete with contractors under enforced competitive tendering.

Street cleaning services were returned to the public sector this year after constant problems with Tory-appointed contractors (see PSA 30).

Westminster

DEVELOPERS KEEP OUT!



Lee Goldstone of Regalian Properties confronted by Walerton & Elgin tenants.

Property developer **Regalian** has promised Walerton and Elgin tenants it will "walk away" from the deal involving the sale of their homes if agreement cannot be reached with the tenants' action group.

Fifty residents from Walerton and Elgin Action Group had called unannounced at Regalian's head office, with banners, specially composed songs, and a 1,100 signature petition. They had previously visited the solicitors' firm **Oppenheimers**, which recently recruited an ex-Westminster Council solicitor, and **Project Management International** which have both been employed by Westminster City Council to try and arrange a barter deal on tenants' homes.

Regalian offered to meet representatives of WEAG at a later date to put their case and hear the tenants' views. If they pull out of the deal, then the whole sell-off, involving 500 houses going onto the

open market, will not be able to go ahead.

A three-year campaign by WEAG to save their homes has stopped Westminster selling off a single home and the council has even started repairing 80. An important part of the tenants' strategy has been direct action against companies and developers. These firms hate bad publicity and being the object of surprise pickets on their offices, affecting the rest of their business.

A similar invasion of the plush West End offices of **Grand Metropolitan** by Wandsworth tenants in 1983 finally pushed the company into pulling out of its Wandsworth Council commission for a feasibility study on privatising housing management in Roehampton.

Wandsworth: WHO NEEDS COMPETITION?

Monopoly provides better services than competition according to Wandsworth's Director of Housing. In a report to Wandsworth's Housing Management Committee on 3rd November on the borough's estate caretaking contracts, the Director explains how the merger of the two companies among whom the estates were divided has allowed for "consistent overall improvement since the beginning of the year".

The contracts had been divided at the start between BET-owned **Initial** and Brengreen-owned **Exclusive**. In 1986 BET took over Brengreen and soon merged the 2 subsidiary companies into one: **ISC/Exclusive Cleaning Services**.

The estate caretaking service has

been the subject of persistent and continuing complaints by tenants' organisations in Wandsworth. The committee report does admit that there are problems. These are explained away by:

- Bad weather
- Disruption in the contracting companies at the time of the merger
- Problems at the 'interface' with other services – all of which are themselves privatised. The gardening and refuse contracts causing problems are held by **R B Tyler**, and the window and graffiti cleaning is also contracted out.

It is admitted in the report that at any one time some 5% of estates are below standard: the solution proposed is some 'adjustments' in what is required of the contractor – and for the Housing Patrol Services (still staffed by directly employed workers) to take over more of the caretaking tasks.

Local Government Bill

TENDERING TIMETABLE

The DoE masterplan for phasing in competitive tendering was published on 2 November. Its main provisions are:

- Inclusion of sport and leisure management "on an illustrative basis pending the outcome of consultation".
- Ground maintenance to be phased in over five years (because the private sector can't cope with too much yet). All authorities must put 10 per cent of the service out to tender from April 1989, and a further 10 per cent every six months thereafter.
- For all other target services, authorities have been divided into groups by type of authority and by alphabetical order for their first letters! Each authority has to put out an additional service each April and October starting in April 1989, with the process completed in October 1991. The group to which a council is allocated on the list determines the order in which services have to go out to tender.
- All school and welfare catering goes out to tender at the first date - April 1989.
- Agency work (where one authority currently carries out work for another) will all go out to tender from April 1989.
- The only services exempt from tendering are those which cost less than £100,000 (including overheads) the previous year.



CONTEMPT FOR LOCAL NEEDS

The timetable plan proves yet again the total lack of government concern with local needs and circumstances and with the views of local councils. The Local Government Information Unit called it "*clear proof that the Government now regards councils merely as administrative units to apply central policy*".

We don't have space to print the whole list of who tenders what when: but your council and your union HQ have this consultation paper and know the order of tendering planned for your services. Get them to tell you.

CONSULTATION

The consultation period on this plan ends on 31 January 1988. The list of those being consulted, apart from the usual local authority and professional associations and trade unions includes:

- right-wing pressure groups like the **Adam Smith Institute**, **Selsdon Group**, **PULSE**, **Aims of Industry** and the **Institute of Directors**;
- a number of well-known firms of management consultants;
- a selection of private contractors with an existing foothold in the public sector;
- a number of potential bidders for sport and leisure services including **Mecca**, **Ladbroke's** and **Rank**.

RIGHT MOVES

Tory backbenchers have tabled amendments to the Local Government Bill for its Committee Stage in the House of commons. A list of 39 further council services are proposed for the tendering treatment: only finance and legal appear to be missing from the list - perhaps they're needed to dish out the contracts.

The tendering zealots (whose moves do not have the support of ministers at present) are led by Teresa Gorman, Harvey Proctor's successor as MP for Billericay, with her very own list of 32 services suitable for privatisation. Well known as an extreme right wing libertarian, Gorman is a former Westminster councillor, an experience shared with other rising stars of the right, Michael Forsyth (**PULSE**) and Francis Maud (a new boy of the right, already picked out for junior government office).

CONTRACTORS Fines & Failures

WRIST BROKEN

Sloppy cleaning by **Mediclean** at the Queen Mary's hospital in Roehampton is being cited as the cause of a nurse's broken wrist and the need for a month off work at the short-staffed London hospital.

COHSE solicitors are now preparing a claim for negligence after the nurse was injured by slipping on soapy water left on the floor of the Elderly Assessment Unit. There were no warning signs displayed in the area to warn staff or patients of the hazard.

It was the latest in a series of incidents where hospital staff have reported the cleaning contractors' flouting of health and safety regulations.

Earlier complaints about shortfalls in **Mediclean's** work include:

- toilets for patients and visitors being left uncleaned for weeks;

- blood spattered on operating theatre walls being left for three weeks;
- domestics using the same mops to clean toilets and the ward areas;
- the hospital cafeteria being left with dirty tables, full rubbish bins and uncleaned floors;
- other staff and an elderly patient slipping on wet floors left without warning signs.

Hospital unions accuse management of encouraging low standards and breaches of regulations by turning a blind eye to shortfalls by the Hawley Group-owned contractor.

TEAMWASTE COMPLAINTS

Rubbish contractors **Teamwaste** drew 800 complaints from residents when it took over the contract for Wandsworth Council's dustbin service.

Some households in the South London borough did not have their dustbins emptied for two weeks after **Teamwaste** began the contract. Others found bins not emptied on promised dates and lids left scattered down the street.

The council's lame response to more

than 800 complaints was to say this was fewer than when the service was first privatised.

DIRTY LINEN

Linen shortages and the need to return supposedly clean supplies has followed the introduction of contractors at the laundry of Powick Hospital, south of Worcester.

Health service workers have reported problems since **Co-operative Cleaners Ltd** replaced in-house labour at the hospital laundry in April. Some wards are suffering shortages of linen while other supplies have been returned to the laundry because they were found to still be stained. The linen is now no longer starched and crisp but is described as being poor quality.

The Nottingham-based firm is believed to be linked to the Co-op and had a turnover of £7.9 million last year with a surplus of £180,000. Its £427,000 contract at Powick Hospital is understood to be its only contract in the West Midlands region.

British Telecom:

UNION MEMBERSHIP DRIVE IN SUBSIDIARIES

The National Communications Union has launched a major campaign to organise workers in companies owned or controlled by British Telecom.

Part of the campaign pits the union against **Mitel**, a Canadian-based company with a history of union-busting, and challenges BT's plan to keep a growing part of its business interests non-unionised.

NCU National Organiser Geoff Barker told Public Service Action it was significant that all the major companies BT had invested in since privatisation were not unionised. As many as 9000 workers now employed in BT subsidiaries are not members of the NCU or any other union.

BT RENEGES

BT has already reneged on a pre-privatisation agreement to discuss union recognition in its subsidiaries with the NCU, referring all union approaches to the management of the individual companies, who in turn are refusing to talk to the NCU. Resistance to union approaches is clearly being co-ordinated at board level within BT. The union wants to recruit only in BT companies with a clear telecommunications link and insists BT must take responsibility for the position on union recognition taken by its subsidiaries.

The subsidiaries include:

- **Mitel**, a Canadian-based company which does telecommunications research and manufactures computer components, telephone exchanges and switchboards, employing about 950 workers at a factory near Newport in South Wales;
- **Cable Swindon** and **Cable Coventry**, BT's cable television companies;
- **International Aeradio**, involved in developing air traffic control systems, training staff in their use, and providing security staff and services at civil airports, employing about 3000 staff (see PSA 17);
- **Yellow Page Sales**, employing about 600 staff;
- **Telecom Security**, involved in home security.

Some wholly-owned subsidiaries, such as **Consumer Electronics**, **BT**



Fulcrum and **City Business Systems**, were part of BT before the sell-off. Workers in these companies had a history of organisation and remain members of the NCU, but the union is now forced to negotiate with each company separately rather than centrally with BT as the parent company.

The NCU recruitment campaign is mostly directed at BT's partially-owned subsidiaries.

Cable Swindon highlights the absurdity of BT's refusal to acknowledge the logical link for staff in the parent company and its subsidiaries. Swindon staff work alongside BT engineers, are kitted out with BT clothing, equipment and vans, and eat in the same canteen, yet BT says they are not BT staff.

UNION-BUSTERS

Mitel, 51 per cent BT-owned, has a "typical" North American "union-busting" approach to industrial relations. It employs about 5,800 people in 14 countries. When unions came close to gaining official recognition for negotiating purposes in its Canadian and US subsidiaries, Mitel threatened to close down its factories.

Some workers at Mitel's South Wales factory are already members of the NCU but the company will not let the union into the building to speak to people even outside work hours. The union has held public meetings for the workers and leafleted at the factory gate. Problems for Mitel workers include having to negotiate wages on a one-to-one basis with supervisors and working with dangerous chemicals and semi-conductor production without protective masks or clothing. Factory inspectors have visited the plant twice after a complaint was lodged by the union. The workers also have to take up complaints with management individually. The union is promoting membership around the issues of a formal collective pay bargaining machinery, a proper appeals and grievance procedure, and improved health and safety.

SAFETY ON THE LINE

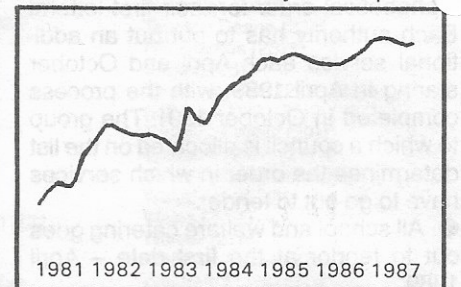
Working for **British Telecom** has become a more dangerous occupation since privatisation.

Falling health and safety standards set by management of the profit-hungry corporation has seen the accident rate for BT workers rising steeply.

As the accompanying graph shows, the accident rate at BT has risen steadily since 1981 when BT introduced more "competition" into its working methods as part of the lead-up to privatisation.

BT workers now suffer about 16,000 accidents a year but the graph shows only those industrial accidents requiring sick leave for workers on engineering grades.

The rising accident rate is occurring at the same time as BT management is cutting the number of safety officers employed and cutting about 5,000 jobs a year. A third of BT districts have cut the number of full-time safety officer posts



BIG BROTHER GOES PRIVATE

Private bids have been invited for running the new Government Data Network – linking the Police National Computer, the computers at the Passport Office, Inland Revenue, Customs and Excise and the DHSS Benefits network. The three groups of companies left in the bidding are:

- **Cable and Wireless** with **International Computers**
- **Computer Sciences Corporation** with **British Telecom**
- **Racal** with **Scicon**.

Tendering will take place before the end of 1987, and the first stage of the new system will be set up later in 1988. Staff working on the network will be vetted by security services, and public privacy and accountability will be protected, it is claimed, by access for the Data Protection Agency and the Comptroller and Auditor General (for the Commons Public Accounts Committee).

The Government plans for the winning company to run its own national management centres in Whitehall – but without civil servants.

Health

GOING COMMERCIAL

MONSTER PROFITS FROM LABS

Plans to privatise NHS pathology labs are predicted to bring a £10 million bonanza for private laboratories.

City analysts are telling investors to buy shares in private testing companies which could take five per cent of the NHS money – more than £10 million a year – spent testing blood and tissue samples for diseases such as Aids and cervical cancer.

The move is a deliberate boost for the private health industry and a way of coping with the increased demand for tests after next year's expansion of cervical cancer screening facilities. NHS labs are being described as unable to cope with increased demand for cervical cancer and Aids tests.

The London-based **J S Pathology Group** is to be a major beneficiary of privatisation. Charging about £10 for processing a cervical smear and handling up to 70,000 smears a year, the group's turnover should grow from £7.4 million this year to £12 million in 1989.

● High staff turnover is being touted as one of the reasons NHS labs cannot handle the growing volume of work. ASTMS, the main union for medical lab staff, has launched a campaign against privatisation and for better pay. Lab workers have turned down a pay offer of five per cent.

A secret DHSS memo reveals the volume of work in labs has increased at twice the rate of staff increases. Many labs have had a much greater increase in workload – the virology lab at St Thomas' Hospital, London, has seen requests increase five-fold while staff has only doubled.

The heavy workloads have contributed to high staff turnover, which in the Oxford region is as high as 60 per cent in 12 months.

● A group of private pathologists have launched a new association in a bid to tidy up their industry and remove doubts about its privatisation.

The group says the newly-launched Association of Independent Pathology Laboratories will register and monitor private facilities, shutting out "cowboy" path lab operators.

The new association is backed by **BUPA, American Medical International, J S Pathology Services** and other private path labs who want to quell criticism of the inadequate labs with high error rates which will flourish under a privatised system. If criticism stopped the forced contracting out of NHS lab services, these companies would stand to lose large amounts of eagerly awaited profits.



PORTERING CONTRACTS

All hospital portering services in East Yorkshire Health Authority (Beverley, Hull) have been contracted out to **Mediguard** (Securiguard Group). Jobs will be cut from over 60 to between 35–45. Working hours will be increased to between 45–47 hours per week. Portering has also been contracted out at Halton General Hospital on Merseyside to **Mediclean** (Hawley Group).

PATIENTS CHARGED FOR THERAPY

Long-stay, mentally handicapped patients at a Surrey hospital have to pay for drama and music therapy.

London Health Emergency has exposed the charges on patients for an important part of their treatment at St Ebba's Hospital in Epsom, run by the Merton and Sutton health authority.

An internal hospital report admits many patients who would benefit from the sessions are prevented from taking part because they do not have enough money. The report says the cost of these services was met directly by the health authority in most hospitals.

Only about 100 of the hospital's 500 patients get enough social security money to be able to afford the sessions which cost £28 and last about three hours. The rest get only £7.90 a week pocket money and cannot afford to pay.

Meanwhile the charity for the mentally handicapped, Mencap, wants a change in the law to prevent residents being "sold" with property.

The call follows a Cornish estate agent advertising an £80,000 property with three mentally handicapped people as "an additional feature". The advertisement said the three men would produce an annual income from board and lodging allowances.

HAS TOLD TO OPEN UP SHOP

Health authorities are to get DHSS guidelines listing "money-spinning ideas" for raising up to £20 million in new business ventures.

Authorities, who may mistakenly have thought their only "business" was running a health service, are to be encouraged to set up private enterprise projects such as hairdressing salons in hospitals and charging for car parks. Other ideas include selling surplus equipment, advertising, and refreshment for visitors.

Social Services Secretary John Moore is keen on the idea and Health Minister Tony Newton has suggested a target of between £10 and £20 million for authorities to raise from "non clinical services".

The DHSS is due to issue a draft circular shortly seeking managers' views on fund-raising possibilities, with final guidelines expected some time in the new year.

The idea can be traced to a report prepared by consultants Touche Ross for the Central Manchester Health Authority in 1985 (see PSA 18 October 1985). Manchester was touting copies of the report for £100 and took its advice with plans for a shop in its eye hospital selling spectacles, a fast food restaurant and a private sports clinic. The report also suggested hospitals raise funds by setting up hairdressers, petrol stations, banks, video games, building societies and undertakers. Other proposals included private health screening facilities, health clubs and gymnasias.

NHS PROTECTION FOR PRIVATEERS

NHS managers have "moved the goalposts" again to ensure private firms can keep making healthy profits from their hospital contracts.

Private firms are to be offered index-linked contracts with quarterly price adjustments under new guidelines for health authorities on tenders for hospital cleaning, catering and laundry work.

NHS management board chief executive Len Peach told the Commons' Public Accounts Committee the new guidelines would meet complaints from firms about arrangements for them to lease NHS laundries and gain linen service contracts. Firms would also be protected where they needed large capital outlays on cook-chill contracts.

"We will be instructing regional health authorities to be flexible and to enable external contractors to compete along the lines they wish", he said.

Tory Party funds:

BIG BUSINESS BUY

Recent reports have again revealed the extent of big business funding of the Tory Party.

A briefing from the NHS Joint Privatisation Research Unit revealed ten major health service contractors had donated over £1 million to the Tories or their front organisations since 1983.

The ten companies (and their contracting subsidiaries) covered in the report, were: **BET**, including **HAT** and **Bengren (Initial)**; **Blue Arrow**; **British and Commonwealth Holdings**, including **Steel Brothers Holdings (Spinneys)**; **Hawley**, including **Pritchards (Mediclean)**; **Johnson Group (Kneels)**; **London & Northern Group (Allied Medical Catering)**; **OCS Group (OCS Hospital Services, Office Cleaning Services)**; **P&O Steam Navigation Co**, including **Sterling Guarantee Trust (Sutcliffe)**; **Reckitt and Colman (Reckitt Cleaning Services)**; and **Trusthouse Forte (Gardner Merchant Ltd)**.

The money was donated directly to the Tory Party or to Tory fronts like regional **Industrialists Councils** and

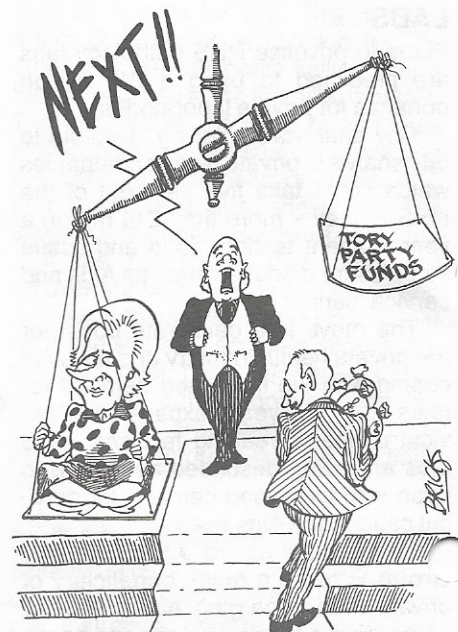
British United Industrialists.

A Labour Party study shows 252 of Britain's top companies donated over £1.75 million to the Tories over the last two years.

A study of annual reports of 1500 public companies found a total of £2.25 million in political donations from January 1985 to December 1986. About £500,000 was divided between the Alliance and right wing pressure groups, including British United Industrialists, the **Economic League**, **Aims**, and the **Centre for Policy Studies**.

P&O features in both studies above and got itself into trouble again when it tried to organise first an all-night champagne party and then a wine and cheese party to keep Tory MPs within reach of the division bells while the Commons debated legislation affecting the company's commercial future.

As the owner of Sutcliffe's the catering giant, and the ferry company Townsend Thoresen, P&O is also interested in influencing government decisions and activity.



The Conservatives and the Contractors – the Financial Links, Special Briefing, Joint NHS Privatisation Unit, Civic House, 20 Grand Depot Road, Woolwich, London SE18 6SF.

More News

CHILLING WARNING ON CATERING CHANGES

The Association of Community Health Councils has warned the spread of cook-chill catering in hospitals will lead to a food poisoning disaster.

A briefing paper to regional CHCs says it is unwise for cook-chill catering to be introduced widely without more research on safeguards. Using the system as a short-cut to financial savings may cost lives.

The paper warns cook-chill catering:

- destroys up to 90 per cent of vitamin C content in food;
- reduces other nutrients such as folic acid, which helps the body recover from wounds and illness;
- has known effects on other vitamins;
- makes vegetables lose colour, smell and taste.

At least 127 hospitals are now using cook-chill but the Institute of Environmental Health Officers reports 30 per cent of hospitals do not comply with DHSS guidelines. Although new guidelines are under preparation the ACHC warns they will be ineffective because nothing is being done to ensure enforcement.

The DHSS recommends no more than five days between cooking and

eating but the paper reports a German study found only 62 per cent of meals were judged good on the fourth day, compared with 81 per cent on the third day.

The paper says staff need careful training and it is difficult to maintain standards with a high turnover of part-time staff.

Cook-Chill: A Cause for Concern, Association of Community Health Councils, c/o The Nurses Home, Langton Close, Wren Street, London WC2X 0HD, £1.50.

RHA CONTRACTS OUT HOSPITAL DESIGN AND BUILD

West Midlands RHA is to contract out the design and building of a psychiatric hospital in Central Birmingham health authority.

Three firms – **Henry Boot**, **Tarmac** and **Shepherds** – tendered for the contract but the successful bidder is yet to be confirmed.

It is the first time the RHA has put out the design and build contract for a hospital. Management claim a psychiatric hospital is an ideal contract to investigate because the design is simple. The region is now considering putting the design contracts for other psychiatric units out to tender.

Community Psychiatric Centres (CPC), the firm involved in a controversial proposal to build and run about 18 months ago, did not tender this time.

The firm said it was no longer interested because of the political climate.

STEEL SALE

Allied Steel & Wire, the first Phoenix joint venture between the British Steel Corporation (BSC) and the private sector, has been sold to the management and a consortium of financiers for £181m. BSC will receive £44m cash to help massage its accounts ready for privatisation in 1989/90. BSC has also taken a 20 per cent stake in the management buyout company ASW Holdings. GKN, BSC's partner in Allied Steel & Wire, received £84m from the sale.

FREE DENTAL CHECKS PULLED

An end to free dental checks was among a range of new health charges set out in a new white paper on primary health care published for Social Services Secretary John Moore.

Children and people on low incomes will still not pay but patients already paying dental charges will now also have to pay part of the check-up fee even when no treatment is needed.

The change comes even though more than half of British adults fail to see a dentist regularly, mostly because they cannot afford the treatment or fear they will have to pay privately if they need crowns, bridges and dentures.

Housing

HOBSON'S CHOICE



Housing Action Trusts:

"SINGLE MINDED ORGANISATIONS"

"No choice except to wait for Rachman to pick you" is CASE UK's verdict on the Government's proposals to give tenants the right to "opt out" of being a council tenant, published in the new DoE consultation paper "Tenants' Choice"

Far from being the tenants' chance to 'pick a landlord', the proposal gives private landlords the go-ahead to make an offer on any council estate. Unless 51% of ALL tenants and residents affected by the proposal actually vote against the transfer, the sale will go ahead. Owner occupiers in ex-council property who are long leaseholders (mostly flats and maisonettes) will also get a vote. This certainly shows the true intentions of "tenants' choice".

Tenants who want to opt out either collectively or individually will have to find a landlord willing to take them on.

Landlords will be free to approach tenants or council landlords, say which bits of estates they want, and what kind of financial deal they are prepared to offer. They will have to inform all the residents of the homes they are after of the "terms" of the deal, i.e. the kind of rents tenants can expect, how often they will

go up, what plans they have for redeveloping the estates etc and all the residents then vote on the proposal.

If a majority oppose the transfer, then the estate stays with the council. If the transfer is not defeated then the freehold of the block of flats or maisonettes goes to the private landlord who has to lease back to the council the homes of those who voted to stay council tenants. When that tenant moves out, the flat goes to the private landlords. Quite how repairs and maintenance or other management policies will be carried out is, of course, not described. Where tenants of houses voted against the transfer the freehold will stay with the council; other freeholds will go to the new landlord.

Tenants who "opt" to be a housing association or private tenant, will have what is called an "Assured Tenancy" which means market rents i.e. double and even treble current levels and very limited security of tenure.

● CASE UK is the national tenants' and trade union campaign against the sale of estates and can be contacted c/o SCAT, 15 Micawber St, London N1 7TB.

Opting out:

"THE LANDLORD PICKS YOU"

The Government's threat to "get the inner cities next time" is developed in the Consultation paper on Housing Action Trusts. Modelled on the Development Corporations in Docklands and Merseyside, large areas of council housing in run-down areas which the Government considers to have been "poorly managed" will be handed over to a board of appointed businessmen and local worthies. They will then arrange for the disposal of all this housing to private landlords, developers, housing associations or co-ops. Any vacant or empty sites will also be sold for office or industrial premises, shopping centres or other facilities that make the area "attractive to private finance or owners".

The Government considers that "single minded organisations" – presumably motivated only by the desire to privatise housing – are the "most effective way of dealing with the intractable problems" of government-created housing decay. HATs will take over all the landlord functions and also a wide range of other local authority functions e.g. powers in relation to private housing such as Environmental Health powers, improvement grants, compulsory purchase as well as planning and building control, sewage and highways, and possibly even housing benefit. It will in effect be a private local authority.

THOUSANDS OF JOBS ARE THREATENED

The Consultation paper specifically excludes any guarantees of jobs for council staff made redundant by the creation of a HAT: it simply says they may have relevant skills.

Although HATs will have all the housing, they will have none of the duties to house the homeless or those who are evicted during the course of the privatisation of their homes. Local authorities will have to try and negotiate nominations from the council lists in HAT-owned property. Neither local authorities nor tenants will be able to object to a HAT being set up in their area.

Four HAT pilot areas will be announced during the course of the Bill – they are expected to be in areas where the HAT can be expected to succeed in attracting private finance by rising land values, office and leisure development etc as has been seen in Docklands (see PSA 23). But more HATs can be expected where local authorities and tenants oppose the Government's ten year plan to dispose of all council housing.

Management Consultants

"Borrowing your watch to tell you the time"

The eighties have seen a bonanza for management consultants, offered increasing quantities of work in the public sector in the obsessive search for "efficiency" and "savings". Government departments and the NHS have been riddled with consultants throughout the years of Conservative Government. Last year members of the Management Consultants Association made £56 million from public sector contracts. (LRD figures for 1983 showed a total of only £18.2m in public sector fees in that year). Now they've hit a new jackpot in local authorities in the growing panic over compulsory tendering.

In 1985 when 'Value for Money' studies were flavour-of-the-month for local councils, **PSA** published a checklist for trade unionists facing review by management consultants. Now we're receiving reports of the same firms (and some new ones) in local authorities again (including many Labour controlled ones) telling them how to get organised for tendering. We think it's a dangerous trend for trade unionists: clearly councils do have to get their act together to defend services, but management consultants have a long history of paving the way for privatisation, cuts and hive-offs throughout the public sector. Their expertise is not in the delivery of good services nor in the protection of good employment practice. Their use by councils now will set them firmly on the commercial road to tendering: competition on costs, not quality.

WHO ARE THE MANAGEMENT CONSULTANTS?

The largest firms are all divisions of major accountancy firms, which function on a worldwide basis and whose major source of income is still audit fees. They act as auditors to the private sector, including the very companies now in competition for public sector contracts. Their role in the public sector has grown spectacularly with the privatisation of the public audit under the Tory administration, enabling them to take over the auditing of local authorities, the NHS and other public bodies. They have also acted as financial advisers and accountants to the privatised industries in preparation for and through the sell-off process. The largest of these accountancy firms working in the UK are:

- Peat Marwick McLintock
- Price Waterhouse
- Deloitte Haskins and Sells
- Ernst and Whinney
- Cooper and Lybrand
- Touche Ross
- Arthur Young

● Arthur Anderson

Several of these large firms have set up specialist departments or teams to market their 'expertise' to councils who want assistance with preparing for competitive tendering. There are also many smaller firms offering services to councils (see list below).

WHAT EXPERTISE?

● The large firms' expertise is accountancy: the work they have done for the Audit Commission indicates their ability to assess public services is restricted solely to the costs of services. Their lack of understanding of public service values such as sensitivity to needs, service quality, accountability and democracy has been demonstrated time and again in work carried out for councils and in Audit Commission reports on local services (**PSA 28**). This costs-based analysis, given respectability and an appearance of political neutrality by the Audit Commission, has been responsible for a major shift in the debate on public services across the political spectrum and the acceleration of the shift by local councils from service provision based on needs to a cost-centred approach.

● The record of these firms in management consultancy in civil service departments and local authorities frequently has been to provide rational arguments for political decisions already made about cuts or privatisation: there have often been recommendations for whole or part privatisation, even when the efficiency of in-house operations has been acknowledged or praised. They have also been used in central and local government to work out how services should be privatised. In the civil service they have also carried specifically anti-union projects, such as reviewing methods of communication within departments to reduce the role of trade unions as the main source of information and representation of views for employees.

● The large firms' claims of experi-

ence and expertise in competitive tendering are, at the least, misleading:

► They have generally had no more experience of competitive tendering than local authorities. Where they have been employed by privatising authorities to assist them it has been with the specific intention to contract work out.

► The consultants' staff who actually carry out work for councils are frequently young recent graduates with little or no experience in the public sector.

► Information sent to councils citing work done by the firm has in some cases turned out to be work done by an employee elsewhere BEFORE they worked for the company...

THE COMPANIES

We print below a list of some of the firms currently offering expertise on tendering to councils and what we know about them. Most of the information we have gained is about **Cooper and Lybrand** who have acquired a surprising credibility among Labour authorities, despite their extensive interests in South Africa (12 offices in S.A. and 1 in Namibia). We welcome further information about this and other firms now working on tendering: we will publish it in future issues for use by trade unionists elsewhere.

Cooper & Lybrand claims to have 'diversified most from accountancy' of all the big firms and now makes 27% of its money from management consultancy. Currently working in Islington, previously in Rochdale and Tameside, and putting on seminars all over the place. Will advise on how to keep services in-house, but offer proposals to achieve "a lean commercial operation" which "don't reflect public service values such as accountability or democracy" (Rochdale NALGO).

Essentially anti-worker in viewing jobs as unit costs to be reduced, not people. In Wolverhampton, suggested that the council might let cleaning be privatised to achieve £¾ million savings, which could be spent on other services. At a London seminar on refuse and street cleansing in 1986, suggested an acceptable 'efficiency saving' would be to reduce the street cleansing workforce by a third.

CIPFA The Chartered Institute of Public Finance and Accountancy has produced a 'Programme of Action' kit for local authorities on how to deal with tendering, which appears to advo-

cate the commercial approach. Their consultancy division, **CIPFA Services Ltd**, has joined forces with **INLOGOV** (The Institute of Local Government Studies at Birmingham University) to offer advisory services to councils on tendering. They have also joined forces with **Wandsworth Council** to market sets of model contract documents including specifications for use by other councils. NOT the appropriate model for saving in-house services!

The northern office of CIPFA Services advised Warrington New Town Corporation on its finance department: its advice was to keep the office with its 41 staff intact, with an offer of total takeover by CIPFA Services. Now CIPFA Services is running the War-

ington finance department and employing the 41 staff – giving the company a useful northern base.

Spicer & Pegler boast ex-Wandsworth officers Newman (former Chief Executive) and Collier among their staff, eager to promote the privatisation message. They claim to be working for councils all over the country. Newman wrote to Lambeth leader Linda Bellos in March this year offering his professional advice on “a more efficient delivery of services” citing his “affinity” to the borough as Lambeth born and bred!

Peat Marwick McLintock: The largest firm following a merger of 2 companies in 1986, making their name in

devising schemes for privatising public housing.

Deloitte Haskins & Sells has been everywhere in the public sector. They are marketing their services to all councils and also running seminars on tendering with **LGC Communications** (an offshoot of *Local Government Chronicle*). In an advertisement in *LGC* in July, they claimed “an unrivalled record in competitive tendering”.

Price Waterhouse has also written to all councils offering work in all services with specifications, etc.

Currently working in Birmingham Council Education Department. (They have worked there before under the previous Tory administration.)

SMALLER FIRMS MULTIPLY

Strategy and Market Research Ltd was commissioned by Norfolk County Council to help them prepare for tendering. “In order to compete with commercial organisations they (DLOs) have to employ similar methods” they say.

PSM: Public Sector Management (exposed in *PSA* 28) runs seminars, does consultancy, and organised the ‘Contracting Out and Public Efficiency Show’ last month in London which gave contractors and consultants (and *PULSE*) a chance to market their wares. Now doing some work for Newcastle council.

Cockman Consultants & Partners did a study for Thanet District Council on turning all their departments into separate commercial companies.

Corporate Direction Ltd promotes co-operative buy-outs by council workers as ‘an alternative to privatisation’. Approached Sheffield Council.

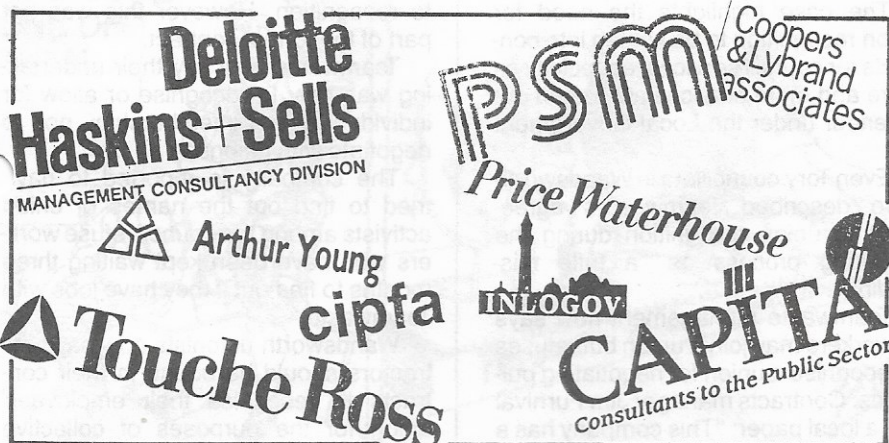
There are many other firms and organisations running seminars and courses on tendering including **Charles Knight** (publishers), **Capita**, and **The Industrial Society**.

In **CATERING** consultancy tends to be done by the companies which are also after contracts, including **Gardner Merchant** and **Sutcliffes**. The same process appears to be going on in other services such as grounds maintenance and leisure (where **Mecca** does consultancy work and also **Crosland**, a small firm but unique in having won some 12 public sector contracts to run leisure and sports facilities).

Useful reading on consultants:

‘Whose Value? Whose Money?’ An LGIU/BTUC pamphlet. £2.50 from TURC Publishing, 7 Frederick St, Birmingham B1.
‘Bargaining Report’ No 37 (Dec 1984) from LRD, 78 Blackfriars Rd, London SE1.
Past issues of *PSA*, especially no 19.

WE NEED MORE INFORMATION ON CONSULTANTS. PLEASE SEND US ANY CONSULTANTS’ REPORTS OR OTHER INFORMATION USEFUL TO UNIONS ELSEWHERE.



A checklist for trade unionists

Council proposes bringing in consultants:

- ☐ Are they necessary or is the necessary expertise already in the council?
- ☐ Don't the authority's own officers have experience of coping with all the complexities of legislation and financial regulation over the years?
- ☐ Don't workers in services and service managers know their services?

Beware of getting sucked into the general defensiveness in the public sector about alleged lack of expertise.

- ☐ There is alternative advice based on public service principles available within the public sector – from other local authorities and from local authority organisations like the AMA, COSLA, SLGIU, LGIU, ADLO (and LSPU while it lasts).

● **If you agree they are necessary or you can't budge the council's decision:**

1. Find out about the firms proposed and their record from trade unions in places they've worked before. (Unions in the civil service and the NHS have a wealth of experience.)
2. Ensure that the terms of reference given to the consultants include specific council commitments to:

- ☐ Preserving and improving the quality of council services
- ☐ Setting the terms of the competition to ensure standards and deter private contractors.
- ☐ Reference to needs for services, concerns of users, accountability to councillors and users
- ☐ Preserving jobs, wages and conditions.
- 3. Demand TU consultation on the brief and on the selection of consultants.
- 4. Demand independent TU access to the consultants.
- 5. Demand the right to respond to the consultants' proposals.

● **If you are opposed to the use of consultants:**

1. Work out an alternative proposal for preparing for tendering. There are useful papers on this available from the LGIU, ADLO, AMA, LSPU.
2. Try and agree a policy of non-co-operation by all unions.
3. Actively obstruct their work.

BUT REMEMBER: somehow preparation needs to be done for tendering. Getting consultants thrown out may be replaced by the council buying the CIPFA-Wandsworth package. Make sure you have alternative proposals ready.

Electricity:**CURRENT CHANGES**

The Government faces widening opposition against plans to sell off the electricity industry.

Unions are warning of disadvantages for workers, consumers and the economy should the sale go ahead, and a poll for a recent television current affairs programme shows the proposed privatisation lacks public support.

Energy secretary Cecil Parkinson is bumping up electricity prices about 14 per cent over the next two years to fatten up the industry for privatisation but the share market crash was a major blow to the Government's plans.

The Engineers and Managers Association – with 33,000 members managing and operating the power stations, national grid and distribution network – warns plans to split up the Central Electricity Generating Board and privatise the industry seriously endangers the reliability of the electricity supply.

EMA General Secretary John Lyons says the October 16 hurricane shows that it is “a hazardous gamble to divorce the national grid from the CEGB”. And he warns privatisation will mean increasing electricity prices to ensure profitability for private owners. He describes the sell-off plans as nothing to do with efficiency “but because privatisation is now an ideological dogma held by this Government”.

The EMA is preparing for industrial and legal action against the sell-off.

Both the EMA and NALGO have held special conferences to prepare union activists for the campaign against privatisation. NALGO has 35,000 white-collar members in the industry.

An NUM report estimates up to 200,000 jobs could be lost as a result of the sell-off.

More than 50,000 miners stand to lose jobs if the CEGB or its privatised equivalent started importing coal as a way of cutting generating costs. Other job losses will occur among electricity industry workers, railway workers and engineers.

A recent poll by Marplan shows the Government lacks public support for the sell off. Asked whether they agreed the electricity industry should be privatised, 48 per cent of the 1400 polled said no, while only 34 per cent said yes. Asked if the sale went ahead anyway, whether nuclear power stations should be sold to private interests, an overwhelming 80 per cent said no, with only 13 per cent saying yes. The poll was taken after the share market crash and government rescue of the BP sale.

Wandsworth:**NEW CONTRACTOR RENEGES ON UNION POLICY**

Rubbish contractors Teamwaste immediately wriggled out of a policy of union recognition when it took over the £2.2 million-a-year contract for Wandsworth Council's dustbin service.

The case highlights the need for union recognition to be written into contracts for council services, especially as more and more services are forced out to tender under the Local Government Bill.

Even Tory councillors in Wandsworth have described Teamwaste's agreement to union recognition during the tendering process as “a trifle misleading”.

Teamwaste management now says its workers may join a union but refuses to recognise a union for negotiating purposes. Contracts manager Jim Furnival told a local paper: “This company has a policy that it does not recognise a union. They have every right to belong to a

union. We have just said we will not recognise it”.

All the companies tendering for Wandsworth's rubbish contract were asked their policy on trade union recognition and a summary of Teamwaste's tender prepared for councillors quoted the company as having “no objections” to recognition. However this was not part of the formal contract.

Teamwaste now say their undertaking was only to recognise or allow for individual union membership, not to negotiate with unions.

The company is reported to have tried to find out the names of union activists among the council refuse workers who have been kept waiting three months to find out if they have jobs with Teamwaste.

Wandsworth unionists now say contractors should be bound in their contracts to recognise their employees' union for the purposes of collective bargaining.

Merton:**TORY SHARE PLAN CRASHES**

Merton's right-wing Tory council got a sharp lesson in the realities of the free market when the share market went into “freefall”.

The share market crash swiftly put paid to Merton's plan to mortgage £200 million in council assets and gamble with it on the Stock Exchange. Labour councillors calculated Merton would have lost £40 million of ratepayers' money if the scheme had gone through before share prices dived in October.

Merton planned to mortgage its Civic Centre, parks and industrial estates to bridge a £6 million gap in next year's budget. Despite doing everything the Government wanted, privatising most council services and cutting them to the bone, Merton's grant from central government was cut.

Under the mortgage deal a private company, set up and controlled by the

council, was to invest £200 million borrowed from banks using the assets as security.

Tory members dropped the idea like a hot brick when it came to a full council meeting after the crash. Not even council leader Harry Cowd would speak in favour of the recommendation his group promoted in an earlier Finance and General Purposes committee.

Labour members accused the Government of hypocrisy. Norman Tebbit had attacked a similar scheme by Manchester City Council as “municipal militancy”. In March, Manchester mortgaged 32 civic buildings to maintain its services and prevent huge rent and rate increases. It faced a £50 million budget deficit after a £400 million cut in government grants. Tebbit has remained silent over Merton's blunder and narrow escape from further financial disaster.

More News

MILTON KEYNES: workers sacked

Eleven workers were sacked when they refused to transfer to a private company after **Milton Keynes Development Corporation** privatised its building department.

The DC's building director set up a private company, **Planning Development Ltd**, together with senior staff to take over corporation work in advance of its winding up in 1992.

Finance, publicity, computer services and transport planning have already been privatised. The legal department and infrastructure division are on the list for becoming what the DC calls "business ventures".

The corporation originally agreed its staff would not be forced to transfer to private companies if a majority of workers disagreed. When two-thirds of the 120 building division staff opposed privatisation in a ballot, management simply dropped the agreement. It also dropped an agreed code of practice for redundancies saying the code did not apply to "business ventures", and now faces NALGO-backed legal action. The eleven workers who finally refused redeployment to the private company were sacked with the minimum possible redundancy pay.

ENFIELD CLIMBDOWN

The "Westminster effect" brought to suburban Enfield by Tory councillor Terry Neville, former Westminster council solicitor, seems to have been short-lived. His bold plan for instant tendering for 13 council services was rapidly reduced to 6 following public outcry and a reported officer revolt behind closed doors. Now it seems that Enfield may quietly abandon its pioneering stance and simply comply with the tendering legislation currently on its way through parliament.

NORMAN CONQUEST

The qualities shown by Norman Tebbit as chair of the Conservative Party and his continuing influence over Government decisions are in demand by a number of companies well known to readers of **PSA**. He has accepted a directorship at **British Telecom**, whose privatisation he masterminded as Secretary of State for Trade and Industry.

He is going also to the Board of **BET**, one of the two multinationals now dominating the UK public sector contract scene and certainly seeking more contracts as local government services

Westminster managers bid for contract

INSIDER BIDDING

Three Westminster Council managers are bidding for the council's rubbish collection and street cleaning contract after having worked on the specification for the tender.

NUPE has called for the three to be suspended and demanded Westminster prepare a proper in-house bid to keep the service public. The union has condemned management and joint management-union bids for public services and called for the financial backers of the officers' bid to be named publicly.

All three are assistant directors in the cleansing department (and members of NUPE) but the council did not suspend them after the announcement of their bid. In fact the council has allowed Ian Ross, David Meredith and Robert Seear time during work hours to meet with the workforce to discuss how to prepare a successful bid. Workers are being asked to move with the managers as a labour force.

The trio did not announce their private plan until after completing work on the council's specifications for the tender. Most of the work on tendering was complete before they were removed from work in the area. Should their bid be unsuccessful however, they will still have jobs with Westminster and be monitoring the successful contractor.

NUPE's London Divisional Officer Chris Humphreys told **PSA** the three officers would need up to £13 million to run the contract and obviously had major financial backers. It was in the public interest for the backers to be named so it was known exactly who ran the service if the officers won the con-

tract.

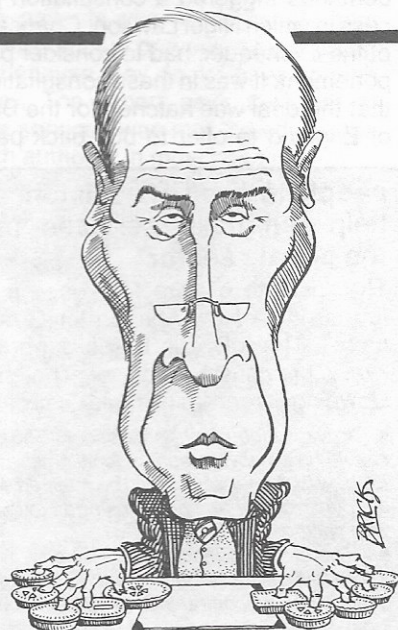
He condemned the officers' bid as showing they were either failing to do their jobs in working for an efficient council service, or were planning to inflict savage cuts on the service and its workforce in order to make a profit. "The officers' energies should be spent on developing the service and if necessary working on an in-house tender to run the service," he said.

The union did not believe NUPE or any other union should be involved in management or joint management-union bids for public services, he said.

Westminster Council is now taking tenders for social services cleaning, catering and transport, housing estate maintenance and gardening as well as the rubbish collection and street cleaning services. The council's competitive tendering committee has decided to keep its small in-house printing operation as most of the work is already contracted out. The committee has now also looked at specifications for leisure centre management.

Other companies bidding for the rubbish contract are **Biffa Waste Services**, **S Grondon Waste Ltd**, **Cleanaway**, **Waste Management Ltd**, **Shank and McEwan**, and **Pritchards**.

NALGO is continuing a policy of non-co-operation with tendering which has slowed down the process and brought complaints from the potential contractors.



are forcibly opened up to competition. Almost half of BET's profits are generated by overseas sales, including 40 South African subsidiaries employing over 7,000 workers. Nearly 700 of these employees are paid below the EEC recommended minimum rate.

Tebbit's third directorship is at **Blue Arrow**, which has done well with contract cleaning. Its success has been in its rapid and spectacular growth in the employment agency market both here and in the US to become the world's largest company in the field. Its chair, Tony Berry, is an ex-employee of Brengreen Holdings, now owned by BET. It will be interesting to observe progress on earlier government proposals to privatise the work of Job Centres.

Tories' biggest share sale a complete flop

BP's BIG BANG

The Government got its money from the £7.2 billion BP share offer but the sale itself was a complete failure. The free marketeers abandoned ideology and arranged an unprecedented deal in which the Bank of England propped up the BP share market. Of the 5m expected to apply for shares only 270,234 bothered to do so as BP's share price plummeted in the collapse of world financial markets.

DON'T "BE PART OF IT"

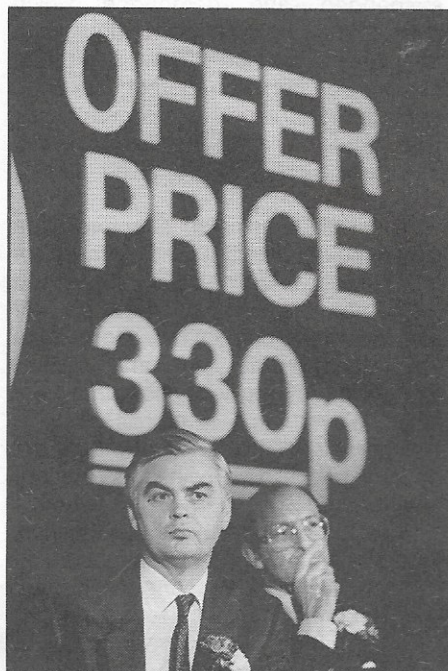
Norman Lamont, Chief Secretary to the Treasury, described the BP offer as "another step on the road towards real popular capitalism in this country". How wrong can you really be!

The offer was geared to small investors who initially had to pay up as little as £96 for 80 120p partly paid shares plus two further payments of 105p over the next two years. The full share price was fixed at 330p when BP shares were trading at 347p on 15 October. Many waited for another opportunity for quick profits. Within days BP's shares plunged to a low of 238p. The partly paid 120p shares ended the first day of trading at 85p. Over 5,000 applicants for shares cancelled their cheques so the Government must decide whether to take legal action or allow the matter to lapse.

THE LOSERS

The Government got all its money because the share offer was underwritten – financial institutions, for a fee, guarantee to take all the shares irrespective of whether they are sold or not. Remaining shares are sold at a later date. They spread the risk to sub-underwriters, ie other financial institutions like pension funds and insurance companies, over 400 in the case of BP.

The Government had expected to receive a much larger sum for BP because, unlike small investors, the financial institutions had to put in bids over the 330p share price. Hence the Government stood to gain many more millions from the sale.



LAWSON'S RE-NATIONALISATION DEAL

In the vast majority of cases underwriters sell the shares and bank the fees. This time they lost out. It was the size of these potential losses that led the underwriters to demand the sale be postponed. The American main underwriters cannot legally spread the risk and so were highly exposed. Their demands triggered a consultation process in which Nigel Lawson, Chancellor of the Exchequer, had to consider postponement. It was in these consultations that the deal was hatched for the Bank of England to offer to buy back partly

paid BP shares for 70p. This had the effect of providing a cushion for the shares to prevent panic selling and a further collapse in the financial markets. The deal allows the Bank to purchase shares directly from shareholders who therefore avoid transaction costs, VAT, and stamp duty. Just shows that the state can be generous when it wants to!

If the BP share price does not recover the Bank of England could end up having to pay the second instalment on those shares it acquires through the buy-back deal. The Bank would be paying another arm of government, the Treasury, for privatisation shares re-nationalised through the Bank's back door!

BED AND BREAKFAST DEALS

Underwriters suffered paper losses of over £700m, with four American financial institutions bearing £175m losses alone and Japanese underwriters suffering £85m losses.

A group of sub-underwriters (insurance companies) organised a sale and repurchase of BP shares to establish a loss for tax purposes. Such "bed and breakfast" deals are "normal under our rules" according to the Stock Exchange. The companies "sold" 105m BP shares on Monday evening 2 November to stockbrokers Phillips and Drew (for a fat fee) and then "repurchased" the shares on Tuesday morning at 70.5p, so establishing a loss of £52m for tax purposes. However, the BP shares were trading at 81.5p by the close of trading on Monday, so the loss is some £12m larger than it would otherwise have been. The name of the game is tax avoidance to minimise losses. The repurchase price was geared to narrowly avoid the Bank of England buy-back plan.

Meanwhile, the Kuwait Investment Office has built up a 10 per cent stake in BP.

PLANS

Public ownership is "pointless, wasteful and sterile" claimed Nicholas Ridley, Secretary of State for the Environment, recently addressing a group of right-wing Tory MPs. He went on to argue that the public sector should not invest in housing, leisure facilities etc but should simply provide subsidies to

people in need of assistance to help purchase services from the private sector.

The Institute of Directors goes much further in "A New Agenda for Government". The IoD, run by Sir John Hoskyns, previously head of Thatcher's Downing Street "think tank", calls for:

- "Privatisation must be extended. The onus should be on government or local government to show that a service should be retained within the public sector and not transferred to the private sector.
- "There must be increased efficiency within the public sector. Where a service genuinely cannot be subcontracted by government or local authorities, increased competition and

consumer choice must be introduced.

- The Government must widen the personal ownership of assets.
- State interference must be reduced by further deregulation."

The IoD want "the creation of a low tax, relatively unregulated, reskilled economic environment" which will include the end of national pay bargaining, and opting out of National Insurance and all state benefits to "keep more of your own money to provide better welfare services for yourself and your dependants".

Remember, what the right-wing business organisations openly advocate today, the Tories implement tomorrow!

Share prices collapse around the world

MARKET TURMOIL

The major collapse of share prices in London and the world's stock exchanges since 19 October has been dramatic. So have the consequences. The biggest ever share sale – the government's 31.5 per cent sale of BP – was a complete flop. The French government was forced to postpone the privatisation of the defence and electronics group Matra; Union des Assurances de Paris, the country's largest insurance group; and a 15 per cent share sale in Air France. In West Germany the government had to stop the planned sale of a 16 per cent stake in Volkswagen. The sale of Air Canada and Petro-Canada were put on the back burner by the Canadian government. One sale did go ahead – the £22 billion share sale of Nippon Telegraph and Telephone in Japan.

Vanishing assets

In Britain the shares of privatised companies plummeted. Jaguar, Rolls Royce, Amersham International and British Aerospace shares fell at one stage to less than half their peak 1987 prices. The stock market value of the privatised companies fell an average 34.6 per cent in the four weeks since mid October compared with a 27 per cent fall in the Financial Times/Stock Exchange 100 Index.

Crash, collapse or meltdown?

There has been much talk of a stock market crash. The size of the decline in share values was comparable with the 1929 Wall Street crash and the 1974 London crash. But the 1987 decline to date is really a collapse as share price indices have returned virtually to the level they were a year ago. Stock markets had climbed more or less relentlessly since 1982. The FT Ordinary share index reached a peak in July, 253 per cent higher than 1982 and 1,220 per cent higher than the 1974/75 low point.

What caused the collapse?

One of the main triggers of the collapse was the release of the ever increasing US\$15.5 billion August trade deficit figures on 14 October, and moves towards higher interest rates in the US, Japan and West Germany. America will owe a staggering \$400 billion to overseas investors by the end of this year. Japanese overseas investment, particularly in US bonds, had increased substantially built on the country's vast trade surpluses. This flow of capital suddenly slowed in August as concern spread among Japanese investors about the value of the US dollar and hence their investments. There were also arguments between West Germany and the US over the Louvre Agreement made in February 1987 by the seven largest capitalist economies to try to stabilise the value of the dollar.

The Big Bang

Deregulation also had an impact. The removal of controls and restrictions on foreign financial institutions operating in London and other financial centres,

coupled with the dismantling of exchange controls, has led to rapid growth in overseas investment and international money markets. Virtual 24 hour trading fuelled the panic.

Computers fuelled the downward spiral. Many financial institutions have software which triggers the sale or purchase of shares once they decline or rise to a specified level. Some systems were lammed by the volume of sales.

Whilst there is no one economic explanation of the cause of the collapse, arrogance, greed and a bloated confidence kept the roller coaster racing upwards. Share prices are based on financiers' confidence in the market, much less on companies' actual performance. So once the confidence was shattered share prices went through the floor. Reagan, and Thatcher preached the 'fundamental soundness' of their respective economies but this did little to end the volatility.



What does it mean?

The collapse of share prices and the BP sale flop has severely dented the government's claims about wider share ownership. Workers with free and/or purchased shares in privatised companies have seen their value shrink dramatically. Because wider share ownership has not been so successful the government has escaped a major political fallout. In America about 20 per cent of personal wealth is invested in shares – the collapse has led to an estimated loss of £8,500 per household.

It also means much lower receipts from the planned sale of the electricity and water industries.

The assets of pension funds and insurance companies are usually valued on dividends and other criteria, often about 70 per cent of market value, so the collapse of share prices to date will not cause immediate problems for workers' pensions.

Government intervention

Having clamoured for deregulation, a more serious crisis was averted only by extensive levels of intervention by governments attempting to stabilise financial markets. So much for the Thatcher/Reagan free market ideology. An example of the volatility and ultimate market failure occurred in Hong Kong where the futures exchange was shut down for a week and the government had to launch a \$512m rescue package to prevent total collapse.

PRIVATISATION SHARE COLLAPSE

Company	Share price on 13 Oct 1987	Share price on at end 13 Nov	% fall in value
Amersham International	629p	349	44.5
Assoc British Ports	647p	390	39.5
BAA plc	151p	105	30.5
BP	362p	247	31.8
British Aerospace	541p	325	39.9
British Airways	227p	143	37.0
British Gas	172.5p	129	25.2
British Telecom	270p	231	14.4
Britoil	317p	204	35.6
Cable & Wireless	490p	320	34.7
Enterprise Oil	317p	228	28.1
Jaguar	588p	319	45.7
Rolls Royce	207p	119	42.5

● See issue 31 for Part One (A-F) of the index to issues 21-30.

INDEX Issues 21-30

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The number in brackets refers to the issue number, eg (15). The second number is the page number.
The index for issues 1-10 was published in issues 11 and 12. The index for issues 11-20 was in issue 21.
Part one of the index for issues 21-30 was published in issue 31.

There are three basic headings:

- Place names.
- Companies.
- Services.

There is some cross-referencing but the index has been kept as brief as possible.

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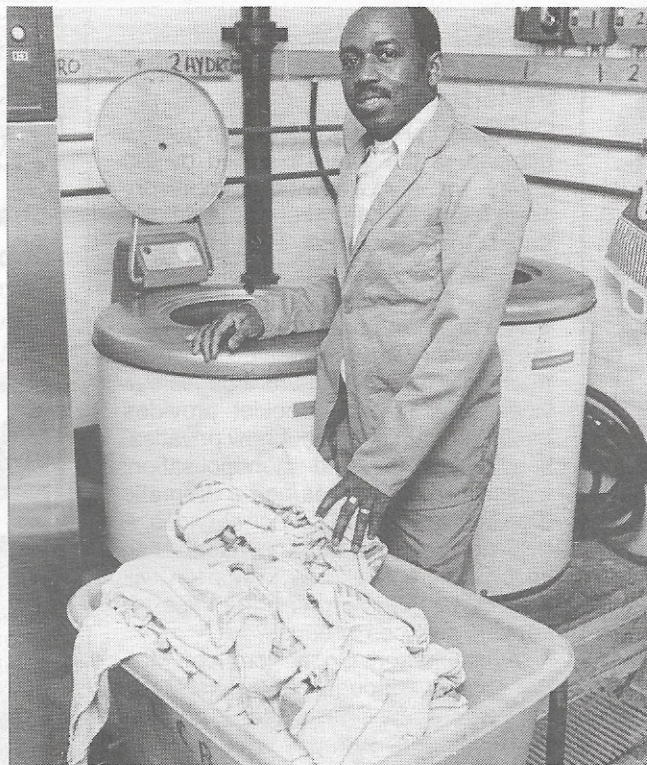
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This pamphlet describes the impressive achievement of Hackney Council in developing and expanding its training scheme for construction workers (reported in previous issues of PSA). It describes the context, both local and national, for this achievement, all the more impressive over a period of sustained Government hostility to local government and to DLOs. The capital works carried out under the scheme have escaped the competition and trading account regulations of the Land Act because they are training projects, and funds have been secured from a number of external agencies to assist the schemes. The ingenuity and achievements of Hackney DLO deserve serious study from other councils, and may provide vital lessons for other local authority services soon to face compulsory competitive tendering.

From: LB Hackney Directorate of Construction Services, Netil House, 1-7 Westgate Street, London E8 3RW.
Tel: 01-986 3210.

MONOPOLY IN MERTON: The collapse of competitive tendering in Merton.

The London Borough of Merton gives a glimpse of the future planned by the Tories for a nationwide compulsory competitive tendering regime under the Local Government Bill. Merton Labour councillor Geoff Martin has documented how competitive tendering was a myth and one main contractor – the Hawley Group – gained a virtual monopoly on contracts for council services. His 12-page booklet provides useful ammunition about how privatisation results in rapid monopolisation, massive redundancies and a dramatic drop in the quality of council services. A follow-up report planned by Geoff Martin on contract failures in Merton will also be useful in arguing the case for keeping services in-house.

Available from Councillor Geoff Martin, London Borough of Merton, Members Room, Via Crown House, London Road, Morden, Surrey SM4 5DX. Price: £2.50 inc. p&p.

Hawley Group companies with contracts in Merton:

- **Taskmaster** (refuse collection, street cleaning and vehicle maintenance)
- **Progressive/Pritchards** (office cleaning)
- **Provincial** (school cleaning).



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Designed and written by a school meals supervisor, this lively book highlights 26 aspects of a public school meals service which a private contractor could never match. Here C stands for cooked on the premises, not cook-chill, while is for a germ free zone and Q means quality assured. Sheffield City Council, NALGO and NUPE sponsored this imaginative guide for parents, which was endorsed by the Environmental Health Department and supported by the Education Department. All parents of new primary school pupils are to get a copy.

Available from Sheffield NALGO, 48-62 Pinstone Street, Sheffield S1 2HN.

AMA BRIEFING: THE CASE FOR LOCAL GOVERNMENT

This useful briefing pack from the AMA is designed for councils to use in publicity to explain and promote the services they provide. It summarises the historical background and the present needs for local services in general and includes a sheet of information on each of the six services originally targeted for tendering in the Local Government Bill. These include examples of good practice and training initiatives as well as background information.

From: Lesley Courcouf, AMA, 35 Great Smith Street, London SW1.
Tel: 01-222 8100.

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