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No 34 April 1988

THE ANTI-PRIVATISATION MAGAZINE FOR THE LABOUR MOVEMENT

Mediguard

RACIST BIDDING

The Commission for Racial Equality is investigating reports that Mediguard managers promised a "no blacks" recruitment deal during negotiations for a cleaning contract at the Royal Manchester Children's Hospital in Pendlebury. Salford Health Authority has now struck the company from its list of official contractors.

Mediguard's managing director Dennis Stopford made the promise in an interview with the authority's tendering evaluation panel.

Panel chairman John Ferguson told local reporters: "During the interview Mr Stopford explained that if the authority did not want a particular person employed, in the event of a contract being awarded to them, they would respect that wish."

"To illustrate his company's commitment to this principle he explained that if a client requested that they did not employ black people on the job they would comply. He explained that this practice was adopted in their security work." Stopford said the practice developed from requests by certain American banks. Asked if the company was prepared to break the law he said Mediguard was prepared to do what was necessary to win the contract.

Questioned by reporters Stopford did not deny what was said in the interview. "What I was saying was that if the authority told us they didn't want somebody on their site then we would have no real option," he said.

The Commission for Racial Equality said the offer was contrary to sections 30 and 31 of the Race Relations Act.

FINE

The North Manchester Health Authority

has docked £8,500 from payments to Mediguard because of poor performance in a domestic service contract at North Manchester General Hospital.

Mediguard failures documented by health workers at the hospital included dirty operating theatre areas, dust under beds, dirty toilets and hiring untrained staff without medical checks. It was also reported that a Mediguard domestic tried to disconnect an oxygen tube by mistake while a patient was still in the operating theatre and that a cleaner threw out a machine for monitoring injections worth £2,500.

Domestics working for Mediguard have highlighted their worsening conditions and workload since privatisation. One cleaner said workers were now expected to do work in five hours which previously took 15 and where there used to be two or three cleaners on each ward there was now only one. Cleaners also have difficulty getting hold of basic supplies such as detergent and washing up liquid. They have lost a 25 per cent pay bonus leaving them £20 a week worse off, and they now also have three weeks less annual leave.

RESULTS

Mediguard is part of the Securiguard Group plc whose other subsidiaries

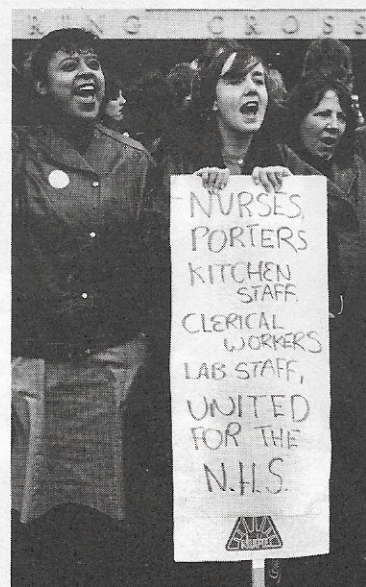
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Mediguard

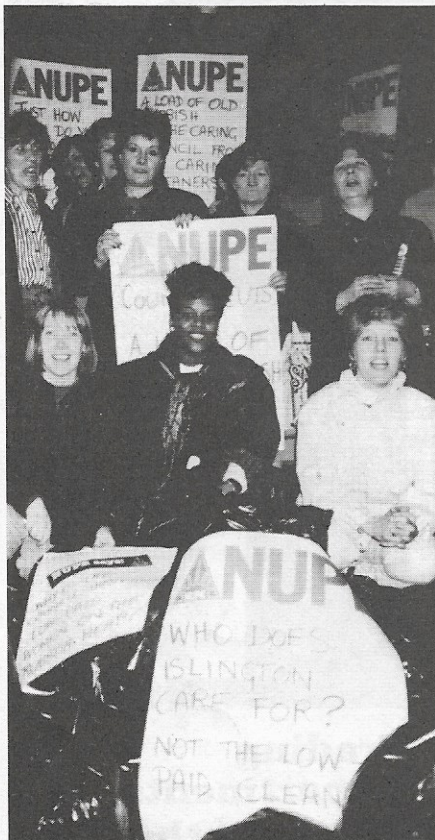
include the **Academy Cleaning Services Ltd** companies. The group's new annual report reveals an increase in pre-tax profits to £1.57 million on a turnover of £31.3 million.

Securiguard chairman Alan Baldwin says the group's cleaning and maintenance division now has contracts in 12 hospitals and sees "vast" opportunities in the NHS. He points to the DHSS announcement of portering contracts worth about £75m to be put out to tender this year and £25m of hospital cleaning contracts "selected for tender" in Scotland.

Providing security guards remains the group's major activity with contracts at nine MoD establishments, seven sites for the Lord Chancellor's Department and the West Midlands Police HQ. Baldwin sees "considerable potential" for security privatisation in other government departments.

AMI: CASHING IN

AMI Healthcare's February flotation was oversubscribed, with applications received for more than double the number of shares on offer. The troubled US parent company will net around £15 million, while maintaining a 65 per cent stake in its UK offshoot.



Islington cleaners protest at the Council's adopting a Coopers & Lybrand Report that suggests cutting cleaners and street cleansing workers by 50%.

National Health Service

DEFENDING THE DEFENDABLE

The tremendous upsurge of popular support for the NHS and its workers shows that we are defending the defendable; but the attack is formidable.

THE RIGHT'S AGENDA

The timely leak of the Carlton Club/Conservative Medical Society seminar on "The NHS and the Private Sector" in November has given us a preview of the kind of proposals that Thatcher's review of the NHS will be considering. It is not a question of whether she is planning the destruction of the NHS – but of how.

An invited audience of private health industry representatives, Tory MPs and advisers, health authority members and NHS managers were asked to put forward "authoritative opinion" to take advantage of the "unprecedented opportunity" for a radical restructuring of the NHS in the interests of the private sector.

The report of the seminar blames "cumulative underfunding" and lack of long-term planning for the crisis. It demands that more money should be spent on health to bring it into line with other countries, but that it should be spent in the private sector and not in the NHS. And more should be private spending via insurance rather than public taxation.

The proposals in the Report include:

- More moves towards a commercialised and costed service as the first

East Anglia Regional Health Authority has volunteered to run itself as an experimental "internal market" in which health authorities would buy and sell services among themselves and with the private sector.

Under the proposal being discussed with the Department of Health each of the region's eight districts would be given a budget for its population – weighted for age, sex and death rates – and left to "buy" the services it needed from its own hospitals, other districts and private hospitals. The "internal market" idea introduces competition for patients and means money "travels" to the hospitals treating them.

The experiment would run parallel with existing funding arrangements.

steps towards a self-financing state or private insurance based system.

- Moves towards costing operations, performance indicators, output measures etc are needed in order to create a market in health care.

- Integration of private and public sectors is an immediate goal. Private building and managing of NHS hospitals, more private wings, joint training schemes, staff secondments, trading ancillary and medical services (see Bioplan, PSA33).

- Disbanding of "old-fashioned" trade unions and out of date national pay scales. "Union entrenchment must be addressed for such represents much of the cause for slowness to adapt to newly created opportunities of delivering an improved, more cost efficient health care service product".

- Restructuring nursing into better paid specialists and privatised ancillaries doing ward housekeeping and clerical work.

- Extension of contracting out to virtually all jobs and services within the NHS. But also promoting the NHS services to contract for work in the private sector.

The long-term view is of DHAs as franchisers – handing out contracts and buildings to competing hospitals and health units. GPs will act as brokers for patients "choosing" the cheapest and quickest service. Private hospitals, opted-out NHS hospitals and direct NHS hospitals will compete for work. Resources will be allocated by this unified market, rather than by planning for need.

THE RIGHT AGENDA

In the face of this, we need to go further than simple demands for more money. We need broader demands which challenge past encroachment on health service principles as well as the attack to come:

- Free at the point of use
- Provided by a public service
- Mainstream tax funding
- Democratic control
- A health service not a sickness service.

A more rational and long-term approach to health spending would invest in good housing, higher incomes and better welfare services to reduce health inequalities.

Gardner Merchant

CHILLING BRIBE

Gardner Merchant has won a ten-year cook-chill catering contract, worth £1.4 million a year, with the Worcester District Health Authority despite a £500,000 cheaper tender from the in-house workers. The company clinched the deal by offering the authority a £1.3 million loan for upgrading work on kitchens at three of the five hospitals covered by the contract.

The deal is set to cost the authority £45,000 a year more than the cost of the current in-house service.

The health authority decided not to accept the cheaper in-house bid, saying it could not afford the related £1.3m capital costs of setting up a central production unit, providing regeneration equipment, and upgrading kitchens required by the environmental health department. One authority member called the deal with Gardner Merchant "legalised bribery".

Hospital catering workers have mounted a feisty public campaign in defence of the meals service they provide and highlighting the role of Gardner Merchant's offer of a loan in clinching the deal. NUPE and COHSE members have already held a half-day protest strike and are pursuing the issue through legal and parliamentary channels.

NUPE Worcester District Health branch secretary Ron Williams told PSA that union members were "promising a long fight" over the issue. He said the health authority contract also puts Gardner Merchant in a strong position to bid for contracts to provide meals services for the local council.

The deal requires the health authority to "buy back" the central production unit and equipment from Gardner Merchant with annual cash payments of at

least £45,000 throughout the ten year contract period. At the end of the contract the health authority will own a CPU and equipment which is either worn out or overtaken by new food technologies.

The union has already approached Gardner Merchant seeking higher pay rates in the contract and union recognition. Elsewhere the company pays all grades of catering staff, except for head chefs, 30 to 40 pence lower than national health service rates.

Worcester DHA's chair Tony Prescott has also been involved in earlier privatisation moves as chair of the East Birmingham Health Authority.

Merton

TENDER FIASCO

"We have seen the future and it is privatised" says Merton council leader Harry Cowd. At any price, it seems.

It may have seemed risky for Merton to have awarded its whole school cleaning service to **Pall Mall Ltd**, a company with a proven record of failure in Cambridgeshire schools, as reported in *PSA* 33. But now the contract has gone to the hitherto unknown **London Property Maintenance Ltd**, after Pall Mall tried to up the contract price after the award and having failed, withdrew. (We understand they tried the same ploy with a Westminster cleaning contract.)

The Labour Group in Merton has been looking at London Property Maintenance Ltd. It currently has contracts worth some £7,000, share capital of £2, a one-room office, 2 cars and no

staff. It told Merton's officers that its projected turnover for 1986-7 was £1.2-£1.5 million, though company records show a figure of £850,000. Assurances were given that if problems arose, "the resources of the parent company" would provide back-up - but there is no parent company.

The contract decision becomes even more bizarre given the financial situation of the company. The Merton contract is worth some £¾ million and the contractor is paid three months in arrears. LPM Ltd made just £13,544 profit last year so will have to borrow to finance the monthly wages bill of some £60,000. It will also have to purchase equipment and materials. Pritchards, who have now lost the contract, incurred penalties of £13,825 in a 10-month period up to February 1988: LPM may well find themselves facing similar penalties.

For just £300 more, Merton could have accepted a revised in-house bid for the work, but for PULSE's "unsung radicals", ideology is all.

The Labour Group has asked the police to look into the contract. Watch this space.

Housing

NO CHOICE FOR US

More than 2,000 tenants lobbied their MPs on the Housing Bill. The lobby organised by **CASE-UK** and **SALT** (Standing Association of London Tenants) brought together council tenants, private tenants, homelessness groups, trade unions, housing associations, black housing groups and women and housing groups under the slogan "No Choice for us".

The message from the day was that the Housing Bill offers us nothing and that tenants will fight any plans to sell our housing.

HOUSING BILL DELAYED

It looks increasingly likely that the Housing Bill will not get the Royal Assent until November, and will not come into effect until January 1989 at the earliest.



Norfolk

STARTING WITH PAY CUTS

When **BET-owned Initial Healthcare** took over **Reckitts**, some domestic workers in Norfolk hospitals found they were being asked to help pay for a change of ownership of the company they worked for – with a seven pence an hour pay cut.

Initial took over Reckitts while its new subsidiary was retendering for the domestic contract at Norfolk and Norwich Hospital, Colman Hospital and Wayland Hospital. The company did not tell the health authority it planned wage cuts but the workers – members of the GMB and NUPE – all received letters telling them they would have to sign a new agreement if they wanted to keep their jobs under the new contract, on lower wages.

Health Authority chair Malcolm Falcon, also chair of **Norwich Union Insurance** company, has been refusing to meet union officials to discuss the issue, claiming the domestics are not authority staff.

Local Govt Bill

The Local Government Bill is expected to become law in April.

● **LEISURE:** There is still no firm Government statement on whether sports and leisure management are to be included in the tendering programme at this stage – but current thinking is that it is more likely to be delayed, not dropped.

● **GAIN FOR DISABLED LOST:** The Commons have rejected a Lords amendment to the Bill, to allow authorities to ask about companies' employment practice for people with disabilities.

● **CARETAKERS:** Ministers' statements in the Lords made it clear that resident caretakers in housing and education can be excluded from tendering. But workers responsible for the security of buildings such as caretakers and wardens of sheltered housing are to be included if the greater part of their work falls within the target services, such as cleaning.

● **NEW POWERS FOR AUDITORS:** A late Government addition to the Bill gives extensive new powers to local authority auditors to act to prevent unlawful expenditure BEFORE it happens by issuing a prohibition notice, and to seek judicial review of a council decision or failure to act.

● **"OFFSHORE COMPANIES":** A late clause added by the Government prevents councils giving contracts to "associated" companies (ie DLOs turned into companies) until it has "taken reasonable steps for the purpose of securing competition for . . . that work": this will apply from 11th February 1988 when it was announced.

Wirral:

DUST DEAL

Waste Management have retained a refuse collection contract with Merseyside's Wirral Council after last-minute dealing with Tory councillors saw the rejection of a cheaper in-house bid. In-house bids for street sweeping and public toilet cleaning contracts were won by council workers.

The DLO bid for refuse collection was £5000 cheaper than the Waste Management tender, and the council awarded the contract, due to start in June, to the DLO late last year.

Waste Management bosses responded by telling their workers that the contract going back to the council would mean a pay cut, although the company's workers were on lower wages than council workers. The company's refuse tender had included provision for a 15–25 per cent wage increase. However council union representatives told PSA the tender provided for only one wage increase during the period of the contract, compared to annual increases for council workers, and that the company could not have made additional wage increases without making the contract into a "loss leader" or making some

other savings.

When the T and G-organised refuse workers threatened to strike in response to confusing claims about pay cuts, Tory councillors and Waste Management argued for the contract to return to the company. As part of the deal the company lowered its contract price to match the DLO's earlier bid.

Local authority bids for the three contracts – from the DLO, leisure services department and engineers' department – were almost £1 million cheaper than Waste Management tenders.

The three services were initially covered by one contract when the Tories put the work out to tender five years ago. Waste Management won the contract but failures in street sweeping saw the contract split into three.

(See also PSA 22)

Pritchards

CUT AND RUN

Pritchards Industrial Services Ltd has pulled out of a refuse collection contract with Cherwell District Council in Oxfordshire after being refused a claim for more money to pay for vehicle maintenance.

The council is now considering a claim for breach of contract against the company and the contract has gone back to the council's existing refuse collection team.

Pritchards won the contract late last year with a bid of £610,000, about £146,000 lower than the in-house tender. The company also has the refuse collection contract for neighbouring South Oxfordshire District Council. In February the company told the council it wanted another £24,000 added to the contract price to cover the cost of maintaining the refuse collection vehicles or the council would be liable for the cost. When the council's policy and resources committee refused the request, Pritchards withdrew.

Local rumours suggest Pritchards' parent company **Hawley Group** (now called **ADT**) may have cracked down on its subsidiary's practice of making "loss leader" bids to win contracts. Pritchards reputedly often runs contracts for a loss for the first year or two and then moves to squeeze the contract price, specifications and pay and conditions to return a profit.

Pritchards initially won the Cherwell refuse contract despite a recommenda-

tion by the council's policy and resources committee that the in-house tender be accepted. The committee opposed the company's plan to introduce a longer working week and cut staff numbers, pay and holidays. However the council's Tory majority insisted on accepting the lowest tender, with planned savings of £500,000 over a five-year period, after paying out redundancies.

The company's contract plan included:

- cutting the workforce by a quarter (from 41 to 31)
- cutting wages by up to £50 a week
- setting longer work hours
- increasing charges for trade refuse collection
- cutting collection rounds from ten to eight
- No sick pay
- no pension scheme
- cutting holidays
- considering existing workers for jobs but with no guarantees.

The council's in-house refuse department now has the contract with a negotiated reduction of staff numbers from 41 to 36.

Civil Service

YES, CHIEF EXECUTIVE

The Prime Minister's plan to carve 12 agencies from parts of government departments over the coming year marks a new drive to break down the national civil service and open up more sectors of it to private companies.

The plan, outlined in the PM's Efficiency Unit report *Improving Management in Government: The Next Steps*, will initially affect at least one in eight of existing civil servants' jobs. Agencies are to be set up under the control of a chief executive and carry out set functions for government departments. Agency managers are to have greater powers to set staff pay and conditions.

The first 12 "promising candidates" to be set up as agencies are:

- Stationery Office (Chancellor's Department)
- Employment Services (combining unemployment benefit services and Job Centres)
- Passport Department (Home Office)
- Driver and Vehicle Licensing Directorate (Dept of Transport)
- Vehicle Inspectorate (Dept of Transport)
- Meteorological Office (MoD)
- Non-nuclear Research establishments (MoD)
- Resettlement Units (DHSS)
- Companies Registration Office (DTI)
- Royal Parks (DoE)
- Historic Royal Palaces (DoE)
- Queen Elizabeth II Conference Centre (DoE/PSA)

Government Ministers have made it very clear that this is only a "first list" of parts of government departments which can be turned into agencies. Already the DTI has named another 15 possible agencies, including three laboratories, the Overseas Trade Board, Patent Office and even regional offices. The Inland Revenue Department, Customs and Excise and the social security side of the DHSS are seen as longer term targets.

Overseeing the drive to create agencies is a "project manager", Peter Kemp, a former Treasury official in charge of civil service pay.

The agencies are all clear candidates for full scale privatisation. However more immediately they offer their workers the prospect of managers driven solely by financial targets rather than public service. Big regional differences are likely in pay. Agency staff may or may not have the status of crown servants and will no longer have the prospect of a career and promotion on a

national basis. Job security and the civil service pension scheme are also under threat.

The scheme will affect the future of all civil servants, not only those who are likely to be shifted into agencies. The efficiency unit report clearly states that the new management approach will "substantially reduce" the role of central negotiations on pay and conditions.

Other problems in the creation of agencies, highlighted by the civil service unions, include:

- The plan does nothing to solve the major problem of a lack of resources. In fact managers striving to meet financial targets will want more done with less staff and money. The government has already cut 130,000 civil service jobs since 1979. As an NUCPS spokesperson told PSA: "It's not going to be quicker to get a driver's licence or passport because it is now called an agency and not a department."
- Areas of government services are going to be less accountable to the public or Parliament as agency chief executives are given greater "operational flexibility".

DHSS

● Maintenance and repair work at the DHSS's London headquarters is to be handed over to private management on April 1, on the orders of Environment Secretary Nicholas Ridley. It is the first case of a private company replacing civil servants at a Whitehall ministry. The affected civil servants at the Property Services agency's Southwark office are to be compulsorily redeployed. Their work will be done by staff employed by the firm which offers the lowest tender.

● The DHSS is considering setting up "benefit shops" dealing with inquiries and transferring all processing work to computer centres.

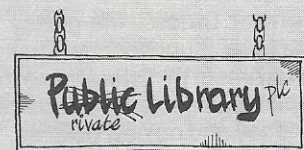
The proposal would cut 18,000 staff of present benefit offices with computerisation requiring fewer staff in decentralised processing centres. The DHSS is seeking private contractors to design and run its computerisation programme and expect to replace several thousand in-house computer staff.

Libraries

NOVEL CHARGES

Charges for new books, and non-print services, e.g. videos, tapes and electronic information services, and privately run libraries are put forward in the Green Paper "Financing Our Public Library Service: Four Subjects for Debate".

The Green Paper insists on the need to "maintain a free basic library service at taxpayers' expense". The definition of the "basic service" is limited to reference services and the lending of books and other printed materials to all who work, live or are in full time education in the authority's area. Non-print services are excluded.



"IF YOU WANT THE LAST PAGE, IT'LL BE 50 PENCE EXTRA..."

Local authorities will be given powers to charge for a range of services and will be expected to double their income from charges to £50m. Although they will not be forced to charge, it's clear there is no money for new or expanded library services unless it comes from joint ventures with private companies, charges, contracting out parts of the library services such as cataloguing and binding, as well as contracting out branch libraries, mobile libraries, tape libraries etc.

Anything not defined as "basic service" could be charged for: the suggestions include: borrowing more books than the "basic service" allows, ordering and reserving books, the assistance of specialist library staff or for "a substantial period", specialist library material, fines for damage or late returns. Charges should cover the cost of provision.

Nick Jones of The Library Campaign told PSA: "Once again the government has attempted to disguise its true intentions by stating its commitment to a basic free library service while presenting proposals which would inevitably lead to privatisation and charging for almost all public library services."

Inner Cities

ACTION AGAINST OUR CITIES

Political domination and the spread of "business values" are revealed as the only real plans Thatcher has for the inner cities. Inner City regeneration is to be handed over to market forces and private investment. Public money will only be spent to "attract" that investment or to make inner city residents more friendly to business interests.

"Action for Cities", the glossy PR-hype brochure launched by Thatcher and 6 government ministers, is no more than a repackaging exercise. It contains no new money and no new policies. The £3bn already destined for the ragbag of schemes has been taken from existing programmes or local authority block grants. There is nothing that could not be done by local councils if they had the money, or that isn't already being done by Labour councils.

POWER AWAY FROM THE PEOPLE

The schemes will remove power and resources from local authorities and away from any possibility of local democratic control. Councils have "allowed opportunities to pass them by" or "suffer from a civil hostility to enterprise".

- compulsory sale of unused land, parks and council buildings such as sports centre. Already more than 50,000 acres have been sold under financial pressures.

- Set up 10 more Urban Development Corporations with planning powers, compulsory purchase powers and grants available. One of the UDCs will be in Sheffield, based on the Coopers Lybrand report last year, but with only half the money they recommended.

- Set up two more City Technical Colleges (see PSA 29) run by business and outside local education authority control. The existing two are already finding it difficult to raise enough funds.

INCENTIVES FOR INVESTORS

- £145m worth of Urban Regeneration Grants and Urban Development grants are to be "streamlined" into City Grants. There will be no local council involvement. They will be paid direct to developers to "bridge the gap between costs and value".

- Grants to pump prime derelict land so it is suitable for development.

"Politically we must get right back in there, because we want them too next time."

*Thatcher on the inner cities.
Election night June 1987.*

- More help for small businesses, eg grants, training, premises.

- Set up a Land Register of "unused and underused" land owned by local councils, privatised industries and government departments, to help developers package sites and realise the investment potential.

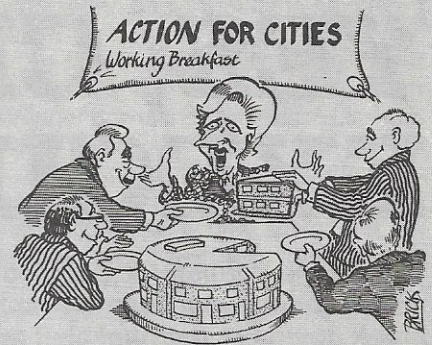
- Set up more City Action Teams – bands of civil servants sent out to the inner cities to contact businessmen and advise them of the potential.

COLONIAL APPROACH

Many of the schemes stem from Thatcher's view of inner city residents as lacking in motivation and confidence, in need of training in enterprise values and convincing of the virtues of businessmen. Business values will be 'integrated' into schools, housing, colleges and voluntary and community groups; the colonial approach to regeneration.

REGENERATION FOR WHOM?

Housing policy in the inner city is to "encourage more managers and professional people to live in the inner cities". Grants, land and estate sales and private investment will be for high quality housing for high rents. Housing Action Trusts will be announced very soon in four or five cities (see PSA 32).



Guess who's coming to breakfast?

The Government is planning twelve Action For Cities Working Breakfasts for Businessmen to publicise the potential. They start in Newcastle on April 13th.

BUDDY, CAN YOU SPARE A DIME?

The private sector celebrated this bonanza by announcing three new initiatives:

BUD – British Urban Development – is a £55m consortium of eleven of the biggest construction companies who are going to seek out inner city projects and "maximise the commercial opportunities that exist". Trading as **Elevenco Ltd**, it will make its money from management fees, land deals and from the construction contracts going to the companies involved.

They are **Laings, Tarmac, Taylor Woodrow, Mowlem, Sir Robert McAlpine, Alfred McAlpine, Trafalgar House, Wimpey, AMEC, BICC, and Costain**. Several are well known contributors to Tory funds and all are engaged on government or government subsidised construction projects.

The Chief Executive is Hartley Booth, ex-Tory candidate for Hackney and currently No 10 adviser on inner cities.

Business in the Community (BiC) is Prince Charles's outfit to promote partnership by giving "business leadership" to community projects. They are setting up eight teams of advisers. A number of the companies are already well known to PSA: **Abbey National, Grand Met, Price Waterhouse, Barrats, Nationwide Anglia**.

Investors in Industry – 3i – a venture capital loan group currently running seminars on how to set up private companies to take over local government services, are to 'expand' their activities into inner cities.

Trading departments and companies

NO QUICK FIX

Some local authorities have already set up separate trading departments, others are discussing plans to form council-owned limited companies in response to the statutory tendering legislation in the Local Government Bill. What are the advantages and disadvantages of such a move?

TENDERING NOT AVOIDED

Council trading departments or limited companies are not a quick fix solution to evading the tendering procedures. The government recently introduced a new clause into the Local Government Bill preventing councils awarding long-term contracts without tendering to newly established council-owned limited companies. Trading departments and limited companies can still be set up but must compete for work with contractors. Trading companies should not be confused with 'management buyouts' where officers set up their own private company and are awarded a contract by the council.

WHAT IS A TRADING DEPARTMENT?

Essentially, the workers, managers, vehicles, equipment etc are transferred to a new department. The council's client and contracting functions are completely separated. **Eastbourne Borough Services** became the contracting department of **Eastbourne Borough Council** in 1984. It is controlled by a Board consisting of a few councillors, the Chief Executive, the Treasurer, elected staff members, and a General Manager who reports to the Board quarterly.

The Board's chairperson reports to the council 'when necessary'. Borough Services is removed from regular political control and operates like a council-owned contractor. "A whole new management style and commercialism has

prepared us well for competition" claims David Ashby, General Manager.

An annual business plan is approved by the Board which sets out profit centres, expenditure and cost centres. Council departments have to negotiate or seek tenders for any work undertaken by Borough Services. It won the £1.2m cleansing contract when the contract with **Exclusive Cleansing** expired in 1987.

THE LEEDS MODEL

Labour controlled **Leeds City Council** has also set up trading organisations. NUPE, GMB and leading councillors reached an agreement which included a guarantee to retain the overall total number of manual workers jobs within the authority although there have been substantial job losses in some departments (the refuse collection workforce reduced from 930 to under 600 working in two shifts with new high capacity vehicles), a voluntary retirements and severance scheme, and a redeployment and training package for new jobs such as 'school ancillary', extra caretakers etc.

Rochford District Council recently announced plans to transfer the management of its £10m leisure centre and other sports facilities to a new company owned by worker-shareholders. **Birmingham City Council** has been investigating the creation of council-controlled limited companies.

SOME IMPORTANT ISSUES

Many of these issues are legally and financially complex and can only be

summarised:

1. Discussion of trading departments/companies is dominated by statements about commercialism, business attitudes, cost centred approaches, ability to compete, profit sharing. Copying contractors does not amount to a viable strategy to defend or achieve effective and efficient public services. Do we simply end up with 'state contractors' which councils might later be forced to privatise?
2. Can the inevitable loss of political control and accountability be at least partly remedied by increased worker/user control to safeguard public service standards? Remember, worker shareholder schemes, profit sharing, quality circles and other participatory schemes do not in themselves give any more control.
3. Jobs, wages, benefits and working conditions are under even greater threat in trading departments/companies and pressure from 'market forces' – this could lead to lower wages for manual workers and higher wages for white collar staff.
4. Where will the capable 'commercial' managers come from? How would a company obtain its administrative and professional support from central services – if legal constraints prevent this, what happens to staff in central services and on-costs for other departments?
5. There are financial advantages – a separate company would not have to make the required rate of return; but disadvantages – corporation tax and VAT would have to be paid, and once staff are transferred and redundancy payments made, such sums cannot then be taken into account in comparing tender prices.
6. A trading company where the council has less than half the shares could seek work in the private sector – an advantage for building DLOs, but hardly one for refuse collection/street cleansing unless they compete for contracts from neighbouring councils!

More News

PRIVATE ENTERPRISE?

Brent tenants report that an ex-London Borough of Brent housing manager – Michael Skilton – has been holding secret meetings with a few tenants on South Kilburn estate to set up a private company, **Carlton Homes Ltd**, to take over all 3,000 homes on the estate under the "opting out" provisions of the Housing Bill. Recently two officials from the Abbey National and the Woolwich Building Societies were stopped on the estate by a tenant. They had plans of tower blocks and said they had come to do a "survey" with the permission of the Council. The tenants thought this unlikely and the Council confirmed they knew nothing about it. Tenants suspect



"WE'RE FROM THE WOOLWICH..."

that the plans came from Mr Skilton – who used to be their district manager – and that the Building Societies have been approached to fund the new private company. LB Brent are investigating this incident.

Mr Skilton has been making other use of his previous employment. He has set himself up as a Consultant selling local authorities "concierge" schemes for tower blocks. While he was a Brent housing manager, South Kilburn Tenants who had pioneered the idea of combining secure entryphones, intercoms to all flats and a staffed reception desk in one tower block, managed to persuade UHURU to extend the "concierge" scheme to the rest of the estate, and he was involved in helping the tenants package their scheme.

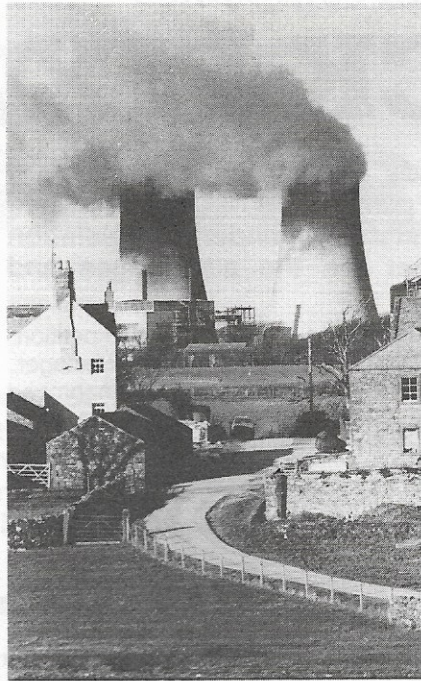
Electricity: PRIVATE SWITCH

The government plans to raise more than £20bn with its switch of England and Wales' £37bn electricity from public ownership to private control.

Under a white paper released in late February, Energy Minister Cecil Parkinson is preparing for the sell-off by breaking the industry into three parts:

- The **Central Electricity Generating Board** will keep 70 per cent of power plants, including all the nuclear stations, with a commitment to build at least four Pressurized Water Reactor nuclear plants over the next 12 years.
- A new "mini-CEGB" controlling 30 per cent of generating capacity.
- 12 new private area distribution companies, based on the existing 12 area boards.

The national grid is to be controlled by a separate non-profit making company, jointly owned by the new distribution companies. It will have the statutory duty of ensuring supply.



In Scotland, Secretary of State Malcolm Rifkind has announced parallel plans to privatise the **South of Scotland Electricity Board (SSEB)** and the **North of Scotland Hydro-Electric Board**, jointly valued at £8bn. The SSEB is expected to compete to supply surplus power to England and Wales.

The sell-off of the industry is expected to begin within the next three years.

An Office of Regulation is to be set up to supervise the industry but with stronger power than the British Gas regulator, Ofgas.

Privatisation may reach Northern Ireland earlier than Britain if the government allows the private sector, not the publicly owned **Northern Ireland Electricity**, to build a new power station expected to supply about a third of the province's electricity. Bids to build a new lignite plant have come from **NIE** and **Antrim Power Company**, a private consortium of **Bechtel International**, **GEB Turbines**, **Hanson** and **Lamont Holdings**.

Parkinson has already increased electricity prices to fatten the industry for sale with an eight per cent increase for this April and at least another six per cent increase next year. He says the higher prices are needed to pay for £40bn of investment needed by the year 2000.

Trade unions representing workers in the industry have warned privatisation will raise costs and reduce reliability of supply. The NUM, Nacods, Aslef and the NUR plan a joint campaign to defend more than 75,000 pit and rail jobs threatened by the sell-off.

Tyler and Teamwaste

MAKING NEW GROUND

A company rapidly marking out a place for itself in local authority privatisation is Hertfordshire-based **R.B. Tyler**, (owned by **A.A.H. Holdings plc** whose major interests are in pharmaceuticals, fuel and transport).

Under the Tylers name the company has won the first whole local authority grounds maintenance contract from **Rochford District Council** in Essex. The contract, due to start on 1st April, is worth over £500,000 and was won in competition with bids from the council's own DLO and from neighbouring Southend council. The contract covers maintenance of all parks, gardens, grounds of council buildings, and cemeteries (including grave digging and maintenance). The maintenance of the District's ancient woodlands will remain with a specialist in-house team.

Through its waste subsidiary **Teamwaste**, Tylers won Rochford's refuse and street cleansing contract last year, providing a ready-made base for the new contract.

A spokesperson from Tylers told **PSA** that the company has been in the landscape maintenance business for 25 years and has extensive experience in local authority work. At present it appears to be council's major competitor for sizeable grounds maintenance contracts, though current contracts are only in the south and east of England and are generally just grass cutting. An associate company in Germany provides a base for its European operations.

Teamwaste was set up to cash in on the council contracts bonanza to come. Another new refuse contract at Tunbridge Wells strengthens their Kent operations, where they have part of the Sevenoaks refuse service.

WANDSWORTH

The company's greatest success has been in Wandsworth where they have moved in as other contractors failed. In 1987 they won the street sweeping and refuse collection contracts to add to the existing grass cutting and litter picking. Despite continuing complaints about the street cleansing service, the council recently gave them two small additional contracts, without going out to tender – emptying litter bins and weeding round trees in the borough's streets.

The company does not recognise trade unions (see **PSA 32** on Wandsworth dust deal) though they 'allow' individual workers to join. They told **PSA** that they always agree to interview DLO workers made redundant by contracting out, but that '*not all council workers are suited to the commercial sector*'. What this means became clear in Wandsworth: when they took over refuse service there, the only member of the existing workforce they didn't employ was the shop steward.

But the company may soon face a challenge on this score: during the recent trade union week organised by Wandsworth Trades Council, 80 per cent of the street sweepers agreed to join the GMB, queuing up outside the depot to sign up.



SELLING THE WORLD

The drive to privatise publicly-owned industries and the work of government departments is not confined to Thatcher's Britain.

Around the world governments of various political hues are cutting public spending, selling nationalised industries, and contracting out more and more work to private firms.

An international perspective reveals the common forces leading to privatisation and restructuring in different countries. The same services are threatened. The same multinationals win the main contracts. The right-wing ideological attack is similar. These common elements are also the key to drawing together the research and lessons for effective international action and co-operation by workers and users fighting for their public services.

CUTTING DEFICITS

Governments throughout the western bloc aim to cut their budget deficits by cutting spending on social security, education, health and housing, while gaining revenue from selling off public industries. They believe this will bring down inflation and interest rates. This monetarist strategy also includes tax cuts and incentives which can only be achieved by cutting public spending, increasing rents and charges and shifting the costs of more services from the state to individuals and families.

The International Monetary Fund and the World Bank impose similar economic policies as a condition of loans or rescheduling existing debts. And some countries adopt the same policies to attract foreign investors.

BOOSTING BUSINESS

Privatisation is about more than the private sector regaining control of profitable parts of public services. It is an

integral part of restructuring economies and public services in the interests of capital.

Cuts in wages and working conditions resulting from transferring work from the public to the private sector boost productivity and profitability. Secure employment is replaced by a casualised and "flexible" work. Businesses benefit generally from lower wage and tax bills as the cuts, mass unemployment and privatisation lower wages throughout the economy. Services are often remoulded to meet the needs of industry and commerce, such as the telecommunications industry, and education and training.

Transnational corporations increasingly use their experience of privatisation and deregulation in different countries to gain large sections of public sector work and buy up public assets. the **Hospital Corporation of America ADT Ltd** (formerly Hawleys) and **Grand Metropolitan** are three well-known examples.

RIGHT-WING IDEOLOGY

Propaganda for privatisation is similar throughout the world. Right-wing parties and pressure groups trumpet their claim to give more freedom and choice by "rolling back the frontiers of the state". The public sector is attacked as inefficient and overstaffed compared with a cheaper, competitive and effective private sector.

New Right pressure groups like the Adam Smith Institute in London, Canada's Fraser Institute and the US Heritage Foundation are well funded to develop and transfer their propaganda around the world.

Legislative and political attacks on trade unions are an integral part of privatisation and restructuring.

RECENT DEVELOPMENTS

● Austria's conservative and socialist coalition is cutting social services, partially privatising its five biggest nationalised industries and making big jobs cuts in a bid to "balance its books" by 1992. Staff of the iron and steel giant **VOEST-Alpine** are to be cut to a quarter of their number in 1981. Foreign and domestic investors are allowed to buy up to 49 per cent of shares in nationalised industries.

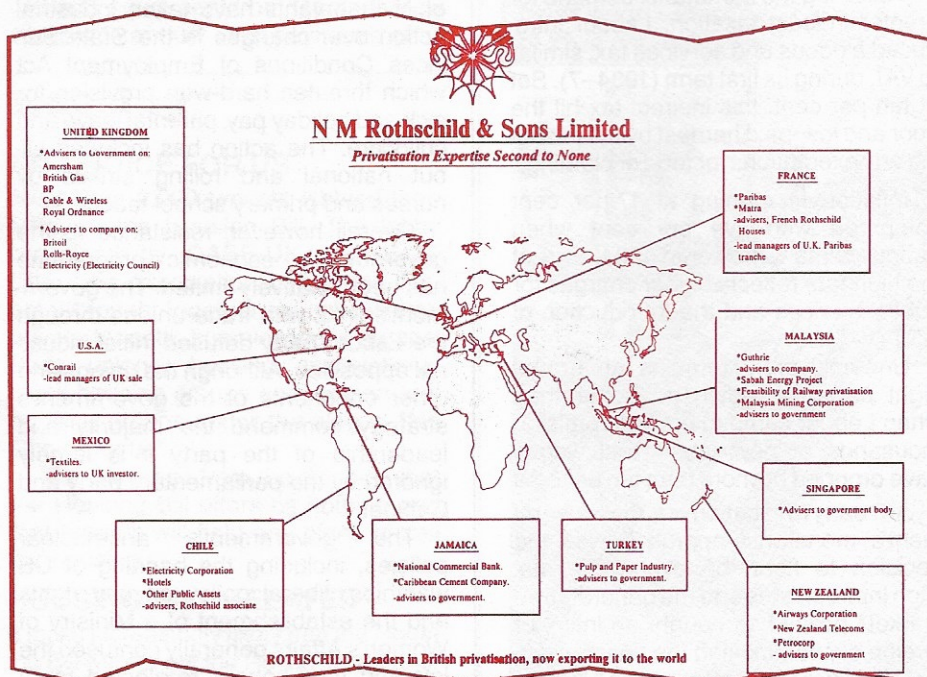
● Nigeria's government has identified 96 companies and state enterprises to be privatised or commercialised.

● **Fletcher Challenge** – New Zealand's biggest company and now an aggressive multinational active in Australia, Canada and the Pacific – has bought the state-owned energy group **Petrocorp**. **British Gas** and **Shell** both bid for Petrocorp but FCL proved more politically acceptable and was persuaded to lift its offer to match British Gas.

● Turkey is beginning a long-planned privatisation programme with flotation of the telecommunications equipment maker **Teletas**. Other state enterprises lined up for sale are the petrochemicals company, **Petkim**, and the textiles agency, **Sumerbank**.

● Australia's Labour government is planning to privatise some public sector agencies and deregulate its transport and telecommunications industries.

● Canada's Conservative government has cancelled its planned sale of **Air Canada** and **Petro-Canada**. It has already sold **De Havilland Aircraft** (sold to **Boeing**), **Teleglobe Canada** and **Fisheries Products International**, and promised in its election manifesto to sell 57 Crown corporations and 200 subsidiaries.



● Rothschilds promoting itself on its global role in privatisation.



New Zealand:

THREE YEARS' HARD LABOUR

The election of a Labour government in Aotearoa (New Zealand) has resulted in the unexpected outcome of a country run as a laboratory for far-right economic theory. Its latest ideas for reforms in tax and the health service go further than even the Thatcher government had, until recently, expressed publicly. And last month nine state owned enterprises were ordered to prepare for privatisation.

Led by Finance Minister Roger Douglas, the Labour administration of Prime Minister David Lange has unleashed the full force of "free market" theory on the country. The economic programme, widely known as "Roger-nomics", has resulted in high inflation and unemployment, higher indirect taxation, fewer jobs and lower wages. Public services are being "corporatised" and some are being sold off to boost government revenue.

Ironically it was New Zealand's first Labour government, elected in 1935, which set up the welfare state and public sector now being dismantled by its supposed successors.

State housing tenants – the equivalent of British council tenants – must now pay "market rentals" for their homes, based on what a private landlord would charge for a comparable house. For many tenants rents doubled or trebled, despite two-thirds qualifying for benefits because they are low paid or jobless. A long-running rent strike launched by 130 tenants in Porirua, a city near the capital Wellington, has demanded the government keep its 1981 manifesto promise of state rentals being no more than one-sixth of basic income.

TEXTBOOK MONETARISM

Reforms proposed for health and education both make much of "free market" ideas and are largely dreamed up by textbook economists in the country's Treasury.

A government review of health administration headed by millionaire businessman Alan Gibbs has recommended public hospitals be forced to run as commercial enterprises competing with private hospitals for tenders for some operations and services.

The country's health service is similar to the NHS but already spends less than Britain as a percentage of GDP. An indication of the gradual decline of the health system is that almost half the

population now has private medical insurance. The trend is boosted by tax relief for medical insurance, as mooted by Tories here, and it is worrying to note that the British Department of Health's chief economic adviser Clive Smeed recently visited New Zealand to study developments.

RICH TAXED LESS

Major changes to tax rates are planned this year. Personal income tax rates are to switch to a two-tier system of 24 per cent and 33 per cent with some rebates for the lower-paid. Only a cabinet-level split stopped Roger Douglas introducing a single personal income tax rate of 23 per cent. Either way the rich, who until now paid a top tax rate of 48 per cent, receive a massive tax cut. Company taxes are also to be cut from 48 per cent to 28 per cent for resident companies and 33 per cent for non-resident companies.

Following the monetarist demand for greater indirect taxation, Labour introduced a goods and services tax, similar to VAT, during its first term (1984–7). Set at ten per cent, this indirect tax hit the poor and low-paid hardest by not including any exemptions for food or clothing.

Inflation is running at 17 per cent compared with five per cent when Labour came to power in 1984. Part of the high rate reflects higher charges for public services and the introduction of GST (VAT).

Unemployment remains at around eight per cent, again no better than when Labour came to power promising thousands of new jobs. Real wages have dropped by more than ten per cent.

An early indication of the government's monetarist approach was the decision to float the exchange rate. High interest rates and the general "free market" policy has bought an influx of foreign capital, making the finance sector the only booming area in the economy.

"CORPORATISATION"

Changes under a policy of "corporatisation" to make public industries and services more "business-like" include:

- splitting the Post Office into three corporations (Post Bank, Telecom and NZ Post) with hundreds of job losses. In February 432 of the country's 1200 post offices were closed.
- Jobs at the new Coalcorp running state-owned mines were cut by half while production doubled.
- Two-thirds of jobs in state-owned forests were cut by Forestcorp which made a \$30 million profit.

This year the government expects a surplus budget based on sell-off returns, and privatisation of unspecified government enterprises is budgeted to pay off one third of the country's £15bn domestic and foreign debt by 1992.

PAY ATTACK

The corporatisation drive has seen a major attack on the pay fixing system for public servants. New legislation, secretly written and printed outside the civil service, scraps annual increments and allows departmental managers to pay a wider range of salaries to staff rather than previous national salary scales.

New legislation also affects the pay-fixing system for workers in the private sector. The new Labour Relations Act encourages the establishment of more regional pay awards and undermines the system of national wage agreements, essential for protecting the wages of workers in low paid jobs and provincial areas.

Over the last two months thousands of civil servants have taken industrial action over changes to the State Services Conditions of Employment Act which threaten hard-won provision for sick and holiday pay, parental leave and childcare. The action has included all-out national and rolling strikes by nurses and primary school teachers.

Overall however, resistance to the government's economic programme has been relatively limited. The government's links with trade unions through the Labour party defused initial industrial opposition. Although the unions and other opponents of the government's strategy command the majority and leadership of the party it is largely ignored by the parliamentary party and Cabinet.

The government's anti-nuclear policies, including the banning of US warships, liberal policy on gay rights and the establishment of a Ministry of Women's Affairs generally confused the left and saw Labour re-elected for a second term in 1987.



British Columbia:

CREDIT DRIVE

The Social Credit government of British Columbia, Canada's westernmost province, has unashamedly cribbed the ideas of Thatcher and right-wing think tanks to launch its own far-reaching programme of privatisation.

Premier William Vander Zalm and his colleagues have decided everything must go with a sale of C\$3 billion of Crown assets and services. They want the money to bring down a \$6 billion operating deficit. Top of the sale list is the \$500 million gas division of **BC Hydro** to be followed by the telecommunications and data processing business **BC Systems Corp.** Also touted as likely candidates for sale are **BC Rail**, **BC Buildings Corp.**, government-owned liquor stores and **BC Steamship Corporation.** They are also pushing for local authorities to contract out more of their work and services.

Recent changes to the province's labour laws make it easier for prospective buyers of public assets to get rid of unionised employees.

SETTING THE PACE

The federal government and governments of other Canadian provinces, of all political parties, are also privatising public services and industries but British Columbia is setting the pace.

The Socreds have looked closely at the British experience and sought advice from privatisation gurus such as Michael Beesley of the London School of Business, who advised on the privatisation of British Telecom. Ministers and officials have vis-

ited Britain for information and inspiration.

Think tanks such as the Vancouver-based Fraser Institute have played an important role in creating the privatisation ideology and strategy. Again these groups draw heavily on British advice, readily given by Adam Smith Institute president Madsen Pirie during a visit to Canada last year. He was toured around Canada by the ultra-right wing National Citizens Coalition, a business lobby campaigning for privatisation of crown corporations and more contracting out of public services.

BUYING JOBS

The Socreds have issued a series of publications aimed at encouraging government employees to buy the services being privatised. They describe the privatisation process as

"tapping the creativity and energy of people in all parts of the province".

A proposal by the BC Government Employees Union to put in a bid for the entire highways and bridge maintenance contract under the Socreds privatisation programme has seriously undermined a campaign by provincial unions against the plans. The BCGEU says the union is both trying to protect the public interest by seeking the contract on a non-profit basis and helping members who face the "excruciating dilemma" of using their life savings to buy their jobs or losing them.

● Canada Post plans to close about 1700 rural post offices and privatise the remaining 3500 over the next ten years. Rural coalitions are waging vigorous campaigns against the plan.

United States

CONTRACT TRENDS

According to a report by Touche Ross and Co *Privatization In America*, released in September:

- Nearly 80 per cent of local government officials responding to a questionnaire have used or plan to use privatisation in the future.
- Nearly the same number feel privatisation will be a prominent means of providing local government services and facilities in the next decade.
- The most prevalent form of privatisation used by local authorities is contracting out.
- Nearly 40 per cent have used or plan to use private firms to acquire or build and then operate a facility, such as a sewage treatment plant.
- Nearly 25 per cent have used or plan to use the outright sale of assets, such as hospitals or parking garages. Touche Ross estimate the total value of such

sales to be \$3 billion in the next two years.

- The major impediments to privatisation listed were: residents concerned with loss of control, the belief that cost savings will not materialise, and union or employee resistance.

The questionnaire was sent to the city manager or county executive of every US city with a population of over 5,000 and every US county with a population of over 25,000. Nineteen per cent of them responded. The survey was conducted in July 1987.

Touche Press produced the report in conjunction with the Privatisation Council and the International City Management Association. The Privatisation Council is devoted to developing privatisation and is sponsored by large companies and management consultants. (See PSA 22).



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PUBLIC SERVICE ACTION

Information

DON'T PANIC: A guide for councillors and officers on how to deal with compulsory tendering under the Local Government (No 2) Bill 1987.

Produced jointly by the LGIU, AMA, ADLO, and LSPU, with assistance from SCAT, the guide offers a detailed strategy for councils to deal with compulsory tendering. The emphasis is on

reviewing and improving service quality, involving trade unions and service users in decisions, and ensuring that competition is on councils', not contractors' terms. It provides a detailed guide to the structures and procedures required for the tendering process – which should discourage some authorities at least from running to private consultants for help. This NOT a guide for trade unionists but for employers – but will be useful for trade unions pressing for their authority to take a positive and effective approach to the process. A follow-up speakers service is also offered.

Copies from LGIU, 1-5 Bath Street, EC1V 9QQ, tel 01-253 7406. £5 or £2.50 for more than 10 copies.

ICS:

"INCOMPETENT CLEANING SERVICES"

Two Initial Cleaning Services (ICS) school cleaning contracts in Kent and Hereford and Worcester are under attack from teachers, caretakers and clerical staff in schools.

West Midlands NUPE have called the ICS contract in Hereford and Worcester an "abysmal failure" and "pay cuts competition".

● In a survey of 19 of the 21 schools privatised, 78 per cent of the head teachers, teachers, caretakers and clerical staff who replied described the service as "unacceptable". Neglect of toilet cleaning and a failure to keep classrooms hygienic were common complaints.

● The survey also found only 22 per cent of the 94 cleaners employed by ICS had formerly worked for the Council. This puts the lie to the claim that sacked DLO workers got jobs with ICS.

● Low pay was identified as a cause of staffing problems and low standards. ICS only pay £1.80 per hour, compared to the National Joint Council rate of £2.40 an hour. Asked to explain cleaning standards, one school observed: "Not sufficient hours and threat of good cleaners leaving due to less money and harder work. I doubt I could find replacements".

● Hereford and Worcester have admitted that there are no differences between the efficiency and effectiveness of DLO cleaners and ICS employees, nor in the equipment, method or cleaning specifications: the savings of £18,000 a year are solely due to pay cuts.

The Education Authority called its remaining DLO school cleaners to a meeting on Christmas Eve to tell them they had to agree to a 23 per cent pay

cut and a heavier work load to "save" their jobs.

Hereford and Worcester plan to extend the privatisation of school cleaning to another 51 schools next Autumn, though they will not say which schools will be affected.

Ref: **Privatisation in Hereford and Worcester – Time to Think Again** available from West Midlands NUPE, Civic House, 7 Friars Rd, Stafford ST17 4AA.

KENT'S DIRTY SCHOOLS

Kent County Council are now conducting an inquiry into ICS's performance and the future of the contract is under review after complaints from teachers about filthy schools.

Complaints have centred on:

- ICS's inability to provide equipment and materials;
- shortage of staff.

A teacher told the local press: "It might be more accurate if ICS stood for Incompetent Cleaning Services".

MANCHESTER

In Manchester ICS has withdrawn from a two-year cleaning contract at Salisbury House, the administrative offices of the city's DLO. Despite previous assurances, the company claimed it could not operate the contract to the specification at the price submitted. The Direct Works Committee has recommended the removal of ICS from the department's tender list for an indefinite period.

TRADE UNION STRATEGY TO COMBAT STATUTORY TENDERING

In the North East, NALGO, NUPE and GMBATU have agreed a joint strategy to combat statutory tendering in local government. Building on existing in the region, the basic strategy outlined in PSA 31 has been developed for local use and current circumstances, with the aim of maintaining a strong, united trade union approach.

In about half the region's 26 authorities unions are already in discussions with their employers on tendering. So the Regional Joint Trade Union Coordinating Group is directing its attentions in the first instance to councils with known problems in inter-union or union-employer relationships, to press for a joint trade union approach to councils on the basis of the agreed strategy document.

Copies available from Bob Merchant, NALGO, Milburn House (A), Dean St, Newcastle on Tyne, NE1 1LE.

PUBLIC SERVICE ACTION

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