PUBLIC SERVICE ACTION

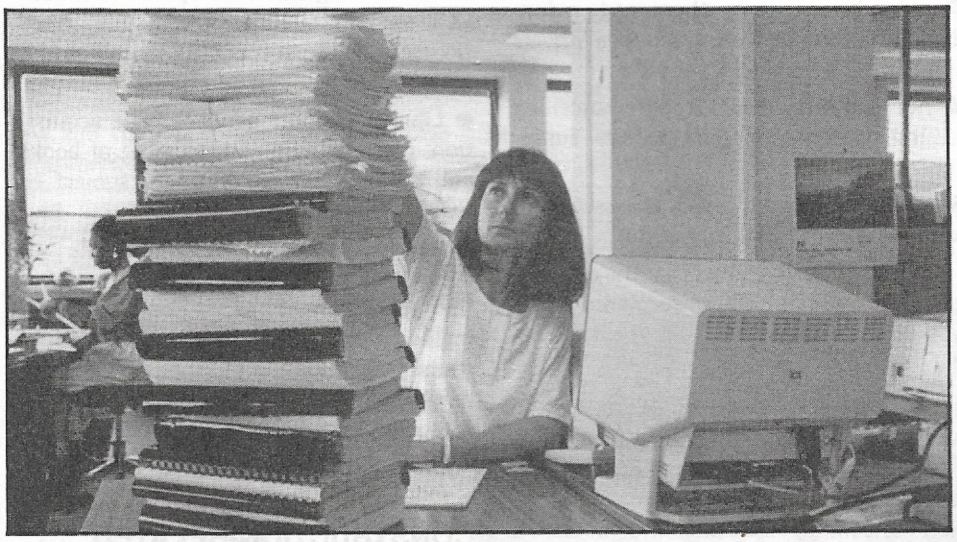
Incorporating Community Action No. 45 November 1991

In This Issue . . .

Big expansion of council tendering

CONTRACTORS' CHARTER

THE GOVERNMENT have introduced a twin-tracking strategy of pushing a Bill through parliament giving the DoE wide powers, including tightening CCT rules, side by side with a consultation paper which has detailed proposals. Once the Bill is law and the Government has examined the comments on the Consultation Paper after the 31st January deadline, regulations through a Statutory Instrument will be issued. The timing of legislative approval and an election could enable the Government to get it all in place before a General Election.



There is already evidence that some local authorities will not wait for the legislation. For example, several authorities have already privatised their computing and design services. South Oxfordshire recently privatised its budget preparation process (the in-house bid was ruled out as not suitable and a higher bid was accepted) and Westminster have put out a range of white-collar services ahead of any legislation.

The Consultation Paper only contains **proposals**. Local authorities are under no obligation whatsoever to take any notice of them until they become law. Trade unions will have to watch out for officers and councillors believing that it is law now — particularly in the evaluation of tenders. This is what happened with the last CCT consultation paper.

LOCAL GOVERNMENT BILL 1991

The Local Government Bill published on November 5th, only days after the Queen's Speech, lays the ground for wide-ranging privatisation of council services.

It builds on the promises of the Citizen's Charter which presented arguments for extending competition in local government. It also uses the experience of the most extreme Conservative-controlled councils, such as Westminster, which have been pushing the remit of competition to its extremes by exposing a range of services to competition.

The Bill itself is brief. It is an enabling bill designed to allow the Secretary of State to bring greater competition into local services. The parliamentary timetable for the Bill is very short since the Government wish to push through the legislation before the General Election. Clauses 8 to 11 deal with compulsory competition.

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The focus of the proposed legislation is on tendering out of white collar services, but the Bill and Consultation Paper combined includes:

- **extension of CCT to other manual services.**
- **major changes to the rules for tendering out all CCT defined services.**
- **widening the net to cover more services.**
- **a longer timetable than previously envisaged for professional and technical.**
- **a major impact on white-collar administrative and clerical jobs as well as professional and technical.**

There is more to come with a separate paper on Housing Management due shortly.

CONTRACTORS' CHARTER

← Continued from page 1

Clause 8 relates to extending CCT and modifying the procedures in the Local Government Act 1988. This would allow for CCT in the provision of

- **professional advice.**
- **professional services.**
- **services involving the application of any financial or technical expertise.**

A separate procedure can be specified for

- **evaluating quality.**
- **fitness of tenderers.**
- **financial evaluation.**

Clause 9 is concerned with altering rules on the tendering process and with 'anti-competitive behaviour'. The Secretary of State will have the power to make different provisions in 'different places, including different localities and different bodies'. This is a highly controversial suggestion giving the Government the opportunity to treat local authorities in different ways and take into account the views of contractors operating in particular localities.

Clause 10 relates to publicity for tender specifications. Authorities will be required to allow public viewing of the specification, summaries of any 1980 and 1988 Act contract, and publicise the arrangements.

CONSULTATION PAPER

As important as the Bill is a separate consultation paper published on the same day **'Competing for Quality: Competition in the provision of local services'**.

This DoE paper suggests a whole range of policies which will be implemented if the Government is returned at the next election. Comments are required from local authorities by the 31st January 1992.

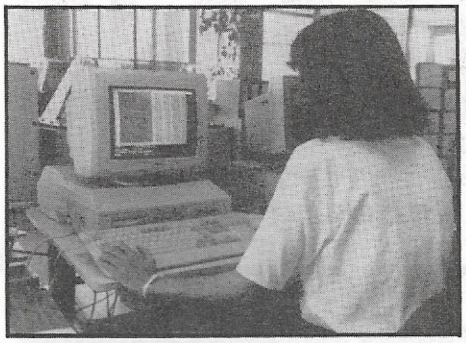
Proposals are presented in two sections.

'A Clearer Framework for CCT' works from the premise that competition is a good thing and will result in 'greater efficiency in the use of resources'. As background the report refers to the INLOGOV study of the effects of the 1988 Act showing 'savings' of 6% and productivity improvements of between 17 and 26%. The paper also claims that the study showed that these 'benefits' were obtained while standards of service were maintained or improved! This is totally contradictory to evidence from other surveys and the documented examples of falling standards in the specified manual services and countless fines and failures of the private sector and DSOs to maintain a satisfactory service on the cheap.

This section of the paper proposes a number of changes which pin down local authorities to a much greater extent.

1. Following complaints from private contractors, the 1988 Act will be amended to **specify the periods** in the tendering procedures and timetables.

2. Amend the 1980 and 1988 Acts to provide a power to make regulations which



would specify the **cost** items which local authorities can or cannot take into account in tender evaluation. It would exclude from consideration those items which Circular 1/91 identified. In addition the Government wants to exclude from tender evaluation **the cost of any losses incurred if a contractor did not want to make use of depots and vehicles made available to the company.**

Regulations may also be introduced which ensure that actual costs and/or savings incurred if an external tender is accepted are compared with those incurred if an in-house bid is accepted. This would apply to:

- redundancy costs for those made redundant by awarding a contract to a private company.
- net costs incurred through cancelling leasing, maintenance, service or supply contracts.
- savings from the sale of assets not wanted by an external contractor.

The paper also suggests that the cost to a contractor of raising a **performance bond should be subtracted from the external bid.**

3. On **Contract Supervision Costs** the paper re-states the Government's argument that only in **exceptional cases** should authorities assume greater supervision costs for an external contractor than a DSO.

4. Under these proposals **exemptions from the requirements of the legislation will be limited.** For example, estate-based maintenance teams should be subject to competition.

5. On **complaints and so-called 'anti-competitiveness'** amendments are suggested which will allow the Secretary of State to take quicker and 'more effective action' in the case of local authorities who appear not to comply with CCT requirements.

The second section of the Consultation Paper **'Extension of CCT'** presents clear proposals for widening competition to local authority professional and technical services. In doing this the Government argue that differences between manual and professional activities may mean a different approach to CCT.

The extension of CCT will apply to a range of services:

- **Manual Services** which were either not included or exempted from the 1988 Act.
- **Police Support Services** such as cleaning of buildings and vehicle maintenance.
- **Maintenance of fire service vehicles.**
- **Home-to-school transport.** The paper proposes CCT for this service where it is centrally organised by local education authorities, with a phasing-in of the requirement from September 1993. (See reference to Tylers on page 6.)

DIRECT SERVICES

- **Management of theatre and arts facilities.** Using the argument that there are commercial organisations ready to take up this work, the Government propose that this service should be 'brought into the same framework of competitive operation as the management of sports facilities'. CCT for arts facilities would apply from October 1993 with contracts lasting 4 to 6 years.
- **Library support services.** The acquisition, cataloguing and processing of books and other materials would be subject to CCT by 1 October 1994.
- **Parking Services.** The argument that the private sector would be able to supply the management of parking services, including the provision of parking attendants, in relation to the increased demands resulting from the Road Traffic Act 1991 is presented as a reason for putting this service out to tender by the end of 1992 in London, and later in other cities.

CONSTRUCTION-RELATED SERVICES

The Government proposes to take 'urgent steps' to make three services linked to construction work subject to competition by amending the 1988 Act. It hopes to build on the experience of local authorities that have already introduced a client–contractor split in these services.

- **Architectural services.** It is proposed

CONTRACTORS' CHARTER

that competition is introduced into the preparation of feasibility studies and designs and for project management on the basis of individual projects or groups of projects.

For professional services the Government want to use different tendering criteria 'which would provide that tenderers have to cross a quality threshold', and that tenders that had crossed the threshold would be made on price. This would be achieved by means of 'double-envelope' tendering where unpriced tenders are evaluated against a quality threshold, and a second evaluation is carried out so that the lowest-priced tender is automatically accepted from those meeting or exceeding the quality threshold.

● **Engineering services.** The paper points out that civil, mechanical and electrical engineering involved in feasibility studies, project design, project management, and building inspection and maintenance programming are services already undertaken by contractors for local authorities. Under these proposals CCT will apply to individual or groups of engineering projects or to overall provision of advice. The services would be put out to tender by 1 April 1994. Under this section the Government raises the possibility of also specifying building inspection and maintenance, and vehicle fleet management.

● **Property Management Services.** Of the services under this heading, security services will be added as an additional defined activity under the 1988 Act. The Government also considers that the operational management of buildings and commercial estate are suitable for CCT. Private contractors would be 'equally attracted to a single package of these services as to any of the services tendered in isolation'. CCT will take effect by April 1994.

These proposals only apply to non-housing property. The Government are due to publish a separate paper setting out proposals for introducing competition in **Housing Management**.

CORPORATE SERVICES

The Government propose that internal trading accounts are set up for all the corporate professional services listed below and that specific parts of these services or percentage targets should be subject to CCT :

■ **Corporate and administrative services** (15%) particularly printing, public relations and secretarial and clerical support activities.

■ **Legal Services** (33%) including a proportion of advocacy and litigation, and commercial and contractual work, and conveyancing services.

■ **Financial Services** (25%) including internal audit functions, cash collection and payroll work and possibly accounting and investment management work.

■ **Personnel Services** (25%) especially organisational development such as reviews of internal structure, staff training, and recruitment services.

■ **Computing Services** (80%) especially the planning and management of information systems, systems procurement management, development of systems and software and the practical operation of information systems.

Further legislation will be needed to introduce the requirement for internal trading accounts. CCT would not be applied for another two years following legislation. These moves would allow the Government to assess in-house services and value-for-money criteria.

Action

Given the Government's majority the Bill is very likely to become law before the election despite any Parliamentary opposition. However, there is much scope to build a strong and vocal opposition to the Consultation proposals. The more effective this is the less likely the Tories will want to implement them before the election. But Labour MPs and councillors must also be lobbied because many of them do not fully understand the implications of the Bill and Consultation Paper. Some believe that competition is a 'good thing' and that they can turn the proposed powers to political advantage.

We would recommend:

◆ trade unions and community organisations exert strong pressure on councillors and officers to ensure that local authority submits unequivocal opposition to the proposals.

◆ that the response to the consultation paper is well planned and coordinated corporately. Individual departments should not be allowed to respond as their is a danger that the response from local authorities becomes fragmented.

◆ the implications of the Bill and Consultation Paper are widely publicised in the Labour Movement.

◆ local evidence is crucial and should be provided to national trade union offices to support trade union positions and response.

◆ that information is sent on fines and failures to PSA as we will be covering these issues further in the run-up to the next election.

More News

BREL CUTS 450 JOBS

Only months after making 1,200 workers redundant, BREL, the train manufacturer privatised by British Railways in 1988, cut a further 450 jobs at its Derby and Crewe plants as part of a rationalisation programme. The job cuts included 187 white-collar workers. BREL is jointly owned by its management, Trafalgar House and Asea Brown Boveri.

PRIVATISED SKILL CENTRE COLLAPSES

Training, Industry and Commerce Company (TICC) which ran four privatised skills centres at Ipswich, St Helens, Accrington and Maryport is now in liquidation (see PSA No. 43). The firm was given a £2m government grant as part of the privatisation deal. Sixty-seven staff have been made redundant and some stand to lose up to £50,000 in redundancy money because the TICC cannot meet the Civil Service severance agreement.

BAe WITHDRAWS FROM LEISURE CONTRACTS

British Aerospace's subsidiary **BAe Sports and Leisure** has withdrawn from the leisure management sector just as it was about to win its first contract — from Derby City Council. Given the company's recent financial performance it is not surprising that it has evidently decided to concentrate on its defence, property, and car and aircraft manufacturing interests.

ANOTHER BUY-OUT DOWN THE TUBE

The Fosse Group, formed in a management buy-out of Stratford-on-Avon's DSO in 1988, has been taken over by Cambrian Environmental Services, a joint venture between Welsh Water Enterprises and SAUR, the French waste and waste company. Like many local authority MBOs, the Fosse Group did not last long. It had Stratford's refuse and leisure contracts (it lost street cleansing and grounds maintenance after 1 year) and Cotswold's refuse contract.

Newcastle residential homes stay in-house

ESOP FAILS

PLANS TO SELL OFF 25 residential homes in Newcastle for the elderly and mentally handicapped to an employee-owned company have finally been abandoned by the City Council. A joint trade union campaign involving NALGO, NUPE, COHSE and the GMB had opposed the sell-off for over a year and had produced a detailed alternative plan for an improved in-house service (see *PSA* No. 44).

The City Council wasted over £300,000 on consultants fees and other expenses before finally abandoning the sale. Growing uncertainty over whether the Employee Share Ownership Plan (ESOP) company would be able to access DSS payments for residents was a key factor. In a written Parliamentary answer in June the Secretary of State for Health, William Waldegrave, had warned that local authorities were still responsible for residents after home transfers. In November, in what appears to be a test case, payments were blocked to twelve patients transferred from St Francis hospital in Haywards Heath to a private residential home.

BALLOT NEVER HELD

The ballot of staff to set up an ESOP was never held. It was originally planned for autumn 1990, then early 1991, then June. The trade unions were confident that a majority of workers would have voted against an ESOP. Regular meetings in the homes and distribution of the 'Home Guard' newsletter by the Newcastle Social Services Trade Unions kept members informed and minimised the effect of the 'share ownership' and 'workers company' propaganda.

The writing was on the wall well before the council decision. The trade union report had emphasized at the beginning of the year that the sell-off was reliant on accessing government payments which could change at any time. But the focus on DSS payments conceals the fact that the ESOP committee, seconded council officers, and management consultants Coopers & Lybrand Deloitte took 12 months to produce a business plan. The plan included major changes to national conditions including pay cuts for night staff, reducing bank holiday pay, and major changes to pensions.

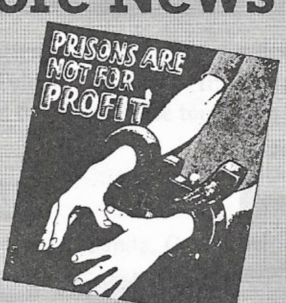
A further 3 homes are planned for closure as part of the council-wide cuts package. Many of the detailed proposals in the in-house report have not been adopted although integration of the residential and home care services is now being discussed.

The ESOP failure didn't affect Coopers & Lybrand Deloitte. They received at least £78,500 in fees.

THE ESOP SAGA

1990	
July	Council decides to transfer homes to ESOP. Unions keep in-house option on the agenda. ESOP Committee set up and allocated £35,000.
Late July	Government moves goalposts by postponing funding changes.
August	ESOP group assured that pension scheme will be OK.
September	*Care Weekly* magazine warns that Social Security benefits may be withheld. Unions discuss this with the Director of Social Services.
October	Coopers & Lybrand Deloitte report due.
1991	
January	In house plan published by unions and SCAT.
February	Coopers & Lybrand Deloitte report finally published. Union pressure on councillors again keeps in-house option on the agenda. Unions and SCAT carry out detailed critique of the consultants report.
March	Unions request that detailed work on the in-house option is undertaken concurrently with the ESOP Business Plan.
April	Original start date for the ESOP passes quietly. Coopers & Lybrand Deloitte holiday in Seychelles.
May	Unions again request detailed work on the in-house option. ESOP business plan delayed.
June	Unions yet again request detailed work on the in-house option. ESOP ballot postponed.
July	ESOP ballot again postponed. ESOP access to pension scheme blocked. Government moves the goalposts again by blocking access to benefits. ESOP abandoned.

More News



JOINT CAMPAIGN AGAINST PRISON PRIVATISATION

The Prison Officers Association, the National Association of Probation Officers, CPSA and 6 other unions have launched a campaign to fight the privatisation of prisons. In November the Home Office awarded Group 4 Remand Services the first contract to run the new 320-place remand centre at Wolds, Humberside which opens in April 1992. They beat seven other firms including Securiguard, SERCO, and a Racal-Chubb joint venture with the US firm Pricor. With about 160 prisons in Britain housing nearly 54,000 prisoners the private sector is gearing up for further contracts. There are powerful practical and ethical objections to the privatisation of prisons which we will examine in the next issue of PSA. The article will also draw on the often misreported US experience.

BT SHARE SALE

The Government now expects to receive some £5.5bn from the December 1991 from the sale of a further tranche of BT shares. It has devised a complicated tendering system in place of a fixed share price sale. The Government may buy-back up to £400m of BT shares as part of the share sale 'stabilisation' mechanism — a legalised form of price manipulation. BT announced record half yearly pre-tax profits of £1.6bn but also reported decreased telephone traffic due to the recession.

IPSWICH REJECTS PORT SELL-OFF

The Port of Ipswich has decided not to privatise under the Ports Act 1991 and is the first trust port to openly reject the government's privatisation plan. It is owned and operated by the Ipswich Port Authority. It wants to continue to operate as a trust port or self-governing statutory body.

Tories plan to decimate coal industry

PRIVATISING THE PITS

THE PLANNED PRIVATISATION of British Coal could result in the closure of a further 45 pits, 35,000 more redundancies, and cost the taxpayer over £3bn. A secret report prepared by the Government's coal privatisation advisers, merchant bankers N.R. Rothschild, was leaked to the press in October. It identified only 12 pits as 'suitable' for privatisation.

British Coal's contracts with National Power and Powergen, which account for about 80% of output, expire in March 1993. Both electricity generators want to increase the use of imported coal which is around £11 cheaper per tonne than British Coal's current price of £47 per tonne. However, the lack of adequate port and transport facilities are also a factor.

The Rothschild report also expects total coal demand to fall to 60m tonnes by the year 2000 mainly as a result of a fall in demand from the electricity generators. Open-cast output is expected to remain at about 15m tonnes annually.

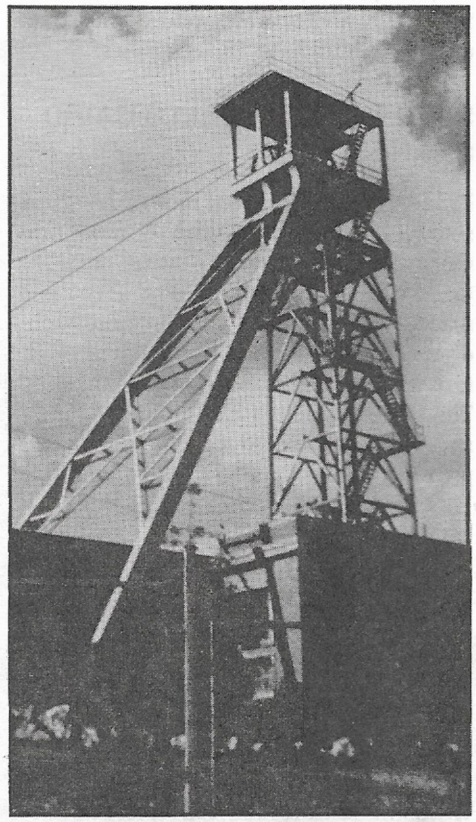
ELIMINATING COAL

The National Union of Mineworkers (NUM) believes the Government is intent on virtually eliminating the coal industry and destroying access to Britain's vitally needed energy reserves of some 2 bn tonnes presently accessible from pits. Britain has 45 bn tonnes of reserves, half of the total reserves in Western Europe. The Bill fits the Rothschild plan like a glove. The extra £1.5bn will fund up to 50,000 redundancies if other allocated but unspent redundancy money is taken into account.

The breakaway Union of Democratic Mineworkers (UDM) were so disappointed that they have appointed their own merchant bankers, Lloyds, to prepare an alternative plan. Under the Rothschild plan 10 or more pits in the UDM dominated Nottinghamshire area would close. They have asked Lloyds to produce a plan centred on Nottinghamshire which will centre on a special 'cocktail' consisting of a Employee Share Ownership Plan (ESOP), a tranche of shares for financial institutions, and another tranche for one or more trade partners. But the current proposals will mean that there is virtually nothing left to buy.

COMPANY BID

A number of companies are hovering. Anglo United, which acquired Coalite two years ago, has proposed creating a new company — British Coal plc — in which its own assets and most of British Coal's would be placed followed by a share issue. Other companies such as transnationals Hanson and RTZ together with smaller companies such as Ryan International and Budge Mining are awaiting developments.



INCREASED WORKING HOURS

The Coal Industry Bill was published in November and proposes doubling the ceiling for redundancy grants to £3bn. The Bill also gives the Government power to change miners working hours from the 7.5 hour daily underground maximum set by the Coal Mines Regulations Act 1908. The NUM have taken this issue to the European Parliament and Commission and are seeking to stop the Government from implementing this part of the Bill. Removal of the 1908 Act would allow miners to work up to 13 hours underground. Other European coal producing countries limit underground working hours to 8 hours of below.

WASTE INDUSTRY TAKEOVERS

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BET SELLS BIFFA

Biffa Waste Services has been sold to **Severn Trent**, the recently privatised water authority, for £212m. Biffa, which has a long history of involvement in making inroads into the public sector refuse industry, was sold by BET as part of the company's restructuring following financial difficulties. Severn Trent will merge its existing waste operation with Biffa. It could mean the start of trading of waste assets between water companies as they try to develop regionally. It is as yet unclear as to how Severn Trent will finance the deal. The sale price was regarded by the City to be high.

Biffa, which in 1988 incorporated Exclusive Cleansing (another subsidiary of BET) into its operations, controls 26 landfill sites in the UK and operates refuse and street cleaning contracts in 16 authorities.

SEVERN TRENT SELLS CAIRD SHARES

Privatised water company Severn Trent has sold its 29.9% stake in waste disposal firm Caird Environmental following a failed takeover bid last year. Severn Trent had made a £74m bid but was forced to withdraw after Caird could not confirm profit forecasts and valuations of its landfill sites. The share sale netted Severn Trent £16m, a small loss compared to the acquisition price.

Severn Trent Water

US WASTE GIANT EXPANDS

The joint venture between Wessex Water and Waste Management Inc (*PSA* No. 44 cover story) has acquired Wimpey Waste for £105m from the construction group George Wimpey. Wimpey sold because it needed cash to bolster dramatically reduced profits caused by the slump in the housing and commercial property markets. Wimpey Waste has many landfill sites — 5.8m cubic metres are operational, and a further 11.1m cubic metres have permits and applications are being sought for a further 24.6m cubic metres.

Waste Management Inc European operations have grown rapidly from $50m per annum two years ago to nearly $1bn this year. Turnover of the parent company is expected to exceed £4.5bn in 1991.

ATTWOODS — NEW INVESTIGATIONS

Attwoods plc, the British (Drinkwater Sabey) and US waste disposal operator, is being investigated on three new counts of overcharging. The US Defence Department is carrying out a criminal investigation into Attwoods subsidiary Industrial Waste Services concerning false invoices to a US government defence contractor. The FBI and US Attorney's office are investigating $70,000 overcharging by another subsidiary, Eastern. An anti-trust investigation is being carried out by the Maryland attorney general's office.

Attwoods increased turnover 24% to £288.4m with pre-tax profits up 35% to £38.7m to 31 July 1991. However, it has faced increasing pressure when it launched a £80m share issue in October after failing to arrange new loans in the US. Its shares were suspended on the stock exchange. North American waste disposal operator Laidlaw has a 36.5% stake in Attwoods and three directors on the board. Another director, Michael Ashcroft, chairperson of ADT (previously cleaning contractor Hawley Group) has been forced to resign. Deputy chairperson is one Sir Denis Thatcher.

OTHER COMPANY DEVELOPMENTS

TYLER WASTE MANAGEMENT

In June East Lindsay awarded its refuse contract to Tylers following a Section 14 notice, and DOE allegations of anti-competitive practices. About 40 staff will be affected by the decision.

Tylers who carry out the refuse and street cleaning contract for Wandsworth have also been awarded the borough's contract for Children with Special Needs Transport. Tylers, who have never done this work before put in a bid for £682,000 as against a bid of over £1m from the council's own Education department.

Tylers have also recently won 11 ground maintenance contracts and four street cleansing contracts worth £3.6m.

TYLERS ACQUIRES CHARLESPLANT

AAH Holdings has acquired Charlesplant which operates 23 local authority refuse, street cleansing and vehicle maintenance contracts in a £3.49m deal. The firms operations will be merged into Tylers. Having awarded contracts to one firm, local

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authorities now find they have contracts with Tylers although they may have rejected this firm at the tendering stage.

CAPITA

A subsidiary of Capita, Capita Managed Services is to take over the business rate collection services for the London Boroughs of Westminster and Kensington and Chelsea for a trial year. The contracts are worth £500,000.

COMPASS BUYS UP HOSPITALS

The contract catering and health care group, Compass, has bought three private hospitals in the UK for approx. £27.7m from a US group — Universal Health Services. Compass is buying the 102-bed London Independent in Stepney Green, the 50-bed Shirley Oaks in Croydon and the 34-bed Paddocks in Buckinghamshire.

This makes brings the total number of hospitals owned by Compass to 15, with about 600 beds.

SERCO BUYS CLM

The directors of CLM, a leisure management contractor and consultancy, have sold the firm to Serco. CLM claim that the takeover will give the company long term financial stability, in the context of bidding for local authority contracts. Serco will take over CLM's contracts which include management of local authority leisure centres for Rother DC, Harborough DC, and Ashford DC.

SERCO is planning further takeovers. It launched a £9.7m share issue in November 1991 of which two thirds will be used for takeovers. About 70% of its turnover comes from public sector contracts, mainly at defence establishments, but is targeting public sector building maintenance and the NHS as 'growth areas'. Half-yearly turnover increased 34% to £46.8m and pre-tax profits up 23% to £2.48m.

MRS

The management buy out company, MRS, formed to take over Westminster's refuse and street cleaning contract, has been awarded two more refuse contracts. The London Borough of Redbridge awarded a 5-year contract to MRS in June valued at £1.7m a year. 106 DSO staff will lose their jobs as a result. Chelmsford Borough Council has also awarded a 5-year contract to MRS affecting 55 staff.

TAYLORPLAN

This contractor pulled out of a 3-year contract to clean schools in Warwickshire only three days before they were due to take over the contract. Taylorplan had only been able to recruit 50 of the 350 cleaners required for the contract.

FOCSA

FOCSA, the Spanish owned multinational contractor has a clear foothold in the British public sector market. They have refuse and street cleaning contracts in Brighton, Stockport, Hinckley and Bosworth, Torbay, Wychavon and West Devon councils.

Problems have already arisen in several of the contracts. FOCSA took over the contract in March 1991 and complaints were running at over 300 a week for several months. Standards in the West Devon contract were poor in the first weeks of the contract which started in August. In July it was reported that 220 streets in Stockport had not been cleaned for over a year.

FOCSA withdrew from a £2.9m street cleaning and refuse collection contract for Perth and Kinross District Council at the last minute saying that it could not operate the contract at the price submitted. FOCSA clearly under bid on the contract. FOCSA's bid of £2.213m was £681,000 less than the DSO's tender. The contract has now been awarded in-house.

ONYX U.K.

Onyx is rapidly becoming a household name following its much publicised success in winning the refuse collection contracts in the London Borough of Camden and the city of Liverpool. In both cases Onyx undercut the in-house bid by approximately half.

CAMDEN

In the case of Camden, the decision followed retendering the contract arising from a Section 14 notice issued by the DoE. It is probable that Onyx submitted an exceptionally low bid in Camden, in order to get a foothold in a major metropolitan district, which would pay off in competing for refuse contracts elsewhere.

LIVERPOOL

In the case of Liverpool, Onyx submitted a bid for £3.9m against the in-house bid of approx. £8m. 460 jobs will be affected by the decision to award the contract to Onyx. Less than half the staff made redundant are expected to be re-employed by Onyx, and on lower wages. The major difference in the two bids for Liverpool's refuse was found to be in productivity levels. Onyx argued that it could operate with half the DSO staff. In addition Onyx proposes to use 32 vehicles against the DSO's 49, 106 loaders against the DSO's 230, 200 operatives against the DSO's 412, and a 40 hour week against the DSO's 35.

There will be 3-4 weeks holiday, no pension, a reduced sick pay scheme — all inferior to the DSO. Average Onyx pay rates exclusive of overtime are £160 for a loader and £190 for a driver against the DSO's £187 and £210.

Onyx has very little track record of operating local authority contracts in Britain and is heavily reliant on the experience of its parent company, French multinational CGEA. Onyx U.K. is a subsidiary of CGEA and was established in March 1990.

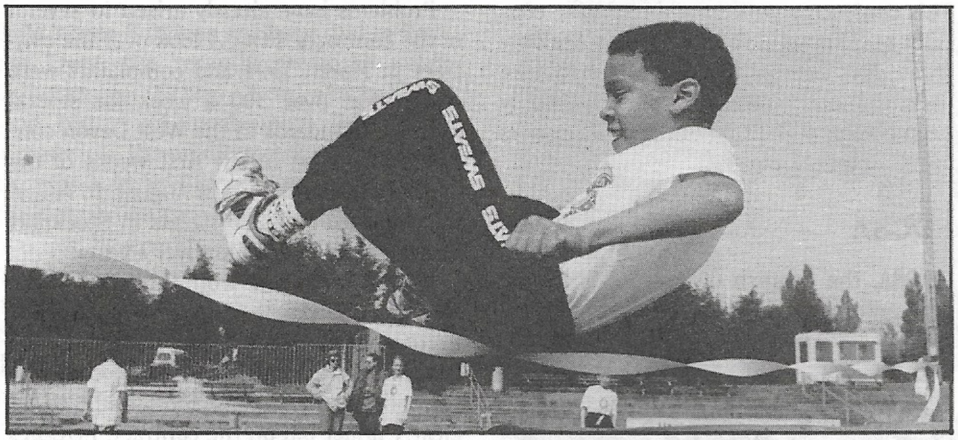
CGEA claims to be one of Europe's major waste management contractors, with over 800 refuse collection and street cleaning contracts, particularly in Europe and Latin America. Onyx has already taken over two British companies seeking to expand into the public sector, UK Waste Control and Wistech.

Ownership changes are rife amongst the refuse contractors bidding for local authority contractors and it is of no surprise to find that CGEA used to have a 50% share in Cory Onyx, with the Ocean Group owning the remaining 50% share. CGEA have sold their share in this company and there is no longer any connection between Cory Environmental Services (owned by Ocean Environmental) and Onyx UK.

Onyx's contract with Camden is already subject to criticism. In October, the Leader of the Council called on the company to improve its performance. Since the contract began in August, the council has received more than 5,600 complaints from the public. This is far more than the 1,355 they received in the two months before the DoE served a section 13 notice on the council because of the level of complaints about the performance of the DSO.

SPORTS & LEISURE

Recent Contract Awards



Authority	Contract awarded to	£ Value	Also bid
Basingstoke BC	Crossland Leisure	£238,000	
Bexley	Leisure Link DSO		
Birmingham	DSO	£4m	No bids, 3 firms did not tender: SERCO Leisure Management British Aerospace Sports & Leisure Golf Course Management
Bromley LBC	SERCO Leisure Management		
Chiltern DC	DSO		1 firm
Cotswold DC	DSO		2 invited but did not bid: Salvesen Leisure Peak Leisure
Doncaster MDC	DSO	£1m	
Eastleigh B	DC Leisure	£89,000	2 other firms
Elmbridge BC	DC Leisure (indoor) DSO (outdoor)		
Harrogate	DSO	£0.5m	Whitewater UK Toucan Leisure
Kensington & Chelsea	City Centre Leisure		3 other firms (no DSO)
N. Bedfordshire BC	Crossland Leisure		
Ryedale DC	DSO		1 other bid
St Albans DC	St Albans Leisure (MBO)	£1.1m	
Scarborough BC	DSO	£30,000 (£246,000)	Whitewater Leisure
South Derbyshire	DSO	No bids received	
Westminster LBC	City Centre Leisure	£456,695 DSO	Contemporary Leisure Declined to tender: Community Leisure Management (SERCO) and Civic Leisure
Wiltshire CC	Contemporary Leisure	£0.35m	DSO
Worcester City	DSO		4 firms 3 invited but did not bid: Crossland Leisure Contemporary Leisure Salvesen Leisure

Leisure Service Management Buy-Outs

Firm	Local Authority
City Centre Leisure	Westminster LBC, 1988
Circa Leisure	Rochford DC, 1988
St Albans Leisure	St Albans DC, 1991
Sports & Leisure Management	Hinckley & Bosworth DC, 1988

Crossland Leisure Collapse

THE RISKS of competitive tendering and the weakness of the leisure industry have been highlighted by the collapse of the largest U.K. sports and leisure contractor in October. The failure of Crossland Leisure Holdings follows the collapse of several other leisure contractors in recent months — Citygrove, Sargent and Potriadis, and Clifford and Barnett.

Crossland, which was originally set up in 1983 by two local authority recreation managers to tender for council leisure centre management contracts, was the first private company to take over a council leisure centre. By the time it folded, the company had eight subsidiary companies and 13 local authority contracts.

The company blamed poor trading at some of its sites and withdrawal of bank support for its failure. Debts could be as high as £1m and the firm had no assets of any value. Problems have been brewing for some time. In 1990 Crossland pulled out of a contract to manage an £8.5m leisure centre contract for Aberdeen City Council blaming high operating costs and accused the Labour-controlled council of making the ten year contract unworkable.

£2M DEBTS

The final crunch appears to have come when the company, which had developed major cash flow difficulties, had its £100,000 contract with North Bedfordshire District Council cancelled. Crossland was unable to come up with even part of the £100,000 bond. Talks with Serco Leisure over the purchase of Crossland's business failed and the directors started voluntary liquidation proceedings. Within days all the local authority contracts were cancelled. Several local authorities brought in their own management teams and in two cases — Charnwood and Babergh District Councils — handed over the contract to Serco.

A liquidator (from Ernst & Young) was appointed in early November. Liabilities havé been estimated at £2m with realisable assets of little more than £200,000. Local authorities who have paid management fees in advance seem unlikely to get their money back. They will also have to foot the bill of having to takeover the running of leisure centres at short notice.

Electricity Companies Profits

Pre-tax profits (£m)

Company	1991 (forecast)	1991 (actual)	% increase
Eastern	112.4	131.0	16.5
East Midland	88.9	119.1	34.0
London	115.6	142.0	22.8
Midland	91.9	110.0	19.7
Northern	73.1	89.2	22.0
Norweb	63.2	70.3	11.2
Seeboard	60.5	81.4	34.5
Southern	122.7	140.0	14.1
South Western	44.9	66.2	47.4
Yorkshire	115.6	135.0	16.8
Total	888.8	1084.2	22.0

Note: Year to 31 March Excludes South Wales Electricity and Manweb

Water Company Profits

Pre-tax profits (£m)

Company	1990†	1991	% increase
Anglian	139.0	153.0	10.1
Northumbrian	54.8	46.9	-14.4
North West	177.0	215.0	21.5
Severn Trent	217.0	249.0	14.7
Southern	84.1	97.1	15.4
South West	82.8	88.2	6.5
Thames	187.0	212.0	13.4
Welsh	97.0	128.0	32.0
Wessex	56.5	66.0	16.8
Yorkshire	101.3	114.1	12.6
Total	1,196.5	1,369.3	14.4

† Adjusted for balance-sheet changes

Before allowing for balance-sheet changes the total increase was £238m higher than that forecast by the Government before privatisation.

DON'T BE FOOLED

The increased water company profits had little to do with the impact of privatisation itself. Between July 1990 and July 1991 water charges soared a massive 15.2 percent, three times faster than the European average.

WELSH WATER INCREASES STAKE IN SOUTH WALES ELECTRICITY

Privatised Welsh Water increased its stake in South Wales Electricity to 14.9 percent. The water company originally bought a ten percent stake when the electricity company was privatised. The extra 4.9 percent at 260p per share cost £20m bringing its total investment in the electricity company to £36.7m. The Government's 'golden share' does not expire until 1995 and limits any one investor to a maximum 15 percent share stake.

Wandsworth Re-tenders Cleaning Contract

WANDSWORTH is retendering its school cleaning contract after receiving only one tender — from the DSO. It is a blatant attempt to cut wages even further after the 450 workforce and unions had reluctantly agreed a 60p an hour wage cut and two week cut in the working year for the DSO bid. It represented a 'saving' of over £900,000 on the current budget.

The report to the Education Committee stated: *'Current cleaning wage rates used by contractors are significantly below the figure used by the officers proposing the in-house DLO bid.'* The report refers to *'a potential further saving of some £0.75-£1m p.a.'* (Report by Chief Executive and Director of Education, No 7881, Education Committee, 14 October 1991.)

STANDARDS TOO HIGH FOR CONTRACTORS

Seven private firms were originally interested but withdrew. Southdown Cleaning and Maintenance and Noel Employment Ltd pulled out because they did not have the resources to bid. Five other firms, OCS, Initial, Mitre Cleaning, Kestrel Services, and Academy Cleaning withdrew because they believed the penalty clauses were 'too severe' and cleaning standards 'too high'.

POTENTIALLY 12 CONTRACTS

The original contract was divided into two parts. Now the council has split it into four and will now allow contractors to bid for internal and external work separately leading to potentially eight separate contract with two grant-maintained schools in the borough adding a further four possible contracts. Re-packaging is clearly intended to attract the low wage/highly exploitative smaller cleaning contractors.

Eammon Coy, GMB Regional Organiser, called the council's decision 'barefaced and shameful'. 'Wandsworth are showing their true colours. This is an open invitation for companies to cut the wages of these already poorly paid workers. It has nothing to do with good service or efficiency, just saving money.'

Contractors' Fines & Failures

MONITORING COSTS

Barnet Council had to bring in extra staff to deal with the high level complaints during the first weeks of **Tyler Environmental's (AAH Holdings)** refuse contract. This amounted to 51 person weeks according to the Council's Engineering Services officer. During August 1991 there were 16,696 telephone complaints.

PRIVATE HOME TRUTHS

More private residential homes have been de-registered for failing to provide adequate standards of care.

- The 47-bed Whitehanger nursing home in Haslemere was forced to close when Chichester Health Authority de-registered the home. Run by Cloisters Health Care, the home was closed because it failed to meet the required standard of care.
- Cornwall County Council cancelled the registration of Boslander House, Penzance, providing residential care for the mentally handicapped, for overcrowding.
- Caretel went into receivership after Newcastle Health Authority was forced to cancel the registration of the 82-bed Caretel home in Jesmond. Nursing and Care Associates of Weston-super-Mare were appointed to run the firm's two other homes in Morpeth and Wansbeck. Relatives had complained about the poor standard of care at the Newcastle home. Low wages and several staff resignations in May led to further complaints.

ISS CLEANING

There have been several cases of dysentry at the North County Primary School, Gainsborough. The Head teacher has been very concerned about the standard of cleaning provided by **ISS** as part of its Lincolnshire cleaning contract and believes this is a contributory factor (see *PSA* No. 39). The West Lindsey Environmental Health Officer has advised that the toilets should be cleaned on an hourly basis in order to control the spread of affection. However, this is not being carried out and contravenes Health and Safety legislation.

TYLERS

Tylers, subsidiary of multinational pharmaceutical and transport company AAH Holdings, have recently been awarded three refuse/street cleaning contracts worth £3.7m. At the London Boroughs of Croydon and Barnet, Tylers have won five year refuse contracts and a Hertsmere District Council two six year refuse and street cleaning contracts.

All these contracts have already run into serious problems.

In Croydon, where 'savings' on the privatised service are claimed to be £1m a year, hundreds of complaints were received by the council and the company were threatened with penalties and fines. Waste left in streets was causing health hazards.

In Barnet rubbish was left uncollected for several weeks and the contract was subject to a great deal of public outrage. Out of 96 staff employed by the DSO, only 44 were offered work by Tylers.

In Hertsmere, where the 24 ex-DSO employees who took a job with Tylers had taken a 30% cut in wages with a 30% increase in productivity, complaints have flooded into the council. The company have been accused of cost cutting and making the rounds too big. In addition to less pay, Tylers staff get no sick pay in the first year and only 15 days holiday as opposed to 22 with the DSO.

BROPHY SACKINGS

Brophy plc (Thames Water) was sacked from an Islington ground maintenance contract earlier this year. They were also sacked from a Moseley Park school contract in Wolverhampton. The firm has been nearly sacked in Harrogate, Wolverhampton and Wiltshire. Problems have been reported in 18 out of their 40 contracts.

FLAGSHIP MBO GOES BUST

QA BUSINESS SERVICES, a flagship of the Government's plans for the NHS, has gone bust. It was established only two years ago in the face of staff opposition and concern about privatisation by the back door. The company was formed when West Midlands regional health authority management services employing 350 staff was subject to a management buy out. Qa were contracted by the Department of Health to reduce hospital waiting lists by matching patients on lists to available resources. In addition, Qa were involved in payroll, financial and estates management software, and general consultancy. It was rumoured that the sale cost the health authority as much as £4m.

Problems emerged rapidly for the MBO with staff numbers falling from 350 to 190 and major losses which had run up to more than £740,000. Qa went into receivership on 25th September, following failed attempts to sell the company. A.T. and T. Istel withdrew a bid the company and attempts to find another buyer foundered.

REDUNDANCIES

The impact on staff has been profound. When Qa collapsed in September, 90 out of the 195 staff were made redundant. Some of these staff had worked for the health authority for over 20 years prior to the buy-out. Many are still owed pay and expenses amounting to several hundreds of thousands of pounds. Another 100 staff face uncertain futures as receivers attempt to find another buyer.

A further group of staff — those who took early retirement from Qa following a cost-cutting drive by Qa's director — have also been devastated by the company failure. Their pensions were funded from the company's revenue and now that the company has no revenue, former employees have no pension and are having to put individual claims to the receiver. Staff were unaware that their pensions were coming from Qa's ongoing revenue rather than the pension fund, which would have been able to continue paying up after the company's collapse.

TAKEOVER

In the first week of November the company's assets were sold to the US computer firm, A.T. & T. Istel. The company has taken on the 105 staff still working at Qa. Neither Istel nor the receivers, Arthur Anderson, will say how much Istel paid for the company's assets. This includes the contract Qa won from the Department of Health to reduce waiting lists. Qa is now a shell company with no employees and prospects look bleak for those made redundant and those owed pensions.

CENTRE *for* PUBLIC SERVICES

Research • Strategy • Planning • Training

SERVICES TO COMMUNITY ACTION and Trade Unions (SCAT) has changed its name to the Centre for Public Services.

This is an important change since we have been providing services to trade unions, community organisations and local authorities for more than eighteen years. The new name more fully reflects the research, strategy, planning and training work we undertake to develop and improve public services.

The Centre has unrivalled experience of working with local authorities, trade unions and community organisations on developing strategies to retain and improve public services, monitoring privatisation and competitive tendering, and researching changes in public services.

Current and planned work which may be applicable to your organisation:

1. Quality Services

We are currently completing a major evaluation of quality initiatives. We could provide your organisation with the following:

■ seminars to explain and evaluate different quality initiatives to assist in the development of an overall strategy.

■ advice on setting up quality initiatives including best practice.

■ advice on establishing meaningful involvement of the workforce, trade unions and user organisations.

2. Policy Implications of the General Election

■ Seminars examining the policy implications and their potential effects for local government services.

3. Extension of CCT to white collar services

■ seminars or workshops to explain the legislation, the effect on services and employment, and the lessons from the CCT experience to date.

■ research and advice on the implications of CCT in legal, computer, conveyancing, housing management and other white collar services including analysis of major trends and key firms in each sector.

■ developing a strategy for specifications, tender evaluation and contract monitoring.

4. Community Care

■ advice on the retention and improvement of residential care.

5. Waste Disposal

■ advice on tendering strategies for waste disposal contracts.

The Centre for Public Services can advise on:

Research

◆ Analysis of national and local trends in the public sector and service industries.

◆ Social and quality audits.

◆ Studies of national and international privatisation and deregulation policies.

◆ Investigating the performance of privatised services.

◆ Investigating company track records and employment practices

◆ Workforce surveys on the quality of jobs and services.

Strategy

◆ Developing and implementing quality initiatives to improve service delivery and equality of access.

◆ Preparing for competitive tendering.

◆ Developing strategies for trade union and community involvement and to strengthen local accountability.

◆ Campaigning tactics.

Planning

◆ Preparation of Public Service Plans for services and jobs.

◆ Drawing up economic development and employment plans.

◆ Preparation of alternative trade union and community plans to improve and expand public services.

◆ Implementation of public service practice in monitoring, tender evaluation and service delivery.

Training

◆ Educationals explaining the implications of government policies.

◆ Training workshops on the techniques of public service practice.

◆ Preparation of training packs for courses.

BR SET TO GO DOWN THE LINE

THE GOVERNMENT intends to sell off British Rail piece by piece if it wins the 1992 general election. A White Paper outlining proposals is due out later this year but legislation has been postponed.

InterCity and Railfreight are the first likely candidates. BR's rail monopoly will be broken and private firms allowed to run services in competition with BR on the rail network. The recent reorganisation of BR into 6 separate companies will also enable Regional Railways and Network Southeast to hive off particular lines and services although their full privatisation is unlikely in the short term.

PUBLIC SERVICE ACTION

Information

GREEN LINKS TO EUROPE:

A New Strategy for Freight Linking Ireland, the North of England and Mainland Europe, £25.00 but discounts available, CLES, Alberton House, St Mary's Parsonage, Manchester M3 2WJ.

'There is an urgent need to develop a range of options for transport links to mainland Europe from the North of England, which are both environmentally positive and assist in the economic development of the region. It must be stressed that if the North of England's economy is to take maximum advantage of the Single European Market, as well as opportunities opening up in Eastern Europe, good quality transport links by rail, sea and air must be developed.' So states the introduction to this report which examines existing links and develops a Euro-Pennine vision for transport strategy.

Post Office

POSTE HASTE:

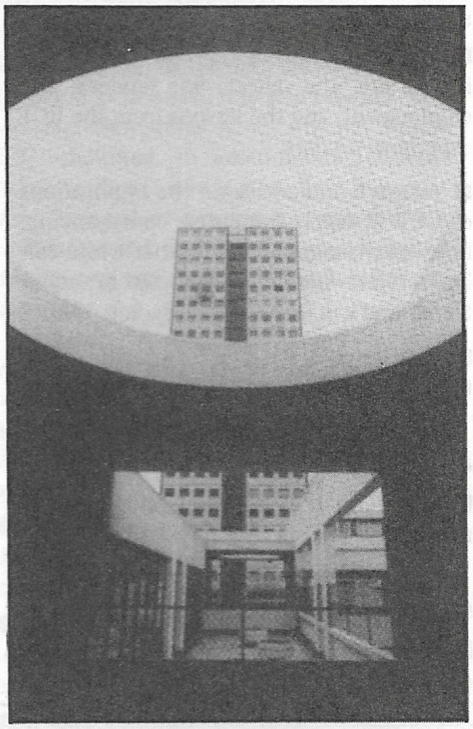
The Post Office in the South East. Available from South East Economic Development Strategy, Daneshill House, Danestrete, Stevenage, Herts SG1 1HN.

With over 21,000 outlets nationally and a labour force of over 235,000 the Post Office represents the largest retail chain in the country. This report examines recent and proposed changes in the Post Office and argues that the 'managed decline' should be replaced by one of 'managed expansion' centring on extending the Counters network to provide: an information and communication centre, a public sector shop window in local communities, and local financial facility. It argues the case against privatisation and for public service.

TRADE UNION BRIEFING:

The Local Government Review, special edition, LGIU, 1-5 Bath Street, London EC1V 9QQ.

Series of articles covering the extension of CCT to white collar services, the review of local government finance, the 'citizens charter', opting out in education, planning London's buses, and much more.



TENANTS WIN VOTE

WALTERTON and Elgin Community Homes (WECH), the registered housing association formed by residents on the Walterton and Elgin estates in North Paddington to resist Westminster council's plans to 'create a new community' by selling off their homes to private developers, has made history by becoming the first approved landlord to win a Tenants' Choice vote.

82 per cent of the estates' 515 eligible voters took part in the ballot with 302 (72 per cent) in favour of transfer to WECH and 119 (28 per cent) against. The vote is a culmination of a six year campaign. Tenants transferring to WECH have been promised an immediate £1 per week rent reduction and rent increases limited to the rate of inflation for at least five years.

PUBLIC SERVICE ACTION

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