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THE ANTI-PRIVATISATION MAGAZINE FOR THE LABOUR MOVEMENT

Housing Action Trusts

TENANTS IN REVOLT



Tower Hamlets' tenants rally against HATs

David Hoffman

On 11 July 25,000 tenants woke to find themselves lined up for sale to Housing Action Trusts. Ridley announced the first six areas to be designated for HATs, though the Housing Bill which authorises their setting up is still being fought over in Parliament. The list emerged from a DoE leak – and none of the local authorities or residents concerned has been consulted or even notified.

The HATs are planned for:

Leeds: 7.8% of the council stock housing with 7,123 tenants

Sunderland: 12.7% of the stock with 6,600 tenants

Sandwell: 7.3% of the stock with 3,930 tenants

Southwark: c.4.5% of the stock with 2,705 tenants

Tower Hamlets: c.4.5% of the stock with 2,190 tenants

Southwark: c.4.5% of the stock with 1,977 tenants

The Government's hype, uncritically repeated by most of the media, claims that HATs are a massive and radical rescue operation on the country's worst housing, "to give tenants decent housing, better services and more choice".

The reality is that the majority of these estates are not their councils' worst stock, and have had large sums spend on them in recent years. Many are mid-way through major improvement programmes with extensive tenant involvement. The £125 million allocated to HATs to spend on improvement works out at only £3000–£4000 per dwelling – peanuts in housing improvement terms.

Consultation with local councils and communities is now to take place, but Ridley has declared his absolute right to impose HATs whatever local views. He has warned councils against 'playing politics' over HATs, adding, "That is a threat and is meant to be a threat".

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Housing Action Trusts

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UNDER THE HAT

HATs will take over as landlords all council property in their areas, with the aim of improving housing and the area, prior to selling it off to individuals, developers, private landlords, housing associations or co-operatives. What's left at the end of the HATs limited life may be bought back by the council at the market value (enhanced by improvements) if they can afford it. HATs will also have planning and environmental health powers in their areas, to facilitate decanting, demolition, clearance and development, as they think fit.

HAT boards will be appointed by the DoE, required by legislation to follow DoE orders, and can be sacked by the DoE if they don't. There will be some local representatives on the Board, but there are no assurances as to who they will be. Tenants at Thamesmead have found that their representatives have no effective influence on the Board.

Tenants' rights to choose new landlords will be limited to choosing between those selected as suitable by the Trust board. While the HAT is their landlord they will remain secure tenants, but with future landlords they will become assured tenants, with higher rents, less security and fewer rights.

Local authority workers are not to be given priority for jobs with HATs. Those who do gain jobs will find themselves outside national agreements and secure only for the lifetime of the HAT.

HATs will have no duty to house the homeless – councils must negotiate agreements with them. In many councils, the vast majority of new lettings go to homeless families (some 80% in London) and the loss of these estates will mean a dramatic rise in families stuck in Bed and Breakfast and big increases in councils' B&B bills.

It looks as if HATs will pay a very low price to councils for the estates they take over, leaving tenants elsewhere in the boroughs to carry remaining debt charges on their rent accounts. Thamesmead was valued at £25 million and sold to the Trust for £2.5 million.

TENANTS SAY NO

"There is not the slightest chance of success if we don't win the hearts and minds of the tenants". This admission by William Waldegrave is the fatal flaw in the HAT strategy. Tenants in all six areas have set their hearts and minds firmly against the Government and begun instantly to organise opposition on a massive scale.

A lobby of the House of Lords on 27th July led to a Government defeat in the Committee Stage of the Bill on an amendment demanding a ballot of tenants on whether or not to have a HAT. Locally, huge public meetings have been held to launch campaigns – 1500 tenants attended one in Tower Hamlets. Tenants from Hulme in Manchester, who have successfully resisted DoE pressure to have a HAT, have been speaking at meetings to pass on the lessons of their campaign of opposition. In Lambeth tenants walked out of a meeting with Ridley, and Sandwell tenants refused to meet with Ministers at all.

Council trade unionists also face huge threats to their jobs if large areas are taken out of council control. In London union branches are organising together to work with tenants to campaign against HATs.

CASE UK is providing briefs on HATs, maintaining contact between the local campaigns and offers training sessions on HATs and the Housing Bill. For more information, write to CASE UK at 15 Micawber St, London N1 7TB.

PULSE

PREPARING PUSH

The privatisation lobby group PULSE attracted more than 100 local authority senior managers, and a handful of councillors, for its seminar in late July on compulsory competitive tendering.

Audit Commission controller Howard Davies told the seminar he was worried by councils setting up DLOs as semi-autonomous commercial concerns to tender for work. He felt they were risky businesses as single-client operations with prospects of winning only five or so year's worth of work at a time.

Davies said the Audit Commission would be exposing what they considered to be "anti-competitive" practices used by councils, naming the following areas of concern:

- putting work out in unmanageable lumps
- mixing types of work in a single tender to exclude specialised firms
- requiring huge performance bonds for small parcels of work
- demanding experience of exactly comparable work
- adding additional supervision or redundancy costs to private tenders before comparing them to the DLO price.

John Hall of the Cleaning Contract and Maintenance Association told the seminar that the CCMA had a Public Service Contracts Committee to look at local government tendering.

Running through a CCMA checklist of how to select a contractor he said the ratio of operatives to supervisors should be around 12 to one. And suggested a formula to check if enough hours were written into a bid was that the operative costs should account for 75 per cent of the tender, with the rest going to overheads and profits.

Hall said the CCMA had lobbied government to set minimum pay rates, without success. He suggested councils could indicate to potential contractors that they were only interested in bids from companies paying minimum rates.

CCMA material circulated at the seminar reveals the way contractors have been able to get the rules changed in their favour in the NHS and now local government. It claims to have sold "a series of model specifications for different local authority cleaning activities such as schools, leisure facilities, refuse collection and street cleaning" to over 300 authorities. "The objective has been to give local authorities advice on how to draw up tenders so as to attract as many contractors as possible. In this way, local authorities will maximise savings," their Year Book says.



A banner on the Boundary Estate, Tower Hamlets, says it all

David Hoffman

Addenbrookes

IN-HOUSE MOVE

Addenbrookes Hospital in Cambridge is looking at direct employment of ward-based cleaners as a result of its long experience of failures and complaints with contract cleaners OCS.

OCS Hospital Services is regularly being fined £1,000 a week for poor cleaning standards on the contract with detailed, written complaints averaging 250 a week.

Staff turnover is extremely high. The company admits employing more than 4000 staff for the 230 jobs since the contract began four years ago. OCS is paying cleaners around £2 an hour, well below an estimated local market rate of about £2.60, and many of its current workers are bussed in from up to 30 miles away.

The decision by Cambridge District Health Authority managers to look at recruiting in-house cleaners for the hospital vindicates the long union and community campaign which began when OCS was awarded a five-year contract



FLASHBACK: Cleaners' long strike vindicated, four years on

in 1984. Cleaners at the hospital went on strike for 14 months when a cost-cutting OCS bid won the contract from Crothalls. NUPE branch secretary Allan Challis told PSA the union planned a new campaign to make sure OCS

was not re-employed when its contract expires next year.

The proposal, being drawn up by a contract specifications working party, would set up posts on each ward to carry out "patient based duties", including cleaning. OCS might still be able to bid for remaining cleaning work. If implemented, it would be the first time Addenbrookes has employed in-house cleaners. Although the DHA employs its own cleaners for other hospitals, contractors have cleaned Addenbrookes since it opened 25 years ago.

Cambridge Community Health Council chairperson Ray Jobling told PSA that DHA managers now finally appeared to recognise the importance of being able to recruit and retain staff, and that ward-based cleaners produced better results than the OCS system of squad cleaning.

If the proposal for in-house cleaners is adopted it will require approval from the East Anglian regional health authority. The question concerning local observers is whether the DHA will be allowed to buck the constraints imposed by central government and push out OCS in favour of in-house cleaning.

More News

TRANSFLEET

Transfleet Services has bought Mitchell Cotts Transport Services (MCTS) from the industrial holding company Suter for £16.5 million. Lex Services and National Westminster's financial arm own Transfleet which has contracts for vehicle hire and maintenance with the Three Rivers, Woking and Runnymede councils. Mitchell Cotts has one contract with Hammersmith and Fulham.

A Transfleet manager told a recent seminar organised by the privatisation lobby group PULSE that the vehicle maintenance industry was "not yet ready" for full competitive tendering in local government. He estimated only six companies were capable of taking over full fleets.

STERLING WAGES

London security firm Sterling Guards Ltd, a subsidiary of the P&O Group, appears to be offering no financial security to its workers. A recent letter in the Fife Trades Council newsletter reveals the company is offering security guards a total wage of £162.40 for a 60 hour week. The starting rate of £2.22 an hour for a 12 hour, five day week. After three months "training" the rate is £2.54 an hour plus a £2 a day bonus for good time keeping. Guards also have to buy their own uniform shirts and shoes.

Westminster

LEISURE DEAL

A private leisure company has gained contracts to manage three Westminster council leisure centres after it was allowed to submit a revised tender, £5 million lower than its first bid and just £5000 less than the in-house tender.

The Westminster NALGO branch is seeking legal advice about the conduct of the tendering process and the leader of the council's Labour group has asked the district auditor to investigate.

The Tory-controlled council has already attracted national attention over the scandal of its sale of three cemeteries - later sold for several million pounds - to a development company for 15p each. (See PSA 33).

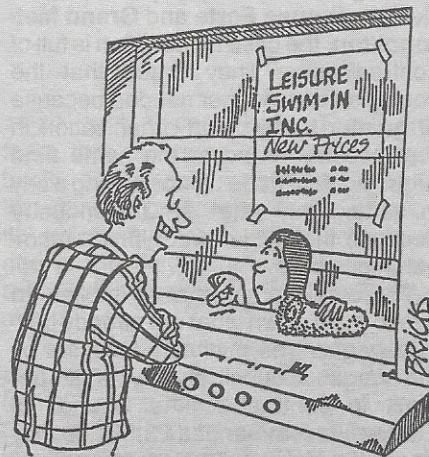
The leisure company, Civic Leisure put in a bid to manage five Westminster leisure centres on a commercial basis for £12m. Its tender was £5m more than three other bids, including the in-house bid of £7m.

Civic Leisure was set up in February specifically to bid for local authority contracts. It was set up by First Leisure, Conder Group (construction) and Archer Securities, which owns private health and sports clubs. In July over 64 per cent of Archer was bought by the hotel group Queen's Moat House. One of Civic Leisure's two directors is a former recreation manager with Kingston-upon-Thames.

The only explanation given at the council's competitive tendering committee for the massive difference in the company's bid was that it was a result of 'post tender negotiations' and the initial

price included a 'contingency allowance'.

Westminster also awarded contracts to manage two of the centres to a company run by four former council senior staff members, City Centre Leisure. Labour councillors are predicting the company is too small to survive and that the managers will shortly sell out to Civic Leisure, giving them control of the borough's five council leisure centres.



"HOW MUCH? ... WELL, THAT DEPENDS ON HOW MANY LENGTHS YOU INTEND DOING...."

Gardner Merchant

STRING PULLING

Catering giant Gardner Merchant has flexed its political muscles and forced the Worcester District Health Authority to reopen tenders for a £1.4m cook-chill catering contract after the company lost the ten year contract to an in-house bid.

Gardner Merchant first won the contract by promising a £1.3m loan to fund essential upgrading of hospital kitchens which the health authority could not afford. But when the West Midlands Regional Health Authority, under pressure from a vigorous union campaign, agreed it could find the capital needed for improvements, the DHA pulled out of a deal with GM and awarded the contract to the in-house bid. (See PSA 34 and 36).

The company, a subsidiary of **Trust House Forte**, responded by calling a briefing for MPs and civil servants. It threatened to stop bidding for NHS work and to seek compensation of more than £20,000 for preparatory work on the Worcester tender. The threats led to the Department of Health putting pressure on the health authority to call for

CATERERS PUSH TO CUT PAY

A new push for abolition of Wages Councils is coming from the hotel and catering industry and Tory backbenchers.

A recent CBI survey showed a shift from employers' previous support for councils, with most pressure from the catering sector. Led by major employers like **Trusthouse Forte** and **Grand Metropolitan**, the case for abolition is full of contradictions. They argue that the councils are no longer needed because of greater trade union organisation in the industry – and at the same time argue against trade unions having a say in setting pay rates for the industry because the level of trade union membership is so low.

The employers' pressure implies an aim to push down what are already poverty wages. The minimum level set by the Wages Council is only £2.12 per hour, in contrast to the Council of Europe's recommended £3.50 decency threshold. Young workers have already lost the protection of Wages Councils under the 1986 Act and the understaffed Wages Inspectorate cannot effectively police the industry.

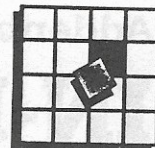
new bids from the in-house team and Gardner Merchant.

NUPE branch secretary Ron Williams said the RHA had treated Worcester DHA catering worker "really shabbily". The workers fear that Gardner Merchant now has information from the in-house tender to put in a 'loss leader' bid. Both parties will now also have access to an RHA loan for capital work in their new tenders. Gardner Merchant appears to be making a major push for NHS catering contracts in the Midlands, also chasing contracts in Dudley and Leicester.

Company managing director Gerry Hawkes has called for a clearer DHSS 'line of command' to "defend the interests of the contractor against the confusions which have arisen at Worcester".

Writing in an industry journal he said: "The presence of an in-house bid, supported by the activities of the public sector trade unions; the built-in bias of those administering the tender process in favour of the in-house bid; and the different financial rules applied to the in-house bid as opposed to those of the private sector contenders, are just some of the negative factors which are not present in commercial markets."

Management Consultants



DANGER ZONE

"Having this firm in to advise you on defending catering services is like Nicaragua asking the US to advise them on military strategy. They ARE the other side."

This is how Walsall Labour council's commission to the largest catering consultants in the world is described by a leading London catering industry commentator. **Greene Belfield Smith** have been consultants to the hotel and catering industry for some 20 years and in 1987 merged with **Touche Ross**.

The reports they have done in health service catering are said to be invariably technology led, with scant regard for public health, social needs or patient welfare. In a report to South Manchester DHA they actually recommended the use of irradiated food for patients (while admitting it was not yet legally possible).

In Walsall their brief is to prepare all catering for tendering and assist the in-house service to win. Their draft tender documents and plans, before the trade unions started work on them, offered an open invitation to private bidders and an easy ride if they won. Now they are proposing a number of all too familiar methods of cutting in-house labour costs, which the unions are pledged to resist.

THE MAJOR COMPETITORS

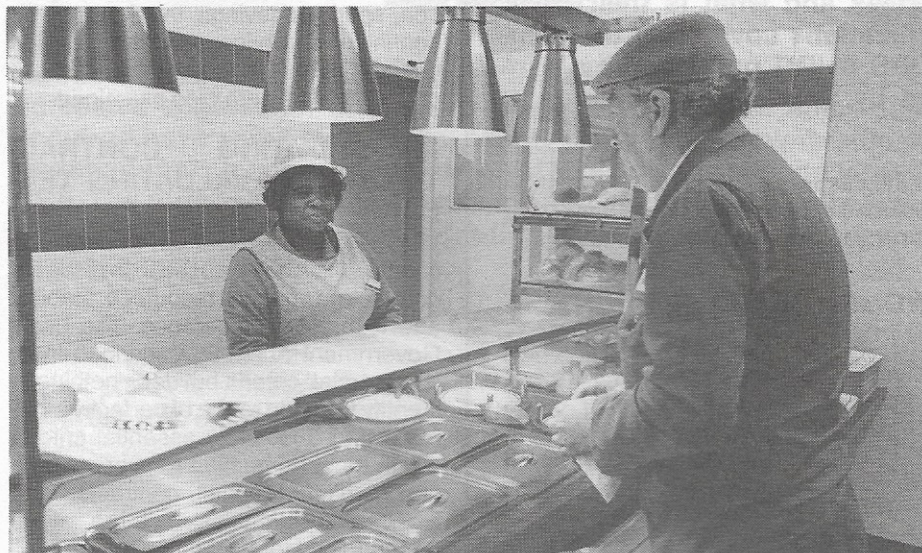
FIRM	TURNOVER
Trusthouse Forte – Gardner Merchant – Airport Services	£635m (1987)
Compass Services	£175m (1985)
Sutcliffe Catering (P&O)	£ 79m (1986)
ARA Services	£ 49m (1986)
Taylorplan Services	£ 12m (1985)

The contract catering industry is dominated by a few large companies, which have 60% of the market, with a large number of small companies. Trusthouse Forte dominates the industry, through its subsidiaries, Gardner Merchant, Airport Catering Services, motorway catering outlets and Kelvin Catering Ltd for offshore contracts.

Though turnover in contract catering has increased from £575m in 1980 to £1,001 in 1987, profit margins declined from 4.2% in 1982 to 2.6% in 1986. Forecasts are for continuing low margins, due to the massive growth in numbers of firms and fierce competition.

Council tendering

WHO WANTS TO COOK YOUR DINNER?



Local authorities are in the throes of preparing their catering services for tendering. Workers are being told that to compete with private contractors they must take cuts in jobs, wages and conditions. But an examination of the private sector shows the scope for a well planned defensive council strategy to protect in-house standards, services and jobs.

WHAT'S HAPPENED SO FAR?

SCHOOL MEALS: private contractors have made little headway, with only two full contracts in Merton (**Sutcliffes**) and Ealing (**Commercial Catering Group**), three management only contracts (Sutcliffes), and small contracts for a few schools by **Compass** and **Main Table Ltd** in Hereford and Worcester.

SOCIAL SERVICES: there are few private contracts currently in this sector held by **Compass Services** in Bromley, **Sutcliffes** (management only contract) in Richmond, **Catering By County Ltd** in Merton, **Commercial Catering Group** for Ealing and Tower Hamlets, and **ARA Services Ltd** in Wandsworth (10 homes).

CIVIC CATERING and **LEISURE CATERING** have been contracted out by more authorities. In leisure only **Compass** and **Sports and Leisure Foods** hold more than one or two contracts.

The private sectors' attempts to enter the health service catering field has been markedly unsuccessful. Of 434 contracts awarded up till March 88, private contractors won only 21 – 5% of the total. Here **Spinneys (British and Commonwealth Holdings)** have 8, **Compass** have 5, **Gardner Merchant**

have 4, and other companies have only 1 contract each.

The private sector has made some in-roads into catering in higher education, for police and transport authorities and in Ministry of Defence establishments.

Competition may also come from Health Authority catering organisations with underused cook-chill units, polytechnic catering services, airline catering firms and companies with other contracts in the local public or private sector.

KEY POINTS

- Very few contractors have any experience in social services, welfare or health service catering and many of their contracts have been fraught with difficulty (See PSA 1–36).
- Catering firms are also looking to other areas of expansion, including diversifying into other areas, taking over other firms (eg **Compass**), seeking more profitable contracts in the commercial sector, private education and health, the MOD, higher education and also overseas (31% of **Gardner Merchant** contracts are outside the UK), the growing private leisure catering market.
- There are few companies with the capacity to take on large local authority contracts. Even the largest companies

do not have the capacity to take on large sections of the huge local authority market – with some 40,000 outlets in social services and education alone.

- Companies will be highly selective in where they bid – reporting a speech by **Gardner Merchant's** managing director, the *Municipal Journal* of 15 January said: "For a start his company would only work with those local authorities which actually wanted contractors to win contracts"

"The company did not, even with **Trushouse Forte** as its parent company, have the resources to finance all, or part of, more than one or two authority wide schemes in a year".

Sutcliffes announced recently it would not be competing for school meals contracts. Instead it will offer consultancy services on "cost cutting and other efficiency measures".

- School meals offers limited attractions for contractors because it is not a full year service, and there is a limit to what parents will pay or what the state will allow for free meals.

- Contractors are wary of social services catering as a 'politically sensitive' area.

- Contractors like management fee or fixed fee contracts where the council bears the risk of rising food prices and falling demand.

LESSONS FOR COUNCILS

- Councils have the right to package contracts and select types of contracts best suited to their needs and policies.

- It is crucial that councils retain controls over pricing policy – to prevent rapid rising prices after the contract is awarded.

- Accurate and highly detailed specifications are essential to maintaining standards and levels of service and must be linked to effective monitoring systems. The nature of past contractors' failures should be taken into account.

- Many firms are likely to express interest in tendering – but this doesn't mean that they are capable of taking on the contract or will bid once they see the specification: tendering is an expensive business.

- Contractors prefer the freedom to mass produce food from cook-chill units, but may also be interested in on-site conventional food production.

- It is crucial to stipulate in detail healthy foods, nutritional standards and full ethnic, cultural and dietary needs, but to be aware that some contractors claim to offer all these.

- The processes of selecting contractors and evaluating tenders are crucial. Standards of service will only be ensured by weeding out those firms that don't have the financial strength, the appropriate staff, skills and experience, and a successful record on comparable contracts, to take on a large contract providing an essential public service.

Knowing their weaknesses – increasing your strengths

CONTRACTORS AUDIT

What are the main trends and developments in catering, cleaning and leisure industries? What are the interests and tactics of private contractors? How can the evaluation of tenders and monitoring of contracts be made stringent but remain within the law? Which firms are likely to tender for council services and what is their track record? These are just some of the questions covered in the comprehensive and unique **CONTRACTORS AUDIT** published by Manchester City Council and researched by Services to Community Action and Trade Unions (SCAT).

The Audit is in two volumes. The first contains six Sector Analyses covering catering, grounds maintenance, cleaning, vehicle maintenance, refuse collection/street cleaning, and leisure management. Each Sector Analysis identifies the main economic and commercial trends, shows the level of commercial interest in particular parts of public services, contractors strategies and the implications for local authorities, and

highlights issues which must be included in tenders to strengthen public services and deter private contractors.

WOMEN BEAR THE BRUNT

The Audit examines the potential effects on services and jobs if work is contracted out. In Manchester 6,866 jobs are threatened by redundancy with a potential 1,304 job losses. Women

workers bear the brunt of potential redundancies (70.6%) and potential job losses (64.7%). Another 260 private sector jobs could be lost in the local economy. The impact of limited competition, spurious savings, the threat to the continuity of services, and the pros and cons of allowing contractors use of council facilities are also examined.

INVESTIGATING CONTRACTORS AND EVALUATING TENDERS

Volume one also sets out in detail the criteria which can be used to investigate contractors financial resources, stability and technical competence. The Local Government Act 1988 describes 'non-commercial' criteria but does nothing to identify the wide range of perfectly legitimate and absolutely essential criteria which must be applied to every private firm seeking council contracts. The Audit also identifies a three stage methodology for evaluating tenders.

A Monitoring and Quality Control Plan is proposed in order to organise and manage the inspection of contractors. The Audit explains why monitoring is so important, why failures arise, contractors' tactics, and the six elements to a Plan including monitoring techniques and examples of default and penalty provisions.

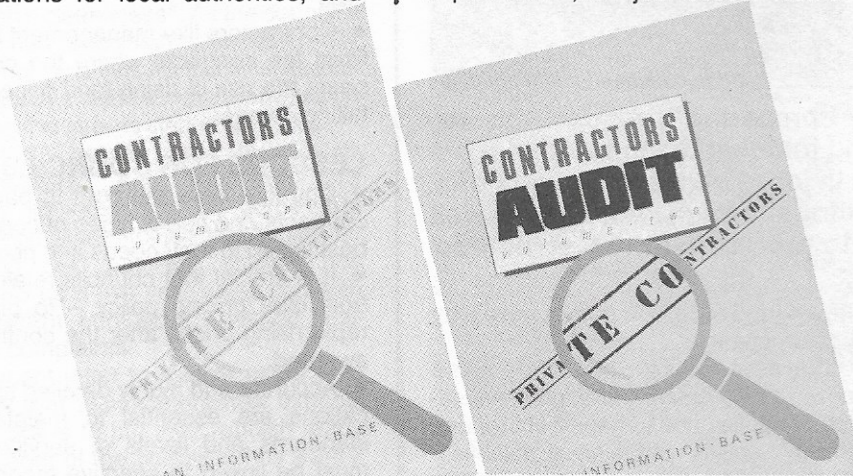
Volume two of the Audit contains 55 Contractor's Files covering many of the major national firms and selected local contractors. Each file contains the firm's financial performance, control and ownership, and its performance record on public sector contracts.

EMPLOYMENT CHARTER

Although the City council is restricted by the Local Government Act 1988 from asking contractors certain questions about trade union recognition and specific employment matters the trade unions are free to make such demands. The joint City Council trade unions are drafting an **Employment Charter** which will make demands on all contractors tendering for council work. It will cover:

- wage rates and benefits
- health and safety at work
- trade union recognition
- subcontracting and lump labour
- equal opportunities
- training policy
- grievance and disciplinary procedure

The unions are to examine ways pressure will be applied to contractors who reject all or part of the Charter.



CONTRACTORS AUDIT

Volume 1: Economic and Commercial Analysis of Catering, Cleaning, Grounds Maintenance, Refuse Collection/Street Cleansing, Leisure Management, Vehicle Maintenance

Possible Effects on Services and Jobs

Tender Evaluation and Monitoring of Contractors

Volume 2: Company Files covering 55 firms detailing their financial and public sector contract performance

Published by Manchester City Council: Researched by Services to Community Action and Trade Unions (SCAT)

Price for two volumes:

- £100 to private companies and individuals
- £40 to local authorities
- £25 to Trade Unions and voluntary organisations
- 10 or more copies – £20 per copy

From: Enforced Tendering Team, Chief Executive's Department, Town Hall, Manchester M60 2LA (Tel: 061 234 4413)

MONOPOLY CLEANING

THE DOMINATION OF **BET** AND **ADT**

Both companies have attempted to increase their share of the cleaning 'market' by the relentless and aggressive acquisition of smaller cleaning companies. Since 1983 BET and ADT and the firms they acquired have spent over £750m simply changing the ownership of cleaning contractors. Both are now transnational cleaning companies – ADT is now the second largest building services contractor in the USA. The purpose is not to compete but to buy up and eliminate the competition.

In 1988 BET and ADT started trading companies. These deals have enabled BET to become Britain's largest cleaning contractor.

BET plc

Turnover: £2,130m 1987/88

Initial plc 41% stake, paid

£173.0m for remaining 59% in 1985

Initial Services (IS)

Initial Service Cleaners (ISC)

Advance Services: 81% stake, acquired remainder 1985

Advance Laundries

Descaling Contractors: £2.5m in 1983

Biffa Waste Services

Hoveringham Waste Control: 1982 from Tarmac plc

Brengreen (Holdings) plc: £33.0m in 1986

Turnover: £56.9m in 1985/86

Exclusive Cleaning Group

Exclusive Health Care Services

Exclusive Cleaning Services

Exclusive Office Services

White Cross Equipment: £5.5m in 1983

Wastedrive Ltd (as above)

Retail Cleaning Services

Four Seasons Roofing Co: £5.5m in 1985

HAT Group plc: £114.6m in 1986

Turnover: £240.2m in 1985/86

ICC (Cleaning Services) Ltd

ICC (Hospital Services) Ltd

Metropolitan Window Cleaning Co

HAT Maintenance Ltd

HAT Plastering Ltd

HAT Painters Ltd

Reckitt Cleaning Services (RCS): £12.75m in 1987,

from Reckitt & Coleman plc. Turnover £23.0m in 1986/87

Blue Arrow Cleaning Group: £8.5m in 1988, from

Blue Arrow plc. Turnover £15.2m in 1986/87

Pritchard Services and Provincial Cleaning Services commercial cleaning operations from ADT: **£44.0m in 1988.** Turnover £65m in 1987

Pritchard Security: £10m in 1988

from ADT. Turnover £16m in 1987/88

ADT (Previously Hawley Group)

Turnover: £1,134m 1987

Provincial Cleaning Services

Progressive Cleaning Services

Industrial Cleaners (UK) Ltd

Mediclean Ltd (set up 1982)

Taskmasters Ltd: £2.0m in 1984

from Alfred Marks/Adia S.A.

Home Counties Cleaning Group: £4.9m in 1985

Cleanall (Leeds) Ltd: £0.7m in 1983

About 50 cleaning firms acquired in 1984–86

Pritchard Services Group: £150.0m in 1986

Turnover: £412.0m in 1985/86

Cleaners Ltd

Pritchard Industrial Services

Pritchard Security Services

Zeus Security: £0.6m in 1983

Acme Services

Crothall & Co Ltd

B.A. Leicester Ltd: £1.3m in 1984

Spring Grove Services: £16.0m in 1983

United Linen Services

Pritchard Janitorial Supplies

Hygenol Ltd, Radium Chemicals, Spearhead Chemicals.

Stretton Chemicals £0.5m in 1984 from Oceana Holdings/

Home Counties Cleaning Group

Crothall International, USA: £3.1m in 1980

National Medical Consult, USA: Food Concepts, USA: £10.4m in 1983

Automatic Catering, USA: £8.6m in 1984

All State Cleaning, USA: in 1984

Attwoods plc: 25.6% stake 1987

Turnover: £73.3m in 1986/87

Drinkwater Sabey Ltd

J.M. Roper Ltd: £4.2m in 1986

Industrial Waste Service, USA

County Sanitation Inc, USA

Waste Aid Systems Inc, USA

Peterson Corporation, USA

Note: ADT has retained its hospital cleaning and refuse collection/street cleansing operations.

CONTRACTORS Fines & Failures

Merton

DIRT ON TORIES

Merton Council's privatised street cleaning and refuse collection has caused an embarrassing rift between a government minister and the right wing council in south west London.

When 'respectable' Tory tabloid The Daily Mail named Merton as one of a 'dirty dozen' boroughs, the local MP and a junior Government Minister, Angela Rumbold, backed the criticism.

Rumbold said she was not surprised by the criticism and admitted that privatisation had "failed to improve the borough's cleanliness". As the council's budget had "such high balances it really would not go amiss for the local authority to spend a little bit more money upon keeping the streets clean," she said.

Merton's streets are cleaned by **Taskmasters**. And the borough's Labour spokesperson on administration Geoff Martin joined the debate by pointing out that the council has "stitched up a five year extension with the current contractor" despite residents' complaints.

A recent letter to a local paper also reveals that Taskmasters now expects householders to put their rubbish ready in the front of the homes if they want it collected. The correspondent had complained four times to the council before Taskmasters called to collect a backlog of three weeks rubbish.



Merton

COMEDY OF ERRORS

Merton school cleaning contract has predictably run into trouble. London Property Maintenance is a tiny firm with no experience of large contracts – but Merton likes to go for the lowest tender.

On 1 July, after only three months, LPM wrote to the council saying that had decided to terminate their 'informal agreement'. They complained of 'a very poor reception from the department', having staff levels 20 per cent higher than in their tender, pressure to pay higher rates – and disappointing profit levels. The council refused, insisting

that there was a binding contract, not an agreement.

LPM responded by giving two weeks notice of withdrawal, but rescinded the notice on threat of litigation for breach of contract – and promises that the level and rates of penalties being imposed would get no worse.

But on the same day, LPM discovered that council officers had been canvassing school cleaners to see if they would join a new in-house team from the following Monday – and declared that they construed this as the council terminating the contract.

The council replied that the canvassing

was merely forward planning, that the contract stood – and that the contractor had never placed the required performance bond, 10 per cent of the £750,000 contract price. LPM was given four days to place the bond, or face action for breach of contract. The deadline was later extended by two weeks.

As PSA went to press LPM had not paid the bond but delivered a letter from its bank saying the money for the bond was approved. Labour councillors are now preparing to push for penalties provisions in the contract to be imposed for failures LPM.

National Engineering Laboratory

PRI-TECH

The government is looking at proposals from nine organisations to take over the DTI's research institution, the National Engineering Laboratory when it is privatised.

The laboratory in East Kilbride, near Glasgow, has patented hundreds of inventions, and is in the forefront of research in robotics, biotechnology, wind turbines and computer-aided design. It employs more than 620 staff and has a budget of £21m. The NEL joint trade union committee is campaigning to keep the laboratory in public ownership.

Bidders for the privatised laboratory include a Leicestershire-based technology centre, the **Production Engineering Research Association (PERA)**, and a management buyout team who want a deal based on an employee share ownership plan.

British Hydromechanics Research Association (BHRA), a private Bedfordshire laboratory has submitted a joint bid with the Strathclyde Institute, itself a joint venture of private manufacturers, the Scottish Development Agency and Strathclyde University. Other bidders are believed to include two foreign interests and the Glasgow engineering consultancy **YARD**.

Post Office

GIRO GRAB

The Girobank sale has attracted interest from over 100 institutions, including more than 20 foreign companies. A buy-out plan to save Giro as the people's bank was planned by the NCU with Unity Trust and the Co-operative Bank, but ruled out of the bidding by Ministers.

Littlewoods Organisation has now emerged as a possible contender for the bank. It is a major customer of the Post Office with its mail order and pools businesses, and many of its customers

Civil Service AGENCY MOVES

The Vehicle Inspectorate and HM Stationery Office are to be the first two areas of the civil service hived off as new style executive-run agencies.

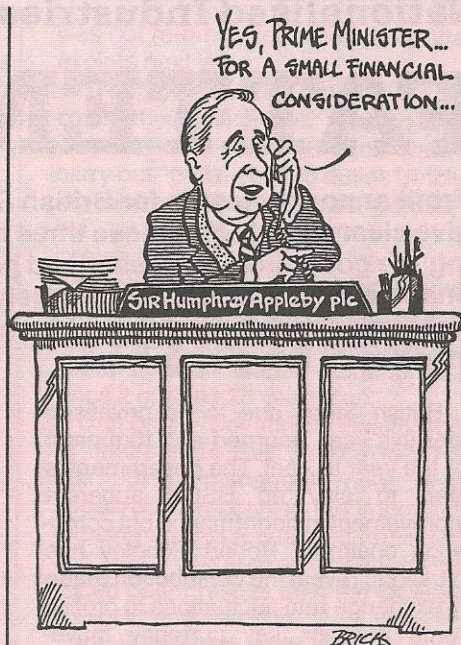
Senior managers are to be employed on contracts and get salary bonuses for meeting efficiency targets.

Another 27 branches of the civil service are now also firm candidates to be transferred to agency status and run by chief executives. They include the Companies Registration Office, DHSS resettlement units and the Employment Service.

The government's immediate plans cover the jobs of about 170,000 civil servants or about a quarter of the Civil Service. And Civil Service Minister Richard Luce recently confirmed the government's goal was to have over three-quarters of the Civil Service operating as executive agencies within ten years.

Agency status puts more emphasis on performance related pay and contract employment for civil servants. In some areas it will allow pay to increase to compete with rates in the private sector but overall it will undermine national pay bargaining structures. The administrative arrangements make chief executives less accountable to Parliament than the present system of senior civil service managers being accountable through the Minister in charge of their department.

Other candidates for agency status include the Business Statistics Office, the Civil Service College, non-nuclear defence research establishments, the Driver and Vehicle Licensing Inspectorate, driver testing and training, Royal



Palaces, the DTI insolvency service, the Met Office, Passport Office, Patent Office and Royal Parks.

One of the largest agencies could be the entire network of about 500 local social security offices employing 87,000 staff.

CROWN SUPPLIERS

The Crown Suppliers, Whitehall's central purchasing agency, is to be privatised as one unit, but the divisions which serve government Ministers, Parliament and Royal Palaces are to remain part of the public sector.

The furniture and furnishing divisions and the 4000-strong car fleet being privatised have a £240m annual turnover from servicing government departments. Robert Maxwell's **Mirror Group**, **Hillsdown Holdings**, **Williams Holdings**, and a management buyout team are all trying to buy Crown Suppliers.

are reported to be Girobank users. Its financial services operations were hived off in 1986 to a separate Credit and Data Marketing Services subsidiary. No doubt the Government would welcome the spread of competition in banking if the company's bid were to succeed, but there are serious doubts as to whether they have the financial strength to back and develop the work.

Unions are concerned to preserve Girobank as an entity and to maintain its service through 21,000 post office outlets, which has made banking accessible to thousands of people for whom the big banks failed to cater, and has kept

small post offices viable. There are fears that purchase by another large bank or financial institution would threaten the processing centre at Bottle which employs over 5,500 workers and is the only large employer in an area of desperately high unemployment.

The Post Office has given vague assurances about maintenance of terms and conditions for current Girobank staff, but the unions are seeking cast iron guarantees. The nature of the battles ahead will become clearer when a short list of bidders is prepared in the early autumn, and the winner emerges later in the year.

Nationalised Industries

FATTENING UP...

Profit announcements for British Steel, British Rail and British Coal give clear signals that these three nationalised industries are following the government's prescribed path to privatisation. But apparent financial successes depend largely on government deals to write off large accumulated debts and loans, and putting decades of public investment into private hands.

British Steel, due to be privatised later this year, returned a £410m profit for the year to April. The government is keen to play up BSC's apparent improvement in performance but corporation chairman Robert Scholey has refused to reveal the contribution made by exchange rate fluctuations to profits. Some analysts say currency movements account for as much as half of BSC's profit this year.

A major part of BSC's competitive position in Europe comes from having the lowest wage rates of the main European steel nations and increasing output per worker.

The government has made its sale of

British Steel more attractive to private investors, and angered European competitors, by pumping £5 billion into BSC over the last nine years. The corporation paid virtually no tax last year. Its sale is likely to return only about £2 bn to the government's coffers.

RAIL

British Rail managers are already holding talks with the Department of Transport about privatisation of the national rail service, which is likely to feature in the Tories next election manifesto.

The railways returned a profit of more

than £290m last year, but more than half of this, some £181m, was from selling off BR property.

BR is forecasting profits of between £300m and £400m a year for each of the next five years despite sharply reduced government subsidies. Its forecasts include the loss of another 8800 jobs by 1993 and real increases in fares of at least 1.5 per cent above inflation.

NUR general secretary Jimmy Knapp warned BR's record profit made from a deteriorating product and the sale of property was a 'road to disaster'.

"The BR surplus has been gained at the expense of the travelling public... Overcrowding on many services is now at totally unacceptable levels and targets for cleaning and punctuality are still not being reached," he said.

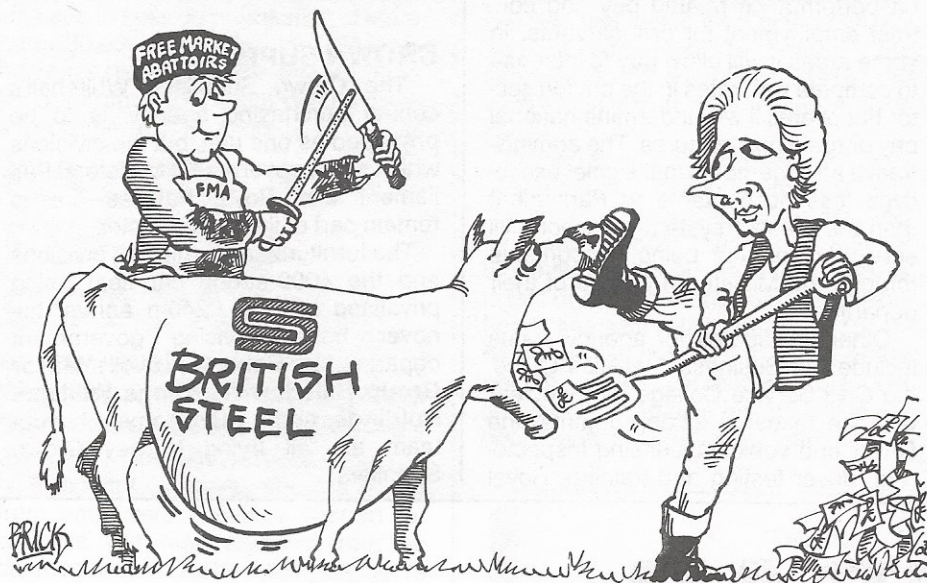
COAL

British Coal has reported an overall loss of £540m for the year to March, but the underlying operating profit of £216m is being greeted as putting it on the path to 'breaking even' and privatisation.

The overall loss results from the high cost of interest charges on BC debts and the high costs of 'restructuring', which includes closing pits and paying redundancy.

BC chairman Robert Haslam is asking the government to write off £3bn of the £4bn which BC owes the government because the debt resulted in costs of £368m in interest charges last year. Ministers are said to be prepared to consider the necessary legislation to restructure BC's finances once the corporation has broken even and sorted out its bulk contracts with a privatised electricity industry.

BC continues to push forward with its plans for six-day working and individual contracts.



... SLIMMING DOWN

Thousands of workers for British Shipbuilders and Rover are paying the price of privatisation with their jobs.

Rover boss Graham Day announced plans to cut 4900 jobs within a week of the Government agreeing a deal with **British Aerospace** to take over the company. Car industry unions immediately labelled the planned layoffs as a 'cynical betrayal' of the workforce. Government ministers and Rover managers must have been forewarned by British Aerospace's corporate plan discussed during the

takeover negotiations.

The Cowley South Plant, near Oxford, which employs 4000 people is to be wound down in the early 1990s and the Llanelli Pressing plant with 900 workers is to close in 1990.

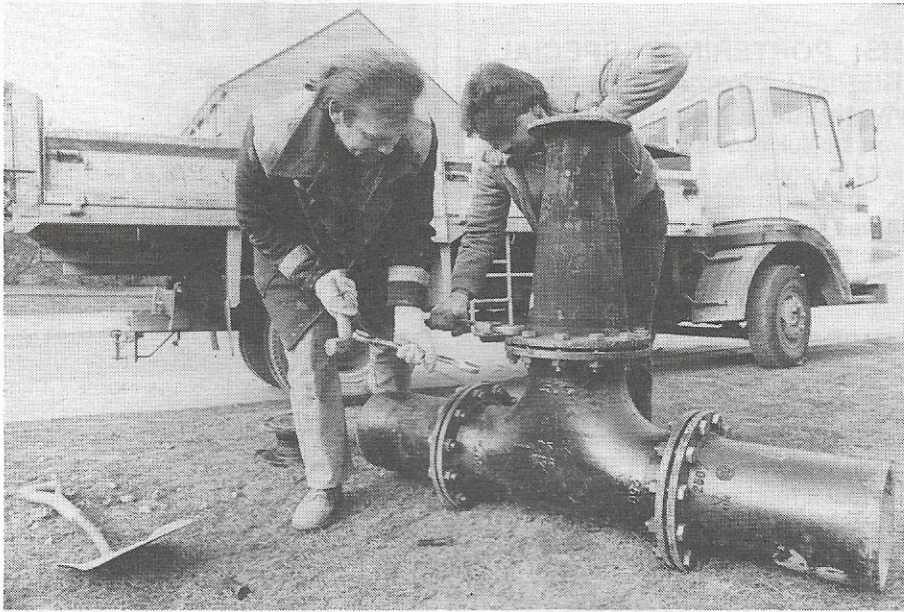
British Shipbuilders sale of its Govan Yard in Glasgow to the Norwegian engineering group **Kvaerner Industries** was followed with the announcement of 500 redundancies from the

2000 staff. Another 2400 jobs are threatened at the North-East Shipbuilders (NESL) in Sunderland following a government ultimatum that the yard will close by the end of September if a private buyer is not found.

The Govan Yard was sold at a loss of £25m to British Shipbuilders. Kvaerner paid only £6m to buy the yard debt free. The net loss arises from the cost of redundancies, completion of current work and contribution to Kvaerner's planned £9m capital investment.

Water

TIDE TABLE



The water industry is to be sold in November 1989, if the necessary legislation, not yet fully drafted is completed in the next session of Parliament.

All 10 water authorities will be sold simultaneously, which is what they have been pressing for. The Government will retain part of its share, so as not to overstretch the market before the great electricity sale, but is determined to ensure private sector control of the industry, by selling at least 51 per cent. The sale is expected to raise between £5 billion and £7 billion – and to cost more than any of the earlier sell-offs in advertising and fees to consultants and merchant banks.

SID SNUBBED

The pretence of creating wider share ownership has been abandoned for this sale: the industry expects some 75 per cent of shares to go directly to institutional investors, with customers in search of perks buying about 20 per cent and employees taking 5 per cent. Much of the industry's £5 billion debt burden will be written off by Government to attract investors, and the remaining debt redistributed between authorities.

The new privatised authorities will be responsible for water supply and sewerage services, (currently some 90 per cent of their operation) with remaining functions – licensing, environmental quality, pollution control, land drainage and navigation – transferred to the new public sector quango, the National Rivers Authority.

The government has agreed with the water authorities a four year programme to reduce pollution of rivers and estuaries. But the promised £700 million spread over four years is hardly

higher than current spending and is considered by environmentalists to be totally inadequate to meet the scale of the problem: some 22 per cent of main sewage works in England and Wales are in breach of legal standards on effluent discharge. And the money is to come not from Government but from higher charges to consumers. Meanwhile Ridley is currently considering a period of immunity from prosecution on pollution offences for the newly privatised authorities – so as not to deter investors!

CONTROL RACE

The privately owned water companies, which supply 25 per cent of British water, are to be given the chance to become public limited companies at the same time as the water authorities next year. Meanwhile the race to grab these companies continues. (See PSA 35) The largest, **Essex Water**, has just been bought for £47.6m by **Lyonnaise UK**, subsidiary of the French giant. **Cementation-SAUR Water Industries** (owned by **Trafalgar House** and **Bouygues**) now has minority stakes in 4 companies. Both predators have large construction interests as does their competitor, **Compagnie Generale des Eaux**, and their current operations are aimed also at large tracts of land owned by the water companies. Their stock buying activity, joined recently by some of the water authorities has pushed stock prices up dramatically. Essex Water stock units worth less than 50p last year were valued at £9 by Lyonnaise in its July 1988 take over.

Electricity

TORY SHOCK

A Tory-dominated Commons committee has condemned the Government's plan to privatise the electricity industry as dangerously half-baked.

The House of Commons Select Committee for Energy concluded that it remained unconvinced that privatisation as now proposed would necessarily service the public interest. It criticises claims of lower electricity prices, the lack of precision over the regulatory framework to be set up, the privileged place offered to nuclear power, and the possible impact on the coal industry.

The committee report says the Government's plan to legislate for electricity privatisation in November faces "a frighteningly tight timetable and runs the risk of producing ill-considered spatchcock legislation. Electricity is too important an industry for the country to gamble that everything will come out right."

It attacks the guarantee that nuclear generations will continue to supply 20 per cent of electricity after privatisation.

"We are disturbed by the uneven treatment given to coal and nuclear by the Government. The problems of nuclear have been glossed over while there has been an emotional hostility towards the coal industry," the report said.

Northern Ireland

PRIVATE PUSH

The government is making a concerted effort to bring the pace of privatisation in Northern Ireland up with Britain.

In the last two months it has announced plans to privatise the Belfast aircraft and missile company **Short Brothers**, the Belfast shipyard **Harland and Wolff**, and **Northern Ireland Electricity**.

Northern Ireland's health boards are also under increasing pressure to put more work in hospitals out to competitive tender.

With 7600 workers Shorts is Northern Ireland's biggest employer while Harlands, with 3900 workers, is the second largest employer.

Harlands announced a loss of £25m for last year, which included £7.7m for redundancies and other costs associated with cutting the workforce.

PUBLIC SERVICE ACTION

Information

WHO CARES WINS: A TRADE UNION GUIDE TO COMPULSORY TENDERING FOR LOCAL SERVICES. From GMB, NALGO, NUPE, TGWU.

This 55 page guide for trade unionists in local authorities is a welcome addition to the growing quantity of written material on tendering now appearing. It is to be welcomed in offering usable, detailed advice on all stages of the process. In addition it recognises that some authorities are unsympathetic both to unions and saving services and jobs, and offers advice in these cases.

Some branches may disagree with parts of the suggested approach, but

this should not deter them from the large amount of useful material in the pamphlet. It is especially welcome that it comes from the four unions jointly and provides a basis for unions to work together at local level.

NHS PORTERING: SPECIAL BRIEFING from Joint NHS Privatisation Research Unit.

A very useful report on current developments in tendering and hospital portering, the contracts, the companies involved and the effects on jobs and services. From the Unit at Civic House, 20 Grand Depot Road, London SE18 6SF.

A GUIDE TO THE LOCAL GOVERNMENT ACT 1988: COMPETITIVE TENDER AND CONTRACT CONDITIONS.

A guide to what the Act says. For what to do about it read with DON'T PANIC or WHO CARES WINS. £5 from LGIU, 1-5 Bath St, London EC1V 9QQ.

Prisons

THE HARD CELL

Privatisation in the prison system is now firmly on the Government agenda.

Citing the 'success' of the US experience (where a few private prisons in a few southern states hold just 0.3% of the country's prisoners) and the current crisis of overcrowding, the Home Office has issued new proposals. What the Green Paper doesn't mention is the heavy lobbying by consortia of US prison companies and UK construction interests. (See PSA 35) One of these is chaired by the former Tory MP Edward Gardner, responsible for the fateful majority report from the Commons Home Affairs Committee last year, recommending a US-style experiment. Visits to the US by MPs and a minister were hosted by **CCA, the Corrections Corporation of America**, the largest US company, now heading the queue for contracts here in hand with **McAlpine** and **Mowlem**.

The Government proposes contracting out the building and management of new remand centres and of escort duties between centres and courts. It chooses the remand sector, because here is the greatest overcrowding problem, and the length of prisoners' stay is determined solely by the court not by prison officers' disciplinary powers. Here, they say, since stays are relatively short, there is less need for occupational, medical and other support services and so easier for the private sector. They don't mention the trauma of remand for new prisoners and the suicide rate.

Securicor has for many years been contracted to guard detention centres for would-be immigrants: the Government ites this as a success story.

The proposals have been met with outrage by the Prison Officers Association and prison reform groups - who will find themselves fighting powerful commercial as well as political interests during the consultation period between now and November 30.

TOURISM

Privatisation of the British Tourist Authority and the English Tourist Board is being considered in a review of the Government's £50m a year support for the tourist industry. The review does not cover separate funding for the tourist boards in Northern Ireland, Wales and Scotland.

PUBLIC SERVICE ACTION

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More News

BREL

Two multinational companies are backing a management and employee consortium bidding to buy British Rail Engineering Ltd.

The world's largest electrical engineering group **Asea Brown Boveri** and the construction group **Trafalgar House** are to take equal minority shares if the management-employee buyout is successful. The consortium is the only bidder for BREL's four main works at Crewe, York and Derby with 11,000 staff which are to be offered for sale as one unit later this year. A plant at Norwich is to be sold separately.

Future business for a privatised BREL is likely to include orders for increasing BR rolling stock and light-rail systems in Manchester, Birmingham and Bristol.

BOOM AT THE TOP

The directors of former nationalised industries are granting themselves massive pay increases at the same time as expecting increasing sacrifices from their workers.

British Gas chairman Sir Denis Rooke's got a £74,228 or 68 per cent pay increase last year taking his total salary to £183,674.

British Telecom chief executive Iain Vallance got a 47 per cent rise from £153,000 to £226,000. **British Airways** chairman Lord King got a pay rise from £52,000 to £178,000. CEBG chairman Lord Marshall is expected to get a salary increase from £76,000 to more than £200,000 after the electricity industry is sold.