PUBLIC SERVICE ACTION

Incorporating Community Action No. 43 August 1990

In this issue . . .

Privatisation and tendering take their toll

70,000 JOBS LOST

JOB LOSSES as a direct result of privatisation and compulsory competitive tendering are accelerating. National Power and PowerGen recently announced job losses of 5,000 (31%) and 1,000 (11%) respectively over the next few years, in preparation for privatisation in 1991.

With two rounds of enforced tendering completed since August 1989, actual job losses in the tendering process (not to be confused with jobs transferred from the public to private sector) are estimated at 25,000. Several thousand more council jobs are being lost as a result of rate-capping and centrally imposed financial constraints on local authorities. In May, British Telecom announced annual job losses of 10,000 over the next three years as part of the 'Project Sovereign' £400m re-organisation.

Earlier this year, 380 job losses were announced at Leyland Bus — a management buy-out later sold to Volvo; over 1,300 jobs were lost following BP's takeover of Britoil; 550 redundancies at two Trafalgar House steel fabrication plants acquired from British Steel in 1982; and over 1,000 jobs are to go at British Aerospace's Rover plant in Oxford; several thousand jobs have been cut at the privately managed Devon dockyard; the list goes on.

Meanwhile, the Government's privatisation programme faces increasing criticism. The European Commission's decision to require British Aerospace to repay £44.4m it gained in 'aid' when it acquired Rover Group was followed by further disclosure of a secret letter concerning financial assurances and BAe's decision to appeal to the European Court of Justice. Following press reports of the Hanson Group's interest in purchasing PowerGen, the Government announced it is considering a private auction rather than the planned public flotation. Implementation of the Community Care proposals were postponed for two years.

UK WASTE STRIKE

Workers on the **UK Waste Control** refuse collection contract with Three Rivers DC were on strike for two days in late June. UK Waste had refused to discuss new pay and conditions.

Workers demanded improved sick pay — they were paid only £87 per week if they were off through injury and were replaced if sick leave extended more than 6 weeks. In addition, bonus payments were eliminated from holiday pay, receiving only basic pay.

The company hired agency staff to replace the 28 striking workers but several agency workers refused to cross the picket line stating they had not been told they were being hired to try to break a strike. The workers returned to work after the company promised to discuss the demands.

More management buy-outs leave councils in lurch

3 BUY-OUTS COLLAPSE

THE MUCH ACCLAIMED Contractor Services Group (CSG) management buy-out of Bath Council's DSO has gone bust. The two controversial buy-outs at West Wiltshire DC have ceased trading.

The council is taking legal action to recover assets of between £5m and £8m from the West Wiltshire information services computer company and has already regained control of the company's operations, software and re-employed 33 of the 40 staff. The council cancelled its £750,000 contract with the legal services buy-out Wilkie Maslen and has issued writs against the partners, former council solicitors.

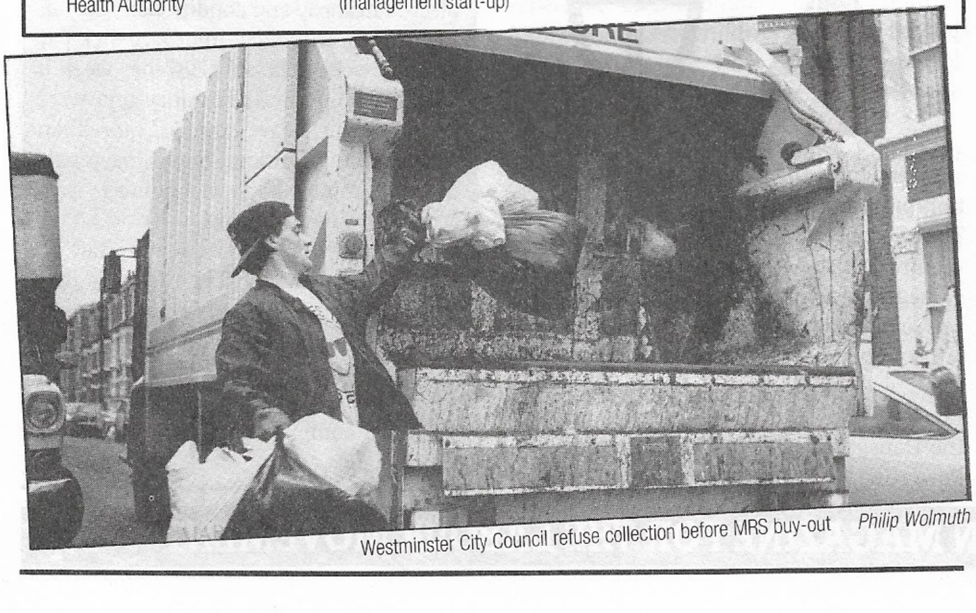
The CSG Bath buy-out also included an Employee Share Ownership Plan (ESOP) which had a 15% share stake organised by the GMB and EEPTU. It had a £1.75m contract with Bath covering building maintenance, cleaning, grounds maintenance, and highways and had unsuccessfully bid for about 50 mainly ground maintenance contracts around the country. CSG Bath had a £250,000 grounds maintenance contract with West Wiltshire DC rescinded in May and the Merton school playing field contract was immediately terminated on news of its financial difficulties.

All 170 staff were made redundant plus seventeen workers in Merton. A £140,000 contract with Kerrier DC has also been terminated and the work brought in-house. Bath is now employing other private contractors.

The Eastbourne deal is the second of its type, **SERCO** having recently set up a similar deal in Northamptonshire. Eastbourne was one of the first authorities to set up its DSO as an arms length trading body. It tried to set up an ESOP but the banks refused to finance the deal after the West Wiltshire failures and legal dispute over Hammersmith & Fulham's financial deals. The entire DSO staff will be made redundant and will transfer to the new company. The council has effectively sold its DSO to SERCO which has provided 50% of the capital.

Despite the high failure rate more management buy-outs have recently been announced and include:

Authority	Name of buy-out	Service	Staff
South Oxfordshire DC	McLintock Ltd	Computer Dept. (£1.47m three year contract)	20
Bromley LBC	Architects Joint Partnership	Architects Dept.	16
Berkshire CC	Company of Designers Berkshire (Company of Designers plc)	Architects/Surveyors (£2.8m three year deal)	24
Eastbourne DC	SERCO Services (partnership buy-out)	DSO	
SW Thames Regional Health Authority	(management start-up)	Estates Dept.	100



Westminster City Council refuse collection before MRS buy-out *Philip Wolmuth*

EDITORIAL

THIS IS the first issue of Public Service Action which incorporates Community Action magazine. Community Action produced 83 issues between 1972 and 1990, but it became increasingly difficult to produce a separate magazine because of the loss of members of the collective. Discussions with PSA led to the decision to merge Community Action into PSA. We hope to continue the best traditions of Community Action, reporting on campaigns and analysing key issues, blending these with PSA's strengths.

PSA plans to use this opportunity to develop a stronger perspective on issues facing users of public services. This will cover tenants, passengers, and users of a wide range of public services. We will also be including analyses of the current trends towards treating all users as customers or consumers, assessing the relevance and impact of initiatives such as customer care, evaluating Local Management of Schools and similar schemes.

Note to Community Action Subscribers

Public Service Action has taken over responsibility for Community Action subscriptions, as explained in Community Action No. 83. All subscribers will receive a copy of PSA until their subscription expires. We hope you will renew and continue to receive PSA.

All matters regarding subscriptions should be sent to Public Service Action, SCAT Publications, 1 Sidney Street, Sheffield S1 4RG.

'Suits us very nicely'

CONSULTANTS PROFIT FROM HATS FAILURE

CONSULTANTS' FEES for the Government's Housing Action Trust programme have cost more than £2m so far, without a single HAT getting the go-ahead.

Not surprisingly, Southwark, the only one of the original six HAT areas where the proposal is still alive has cost more than any other. Consultants' fees there were being paid to **PIC Ltd** have already reached £933,000. Tenants are to be balloted on the plan later this year.

So far, a total of £2,262,000 has been spent on consultants in six areas, while the DoE has spent another £80,000 on information and balloting.

The Government originally allocated £164m over three years to creating HATs, which the DoE says is still available for alternative HAT proposals, though only one, for four estates in Waltham Forest, North London, has been submitted. There it has been estimated that the council has already spent £1.7m on consultations. **Chapman Hendy** so far receiving more than £70,000.

The prospect of conflict of interest is constantly a risk when employing consultants. For example, Chapman Hendy originally appointed through a careful selection procedure by tenants, and funded by the local authority, then accepted work from the DoE who have taken over their funding.

More than one set of consultants makes money out of each HAT area. For example in Southwark **CSL** (Cipfa Services Ltd) are employed by the council to advise both the local authority and the tenants, and advise on the proposals of PIC Ltd. PIC Ltd are employed by the DoE developing plans for the HAT.

PIC (Property Investment Company) Ltd, was set up by the Trustees Savings Bank in 1988, specifically to take advantage of opportunities under the Housing Act. So far

they have been involved in consultancy work for the Government on proposed HATs in Lambeth and Southwark, as well as Tower Hamlets, where consultants' fees so far have reached £1,297,000.

COMPANIES & CONSULTANTS

● **Leigh Environmental Ltd** (Leigh Interests plc) has sold its refuse collection contracts in East Staffordshire, West Oxfordshire, and Leominster, to **UK Waste Control**. Leigh has decided to withdraw from tendering for any further refuse contracts. The sale to UK Waste takes effect from 1st August 1990 and involves the transfer of 93 staff and 33 vehicles. Leigh is primarily an industrial and commercial waste disposal operator and operates a number of landfill sites and hazardous waste treatment plants. Clearly the move into refuse collection has not been as profitable as waste disposal where the profit margins are much higher. In addition Leigh won the East Staffordshire contract with a £706,000 bid, some £200,000 below the DSO and other firms' bids. It was awarded the Glanford DC refuse contract in October 1989, again some £200,000 below other bids. Leigh withdrew form the contract in December.

● Consolidation amongst accountancy firms in the UK continues with the recent merger of Touche Ross and Spicer and Oppenheim, to form Touche Ross & Co. The company will start trading on August 1st, with fees of £262m and staff of just under 6,700.

In the last two years the fabled Big Eight have been whittled down to six as Ernst and Whinney linked with Arthur Young, and Deloitte, Haskins and Sells coupled with Coopers and Lybrand after failing to merge with Touche. That breakdown was widely seen as a failure by Touche who have now responded by bringing Spicer under its control, boosting the company to fifth place in the UKL rankings.

The merger is widely seen as a result of a squeeze on income which could mean smaller firms succumbing to the pressure of takeovers.

Price Waterhouse

Coopers & Lybrand Deloitte

KPMG

Top ten UK accountants/management consultants after the Touche/Spicer merger

Fee income 1989/90 (£m)

1. Coopers & Lybrand Deloitte	531.0
2. Peat Marwick McLintock	395.2
3. Ernst & Young	337.5
4. Price Waterhouse	300.1
5. Touche/Spicer	261.8
6. Arthur Andersen	194.4
7. BDO Binder Hamlyn	105.5
8. Grant Thornton	102.5
9. Panell Kerr Forster	76.2
10. Stoy Hayward	58.8

Source: *Financial Times*, 11th July 1990.

Realities of Waste Contractors' US track record

BFI: POLITICS AND GARBAGE

BROWNING FERRIS INDUSTRIES Inc. (BFI) is the world's second largest waste disposal operator. Based in Houston, Texas, it has contracts across the US, Canada, Latin America and the Middle East. It started operating in Britain in 1985 when it acquired Wastecare Ltd with four local authority refuse contracts from Grand Metropolitan. BFI has been bidding selectively for refuse collection/street cleansing contracts under enforced tendering.

BFI has a long track record of convictions for illegal dumping, price fixing, anti-competitive and environmental violations. PSA has reported on these in past issues (No.s 2, 14 and 22). This article draws together recent evidence which shows clearly that these illegal activities continue.

BFI's record is particularly important for two reasons. Firstly, the US directors are also directors of the UK subsidiary. Secondly, BFI's chairperson and chief executive is William D. Ruckelshaus, a former FBI director and more recently director of the US Environmental Protection Agency (EPA).

BFI covers a wide range of waste disposal activities ranging from treatment and disposal sites, local authority and commercial refuse collection, industrial hazardous waste, recycling, medical waste, asbestos removal, and it has a controlling stake in American Ecology which owns two of the three low level radioactive waste landfills in the US.

Dubious Distinctions

A profile of BFI by the Public Sector Division of the AFL-C10 described the company as follows:

'BFI has often failed to comply with the standards laid out in its contracts and has commonly disregarded government environmental regulations and business laws in its quest for profit.

BFI leads the industry in the total number of legal cases with which it is involved. As of 1987, BFI was the subject of at least five Grand Jury investigations for anti-trust violations. The company has been convicted on charges of anti-trust, security fraud, and numerous environmental violations. It has been identified with organised crime, and indicted for bribery and other questionable business practices'.

BFI has also expanded its transportation activities which include charter bus services, contracted out city bus services, airport bus services, and on-call van services for the elderly and the handicapped.

The following is a summary of the main anti-competitive and environmental violations which have involved BFI subsidiaries recently.

Companies like BFI usually claim that alleged violations and convictions are about past records, and that the firm has adopted new measures, new management, and is environmentally and legally 'clean'. They always point out that the court cases refer to events five or so years ago. But delays in cases coming to court are not always due to slowness of the legal process. The companies made the same claims five years ago, but still the court cases keep rolling on.

1,700 Violations at one Landfill

BFI agreed to pay $2.5m to settle Federal and State legal actions in 1988 concerning the storage, treatment and disposal of hazardous waste at Livingstone, Louisiana. The Environmental Protection Agency found more than 1,700 violations of Federal laws between November 1980 and January 1986. Three months later the US Justice Department filed a civic suit alleging violation of the Resource Conservation and Recovery Act. In addition to the fine, BFI was ordered to install new wells to monitor ground water contamination, develop a computerised waste tracking system, and engage an independent company to assess the overall operation at the landfill.

Chicago Ban on BFI

A City Ordinance prohibits contracts with companies for three years if company officials have been convicted of bribery or bid-rigging. Following the conviction of BFI and Waste Management Inc. officials in Ohio, the Chicago City Council has been forced since February 1989 to switch its waste disposal contracts to use transfer stations and landfill sites operated by other companies.

Price Fixing

A federal judge ordered Browning Ferris industries and Waste Management Inc. to pay $700,000 to settle allegations of price fixing in Toledo, Ohio in August, 1988. State Attorney General Anthony Celebrezze's lawsuit alleged that 'price fixing and bid rigging by the regional subsidiaries, who controlled 70% of the Toledo waste disposal market, caused reduced competition and increased prices for governmental and commercial entities' in the Northwestern Ohio and Southern Michigan areas between 1981 and at least 1984.

The State Investigation revealed that the two companies had aggressively competed for business between 1978-80 but entered into agreement in 1981 to:

'Mr Garbage cleans up the politics of waste'.

This was the title of an article in the business section of the Independent on Sunday on 15th July 1990 by the paper's Washington correspondent. It started with BFI removing the 'mountains of paper, plastic and the other debris' from the recent Economic Summit held by the Group of Seven countries in Houston as a joint statement on protecting the environment was being finalised. An example of 'company care' in determining the location of a new hazardous waste plant in Washington state was cited as 'a good example of making imaginative use of the political process' and 'one way of building a more sustainable world, environmentally'.

The article went on to state: 'Ruckelshaus argues convincingly for a market orientated approach which nonetheless rests on comprehensive waste management planning by government at all levels. Community involvement is also essential and must begin earlier in the decision-taking process'.

Ruckelshaus is also quoted as saying 'you may be able to take the garbage out of politics, but you cannot take the politics out of garbage'.

The article made no mention of BFI's business and environmental record.

Source: *Independent on Sunday,* 15th July 1990.

- allocate customers of waste disposal services among themselves in the Toledo area.
- refrain from soliciting or competing for the business of each other's established customers.
- submit non-competitive, collusive and rigged bids or intentionally high priced quotations to the other's established customers so as to discourage the customer from changing firms.
- raise, fix, maintain or stabilise prices for waste disposal services in the Toledo area.

The $700,000 included payments to thirty-eight public bodies who received the amount overcharged plus 20%. These included:

Toledo Public Schools	246,440
Medical College of Ohio	65,549
University of Toledo	53.064
Ohio Dept. of Mental Health	41,461
City of Northwood	22,602
Sylvania Township	21,617
Lucas Metropolitan Housing Authority	16,930

A further $70,000 was allocated for further Antitrust enforcement investigations, $90,000 towards legal expenses, and the State Attorney General allowed to monitor the company's activities until 1993.

A Federal grand jury investigation in Cleveland had also resulted in the companies pleading guilty to the same price fixing charges and paying criminal fines of $1m in 1987.

$1.55m Fine

In 1990, BFI agreed to pay $1.55m to settle fines imposed by the Environmental Protection Agency for 1,400 hazardous waste violations at its Calcasieu Parish, LA site.

BFI Contracts

Local authority	Service	Annual value
Kensington & Chelsea	refuse/street cleansing	£5.00m
Basingstoke	refuse (pre-1989)	£1.00m (est)
Solihull	refuse (pre-1989) (terminates October 1990)	£1.30m (est)
Havering	refuse (starts August 1990)	£1.00m (est)

Dealing with the Competition

In 1989 the Supreme Court upheld a lower court decision to award a South Burlington, Vermont waste disposal firm $6m punitive damages and $51,146 compensatory damages against BFI. It was the largest civil award in Vermont history. BFI had appealed both the US District Court and the Circuit Court of Appeals verdicts. Kelco Disposal was founded by ex-BFI employee Joseph Kelly and had captured 43% of the large waste container market in the area where BFI had previously had 100% control. After BFI failed to acquire Kelco they slashed prices by 40% in an attempt to drive the smaller firm out of business — 'squash him like a bug' the court was told. However, Kelco weathered the price battle and three years later had increased market share.

BFI Manager Found Guilty

In 1989, a former BFI manager was found guilty of 8 criminal violations of Ohio State hazardous waste laws. The manager was held responsible for pumping 27,000 gallons of chemically contaminated waste from a landfill into the Pleasant Run Creek in 1984.

Dismal Health and Safety Record

In the late 1980s BFI had one of the worst waste industry records for Occupational Safety and Health Act (OSHA) violations. A 1986 research study by the Council on Economic Priorities revealed 96 OSHA violations totalling $18.6m at 31 BFI sites visited.

Rewarded with promotion

Despite claims that BFI has installed new controls to prevent further violations and illegal activities, it is interesting to note that the executives at the centre of two major cases have been promoted. Bruce Ranck, head of BFIs Ohio and Michigan operations and named in the Ohio price-fixing case, is now Executive Vice President for North American Solid Waste Operations and a member fo the BFI board. Michael G. Gustin was executive in charge in the $6m Kelco case in Vermont. He is now BFI Northeast Regional Vice President.

Many thanks to Public Sector Division, AFL-C10, Washington DC, and the Citizen's Clearinghouse for Hazardous Wastes, Arlington, VA.

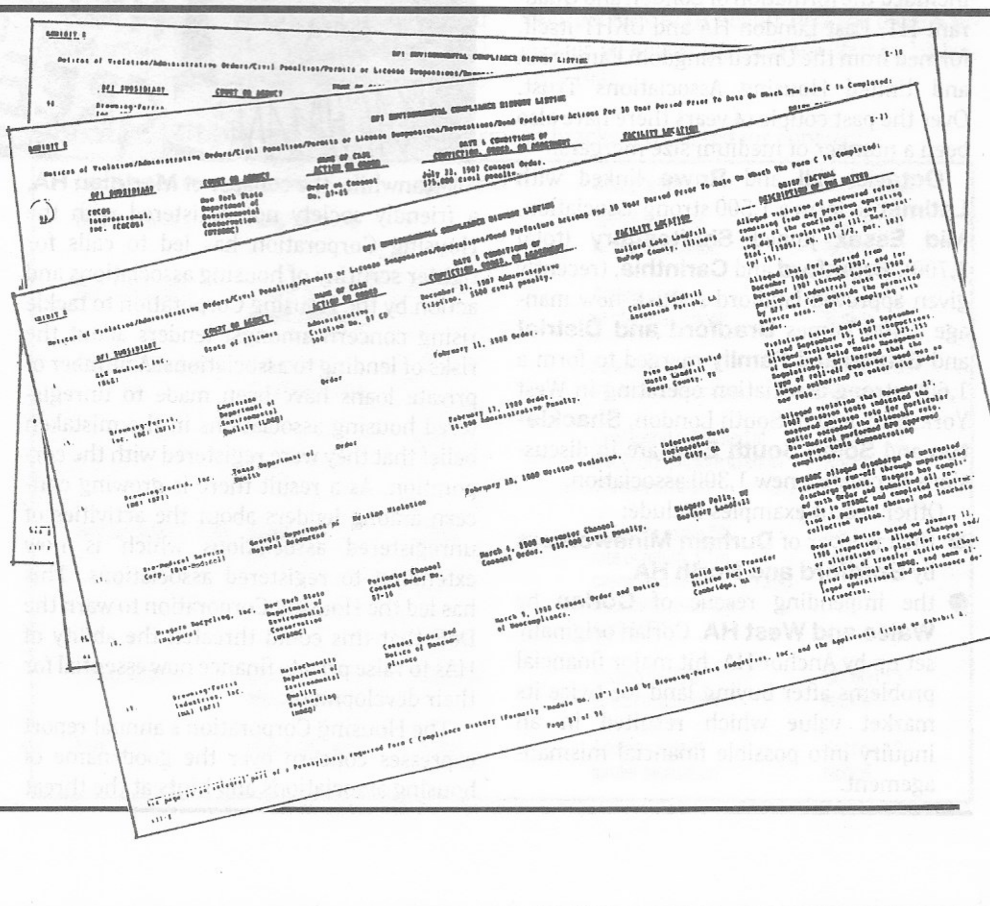
Environmental Compliance History

The state of Pennsylvania requires contractors bidding for public contracts to file a Form C Compliance History which must detail the following:

- Misdemeanour/Felony Convictions and Pleas for 10 year period prior to the date on which Form C is completed.
- Notices of Violations/Administrative Orders/Civil Penalties/Permits or License Suspensions/Revocations/Bond Fortiture Actions for a similar 10 year period.
- Final Court Decrees/Settlement Orders for a 10-year period.

Each filing must include the name of subsidiary; Court or Agency, name of case action or order; date and conditions of conviction, order, or agreement; facility location; brief factual description of the matter.

A recent filing of Form C by BFI ran to 94 pages containing over 150 cases in the three categories above.



Housing Associations

CALLS FOR MORE SCRUTINY

THE HOUSING CORPORATION

North British HA's merger now firmly establishes the association as the largest in the UK with 29,200 homes in management

The largest associations are:

North British (including UKHT)	29,200
Anchor group (including Guardian)	25,500
North	20,300
Merseyside Improved Houses	16,500
Sutton HT	14,000
Sanctuary Spiral	13,000
Hanover	13,000
RBL HA	12,000
Peabody	11,000
London & Quadrant	10,600
Notting Hill HT	10,000
Guinness	10,000
Northern Counties	10,000

THE DANGER of property ownership and management becoming concentrated in the hands of a very few large housing associations is likely to be encouraged by mergers in the face of the current cash crisis which favours those with established organisation, a strong asset base and greater ability to obtain private finance. Recent examples of financial problems and mergers add weight to arguments for stricter vetting and better monitoring.

Mergers

The biggest merger to date has been the recently announced merger of **United Kingdom Housing Trust (UKHT)** and **North British HA**, which will create a powerful new group and the country's largest housing association with 30,000 homes.

The merger initiated as a result of UKHT's financial problems includes an agreement that North British underwrite debts incurred on the Beaver estate in London which threatened to undermine UKHT.

From the North British point of view, the merger provides a substantial charitable base, (UKHT is a registered charity) and formalises a southern base for its activities.

Prior to this, the biggest mergers occurred in the late 1970s and 1980s. These included the formation of London and Quadrant HT, East London HA and UKHT itself, formed from the United Kingdom Family HA and United Housing Associations Trust. Over the past couple of years there have also been a number of medium size mergers.

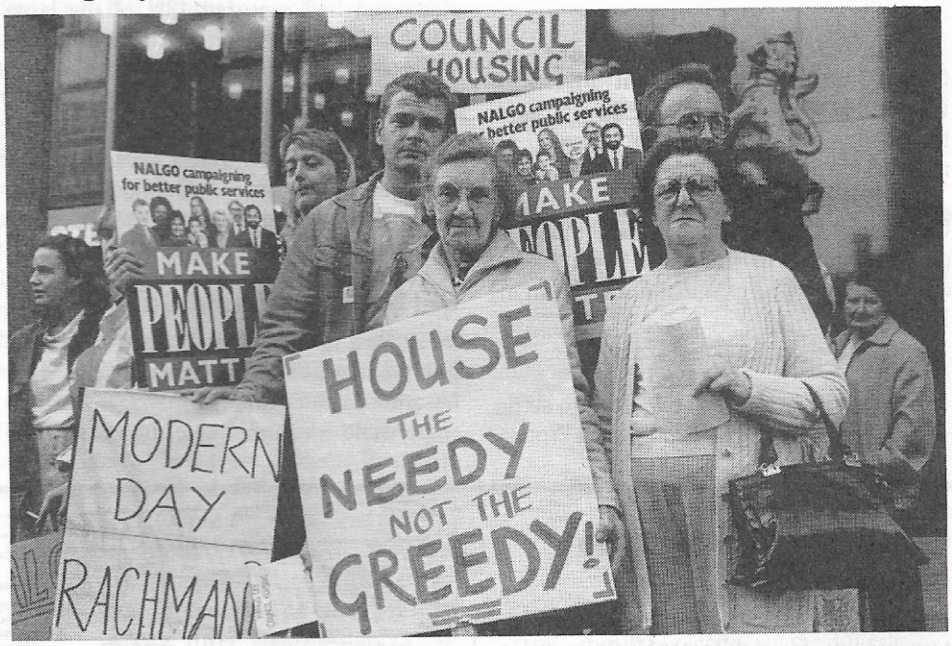
Octavia Hill and **Rowe** linked with **Latimer** to form a 1,500 strong association, **Mid Essex** joined **Shaftesbury** (total 2,700), **Bromford** and **Carinthia**, (recently given approved landlord status), now manage 2,400 homes **Bradford and District** and **Brunel** and **Family** merged to form a 1,600 strong association operating in West Yorkshire, and in South London, **Shackleton** and **Solon South East** are in discussions to create a new 1,300 association.

Other recent examples include:

- the takeover of **Durham Mineworkers** by **Bradford and North HA**.
- the impending rescue of **Corlan** by **Wales and West HA**. Corlan originally set up by Anchor HA, hit major financial problems after buying land for twice its market value which resulted in an inquiry into possible financial mismanagement.
- the collapse of **Legion Leasehold**, the development company set up by Royal British Legion (RBL), which went into liquidation in April owing RBL more than £1 million in unsecured loans.

Housing Corporation Monitoring

The collapse of these organisations has raised questions about the effectiveness of the Housing Corporation in monitoring associations. It has been clarified that, for example, despite being aware of Legion Leaseholds cash flow crisis as early as September 1988 no action was taken by the Housing Corporation.



Meanwhile, the collapse of **Meridian HA**, a friendly society not registered with the Housing Corporation has led to calls for tighter scrutiny of housing associations and action by the Housing Corporation to tackle rising concern amongst lenders about the risks of lending to associations. A number of private loans have been made to unregistered housing associations in the mistaken belief that they were registered with the corporation. As a result there is growing concern among lenders about the activities of unregistered associations which is now extending to registered associations. This has led the Housing Corporation to warn the DoE that this could threaten the ability of HAs to raise private finance now essential for their development.

The Housing Corporation's annual report expresses concern over the good name of housing associations and hints at the threat posed by non-registered bodies using the term. The corporation's monitoring role is now being made more difficult because of the increasing amount of time being spent with developing associations, the smaller ones of which are much more likely to be assessed as unsatisfactory.

The corporation is now to draft guidance on the difference between associations which are registered and therefore subject to monitoring and those which are not and act solely on commercial grounds. At the moment there are more organisations trading as housing associations who are virtually indistinguishable from property companies than there are registered companies.

Meridian for example, was set up in 1982 as a strictly non-publicly financed developer of mainly retirement homes in southern England. It had close links with Downlands Housing Group which manages most of the homes built and sold by Meridian through Downlands Retirements Homes. Meridian Chair Clive Richards, is also a director of development company Appin Project Management (APM), who handled Meridian's development schemes.

Contractor's Fines & Failures

STRATHCLYDE CLEANING CONTRACT

Problems continue to plague the **Southdown Cleaning and Maintenance** cleaning contract with Strathclyde Regional Council. In a joint trade union committee survey of schools and premises cleaned by Southdown, 73% reported a deterioration of standards. The survey also revealed:

- 64% said complaints about cleaning standards had increased
- 84% stated less time was worked by cleaners
- 85% said the quality and quantity of cleaning materials had dropped.

A second survey, yet to be fully analysed, reveals continuing major problems. Now the Department of Social Security is investigating the company's use of casual labour.

Southdown cut wages from £2.60 to £2.25, cut hours, and do not have holiday or sick pay. Cleaners at three schools, Eastwood Secondary School, Crockfur and St. Cadoc's primary schools were sacked after they complained to management about the poor working conditions.

Leaked company documents disclosed Southdown's low weekly material and equipment allowances which included 67p to clean a social work office, 90p to clean a nursery school, and £2.50 to clean a primary school!

Strathclyde divided its cleaning into 12 separate contracts. Southdown bid for only two contracts covering parts of Ayrshire, Renfrewshire and Glasgow. It undercut Cleaning Direct, the in-house service which won the other 10 contracts, by over £1m in each case (Southdown's bids were £1.8m and £1.9m compared to £3.0m and £3.1m by Cleaning Direct). 1400 cleaners were made redundant. There is no record of the firm having won or bid for other local authority cleaning contracts.

The firm, based in Hounslow, Middlesex, are also second hand car dealers and had a turnover of only £410,000 — a tenth of the value of the Strathclyde contract — in the year prior to bidding. Brian Reed, Southdown's managing director and ex-Exclusive manager, stated that initial losses had been eliminated and the company had increased its share capital by £50,000.

Strathclyde's Director of Cleaning, Bill Davidson, a former Exclusive manager, had stated in a report that five other companies had not been invited to tender because 'they did not have sufficient experience or financial backing to provide the level of service we would require.'

'FILTHY' HOSPITAL CRITICISMS OF MEDICLEAN

Mediclean (ISS) have been criticised for providing cleaning at least 50 per cent below acceptable performance standards in the London Hospital, Whitechapel. Monitoring of the company's performance between November 1989 and May 1990 revealed that the level of cleaning 'consistently averaged performance rates of between 29 and 53 per cent in high risk areas, between 31 and 45 per cent in ward and clinical areas and between 33 and 56 per cent in other areas'.

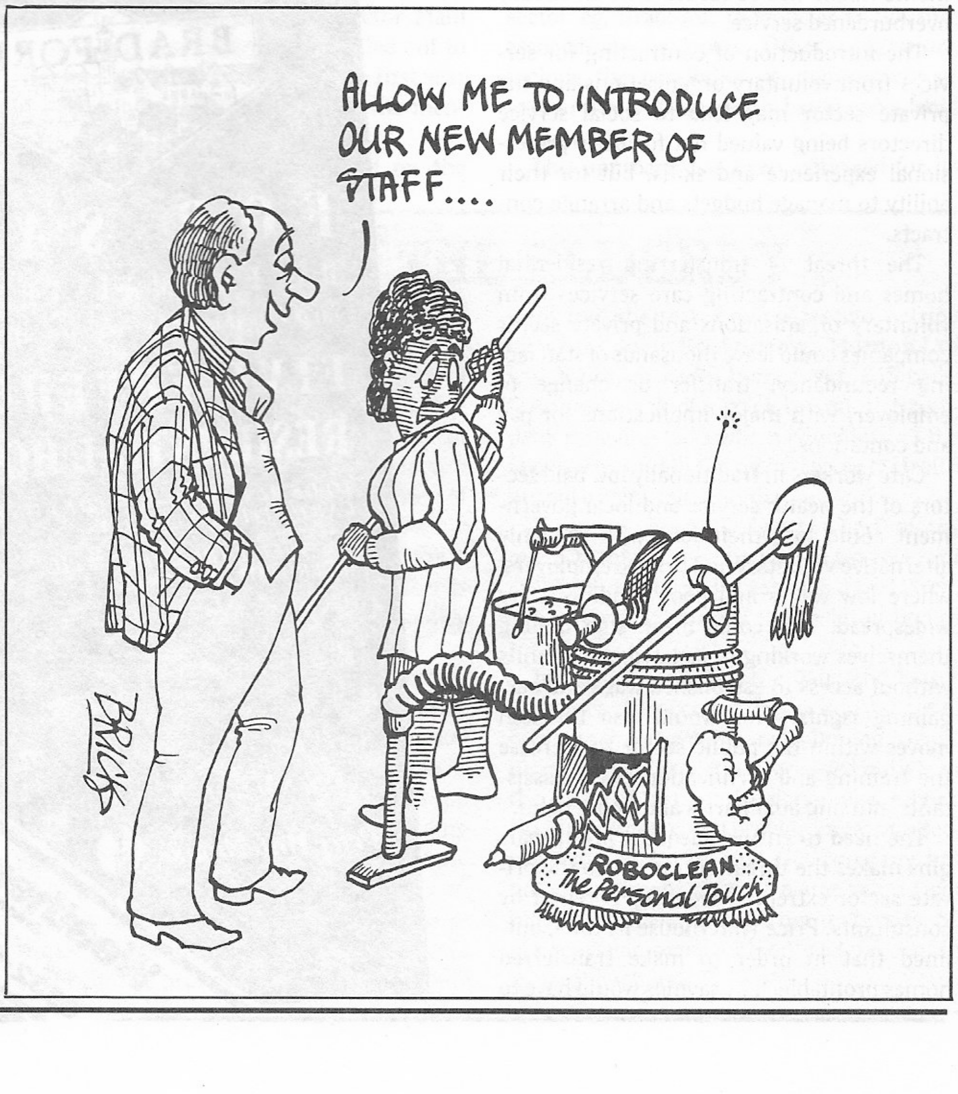
Acceptable performance levels specified in the contract are 100 per cent, 90 per cent and 85 per cent respectively.

Despite Mediclean putting their commercial manager directly in charge of the contract, standards have not improved and it is clear that the company cannot fulfill the specifications in the contract. Calls have been made for the authority to terminate the contract and bring the service back in-house. Redundancy payments alone cost the authority £546,000 when the in-house team lost the contract.

BUS COMPANY SACKED

Bus operator **Go-Ahead Northern** has had a three year contract with the Northern Regional Health Authority for non-emergency transport terminated after only a year. The bus company increased prices three months into the contract after the planned 1,200 patient journeys per day peaked at 1,000. The RHA intends splitting the work into several smaller contracts and improving quality controls.

Meanwhile, the financially troubled Go-Ahead Northern has been trying, unsuccessfully, to break up company-wide negotiating machinery and trying to replace it with a depot-based system in order to impose different pay and conditions on the 350 drivers. Depots at South Shields, Jarrow and Wallsend have been threatened with closure.



Part 2

CASHING IN ON CARE

CARE STAFF, especially social workers, care assistants and unpaid 'informal' carers, are the people on the front line in delivering local authority care services. However, the White Paper has little to say about the impact of the proposed changes on jobs.

Jobs and services are particularly threatened by the current trend towards the sale and transfer of local authority residential accommodation. Concern about the costs of introducing the community care reforms has recently led to a Government decision to cancel plans for their introduction next year in the face of predictions of large rises in poll tax charges.

Impact on jobs

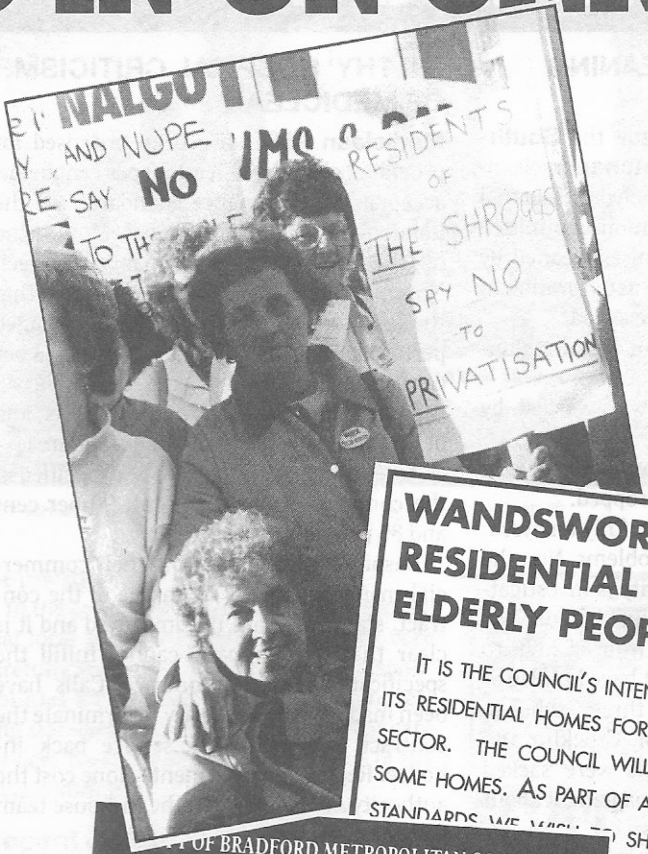
The general implications of the White Paper proposals for social services staff are enormous. They will be involved in making individual assessments and designing care management which includes an assessment of ability to pay and a limit on how far they can arrange care themselves. This is a fundamentally different role than they play at the moment, and will be tacked onto an already overburdened service.

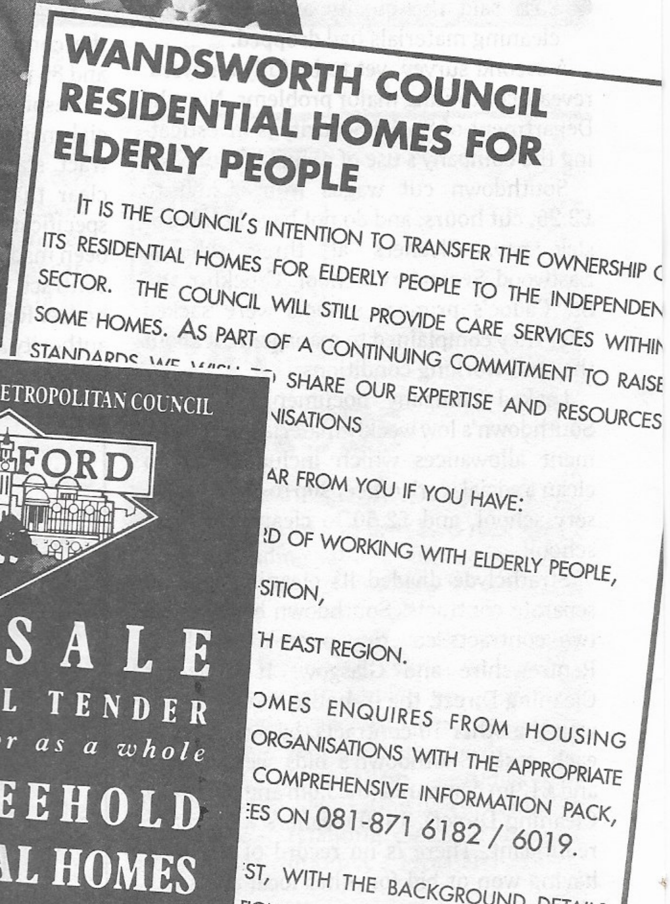
The introduction of contracting for services from voluntary organisations and the private sector may lead to social service directors being valued not for their professional experience and skills, but for their ability to manage budgets and arrange contracts.

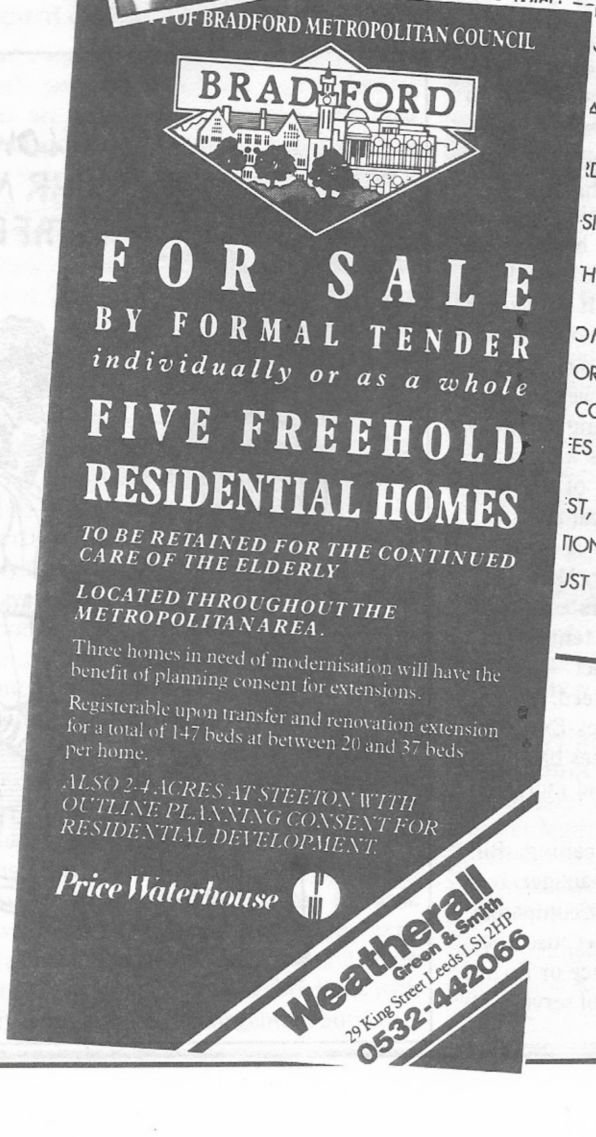
The threat of transferring residential homes and contracting care services from voluntary organisations and private sector companies could leave thousands of staff facing redundancy, transfer or change of employer, with major implications for pay and conditions.

Care workers in traditionally low paid sectors of the health service and local government could lose their jobs with the only alternative voluntary and private employers, where low wages and poor conditions are widespread. This could mean staff finding themselves working in isolated, small units without access to established wage and bargaining rights. This would also threaten moves within the public sector to increase the training and certification of care assistants, nursing auxilliaries and home helps.

The need to ensure adequate profit margins makes the threat of transfer to the private sector extremely worring. A report by consultants, Price Waterhouse in 1989, outlined that in order to make transferred homes profitable, '. . . savings would have to







be achieved largely by reductions in staff benefits, bank holiday and other holiday entitlements, extra sickness payments, and by lower basic rates of pay.'

Although non-profit making, many housing associations now operate on a national basis and are increasingly reliant on private investment to fund new development. Some are taking a predatory approach to the opportunities for expansion contained in the white paper, others have records of anti-union activities, *eg*, Anchor. The pressures of moves towards contracting services from voluntary organisations can only increase these trends.

Carers

Above all, the White Papers proposals depend on extending and formalising the role of unpaid carers. The estimated 6 million people, mainly women who look after relatives and friends at home. Despite the expectations raised by the introduction of case assessment, there has been no committment to support these workers by extending day and respite services, yet the danger is that it will be carers who as now, will in future continue to shoulder the main burden of the gap between needs and resources in community care.

Future trends — Transfers

The trend towards the privatisation of care services is now picking up speed, with Tory authorities taking the lead urged on by the government's community care proposals which would require massive spending on repaits and to ease the existing financial burden of the Poll Tax.

Philip Wolmuth

A number have negotiated the sale or transfer of council run residential accommodation for the elderly. Even more disturbing is the trend towards privatising children's homes and homes for the mentally handicapped and the awarding of contracts to companies set up by ex-local authority managers. For example, Bromley has pioneered the move to contracting out by privatising its children's homes, day nurseries and fostering schemes. In Kent, Social Policy Management Services, the company set up be ex-social services director Mani Srivalsan, is now having to be bailed out to the tune of £500,000 after only the first year of managing 17 group homes for the mentally handicapped for Bexley HA.

Local authorities are focussing on the immediate financial benefits to be gained by transferring homes into private hands before the end of March next year. This means that residents who are cared for in the private sector will have their rights to residential care allowances preserved, presumably until death. Local authorities who transfer homes now will also benefit from the fact that housing benefit will be paid to private sector residents but not those in local authority run homes. Alternatives being considered range from sale to the private sector *eg*, Bradford, to transfer to housing associations or trusts. Other suggestions include the possibility of management or worker buy-outs currently being considered by Newcastle.

This approach has been criticised for its

PUB CULTURE CARE FOR THE ELDERLY

GROWTH IN THE elderly population and associated demand for residental care continues to encourage leisure and brewing companies to invest in 'care services'.

Kunick, the company which made its name with tourist attractions such as the London Dungeon and its money from fruit machines, has spent £24 million so far this year buying up and improving nursing homes. It recently acquired the **Oakcrest Group** which operates five freehold nursing homes in Yorkshire and a part of its expansion plans in France now owns one care home with the aim of buying 9 more. This is on top of the £25 million the company spent through its subsidiary **Goldsborough Ltd** over the last four years.

The number of beds the company now owns has jumped from 463 to 935 with the intention of making this grow even more by the end of the year. Pay-offs so far have been relatively small in relation to this high investment and the company's overall turnover. The division made £1 million profit in the first half of this year — a figure matched by the French section of its fruit machine business on its own. However, the long-term attraction of investment in care is seen as a fair price to pay for the relatively low rate of return in the short term.

Stakis, the Scottish hotels group recently bought two nursing homes in Leeds and Harrogate to take its total to 14. A policy of aggressive expansion will increase the number of beds the company operates through its trading division **Ashbourne Homes plc**, from 1,500 this year to 3,000 by the end of next year. This would make it Britain's biggest private operator. The group aims at the top end of the market providing facilities similar to luxury hotels for those who can afford them.

Vaux on the other hand is a relative newcomer to the nursing and retirement homes business. The brewers and hotels group only went into the sector two years ago, setting up a subsidiary, **St. Andrews Homes Ltd** which now owns 20 homes with 845 beds. Despite its lack of a track record, the company is having talks which could lead to the take over of all Glasgow District Health Authority's nursing homes.

Built up very quickly, this part of the group's operation showed a turnover of £800,000 in the half year ended in March, which included buying two nursing homes for £3.9m.

Swallow Hotels and the Vaux and Wards breweries still account for the lion's share of business and the company is hoping to pick up more pubs as big brewers shed outlets in the wake of last year's monopolies report. Nursing homes could provide important security in the future and the company has noted the importance of being able to get higher occupancy rates from its homes, 82 per cent, compared with only 63 per cent in its Swallow hotels.

short-sightedness in depriving communities of their right to publicly accountable services. Problems to be considered include:

- the wide range of standards of care in the private sector.
- the fragility of, for example, local authority MBOs and companies set up by ex-employees (*eg*, the recent collapse of CSG Bath).
- the legal problems involved in deciding the form of transfer to be tried, as well as issues to do with transfer of assets.
- other legal issues relating to leases, contracting and fund raising, which all require work and resources.
- the potential costs of:
  preparing care specifications, service specifications and documents
  advertising, processing tenders and tender evaluation
  consultation with staff and users of services
  reorganisation to take on the contractor function
  management consultants and other advisors
  other support costs, *eg*, legal (as above) and computing
  the costs of bringing homes up to standard before transfer
  valuation of properties to ensure sale prices are an accurate reflection of the current market value.

Some of these costs may be hidden in the general costs of reorganisation for community care, but still need to be considered when weighing up the financial benefits of transfers.

- the lack of business planning skills within social services departments on which to base decisions about the viability of proposals to privatise services.

The Government is also, surprisingly, amongst the foremost critics of those councils who are rushing to transfer statutory provision to the private sector. This is based on the objective of increasing choice by widening the range of provision. A recent DoH discussion report on contracts, says that simply transferring elderly homes will not of itself increase choice. Those councils who have followed a route of privatisation because they believe that is what the Government wants are criticised for encouraging the trend towards making contracts with large voluntary groups which could squeeze out smaller charities with less resources. This will limit the range and responsiveness of providers to meet different needs, *eg*, smaller associations who cater for black elderly *etc*.

In the face of some councils selling off all their homes the Government has acknowledged the need for local authorities to retain some level of provision. Although this has mainly focussed on the most frail elderly who would be unlikely to be provided for in the private sector.

Friern Mental Hospital, London. Another 19th century legacy *Philip Wolmuth*

In the context of these criticisms it is clear that local authorities will have to think very carefully about the options and their responsibilities for monitoring care provision, setting standards of care and ensuring that care services meet the needs of all sections of the local community.

Recent Sales

Front-runners in the move to transfer elderly people's homes to housing associations are a number of Labour-controlled authorities in the north of England. They have little or no money to spend on improvements and fear their homes will fail to meet national standards.

Many housing associations are keen to expand into residential care, and they are able to borrow the money needed for improvements or adaptations. Among the councils seriously considering transfers are Liverpool, Stockport and Newcastle.

Others are starting to do the same. Cheshire County Council received 17 replies, mainly from housing associations, to its advertisement asking non-profit bodies to apply to discuss the future of its homes.

Liverpool is discussing the transfer of its 30 homes to Liverpool Housing Trust (LHT), who are also involved in talks with other councils in the north-west. In Stockport, Collingwood Housing Association has already taken over management of one home and is talking to the Council about the future of all its 16 homes, which have 560 residents. Collingwood, like other associations such as Anchor, is setting up a subsidiary to develop residential care services. Newcastle is having talks with several housing associations including Anchor and North British, but has also held negotiations with staff about a staff or management buy-out.

Identify the Redundant Skills Centres

SKILLS SCANDAL

The sale includes some of the 9 Skills Centres excluded from the recent 'subsidised free transfer' of 51 centres operated by the Skills Training Agency to private firms.

First Civil Service Buy Out

The bulk of the centres, 45 in total, went to **Astra Training Services**, a management buy-out by STA executives. Astra paid the Government an undisclosed sum for the centres and received an undisclosed grant in return, leaving Astra £11m better off. It got the freehold to 29 centres, part of a national

ASTRA TRAINING SERVICES LTD — MOBILE TRAINING SERVICE

network of skills centres providing industrial and construction skills training, including Employment Training schemes. Astra also runs Management and Trainer development Colleges in Glasgow and Letchworth, and operates a Mobile Training Service providing management, supervisory and health and safety short courses at Astra centres.

The Cumbria, Ipswich, St. Helens and East Lancs centres were acquired by Lakin consortium, **TICC Skillcentres**, led by the director manufacturing management at Cranfield Institute of Technology. Lakin received £2m in Government grant. **Merseyside Education Training Enterprises** acquired the Liverpool centre and **Training Business** runs the Lambeth centre after receiving a £0.8m grant.

Forty workers at the Liverpool and Lambeth centres have been sacked and about 25% of the 2,000 Astra staff are expected to be made redundant.

Several firms have complained that they made cash offers for some of the centres or were negotiating to acquire the centres when they were told that the basis of the negotiations were no longer acceptable.

ASTRA TRAINING SERVICES LTD — MOBILE TRAINING SERVICE

None of these firms knew about the Government's proposed cash injection.

The STA broke even in 1986-87 followed by a £2.8m loss the following year. But in 1988-89 'losses' reached £27m although many believe these were engineered to assist privatisation.

More Anti-Competitive Interventions

The Government has ordered Knowsley and East Lindsey councils to re-tender their refuse collection contracts following the issue of Section 13 notices (see chart in PSA No. 42). Both DSOs will be able to submit bids but will require Department of the Environment permission to award the contract in-house.

The notices against Camden and Humberside concern the running of DSO contracts. Camden has the distinction of two notices for the same service — failure to meet the specification and failure to meet a 5% return. The DoE has decided to take no further action against three councils, Wolverhampton, Braintree and Eden.

Street Cleansing Timetable Extended

The Government has extended the street cleansing timetable for up to eight months because of the planned implementation of anti-litter proposals under the Environmental Protection Act. Contracts due to start on 1st January 1991 have been put back to 1st August 1991 and those planned for 1st August 1991 will now start on 1st January 1992.

Update of Chart in PSA No. 42 (Firms in brackets tendered for contract)

Local Authority	Service	Contractor	Complaint	DoE Action
Birmingham (Lab)	Other Cleaning		Adding costs in tender evaluation	Section 13 Notice
Bury MBC (Lab)	Refuse & street cleansing,		Adding costs in tender evaluations	Section 13 Notice
Camden LBC (Lab)	Refuse & street cleansing	DSO	Failure to meet the service specified	Section 13 Notice
		Cory	Overspend estimated at £400,000, failure to show 5% rate of return	Section 13 Notice
Humberside CC (Lab)	Building cleaning	DSO	Failure to make 5% rate of return, £1m overspend since Jan. 1990 Council to re-tender April 1991	Section 13 Notice
Liverpool (Lab)	Grounds Maintenance	(Brophy)	Adding costs in tender evaluation	Section 13 Notice
York (Lab)	Street cleansing	(Cory)	Adding costs in tender evaluation	Section 13 Notice

Private Security Firms Exposed

GUARDED FAILURE

THE HOUSE OF COMMONS Defence Committee recently completed a review of the use of private security companies by the Ministry of Defence at military installations and at Royal Ordnance sites. The Committee concluded that 'with the trend of privatisation and contractorisation. MoD's responsibility for security cannot but be diluted.' The review was undertaken in response to the bomb blast, which killed 11 at the Royal Marine School of Music at Deal which was guarded by a private contractor.

Their report is compelling reading, so we have used extensive quotes. It should be read in conjunction with PSA's two page report on the private security industry in PSA No. 41. The conclusions are applicable to other services and reflect the scale of problems with contracting generally.

The use of private security firms has grown rapidly in the past five years. Expenditure on private security contracts rose nearly tenfold between from £461,000 in 1984/85 to £4,418,000 in 1989/90. The number of firms employed has doubled and by January 1990 there were 46 contracts covering 56 MoD and Service installations using over 500 guards. However, the Defence Committee refused to identify the contractors and the value of contracts for reasons of 'commercial confidentiality'.

'The Services and MoD have had a mixed experience of commercial security companies. The overall view of MoD and Services witnesses was that properly trained, properly supervised and properly monitored guards could do the job required of them . . . More training and a lower rate of turnover were felt to be desirable. Some guards had proved to be hopeless — physically incapable of lifting a barrier, or afraid of the dark. A significant proportion of those presented by security companies failed MoD vetting . . .

It is only too evident that the standards achieved are very considerably below those of military personnel.

Firms sacked

Three out of eight MoD and Procurement Executive site contracts, with a total annual value of about £400,000, have been replaced by the directly employed MoD guardforce. The contractor at one site had been given several formal warnings and had the contract not expired in March 1990, the MoD would have terminated it early. The contractor at a second site was also warned after damage to MoD property. The third site **represents one of the most appalling stories which we have heard in the last 10 years.** A security firm was awarded a contract on 1st October 1987 to run until September 1990 to provide 19 guards at an outer London MoD site, at an annual cost of over £150,000, it is the largest MoD/PE contract. For a period of over a year, from early 1989, the company received a series of formal warnings, following complaints of 'too high a turnover of staff, not enough staff always provided, staff not always wearing uniform, and staff coming on duty without having been through the due processes'. To cap this litany, there were, on more than one occasion, cases of vandalism committed by the guards, including the smashing of windows. The Director of MoD Security unfolded a horrifying tale of inefficiency, idleness and absenteeism. The company was given, in effect, three months' notice in November 1989, and this contract was prematurely terminated on 20th February 1990. The firm was not replaced immediately because there were no available alternatives.

A contractor at an Army site was replaced after six months in September 1989 because they were 'not up to it'. The Navy has had to sack one contractor as a result of a Ministerial decision, another 'has been found to be unsatisfactory over a considerable period of time and has received more than one formal warning and is being replaced. The same contractor 'may also be warned' in respect of its contract at another site. Royal Ordnance, now owned by British Aerospace, have also had to replace a contractor with its own company guard force 'in the interests of uniformity and greater efficiency'.

The MoD has been forced to introduce 'a more sharply focused system for central monitoring' and more precise guidelines on what companies should do and how they must perform. It includes monthly reporting to Area Command on the level of performance of the contractor at each site.

Some of the Main Security Firms

Abbot Security
Burns
Care Security Services (Care Services Group)
Centuryan Security (OCS Group)
Chubb Wardens Ltd
Group 4
Guards Security
ISS Securisystem (ISS Servicesystem)
Reliance Security Services
Securiguard Group plc
Securicor Group plc
Sentinel Security Group

The Committee recognised the difficulties in terminating contracts.

'Some firms offering a consistently unsatisfactory, and therefore potentially dangerous guarding service have, as a result, been permitted to remain in post for month after month'. But the problem of providing an alternative service in the event of unacceptable performance is an inevitable concomitant of the use of commercial security firms. Once such a contract is signed, MoD is, in effect, stuck with the contractor, whatever the standard of service provided. This is what has happened with a disturbing number of MoD's commercial security contracts.

The Committee 'consider that MoD has been — perhaps uncharacteristically — charitable towards commercial security firms. None of the 45 security firms on the

Defence Contractors List has been removed, even those whose contracts have been terminated, hence the threat of removal 'is not a credible deterrent'. The Committee were 'dismayed to be told that MoD officials had in the past felt unwilling to draw the attention of Ministers to the unsatisfactory nature of the service provided by some security firms, lest they be suspected of a lack of enthusiasm for Ministerial policy in favour of using such firms'. And how many other situations does this apply?

'We cannot however, overlook the weight of evidence presented to us on the private security industry which demonstrates its inability to ensure that it does not employ proven criminals or those with criminal intentions.'

Paying the Price

The use of private security firms was based primarily on financial grounds. The Committee concluded that it was cheaper for MoD to employ direct labour when the hourly rate rises above £3. 'The MoD accept that these sums are not enough to attract the "blue riband companies" to tender for MoD guarding contracts'. The Committee concluded that **'to the extent that ministerial policy on the use of commercial security companies was posited on paying low wages, MoD are getting no more and no less than what they are paying for'.** Pay for guards on the Reliance Security Service, Deal contract had been increased 25% after the bomb blast. A further report by MPs concluded that staffing levels at Deal were 'very demanding of the workforce and fall short of what was required to meet the full extent of the task'.

The main recommendation:

'that until such time as there is legislation regulating commercial security firms and laying down minimum standards — which we would welcome — no further contracts for commercial security guarding be let by MoD at sites where such guards have not hitherto been used'.

The Physical Security of Military Installations in the UK, Defence Committee, Sixth Report, HC 171, 1989/90. Sections in bold were in bold in the original report.

NUPE member working in the Imperial College, London, gatehouse *Philip Wolmuth*

Developer to pull out of residential market.

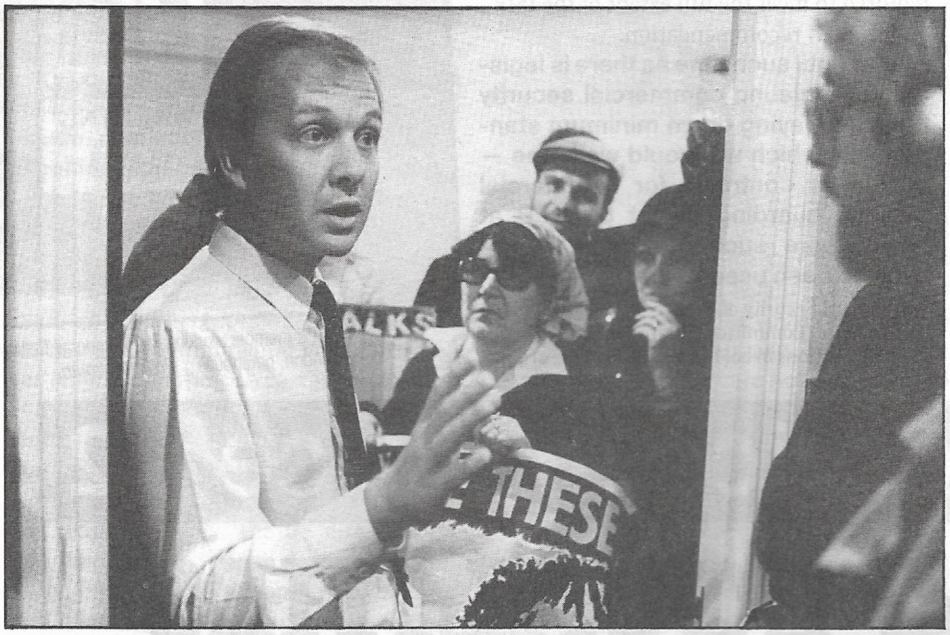
Regalian Sell-Off

WITH AN ANTICIPATED fall in pre-tax profits this year, from £25.6m to about £10m, Regalian Property Developers have announced radical plans to sell almost all of their £180m residential portfolio in the South, in a move to concentrate on commercial development.

Faced with one of the biggest slumps in house sales in Southern England for more than fifty years, Regalian have launched one of the largest ever half-share purchase schemes on approximately 800 properties. The scheme allows for hard-pressed buyers to put down a 50% deposit for an immediate half-interest in their home. They then have five years to purchase the outstanding balance at the prevailing market rate.

If successful, it would release up to £90m in cash at present tied up in residential properties which have become extemely difficult to sell as mortgage rates have risen to their highest level ever. Regalian led the way in the 'eighties in the field of inner-city refurbishments, forging strong links in the process with local authorities such as Tower Hamlets, Wandsworth, Cardiff, Lichfield and Salford. Their Chief Executive, David Goldstone, who founded the company in the 'sixties, claimed in 1988 that the company would combine social responsibility with profit — indeed, that the two would inevitably go together.

In June 1989, he still maintained that the company could continue to produce profits from inner-city refurbishment schemes, even though the market was beginning to look shaky. But now, faced with another potential property crash, Regalian plans to clear its decks of purely residential properties, to concentrate on commercial developments, and Goldstone is saying that, 'in future, the only residential developments we will undertake will be part of larger commercial schemes'.



Walterton and Elgin Action Group confronts Regalian's Lee Goldstone *Philip Wolmuth*

'. . . it's evil, it's malignant and it brutalises people'

THAT IS HOW right wing pressure group, 'Housing Choice', describes public sector housing. The name, (a possible attempt to revive the flagging government initiative of the same name?) may be meant to imply that this is a new organisation, but the people and their ideas will be familiar to those fighting privatisation.

The group has emerged from the ruins of Pulse, the campaign to privatise local authority services and is run by the same duo, Peter Clarke and David Saunders fresh from their work in 'public relations' for Westminster city council leader Lady Porter, where they operated under the name Marketforce.

Housing Choice was founded by Clarke and Saunders in March to 'campaign for a liberalisation of housing and planning restrictions'.

Their first 'victim' was a special issue of Shelter's housing magazine, Roof, in which economists and city commentators linked Britain's economic problems with the government's failure to recognise the importance of housing. Peter Spencer, chief UK economist with Shearson Lehman Hutton Securities, traced the current spending boom to the deregulation of mortgage lending in 1979.

HOUSING CHOICE

Professor John Meullbauer, a Financial Times contributor, called the house price spiral of 1986/88 'one of the biggest blunders in post war economic management'. Both argued for controls on credit to counteract house price inflation and soaring interest rates.

In response, Housing Choice are arguing for a package of measures, including the abolition of rent controls and mortgage tax relief, and the end of public sector housing. The duo are clear that they want to 'stop all municipal housing'.

BES to Subsidise Private Housing?

In the first issue of their newsletter, Housing Choice claim that the recent changes in rent regulations should begin to halt the decline in the private rented sector and go some way to restoring property rights of landlords. It also praises the business expansion schemes (BES), extension to rented properties for its 'valuable role in rejuvenation of the private rented sector' and its potential role in boosting the 'vastly over-regulated and controlled market'.

The abuse of BES was investigated in PSA three years ago. It was revealed that the scheme developed to raise funds for companies who find it hard to raise capital on normal commercial terms, is in fact being used as a lucrative means of gaining tax relief — investors get tax relief of up to 60 per cent in BES schemes.

Until now, most of the money has been used to fund private health and social services schemes, which are likely to become even more popular with the introduction of the community care legislation with its implications for housing and residential care.

Housing Choice boasts the support of 11 Tory MPs including former environment ministers Sir Ian Gow, Marion Roe and Sir George Young.

INDEX Issues 31-40

The number in brackets refers to the issue number, eg. (35). The second number is the page number.
The index for issues No 1—10 was contained in issues 11 and 12.
The index for issues No 11—20 in issue 21 and for No 21—30 in issues 31 and 32.

There are three basic headings:

- Place names.
- Companies.
- Services.

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

PUBLIC SERVICE ACTION

Information

New Guide to Tenants Choice

The Tenants Guide to Tenant Participation is available from TPAS, 48 the Crescent, Salford M5 4NY, price £4.50.

Clearly laid out, this step-by-step guide to tenants' choice gives guidance on how to make the most of the provisions in the 1988 Housing Act. Produced by the National Consumer Council and TPAS, the guide gives a clear picture of how the Tenants Choice scheme works, how landlords are approved and goes into detail about how to negotiate agreements with landlords. The problems and the loss of rights entailed in making the change to a private landlord are clearly laid out and are balanced against the way the legislation can be used to help increase tenant participation and negotiating power if tenants remain with the council.

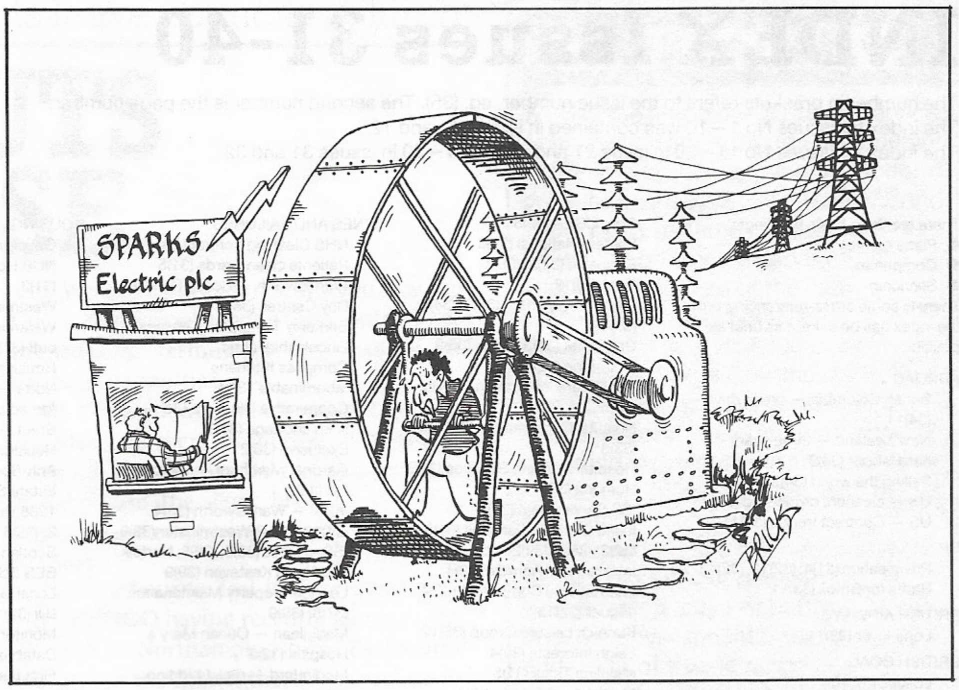
Voluntary Transfers Fizzle Out?

The Voluntary Transfer of Local Authority Stock is available from the ADC, 9 Buckingham Gate, London SW1 6LE, price £10.

The failings of the 1988 Housing Act with its 'Tenants' Choice' initiative is reflected in a recent study of voluntary transfers by the Association of District Councils. The study found that voluntary transfers has come to mean the creation of an arms-length company in a short-term attempt by councils to avoid capital and revenue controls.

This was hardly what was envisaged by the legislation which drew a picture of approved landlords canvassing support among tenants for the sale of local authority stock.

The ADC report sets out the advantages and disadvantages for councils of transfer, at the same time warning councils to treat the whole area with caution, given the uncertainties created by the new financial regime which make a proper financial evaluation difficult.



Labour lowers School Meal prices

Bradford council's new ruling Labour group have kept their election promise to cut the price of school meals by a third.

School meals were raised to 80p in October 1988 as one of the first shock moves by the then 'revolutionary' Tory administration, leaving Bradford with one of the most expensive school dinners in the country. Eight thousand children stopped buying them as a result. Now Bradford's school meals will be one of the cheapest in the country.

Announcing the price cuts, Education chief John Ryan pointed out that the Tories 'hiked up prices purely to make the school catering service a more attractive prospect for selling off to its management.'

Bradford council spent a fortune last year on consultants and advisors in its attempt to encourage a management buy out which was eventually given up following an inquiry by the district auditor.

Dinners will now cost just 50p in first, nursery and special schools and 60p in others. It is hoped some of the cost will be recouped as demand rises once again.

PUBLIC SERVICE ACTION

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