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Council Tendering

STAND AND DELIVER

It has taken the Government three years to get statutory tendering imposed on local government. The original Green Paper was published in February 1985 – the Local Government Bill was finally approved by Parliament in April 1988. The first contracts must be started by August 1989.

Retaining public services delivered by direct labour will be an intense struggle. But the issue is not direct labour at any price. There is an inseparable link between the quality of services (including how they are delivered) and the quality of employment. Increased exploitation of workers leads inevitably to lower quality services. And job losses and wage cuts in the public sector lead directly to fewer jobs and lower earnings in the private sector.

In working to defend public services and direct labour we must not lose sight of demands for real improvements in the effectiveness and range of public services. There is clear evidence that

the public supports and is willing to pay for good quality public services effectively delivered at reasonable cost.

It is not simply a trade union struggle: it is equally a political struggle. Many Labour-controlled councils harbour councillors and officers all too willing to adopt commercialism, reduce services, increase user charges, and call in multinational consultancy firms (who are also auditors to the firms seeking contracts) to help implement these ideas. And there are increasing numbers of influential figures in the Labour Party who believe market forces can best determine local public services.

Many local authorities are still unpre-

pared. Trade unionists should be demanding implementation of their own proposals not waiting for management or politicians. To wait will only increase the likelihood of ill conceived restructuring and reorganising of departments, deals and proposals for trading companies.

Trade unionists need to be involved in council strategies to prepare for tendering. We should plan, propose and negotiate but must retain ultimate independence from management and councillors to organise, inform and take action.

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COMMUNITY CARE: A PRIVATE FUTURE?



A new Government commissioned report recommends a central role for councils in the provision of care for the elderly, disabled, mentally ill and handicapped. The Griffiths report 'Community Care: Agenda for Action' presents the Government with a dilemma, proposing an enlarged role for the hated local authorities combined with solid Thatcherite ideas for increased competition, privatisation and charging for services.

There is widespread concern over the total inadequacy of so-called community care: the lack of resources for social and health services, the millions of public money pumped by the DHSS into the private residential sector, the lottery of where you end up if you need care, the lack of support for informal carers and the numbers of mentally ill ending up on the streets.

The Government's concerns are mundane: the Audit Commission calculated that if all those needing long term care went into residential homes and were paid benefit, the cost to Government would be £2 billion.

The Griffiths report addresses issues of care and costs and also the illogical divisions of responsibility and lack of co-ordination. Despite a statement that this is not a cuts plan and that adequate resources were crucial, he offers largely cost-led and divisive solutions.

ORGANISATION

There are proposals to create a simpler and clear allocation of responsibility:

- A single DHSS minister to define national objectives, priorities, standards, review local care plans and allocate grants.

- Local social service authorities to have overall responsibility for non-medical care in their area and for identifying and assessing needs and drawing up local joint plans with other agencies. Central Government finance should be available to them through existing 'Joint Finance' money, specific grants, and the community care part of the new 'Social Fund'.

- Those needing services to have individual packages of care to be designed for them by the social services authority based on identified needs and personal preferences, with a care manager to oversee delivery and ensure co-ordination.

CHEAP CHOICES

Within the basic outline, Griffiths' solutions seek solutions to minimise public spending at the cost of both quality and equality.

- Local authorities should become merely 'enablers', not providers of services, buying in care services from private and voluntary agencies competing with each other for the work. Councils should not develop further public services but stimulate the growth of private and voluntary sectors.

- Means testing for services will ensure that those who can pay will, and

government grants should be linked to the proportion of an authority's clients who can or can't pay.

- People should be encouraged to make provision for care in old age before retirement.

- Those who can't pay will have the appropriate care package decided by the local authority with no right of appeal. The council is to look first at 'informal' caring and other cheap options. Residential care is a last resort, which the DHSS will still pay allowances for (in public and private sectors). The council can top up this allowance – but not if an individual chooses residential care in defiance.

- Professional skills should not be 'wasted', so more use should be made of unskilled, untrained and MSC labour in care services.

PRIVATE PROSPECTS

The Report has been greeted with noticeable coolness not only by the Government, but, for very different reasons, by many involved in health and social services. Whatever the advantages of its organisational proposals, the plan's implementation would be the death blow to principles of high quality public service, collectively provided and equally available on the basis of need. The proposals echo much of the current discussion on the NHS and education, with terms like 'choice' and 'value for money' as a screen for consolidating the development of a permanently divided, privatised and deskilled service.

PRITCHARDS SKIP TENDER

South Oxfordshire District Council has privatised its parish skip service, awarding the contract to its refuse contractor **Pritchards**, without even the pretence of competitive tendering.

Pritchards won the council's refuse collection contract five years ago and it was also renewed without going out to tender last year.

The parish skip service, started to provide regular rubbish tipping facilities in villages, cost the council about £17,000 a year. Plans to extend the service would have cost another £57,000, with new vehicles and an extra driver. Instead the council gave the work to Pritchards on a £23,000 contract.

NHS

GOING TO MARKET

Income Generation is the new creed in the health service, giving rise to a host of new schemes. Collecting tins and appeal funds have been around for years, but now, it seems, in the enterprise culture, anything goes.

● Addenbrookes Hospital in Cambridge has handed over its concourse to **British Airports Services**, a wholly owned subsidiary of **BAA** to develop a shopping mall which is hoped to produce £100,000 a year for the hospital.

● LOTO is a private profit-making company running a lottery for the new **National Hospitals Trust**. The scheme is based on 100 local lotteries to keep it within the law and a pilot has been launched to test its chances: a minimum of 50,000 players is needed to make it viable. The Trust have high hopes – but when some large pools companies launched lotteries 10 years ago, they made heavy losses.

● **Mirra Holdings** is a new company which recently launched itself into public view with a huge advertising feature

in *Health Service Journal*. It offered scores of fund raising ideas for hospitals ranging from arcade machines to accommodation and leisure centres for staff. Hospitals in Derby and Nottingham opened negotiations with the firm, but these have been dropped after the company failed to produce plans for financing its schemes.

AID FOR PROFITS

Government aid continues to grow for the private medical sector.

● In Liverpool **Mersey Healthcare Ltd**, set up by NHS consultants and business interests, has received Development Corporation approval for a project combining private hospital and sheltered accommodation on reclaimed dockland. The project will be eligible for

development grants.

● The Scottish Office has reported that financial support from the **Scottish Development Agency** to private homes and hospitals for the elderly doubled between 1984-5 and 1986-7. There are eight further private medical projects being considered for aid.

PROFITS FROM AIDS

● A private technology firm, **Cogent Ltd**, owned by **Legal and General Insurance**, has struck a deal with the Scottish Blood Transfusion service to develop antibodies to the HIV virus. The company is investing £350,000: the potential profits are of course huge. Michael Forsyth, arch-privateer and Scottish Office Ministers says he is 'very pleased'.

TENDER PRESSURE

The government has decided not to directly order health authorities to put pathology, ambulance services, pharmacy and other parts of the NHS out to compulsory tender.

Instead health authorities will continue to face financial and administrative pressure to put more services out to tender.

The process is already at work in the North West where regional managers have encouraged districts to timetable further privatisation by offering to let those deemed 'co-operative' have funding released early.

Social Services Secretary John Moore revealed the Government's approach in a recent speech at the Manchester Business School.

"We have no central initiative in mind to extend the range of services subject to mandatory tender action, since it is clear that managers can and will use this powerful tool without regular prompting from Whitehall", he said.

Some authorities have already started tendering or privatising portering, works, gardening and finance. Several, including Wirral and Blackburn, have looked at privatising pathology.

HEALTH CAMPAIGN

NALGO has launched a campaign promoting the NHS and attacking private medicine and health service underfunding. The campaign is the first funded from the union's newly approved political fund. It opened with publication of a booklet outlining the true cost of private medicine and comparing health care systems in other countries. Planned activities are focussing on the 40th anniversary of the NHS to be celebrated nationwide on July 5.

Scottish Health Unions

NEW BID IN CAMPAIGN

Scottish health boards have all agreed to Scottish Health Minister Michael Forsyth's directive to put hospital domestic and catering services out to tender. They will now face a determined union campaign for the acceptance of in-house tenders based on no cuts in wages and conditions for workers or service to patients.

Unions are not expecting in-house tenders will be the lowest bids. And if boards persuaded to accept them, the decisions will have to be referred to the Secretary of State for approval, pushing the issue back to central government.

STUC spokesperson Grahame Smith told PSA the health boards had little choice over the issue of competitive tendering. The real drive comes directly from Forsyth, senior civil servants, and the group of health board general managers which is co-ordinating their strategy for tendering.

An STUC delegation met Forsyth in mid-May but found him determined to press ahead with tendering, although he promised no new orders would be issued before August. Forsyth also gave no indication about what he would do about reports from the island health boards that there were no contractors interested in tendering for their services.

The unions knew their campaign of industrial action against competitive

tendering, with a wave of strikes beginning in February, would not sway Forsyth but it is seen as having successfully mobilised Scottish public opinion on the side of health workers. Privatisation and health board tendering was an issue in the recent district council elections and is believed to have contributed to the Tories' failure to make any gains in council seats.

Unions have agreed to talks with board managers about the preparation of in-house tenders on the basis of preparing bids which maintain, or even improve workers' wages and conditions and the quality of service to patients.

Grahame Smith said unions would use both industrial and political pressure to continue the campaign. Most boards have finished preparing specifications for the contracts and were to call for tenders by the end of May. Tenders would be considered during June and July with contracts due to begin in August and September.

CONTRACTORS Fines & Failures

RCO

WARD DEATH

An elderly woman died in Reading's Battle Hospital after contracting an infection from the dirty floor of a ward cleaned by private contractors RCO.

The company gained the hospital cleaning contract in November 1986 and cut staff levels by half, despite union warnings about the dangers of falling standards of cleaning.

Health officers investigating the woman's death found she got the infection through falling on the ward floor and cutting her arm. The woman died in January after contracting acute cellulitis – a non-contagious skin infection. The condition is usually curable but can lead to blood poisoning and eventual death.

Swabs were taken from the ward floor and health authority officers found the ward was superficially clean but

deep cleaning was seriously inadequate.

Ventilator grills were caked with black dust. Dust was found behind bedheads and between radiator panels.

Sub-standard cleaning was found not only in the ward where the woman died but in all but one ward in the hospital block.

GMB regional organiser Ian Keys said the health authority was warned RCO was promising an impossibly high work rate when it took on the contract. The authority employed 120 cleaning staff but the contractors took on just 66.

NHS Cleaning Contractors:

IMAGE AND REALITY

"The tender itself is a key selling opportunity. It will always appear to be totally made to measure and highly personalised towards the authority and its hospitals. It will also be well laid out with appropriate emphases on costs, monitoring, quality and co-operation. Health service jargon will be used freely and where possible, local words, phrases and abbreviations. All of this is to give the impression that the tender was drawn up after a great deal of work and that the company had treated the tender as if it was the most important contract that it could possibly win. The fact is that it probably took three days' work by an estimator and half a day's work by a word processor operator."

This is how a former **Mediclean** employee concludes an account of how contract cleaning companies approach tendering for health service contracts. His account provides useful clues for those involved in assessing tenders:

- Contractors use their own work measurement data, not British Standard definitions, and these may have no scientific or objective basis.

- When applying these values, no account is taken of frequencies laid down in DHA specifications.

- Calculations of total times required include subjective assessments of how clean the hospital appeared when visited, how effective monitoring is likely to be, etc.

- Contractors, particularly the less experienced, tend to underestimate patient related duties.

- Rosters may look good on paper but may be unworkable with existing staff (whom they invariably agree to interview for jobs) and may betray ignorance

of the local employment situation.

- Tenders usually include unrealistically low allowances for annual leave and sickness levels.

- Tenders will include provision of 'trained staff', but what this 'training' is bears investigation.

Other point of interest:

- On site visits, contractors look on noticeboards for signs of union activity, details of work rotas, information on vacancies and pay rates.

- There is serious concern among contractors about any suggestion of objective standards of performance linked to penalties.

- Pay rates proposed will be affected by local conditions. Higher labour costs will be proposed if the monitoring system is expected to be 'penal rather than corrective'.

- Low allowances are given both for corporate overheads and profits.

Thanks to NUPE London Division for this information.

Taskmasters

TASK UNFINISHED

Taskmasters managed to anger the council, residents and its workers within days of taking over the refuse collection contract for Tandridge District Council in Surrey.

The ADT-owned company wrested the contract from Exclusive which had won it when the service was privatised five years ago. Taskmaster's bid was about £100,000 a year cheaper than Exclusive's £800,000 tender.

The winning bid was based on using 25 per cent fewer workers than Exclusive. The contract began on Easter weekend and instantly got behind with the work. The council needed an extra telephone line to cope with the complaints and housing maintenance staff were drafted in to help with the backlog of uncollected rubbish.

When Taskmasters workers asked to meet management about the problems, managers would only agree to see them individually. Although the workers are not unionised, managers told the council they were in "industrial dispute" with their workforce.

PRITCHARDS PAY UP

Wandsworth Council has accepted an £80,000 out-of-court offer from **Pritchards** as settlement for a dispute over the 1983 termination of the company's garden maintenance contract with the borough.

PSA understands the council already holds retention monies of just over £24,000 from Pritchards, so the offer represents a further payment of just over £55,000, according to council papers.

The council sacked Pritchards (now ADT-owned) from the contract after the firm incurred fines of £138,116 for failing to carry out work and poor standards. The council was original seeking payment of a £75,000 performance bond (see PSA 30).

SITE DEATHS

Deaths on London's building sites have hit record levels, with 37 people being killed last year – bitter fruit of falling safety standards in an industry which is increasingly privatised, casualised and non-unionised. And another ten workers have died on sites in the capital already this year.

The deaths are the highest number since the current method of compiling the figures was introduced. Cuts in the numbers of health and safety inspectors, casualisation of labour and increasing numbers of 24-hour sites all contribute to the rising toll.

Housing

A CHOICE TRICK

When is a private landlord not a private landlord – this is the riddle facing Rochford tenants.

They are being asked to agree to Rochford Council handing over its 2,500 homes to the Crouch Valley Housing Association, which has been set up for this purpose. This has two purposes according to the council: one is that it 'protects' tenants from predatory landlords and the second is that the Housing Association can use the asset base to borrow money to build houses which the local council otherwise cannot build. Although they are being balloted now, the hand-over would not happen until after the new Housing Bill is law.

There are several problems in this for tenants. The newly formed Rochford Housing Action Group feel there has been no real consultation – the council consultation process has consisted of trying to persuade tenants to agree to the proposal. There have been no alternative proposals put forward. Much of the information to tenants is partial and very technical, with no independent advice.

Nine hundred of the 2,500 households are elderly tenants in sheltered dwellings so will not be covered by the "pick a landlord" clauses in the new Housing Bill – the only threat to their status as secure council tenants is if the council itself decides to sell.

WHY THE RUSH?

The Council will ballot tenants on the proposal this June, under the Housing and Planning Act 1986 regulations. This means that unless a majority of tenants object, the whole stock will be transferred. But the vast majority of the stock is houses. Under the new Housing Bill ballot proposals, tenants in houses who want to stay with the council could do so. But that would not give the Housing Association a big enough asset base to raise money.

Although the Housing Association claims to be confident that they will get a grant from the Housing Corporation towards new houses, there is no guarantee of this. Whether or not the HA could get a Housing Corporation grant, or had to raise all the money from the City or one of the new finance companies, rents would be considerably higher than they are now – and could be out of the reach of those in housing need or the homeless.

NO TENANTS ON BOARD

The Housing Association has no tenant representatives – because of its charity status – and the ten Board members are all appointed by Rochford's Chief Executive: The Housing Department officers have been promised jobs in the new Association, but no mention has

been made of other workers threatened by the privatisation of the whole stock.

These schemes are being set up with a mixture of motives – the best of which are that they protect tenants, their homes and housing workers from predatory landlords. In fact they do the government's dirty work for it

More than 100 councils are considering voluntary selling off all their homes before the Housing Bill becomes law.

● Ynys Mon is proposing to sell its stock to a private company controlled by the Assistant Director of Housing and colleagues from the Housing Department.

● Salisbury is setting up a non-profit

making company with 30% of control going to Council nominees. Not all the housing staff would be redeployed in the new company.

The newly privatised **Trustee Savings Bank** with Gardner Information Services has set up **Property Investment Company** to advise councils on how to set up housing associations to take over the stock. Finance will be available through TSBs banking arm Hill Samuel. They estimate that the "social housing investment market" is worth £40m to the City.

The Government is expected to bring forward amendments to the Housing Bill to encourage these transfers.

ANTI-SOCIAL LANDLORDS

The Government's failure to persuade tenants that private landlords are not all Rachmans has led to Housing Minister Waldegrave proposing that landlords who want to take over council housing, have to be approved by the Housing Corporation and agree to abide by a 'Social Landlords Charter'.

This is supposed to convince tenants that these new landlords will somehow have a conscience – they will leave their alsatians at home, when they call for the rent.

The Charter is being drafted now – and will be published during the report stage of the Housing Bill in June.

The Charter will not have any legal status – it will be like the Code of Guidance on the Housing Homeless Persons Act – famous for being ignored almost everywhere. It will not limit or control rent levels – they will be set by the requirements of private financing. It will not affect the lack of security that assured tenants face. The courts must agree to evict a tenant if there are rent arrears of more than three months, and may evict for persistent delay in paying the rent, even though it may not be the tenants fault, eg Housing Benefit delays.

It is likely to try to preserve some of the 1980 Tenants Charter rights such as publishing allocations policies, consulting tenants, information to tenants on their right to repairs which have never been effective. It will also try and ensure that the private landlords remain a source of housing for local need for example, a minimum transfer scheme, and provide tenants with the name and address of the landlord etc. It will say nothing about the kind of employer the "Social Landlord" should be. No "character of good behaviour" can change the

*On behalf of Parkbench Homes Ltd.,
I'm here to wish you a very
'good morning' and
collect the rent...*



basic character of assured tenancies that transferred council tenants will face: high rents and less security – these are essential ingredients if the investors are to be persuaded to invest.

Waldegrave has recognised that few tenants are willingly going to choose private landlords. And that there are not enough profits to be made out of being a landlord to be able to achieve the total hand over of council stock in 5–10 years. This charter is supposed to reassure tenants – and also protect pension funds, building societies, housing associations etc, from the accusations that they are no better than Rachman – except for the alsatian. Tenants will not be fooled.

FINAL ACT



The Local Government Bill is now law and a series of DOE circulars is clarifying how the tendering provisions are to be implemented. Some earlier proposals have been confirmed, while others have been significantly changed:

● The **De Minimis Level**, ie the level below which a service is exempt from tendering because of its small size, remains at £100,000

● **Sports and leisure** management is out of the timetable but there is no decision yet on including it at a later date.

● There are changes in the **tendering timetable**. The groupings of authorities remain the same, but:

▶ the **dates** by which contracts will have to start will now be August 1 and January 1 (starting in August 1989) instead of the April and October dates.

▶ **refuse collection and street cleansing** have been separated with refuse moved into the slot previously timetabled for leisure. The DOE claims this is due to pressure from councils – but it is known that private contractors want the two services separated, so they can bid for the profitable refuse service alone.

▶ **school and welfare catering** has changed places in the timetable with other catering, to allow at least a year's gap between school cleaning and catering.

▶ **grounds maintenance** is now to go to tender in blocks of 20% of the service on January 1 each year (instead of 10%)

● The **financial target** for services won by in-house teams is proposed as a 5% rate of return on capital employed – except for building cleaning which will be required only to break even.

● Education legislation will affect tendering:

▶ Department of Education and Sci-

ence proposals are promised for how devolution of financial powers to schools and "opting out" will be matched with tendering practices.

▶ ILEA, due for abolition, will not now have to put services out to tender.

● **Contract periods** for each service have been proposed (but not decided on) as follows, with some differences for councils which are education authorities:

	min years	max years
Refuse collection	5	7
Other cleaning (including streets)	4	5
Vehicle maintenance	4	6
Catering	4	5
Building cleaning (education auths)	3	4
(other auths)	4	5
Ground maintenance (education auths)	3	4
(other auths)	4	5

CONTRACT COMPLIANCE

A DoE circular issued in April deals with the 'non-commercial' matters which authorities are not allowed to use in selection of approved contractors or tenders:

● Authorities which have approved lists must amend them according to the new law by July 7 1988.

● The questions which can be asked about race relations matters are listed.

● Local authorities CAN also ask about:

- ▶ health and safety policy and record
- ▶ background and character of contractors' staff where work is of a 'sensitive' nature
- ▶ appropriate qualifications of contractors' staff

● Authorities can insist on work being carried out to certain recognised standards and on guarantees such as those provided by membership of a trade association.

NEW THREAT TO NATIONAL AGREEMENTS

Councils' personnel officers are being advised by the Society of Chief Personnel Officers that they should feel free to break with national agreements in preparing for tendering. (See *Local Government Chronicle* March 31) In authorities where management sees achievement of competitiveness as a simple process of cutting in-house jobs, terms and conditions, this new advice will make it even harder for trade unionists arguing for an alternative approach. And fears are growing that NHS workers' experience of savage cuts in the run-up to tendering will be repeated in local authorities.

LEASEBACK-LASH

On March 9 Secretary of State Ridley announced that leaseback and barter deals arranged by councils to raise cash and promote private-public partnership schemes would henceforth be illegal. This was followed by an outcry from large numbers of Tory controlled authorities with such deals in the pipeline. The Association of District Councils reckons some £350 million worth of schemes are threatened.

"Until I made my statement I did not know what was going on" said Ridley. He has now agreed to make exceptions to the ban for certain types of deal – including land swaps and where new facilities thus financed will be owned, operated and controlled by the private sector. But housing deals like the one planned by Westminster Council for the Walerton and Elgin estate (see previous PSAs) will not, it appears, be allowed to go ahead.

A READY REFERENCE ON CONTRACTORS

The introduction of compulsory competitive tendering makes information about private companies vital.

For five years *Public Service Action* has monitored and analysed companies seeking public sector contracts.

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North East Unions

SETTING THE RULES

The three major public service unions in North East have launched a step-by-step plan for their branches to combat the impact of compulsory competitive tendering under the new Local Government Act.

The regional strategy, covering workers in 26 local authorities, aims to keep services in-house, without sacrificing the quality of service to users or the pay and conditions of the workforce. Unions hope to set "rigid and demanding" specifications and contract conditions as each service is pushed out to tender. The plan sees success depending on getting employers to force outside competitors to compete on equal terms with in-house staff.

NALGO, NUPE and the GMB set up a co-ordinating group to develop its strategy with equal numbers of lay and full-time officers from all three unions. The TGWU was recently invited to join the group.

EMPLOYERS

An early success for the joint union strategy was an agreement with the North East local authority employers on guidelines for dealing with compulsory competitive tendering.

The guidelines recommend setting high standards for the quality and level of service as part of the contract conditions, and suggest the penalties for failing to meet the set standards include removal from future tendering. It also recommends full consultation and exchange of information with the unions as well as paid-time off for union officers working on anti-privatisation measures. NALGO officer, and secretary of the joint union group, Doug Stoves, told PSA good progress on the strategy was already being made in more than half the region's local authorities. Most authorities are Labour-controlled but even one Tory-run council had agreed to work towards keeping services in-house.

LOCAL PROGRESS

In the example of one local authority, work on the strategy has resulted in the setting up of a joint service group for each service under threat. The groups include trade union members, managers and councillors and are working towards detailed specifications and contract conditions for their service. Trade union representatives have been involving members in preparing "task profiles" or "service profiles", involving listing every detail of their working day. This aims to help the unions make sure that specifications include precise details of required work.

In another authority service groups set up under the strategy have extended their activity to consultation with users of the service. This is also helping highlight areas where improvements in the service could be made.

Doug Stoves said the unions were also prepared to talk about changes to working arrangements.

"The trade union strategy is not to surrender any terms or conditions but adopt a flexible approach to working arrangements provided they are not detrimental changes," he said.

Doug Stoves said preparing the strategy had involved merging the national policies of the three unions involved. Although the three main public service unions had developed the strategy, they were not aiming to be "elitist" about it and at local level they intend to involve not just their own branches, but all the staff, craft and manual unions, he said.

At the outset of developing the strategy, the regional officers for the three main unions had also agreed they would quickly sort out any inter-union disputes which might arise at local level.



nalgo

Key points of the North East unions' strategy include:

- Joint trade union co-operation at local and regional level
- Joint discussions with local authority employers
- Developing stronger workplace organisation and joint action and user groups
- Working to set higher standards in the service specifications and contract conditions and monitoring so contractors are forced to bid on equal terms with the in-house service
- Seeking full consultation and information with unions before contracts are awarded
- Refusing invitations to tender as a workforce
- Refusing to co-operate with contractors making inspections with a view to tendering
- Refusing job and wage cuts or detrimental changes to working conditions as part of the process of drawing up specifications and contract conditions.

Copies of The North East Regional Trade Union Strategy to Combat Statutory Tendering are available from Bob Marchant, NALGO, Milburn House (A), Dean St, Newcastle on Tyne, NE1 1LE. Tel: 091 232 4900.

Hackney

RIDLEY'S REVENGE

Ridley has ordered the closure of Hackney's hugely successful capital works DLO with 600 staff and the largest training scheme in the country. From April 1 the DLO could bid for no new contracts worth over £50,000 and all work in progress on such contracts must be stopped within a year.

Profits for the last two years have reached some £250,000 – an amazing turn-round from losses of £3.2 million in 1983-4. The Government rejects Hackney's figures for 1985-6 which showed a profit of £10,000, a 38% rate of return and well over the required rate.

The council is considering a legal challenge to the decision and seeking support from local organisations, unions and MPs. Considerable media

coverage has already been achieved.

The move is sobering to everyone trying to survive government privatisation plans with a combination of commitment and ingenuity. The 1980 Planning and Land Act was designed to break DLOs and hand over the local authority market to the private construction industry. Hackney was almost uniquely successful in many ways described in this magazine and elsewhere, including a major role for trade unions in decision making and planning.

This is not the first such closure – but its political motivation and sheer vindictiveness makes it perhaps the most shocking. The success of the campaign by Hackney council and the trade unions against the decision is of more than local importance and deserves wide support.

London Buses

LONGER RUN

The government has postponed deregulation of London's bus services, planned for 1990, probably until the next General Election.

A Department of Transport letter to London Regional Transport says deregulation is now rescheduled for "some time in the 1990s".

London's transport users and unions' campaign, CAPITAL, discovered the news and says the decision is a severe embarrassment for LRT and its bus subsidiary LBL. LRT has been frantically restructuring its bus operations to meet the 1990 deadline, including setting up 14 separate bus companies from LBL, and is now left with an unsuitable structure for operating in the current environment.

The government claims pressure on parliamentary time for putting off deregulation but CAPITAL sees other reasons. Spokesperson Maria Eagle said the popular Travelcard and Capitalcard would be lost and the pensioners travel pass would no longer be accepted. LRT bosses recently made it



clear that keeping the London-wide Travelcard was not a priority after deregulation, even though the ticket system was largely responsible for the massive increase in passenger numbers since 1979.

Scottish Transport Group

One way trip

Scottish Secretary Malcolm Rifkind is pressing ahead with privatisation of the two arms of the Scottish Transport Group, the Scottish Bus Group (SBG) and the islands ferry service, Caledonian MacBrayne.

The only question for Scotland's minority Tory regime is whether to sell off the SBG – with its 12 subsidiaries – and the ferry service as two separate companies or to split both into a number of regional companies.

The SBG is Scotland's largest bus operator with more than 3000 buses, 7500 drivers and 780 crew and support staff, covering over half the main routes north of the border. The group had a £160 million turnover in 1986 and contributed about two-thirds of the Scottish Transport Group's £10.7 million pre-tax profits last year.

Trade unions, although opposing the whole sell-off, are arguing that the SBG should be privatised only as a single unit. Two of SBG's subsidiaries are described as facing bankruptcy if they were sold as separate companies. Sale as a single unit would allow the SBG to retain integrated timetables, through ticketing and maintenance operations. City Link, SBG's operation providing routes between Scottish cities and the south, would also be unlikely to survive the group's sell-off as several regional

companies.

Debate on the sell-off of the islands ferry service, widely known as CalMac, is also centring on the same issue. The government has proposed splitting the company into three regional private companies working from the Clyde, Oban and the north.

CalMac carries about five million passengers and one million cars a year to and from the mainland and islands along Scotland's western coastline.

Island communities are campaigning to keep their ferry services under the control of one company. Their efforts may prove persuasive to Tories who lack a single parliamentary seat in the region.

Rifkind recently appointed the Scottish merchant bank **Quayle Munro** to advise him on arrangements for privatising the bus group and an announcement on how it will be carried out is expected soon. He told Parliament earlier this year that the legislation would include provision for a management buy-out and employee share participation.

ENGINEERS

Meanwhile engineering staff working for LBL have branded plans to restructure the company into 14 companies as "commercial suicide". The engineers say the new operating companies will not benefit from the economies of scale gained under the present fleet and district structure.

Other problems resulting from operating as small companies include:

- being too small to remain independent or avoid being asset stripped
- loss of technical backup, specialist knowledge and a wide range of spares gained by working on a large number of buses
- the Travelcard ticket system collapsing through competition between the new companies.

Bexley

BLUNDERBUS

Passengers of London Buses Limited's latest operating subsidiary, Bexleybus, have given the company a new name, Blunderbus.

The company was formed to run a network of tendered routes, similar to earlier LBL subsidiaries, Harrow and Norbiton. It is designed to be sold off as a going concern when LBL is split up and privatised during deregulation of London Buses.

Bexleybus was set up with a shortage of drivers and buses. To save money it used old, secondhand buses, some of which broke down on the first day of service.

Passengers have reported delays of more than an hour before a bus arrives, reduced services and overcrowding. With only one door, the buses are also very difficult for passengers to get on and off on busy routes.

Residents of Thamesmead estate are particularly hard hit as for many their only method of transport to and from the estate is by bus.

DEREGULATION FLOP

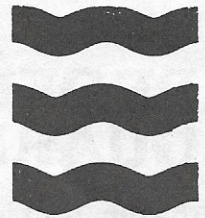
Government figures have finally revealed that bus de-regulation is a massive flop, increasing fares and driving and driving away passengers.

Buried in the depths of the Public Expenditure White Paper released earlier this year are the figures which reveal a 12.5 per cent average fall in passengers and a 25 per cent average increase in fares.

Ref: Capital Transport Bulletin, Freepost, London WC1X 8BR or tel: 01-833 4022.

Water

UNIONS BUILD BRIDGES



A packed conference hall in London on April 27 marked the re-launch of the campaign against the Government's plans for water privatisation. Organised by the Water Industry Unions Committee, the conference brought together representatives from a vast range of organisations representing users, land-owners, environmentalists, health campaigners, pensioners and community groups as well as workers in the industry.

Concerns voiced at the conference included:

- the proposed fragmentation of the industry
- the dangers of replacing the public interest with that of shareholders
- the reduced chances of improving quality control
- inadequate capital investment for repair and improvement
- the likelihood of asset stripping and commercial land development, reducing amenities.

FINANCIAL NONSENSE

Stanley William Hill, an adviser to the water industry for 50 years, made a powerful case against water privatisation on financial grounds. His arguments indicate privatisation of the ten water authorities will jeopardise the successful self-financing of capital works achieved over the years, through ploughing back of profits. The result will be inadequate spending on repairs and improvements and also huge increases in consumer charges. He also provides 28 reasons why investors should steer clear of water!

Shares in the 28 Statutory Water Companies which supply a quarter of UK water have until recently been seen as 'dead' stock, but the prospect of privatisation has led to a race for shares from large private interests. France's three largest water companies (which manage, but do not own, French water) are buying large stakes in several UK companies. They are **Bouygues**, which formed **Cementation SAUR Water Services** in a joint venture with **Trafalgar House**, **Compagnie Generale des Eaux** and **Lyonnaise**, which has two joint ventures with **John Laing**. **Lyonnaise** broke UK takeover rules and had to sell its share in one company. British contractor **Biwater** has now made a bid for this company. It is assumed that the vultures are building a stake to control the water companies and aim for the authorities after privatisation.

THE EUROPEAN DIMENSION

A number of European factors will affect

the path to privatisation. There is now a considerable body of European Community legislation concerning the environment, much of which relates to water. In March 1988 a DoE briefing to MEPs claimed that the "UK takes its responsibilities in complying with EC law extremely seriously". However, in June 1987 there were 22 proceedings pending against the UK Government for infringement of environmental legislation, of which 11 concerned water.

Major concern is with the UK's failure to effectively implement EC Directives about drinking water and bathing water standards and dangers substances in water. Conforming to EC drinking water standards is expected to cost the water authorities £4-£6 billion. The UK Government attempted to avoid compliance, but in December 1987 announced they were backing down in the face of possible legal action by the EC.

The vested interests are organising to resist EC pressures: the UK Government argues that EC standards are excessive and inappropriate and the water industry is planning a £1 million campaign to reassure the public that tap water is safe to drink. And a recent Joint

TU delegation to Brussels saw a reception for MEPs by large fertilizer and pesticide producers to deny responsibility for water pollution and avoid paying for the clean-up.

Despite this reaction it is clear the UK water industry will have to spend large sums to comply eventually. The new Government proposals for a National Rivers Authority are designed to meet EC requirements for a publicly accountable 'competent body' responsible for water environmental matters.

Water authorities in designated parts of the UK got some £550 million in grants from the European Regional Development Fund between 1975 and 1986 and continue to receive substantial sums. The Joint TU delegation to Brussels was told grant aid to a privatised water industry was likely to be more difficult to obtain, since the Fund would be concerned that grant aid must be clearly seen to benefit the community not private investors.

VAT

VAT on water in the UK must be expected in the future with EC attempts to harmonise VAT throughout the Community. The rate for water is expected to be 4-9%, which it is estimated could cost the industry some £100 million a year.

Conference papers (including financial and EC documents), the **Charter for Water**, and details of the campaign from Alan Jackson, NALGO, 1 Mabledon Place, London WC1. Tel: 01-388 2366.



Prisons

PROFIT GUARDS

The prospect of private prisons comes closer after years of discussion with a Home Office invitation to private companies to submit plans for new prisons.

Some 40 companies and consortia have expressed interest to the Prisons Building Board, set up in December to take over responsibility for prison building from the threatened Property Services Agency.

At present the Government is proposing the private sector be involved only in building, not management of prisons. But several of the consortia seeking contracts want to run prisons, particularly remand establishments.

McAlpines and **Mowlems** have combined with the **Corrections Corporation of America**, the US market leaders. They want a 'free hand' to run low-security prisons.

Another construction company, **Rosehaugh**, has joined with **Racal-Chubb Security Systems** and **Pricor**, a US prison company to form **Contract Prisons**, under the chairmanship of Sir Edward Gardner, a former Tory MP who pushed for privatisation of prisons as Chair of the Commons Home Affairs Committee. **Tarmac** has joined with **Group 4 Securities Ltd** and the **Midland Bank**, but currently aims only at prison building.



'Aah ha!!...TRYING TO SABOTAGE OUR FIRST TERM PROFITS, EH...!?'

The Government's current answer to prison overcrowding is to use army camps and the military police – but this is clearly only a short term solution. The strength of the Prison Officers Association in holding their position presents a major obstacle to Government plans. Proposals for introducing more civilians into the service and using private security services to escort prisoners to court have been floated to test reaction. There is a clear precedent in **Securicor's** contract guarding migrants detained while awaiting decision or deportation.

PSA and Crown Suppliers

PRIVATE DISSERVICE

The National Audit Office is investigating why a Whitehall contract was given to a private company, on the Prime Minister's insistence, and ended up costing 40 times more than having civil servants do the same work.

London chartered surveyors **Cluttons** charged £40,000 for a survey of the new £40 million DHSS headquarters after the PM and senior ministers ordered the work be carried out by a private company. Property Services Agency officials were reported to be aghast at the cost when their staff could have done the job for just £1,200.

Junior Environment Minister and privatisation fanatic, Christopher Chope, told outraged MPs that a private survey was necessary to establish the true commercial rent for the DHSS property. But Labour MPs called this a slur on the professional capacity of PSA estate surveyors.

Whitehall sources were also reoriented as saying "commercial rents were in any case a nonsense since government departments paid the PSA only a notional rent for all property.

● Christopher Chope is also vigorously pursuing his plans for the privatisation

of **Crown Suppliers** with the latest move being a plea to Treasury to bankroll a managers buy-out of Whitehall's furniture, fuel and safety experts. The plan could pave the way for managers in other parts of the civil service 'buying out' their agencies or sections of their departments hived off to the private sector.

The idea comes from three Crown Suppliers civil servants, two of whom are on the management board. They are finance director Jim Cousins, and sales and marketing officials Eddie Pinfold and John Cross.

Their proposals would provide public money to pay for preparing their bid, including paying private consultants and financial advisers and covering the costs of visiting Crown Suppliers workshops around the country.

The civil servants would be competing with bids from newspaper magnate Robert Maxwell, who owns the **Hollis** furniture group, and the owner of **Hill-sdown Holdings**, Jack Solomon.

Rail Unions

SIDING WITH PASSENGERS

The rail unions have unveiled a new plan to improve British Rail services in a campaign to enlist passengers in the call for change.

Their 'Better Rail' plan shows how improvements could be made with little or no extra cost to state funds or to passengers. The plan was prepared after an independent investigation by the National Economic Research Association, commissioned by the NUR, ASLEF and the Transport Salaried Staff Association. It is being presented to the Government and the BR board.

The plan wants more money spent on rail and shows how this could lead to a 12% rise in passenger numbers, covering the cost. It calls for extra investment of £137 million a year plus a one-off spending of around £500 million which would improve punctuality, stop overcrowding, keep stations

and carriages clean, speed up booking and enquiry services, employ more station staff and increase train frequency.

Government grants to railways are being slashed from £950 million in 1982 to an expected £539 million in 1990. Staffing levels have also fallen by almost a third in ten years. These pressures have generated a rapidly rising tide of public complaints about the rail service.

NUR general secretary Jimmy Knapp said that the unions were launching the Better Rail campaign to show the government and public that there was a better way to run the railways which could provide a more efficient and popular service.

British Aerospace

ROLL OVER ROVER

The final seal on the surprise British Aerospace (BAe) takeover of the Rover Group (Austin Rover, Land Rover and a 40 per cent stake in Leyland/DAF trucks) awaits approval of the European Commission which is investigating whether the planned write-off of debts will be 'anti-competitive'.

British Aerospace will pay £150m cash to the Government which holds 99.8 per cent of Rover shares. The Government will inject £800m into Rover and write-off £1,000m of accumulated losses.

In effect BAe is paying a mere £150m for Rover with net assets worth £1,134m together with £500m of tax losses to be used to shield future profits from tax.

Rover recently announced a £27m operating profit for 1987 with borrowings nearly halved to £560m. The Government's cash injections means BAe is getting Rover free of debts leaving a £240m bonus for working capital. The Government suffers a net cash loss of £650m to £1,750m if the debts written off are included. This excludes the £2,900m of public money invested in Rover in the past decade.

Getting public assets at knockdown prices is in BAe's veins. BAe was privatised after shares sales in 1981 and 1985 leaving the Government with few proceeds after debt write-offs and sale costs. It acquired **Royal Ordnance plc** in 1986 for a mere £190m after more financial massaging and a full order book from the Ministry of Defence.

The deal is a financial one, little is now said about industrial logic. Other major car manufacture such as **Fiat**, **Ford**, and **GM** have diversified into aerospace, not the reverse. The deal indicates that the Government is willing to get nationalised industries and state corporations out of public ownership at any price. It also sets the model likely to be repeated in the sale of **British Steel**, **British Coal** and **British Shipbuilders**.

BAe recently axed 3,200 jobs and a further 2,800 redundancies were announced in March. Savage cuts in Rover's 43,000 workforce are likely. Meanwhile, Graham Day, chairperson and chief executive of Rover paid himself £212,067 last year.

Nationalised industries

SELL-OFF TIMETABLE

Apart from the surprise takeover bid for the Rover Group by British Aerospace, 1988 was expected to be a lull in the Tories' privatisation of nationalised industries and state owned corporations. However, Parliamentary legislation this year is likely to pave the way for a new phase of asset sales in 1989-90, focusing on water and electricity.

British Steel is the next planned sale. All the advisers have been appointed, a two-year pay deal was announced in April and BSC's joint ventures, set up with private steelmakers under the Phoenix programme in the early 1980s, are being bought out or sold off.

Two problems could delay the sale: the European Commission (EC) threat to scrap production quotas could lead to

a price war, damaging BSC's profitability; and the West German steel industry has complained to the EC that the £8.3 billion Government subsidies to BSC between 1975-1985 are illegal.

The Government is expected to sell its remaining 48 per cent stake in **British Telecom** when BT's performance and public image has 'improved'.

Nationalised Industries and State Corporations Planned Asset Sales

	Estimated Date of Sale
British Steel	Legislation 1988: sale late 1988 or early 1989
10 Regional Water Authorities	Legislation 1988: sale of 1 or 2 authorities late 1990
Electricity	Legislation late 1989: sale 1990-91
Rover Group	£150m bid from British Aerospace awaiting approval from European Commission, expected July 1988.
Post Office: Girobank	1988-89
Post Office Counters	1989-90
British Technology Group	Study on sale by Coopers and Lybrand started April 1988.
British Telecom	Sale of remaining 48% Government stake unlikely this year.
British Coal	Planned after privatisation of electricity in 1991.

Note: Dates are current estimates and may change depending on legislative approval, developments in each sector and trends in financial markets and the economy.

British shipbuilders

DOWN THE SLIPWAY

The future of British Shipbuilders looks bleak. Not for it the restructuring, repackaging and highly publicised sale. Instead it has been systematically asset-stripped and the remaining core business is to be launched down the slipway to certain sinking.

The Government split BS with the sale of the six warship yards in 1985-86. Nine yards have been closed, others sold off, leaving BS with four merchant yards at Govan (Clyde), Sunderland, Appledore, and Greenock, with a total workforce of just 6,500. In March this year the Government announced it was considering setting a deadline for ending state subsidies - £1.3 billion since 1977. Ministers made it clear they wanted rid of BS as soon as possible, it didn't fit into the new Department of Enterprise strategy.

A month later it announced negotia-

tions to sell the Govan yard to **Kvaerner Industrier**, a Norwegian shipping and engineering group. About 430 redundancies are expected together with a large scale debt write-off. Approaches had also been made by potential buyers for Appledore yard and the Clark Kincaid engine works at Greenock.

This leaves the 3,000 workers at the North East Shipbuilders yard at Sunderland in a perilous position. The current order for 24 ferries for a Danish consortium has grounded on a financial and contractual dispute.

PUBLIC SERVICE ACTION

Information

WHO PAYS THE PRICE? Competitive Tendering for Support Services in the NHS

A study of the impact of tendering for NHS ancillary services in Sheffield (all remained in-house) showing changes to jobs and services, workloads, deteriorating conditions of service etc. Based on a survey of cleaning, catering and laundry workers by NUPE and council researchers, it shows clearly the consequences of imposing the tendering process on public services.

Copies: £1.50 (inc post) from Department of Employment and Economic Development, Sheffield City Council, Palatine Chambers, Pinstone Street, Sheffield S1 2HN.

CUTTING AND TENDING, A report on London borough ground maintenance services

KEEPING IT CLEAN, Current issues for the compulsory tendering of local authority building cleaning services and report of a one day seminar.

Two extremely useful and practical reports for trade unionists and service managers. A working party of parks managers and leisure met to discuss the service provision and draw up a practical strategy for defending and improving the service. They also did a survey of landscape contractors in the south-east. The Building Cleanings report summarises the issues for defending cleaners jobs and includes a review of the contract cleaning industry.

Produced by London Strategic Policy Unit before its abolition. Both available from Association of London Authorities,

36 Old Queen Street, London SW1 9JE
(01) 222 7799.

CONSTRUCTING THE FUTURE

A new pamphlet from the Association of Direct Labour Organisations, based on its detailed policy document 'Proposals for a Comprehensive Construction Industry Bill', sets out an alternative organisational and legislative framework for the construction industry. It highlights the inadequacy of measuring the effectiveness and accountability of the public sector construction industry purely in financial and cost terms. It also shows the important achievements of the public sector around the wider issues of employment, accountability and training.

Copies available from ADLO, 6th Floor, Peter House, Oxford Street, Manchester M1 5AZ at £1.50 each (£1 for bulk order or community groups and trade union branches).

More News

BELLYFLOP

London's 'brighter borough', Tory-run Wandsworth, has suffered another embarrassing bellyflop over its lease of a council pool to a private leisure company.

The company, **Quidsworth Limited**, assigned the lease to run the King George's Park Open Air Pool as a water theme park, has gone into liquidation, owing the council more than £5,000 in rent. When the liquidator tried to get another company experienced in the leisure industry to take over the lease and operate the open air pool, none were interested. The council is now taking the lease back but has no budget for operating the pool for the coming summer.

The council had agreed to the conversion of the pool into a water theme park by **Kunick Leisure Group** in January 1985 and granted a 28-year lease. But by mid-1987 Kunick had decided to 'discontinue seasonally orientated water activities' and the

lease was assigned to Quidsworth, trading as the 'Big Splash' and operated by Gerry Cottle. Cottle blames the bad summer of 1987 for the pool not being economically viable.

ENFIELD PROMISE

Local government unions in the Tory-run London Borough of Enfield have gained a signed promise from their employers of full consultation and access to information about compulsory competitive tendering in their borough.

The agreement between both sides of the Local Joint Works Group promises adequate facilities to consult on issues and pursue relevant inquiries with units and departments of the council. Union officials are to be consulted on reports to committees with direct employee implications, with a minimum of ten working days for comments. The deal also promises consultation on the level of service required by the council and full worker participation in any revision to the organisation and the build-up of any 'in-house' bid.

A central forum to discuss developments is also to be set up with representation from both the employers and workers.

DOCKYARDS

Another 1400 jobs are to be cut at the privately managed Royal Naval Dockyard, on top of the 1700 job losses announced just after the General Election and which are due at the end of May. The decision reaffirms union warnings when the yards were privatised, laughed off by the Government at the time, that up to 3,000 workers would lose their jobs under privatisation.

PUBLIC SERVICE ACTION

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