PUBLIC SERVICE *action*

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Photo: DAVID BOCKING

THE PRIVATE FINANCE INITIATIVE

BOOST FOR PRIVATE SERVICES

While the recent Budget confirmed the Government's Public Finance Initiative (PFI) as its champion for inflicting further cuts in public spending, Public Service Action examines the real agenda in the PFI and its likely impact on public services.

As virtually all new public construction work is already carried out by private contractors, the PFI is simply another means of systematically privatising the design, finance, management and running of public services. The PFI provides a new vehicle, at public expense, for consultants and financial institutions to increase their fee earning, and for private contractors to obtain large long term operational contracts covering a wide range of services. In some cases they will even supply the entire service. It is nothing less than the privatisation of Britain's infrastructure and another means of backdoor privatisation of the NHS and other services the Government claims are not being privatised.

Although all Government projects requiring Treasury approval are now required to explore private finance option, until recently relatively few projects had been approved since the PFI's launch in 1992. Shortly after the November Budget the Government published a £9.4bn list of 'priority' PFI schemes, although the Treasury has identified potential projects amounting to £27bn. Actual capital spending under the scheme is estimated to be somewhat less at £7.2bn over the next three years.

How does the PFI work?

Construction companies, consultants, financial institutions and facilities management contractors form a consortium and develop a proposal after projects are advertised by public bodies. Under Design, Build, Finance and Operate (DBFO) schemes, the entire design, construction and operation of the building or facility is carried out by the private sector. There is usually a two stage tendering process in which outline proposals are assessed and three or four consortia are then required to submit detailed proposals. The consortium finances the design, construction and equipment and the Government or public body leases the facility for a 20-35 year period. The lease payment in effect pays for the construction, management and operational costs. The consortium can also generate income from private patients and other users.

inside • Externalisation Stopped • Education • Prisons • DSO Sell-offs • Equal Opportunities • Contractor Update

Private Finance Initiative *(cont)*

Although much is written about using private sector finance, little is said about the 20-35 year contracts awarded to contractors to operate services. This is fundamentally important in the NHS, education and other key services. It means that new or modernised hospitals under the PFI will be operated by private contractors.

Although the Government claims that it is not privatising clinical services, in PFI projects all hospital staff, apart from doctors and nurses, will be employed by a private contractor. Hospitals will, in effect, be controlled by the private sector and many NHS patients will be dealt with almost entirely by private contract staff. In one of the first PFI schemes, in Grampian, a wide range of clinical services such as GP acute beds, long-stay geriatric beds, accident and emergency services and a full range of therapy and support services have been included.

The Government's enthusiasm for the PFI can be judged by its decision to send 10,000 civil servants on PFI training in the next eighteen months and to eliminate 'unnecessary bureaucracy'. New advice from the Treasury recommends that only three or four bidders should be invited to tender, that public bodies consider refunding bidders' tendering costs and hold debriefings for contractors after tendering.

Transfer of risk

The Treasury insists that all PFI projects must transfer risk to the private sector making contractors and financiers responsible for construction costs overrunning, escalating repair and maintenance costs, failure to meet income generation targets and adapting facilities for other uses if demands change. Of course, the reverse is also the case. The PFI could produce an endless stream of guaranteed profits for some contractors.

The disadvantages of the PFI

Private finance is more expensive:

- the Government can always borrow at lower interest rates than the private sector.The private sector has therefore to be significantly more efficient to offset the higher financing costs;
- PFI schemes have additional packaging costs to consultants and advisers. These have recently been estimated to be at least 1% of the total cost of the project for each tender submitted. If four tenders are sought this could add 4% or more to the cost of the scheme;
- the Government is intent on transferring risk to the private sector and this is reflected in the private sector demanding a higher return, again leading to a higher cost of PFI schemes. An Economist article recently concluded that "the PFI may prove a terrible deal for taxpayers."

Private finance and spending cuts

Although the Government claims that the PFI is a means of obtaining additional investment in the infrastructure, it only brought in £500m of private capital in a 28 month period to the end of the 1994/95 in contrast to a £2bn cut in government capital investment in the same period.

The Government has also cut capital spending from £21.7bn in 1995/96 to £19.2bn in 1998/99. At the current rate of progress the PFI will be hard pressed to replace cuts in government spending, let alone provide any additional investment. However, the Government is hoping that the current initiative will build up momentum so that there is a large pool of projects which will enable deeper cuts in government capital spending in a few years time.

The PFI extends privatisation

Private contractors will manage and operate services for 20-30 years once projects are constructed - long term contracts by any standards. Contractors will be servicing buildings, providing support services, operating equipment, and in some cases, providing the entire service. This has far-reaching implications for public services because private contractors will be effectively controlling hospitals and other public services. A Government Health Minister recently stated that "private firms could run an entire District General Hospital" including clinical services but then claimed that this "is not privatisation of the NHS". In education it could mean contractors providing everything but teachers or lecturers. Once the private sector is in such a commanding position in many major facilities it will be a short step from full privatisation.

Right wing Conservatives have a clear view. "PFI taken to its logical conclusion is a much more radical challenge to notions of Government activity than earlier economic reforms. Privatisation was a hiving-off of certain peripheral state activities, in essence stopping the extension of the public sector. PFI's potential is greater in that it could dramatically alter public service ethos and management at its core. The injection of private finance, expertise and management in this area in time will strip the term public sector of any meaningful content since the Government will merely be hiring private agencies to fulfil tasks formerly done by state employees." (Barry Legg, MP, Treasury and Civil Service Select Committee)

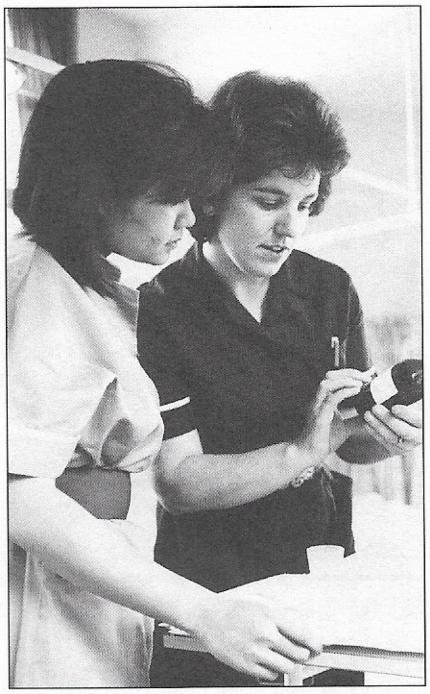


Photo: DAVID BOCKING

The end of truly public services?

PFI schemes in the NHS and local government will involve the dual use of facilities. Some of the early NHS projects involve use by both public and private patients. PFI projects will not be exclusively for public use. Private firms operating equipment and managing buildings and services seek to maximise their income generation, both by increasing private use and income from additional private services and/or user charges.

Other public services will suffer over time

PFI schemes today will lead to public spending commitments in the longer term, for example, the running costs of hospitals. These schemes will take precedence over other public spending because of the contractual obligations and threat of legal action by contractors and financial institutions. Cuts in public spending will have to be concentrated on other public services leading to two tier services and further attacks on the 'poorer' quality of publicly provided services compared to those provided by the private sector and the PFI.

Private Finance Initiative *(cont)*

Value for money overrides all other criteria

Guidance from the Private Finance Panel Executive makes it clear that "the fundamental purpose of the PFI is to secure the best possible utilisation of capital resources." There are also references to obtaining the best value for money and its application not only in new schemes but also where there are "under invested assets in the public sector". In other words, if the private sector is cheaper then this is the determining factor irrespective of how the PFI will dramatically change public services. This is reinforced by the piecemeal approach to each project, individually financed and packaged by different groups of companies.

An accounting scam?

There is very little hard evidence concerning efficiency gains, precisely how much risk has been transferred, how much private capital has been raised and how PFI financing costs compare to comparable public sector costs. The full facts will only be known in about 25 years when those promoting PFI deals are unlikely to be around to take responsibility. Meanwhile, the PFI offers enormous scope for creative accountancy.

User charges

PFI schemes which involve direct use by the public, such as motorways and bridges, will lead to the introduction of tolls or user charges. The users provide the financial return to the contractors who are paid not at the time of construction but over the life of the project.

Control and accountability

Once PFI schemes have been agreed, contractors will be in the driving seat. Commercial confidentiality will ensure that debate about the proposals will be severely restricted because contractors will not want details discussed publicly. And once the project has been completed, service delivery will be largely determined by the terms of the contract. This will lead to less democratic control and accountability over service delivery. Clients will be able to vary contracts, but at a price.

Innovation

The PFI is being marketed as 'innovative' and 'pioneering', drawing on the private sector's skills and experience. But this describes the process of getting PFI projects packaged and approved. The private sector does not have a monopoly on innovation. Removal of some of the arbitrary restrictions on, for example, local authority activities and the capping regime, would help to renew innovation within the public sector.

Contractors go cherry picking

The focus is inevitably on new projects. Since all capital spending over £0.25m has to be assessed for its private finance potential this effectively means:

- contractors are able to pick and choose which projects to develop
- delays in getting new facilities as projects have to be PFI vetted before work can start on a publicly financed scheme.
- projects are in effect being market tested
- the focus on new schemes will be at the expense of, and divert attention away from, badly needed investment in the existing infrastructure such as repairing schools, hospitals, and local roads.

Undermining trade unions

PFI projects will lead to further fragmentation, public bodies being operated by an increasing number of different contractors and employers. The PFI is another way of fracturing trade union representation in the public sector. Many of the major construction companies and service contractors are opposed to recognition of trade unions for negotiating purposes.

Criticism of PFI by private contractors

The major construction companies have criticised the PFI:

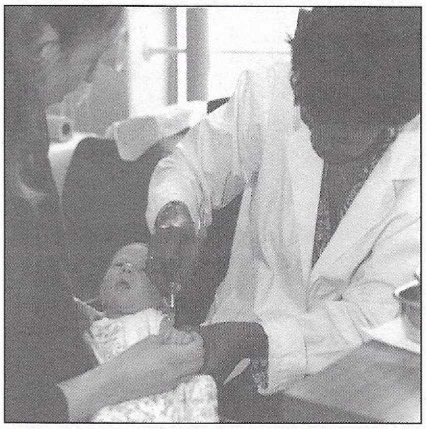
* as a slow and bureaucratic process in getting schemes agreed and approved - only 26 projects were approved in the first year of the scheme;

* as a cover for cuts in public spending. It does not represent any additional contracts for a construction industry in deep recession;

* the high cost of designing and packaging PFI schemes. The Federation of Civil Engineering Contractors report that the assessed tender costs of the first four DBFO road schemes were £36m. Contractors are therefore very concerned about who pays for the tendering process.

Labour's approach to the PFI

The Labour Party "believes that



Many clinical services could be included in PFI initiatives.

there is a huge potential for public and private sectors to work in partnership" and has made five proposals regarding the PFI:

- Government to have central role in deciding PFI priorities
- make clear its commitment to each project
- streamline the decision-making process
- broker agreements between public and private partners so that projects can proceed more quickly
- achieve a better division of risk between contractors, operators and investors.

These reforms are intended to speed up the implementation of the the PFI. They do not address any of the fundamental issues raised above and will thus quicken the pace of privatisation of public services.

Conclusion

The need for investment in the development and renewal of the economic and social infrastructure is unquestionable. **But the PFI is not the answer**. There is no real alternative to publicly financed public services. Government capital spending must be increased, not reduced. There is a role for private finance in major infrastructure schemes under strict conditions but public facilities such as hospitals and schools must be state financed, publicly controlled and operated by directly employed staff.

"In the 1980s, our privatisation programme brought enormous benefits to the British economy. Our Private Finance Initiative can do the same in the 1990s and beyond." Kenneth Clarke, Budget Speech, 28 November 1995.

News

Brophy deal

Britain's largest trade union, UNISON, has signed a recognition agreement with the private ground maintenance company Brophy plc.

The agreement, which follows a similar one between the company and the GMB signed earlier this year, sets out procedures for dealing with proposed changes to terms and conditions of employment and working arrangements.

Brophy is the largest private grounds maintenance contractor in the country with more than 70 local authority contracts in the UK worth a total of around £26 million. Over 90% of the company's income comes from contracts with public sector bodies which also include, health authorities, local authority schools, and government departments.

Intelligence sell-off

Evidence has emerged that the Ministry of Defence is planning to privatise part of Britain's military intelligence operations as part of a series of cost cutting measures.

Over 30 companies, some of whom provide information and analysis to business, are reported to have been approached by the Ministry and asked to tender bids for 'intelligence analysis' based on academic journals, media and business reports.

Estimates suggest that the move, which the Government hopes will provide savings of up to £5 million, will result in between 40-60 civil service job losses.

The Government is believed to be investigating the possibility of privatising security arrangements at No.10 Downing Street. The service is currently provided by the Security Facilities Executive.

Costly quangos

Labour's spokesperson on training and employment, Stephen Byers, has written to the Treasury recommending savings of £400,000 a year through the abolition of two little used anti-trade union quangos.

Records show that between them, the 'Commission for the Rights of Trade Union Members' and the 'Commission for the Protection Against Unlawful Industrial Action', assisted just 27 people last year.

Only three out of 27 applications to the former resulted in court cases, while the latter's five staff received no calls for help at all.

Created in a wave of Government anti-trade union hysteria following the 1984/85 miners strike, both quangos are headed by Gill Rowlands who receives a total of £49,803 for a twenty two and a half hour week.

New controls needed

DEMANDS TO CURB 'BUS WARS'

The Government is under increasing pressure to announce tighter controls to curb the worst excesses of "cowboy" bus operators and to appoint a specialist regulator following a critical Commons Committee report on the industry since deregulation.

The report, published in December, highlighted the chaos affecting some bus services as operators adopted a strategy of flooding busy day time city centre routes while neglecting outlying services in the battle for passengers. A total of 1.26 million passenger journeys had been lost since deregulation, the report concluded.

Evening and weekend services had also suffered in some areas while the remaining municipal bus companies continued to be subjected to "competitive attacks" aimed at undermining the viability of publicly run services.

The use of anti-competitive behaviour has become increasingly common since deregulation. In August 1995 the Monopolies and Mergers Commission published a damning report into the role of Busways, a subsidiary of private bus giant Stagecoach, in the collapse of the publicly owned Darlington Transport Company.

Although stopping short of re-regulation, the Government is believed to be considering the introduction of timetabling controls and restrictions on the numbers of vehicles on any one route. New standards governing vehicle emissions and the provision of passenger information are also likely to be part of a package of measures to be announced in the New Year.

Arguing the case for the appointment of a specific industry regulator, the MPs stressed that existing regulatory measures involving the Office of Fair Trading were "unsatisfactory".

The Commons report was welcomed by the Transport and General Workers Union who have campaigned for the introduction of a specialist regulatory body, OFBUS, to protect the interests of both passengers and bus staff. OFBUS should operate along similar lines to regulatory bodies covering key utilities such as water, gas and telecommunications, the union argues.

In its recently published "Charter for Better Buses", the TGWU challenged the Government's view that monopoly and market dominance are bad for local transport. The answer to monopolisation trends in an industry increasingly dominated by a handful of private bus conglomerates is not to break these up into uneconomical units, the union argues.

Stressing that the long-term solution rests with a return to public control and ownership, the document argues that properly controlled and publicly accountable market dominance would assist in providing reliable services, adequate safety standards and decent wages and working conditions for bus workers in the short- term.

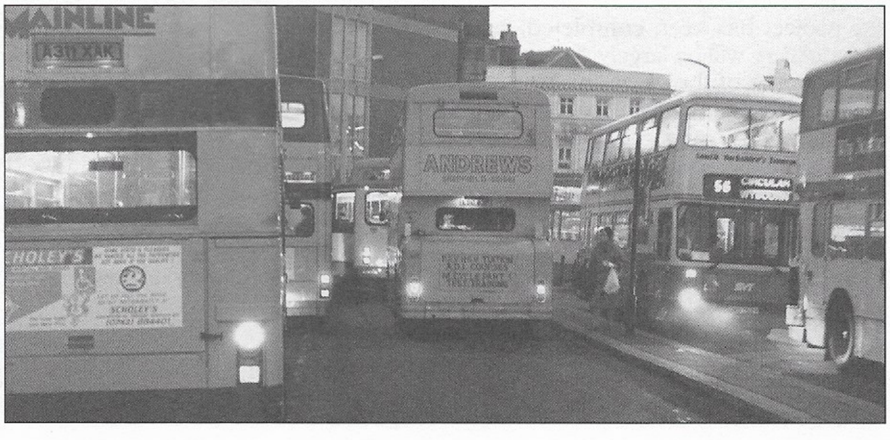


Photo: MARTIN JENKINSON

Education Campaigning

TOO LITTLE TOO LATE FROM THE BUDGET

Following a year of intense political pressure on the Government from parents, teachers, trade unions and school governors it was not surprising to find the Chancellor stating that there would be increased money for schools in the budget. However, the figures should be treated with caution as all those who have campaigned on class sizes, cuts in budgets, teacher redundancies and crumbling class rooms will know.

Photo: DAVID BOCKING

Financial needs fail to be met

The Education and Employment Secretary stated that the increase of £878m for next year will allow a 4.5% rise in funding for schools. But this fails to take into account actual spending on education. About £100m of this will go on centrally funded schemes like nursery vouchers and more assisted places at independent schools. The Government said councils should spend £17,204 in 1995/96 and £17,978m in 1996/97 - an increase of £774m - to provide a standard level of service. But local authorities have attempted to protect schools and are already spending £18,076m this year, far more than they are supposed to under the Standard Spending Assessments. The local authority associations estimated that at least £18,516m was needed for 1996/97 excluding the cost of the 1996 teacher's pay award or inflation. So, in reality, there is no more money available for schools unless councils continue to overspend and/or substantially increase council taxes, which would give the Government ammunition to accuse local authorities of financial profligacy.

The need for continued campaigning on class sizes and redundancy will not disappear. 90,000 more pupils are expected next year and councils will have to fund any school staff pay increases from the £774m earmarked in the budget. The pay increase alone will cost at least £300m.

9,000 teachers jobs axed

The latest figures come after a year when many local education authorities and schools were unable to prevent serious cuts, including teachers' jobs. Information collated by the National Union of Teachers indicates that over 9,000 teachers jobs were shed over the summer of 1995; this represents almost 2% of teaching jobs. At the same time pupil numbers rose by 116,000.

Meanwhile, the Government refuses to recognise any link between class size and quality of education offered. The Government also aims to weaken the role of local authorities further by encouraging more schools to opt out and become self-governing.

Further and higher education face severe cuts

In 1996/97 the number of full-time students funded by the Government will be cut by 3,000. The Higher Education Funding Council warned that universities face a 12% cut over three years - £550m in real terms. Further education and sixth form colleges fear even more severe cuts and colleges will have to teach more students with reduced resources. In addition, capital funding has been cut by 31% in 1996/97 rising to 63% by 1998/99. Student grants will be cut by 9% in 1996/97 and student loans will increase, putting the pressure on the worst off students and their families once again.

A guide to the case for more school funding is available "What price ignorance?" September 1995, from Local Schools Information Service, 2nd Floor, 1-5 Bath Street, London EC1V 9QQ.

Union guide

UNISON has produced a useful guide for negotiators in schools which looks at local management of schools and grant maintained status. It urges members to work closely with the education authority and adopt its conditions. It provides guidance on methods of recruiting, representing, informing and working for school members. "UNISON Guide for Negotiators in Schools" available from UNISON, Civic House, 20 Grand Depot Road, London SE18 6SF.

School meals service in decline

A recent survey by Labour Research Department for UNISON showed that 38% of local authorities no longer provide a subsidy on either primary or secondary schools meals. Many of those who did, stated that they were aiming for a "nil cost" subsidy in the future. Meanwhile school meals prices increased by 5% in 1995 in more than half of all authorities. Cuts in pay and conditions of service for staff is also part of the story with many local authorities and private companies working contracts which squeeze the service financially at the direct cost of part-time, low paid women as the the EOC research and the North Yorkshire case revealed.

News

Port privatisation 'postponed'

The Government has been forced to 'postpone' the privatisation of the port of Dover for two years following widespread opposition and news that the Chamber of Commerce of French rival port, Calais, was preparing to bid for control.

Dover's Labour council voiced strong opposition to the proposed sale, which was expected to raise around £150 million. The Dover Harbour Board also expressed strong reservations about the timing of the sale, indicating that it wanted to wait until the full impact of the Channel Tunnel became clear before a decision was made on whether to press ahead with privatisation.

Northumbrian Water

Northumbrian Water has become the first of ten privatised water companies to be subject to a takeover. The French transnational, Lyonnaise des Eaux, acquired Northumbrian in a £823m deal in November 1995.

Lyonnaise has merged the water company's operation with those of North East Water which it already owned and has agreed to:

- 15% cut in water bills by 2001, a compulsory redundancies in the Northumbrian workforce or at Board level, refrain from bidding for another British water company for 10 years, sell 25% of its water interests in Britain (includes Essex and Suffolk Water) by 2005
- The company has also agreed that the Northumbrian directors will have their share options paid off by Lyonnaise, for example, their chief executive will net £566,706.

Just prior to the takeover, Northumbrian Water announced a 33% increase in half-yearly profits to £61.4m.

Monopolies investigation of electricity takeovers

The Government has referred the planned takeover of National Power's £2.8bn takeover of Southern Electric and Powergen's £1.9bn takeover of Midlands Electricity to the Monopolies and Mergers Commission (MMC).

Campaign against housing companies

TENANTS LOBBY MPs

Tenants from around England and Wales descended on the House of Commons on November 21 to lobby their MPs over the Government's latest plans to weaken the role of public housing and increase privatisation.

Speaking about the lobby, a spokesperson for the National Tenants and Residents Federation said: "Council tenants have said time and again that they want to keep the security of a council tenancy, where the landlord is democratically elected and accountable."

The Federation believes that the development of local housing companies (see PSA 51) is just the latest attempt to "prise tenants away from the local authority towards private landlords, using the carrot of additional money for investment".

Concern has also been expressed over Government plans to restrict the homeless to temporary housing will simply result in additional suffering, said a Federation spokesperson: "What they really need is a permanent home at an affordable price."

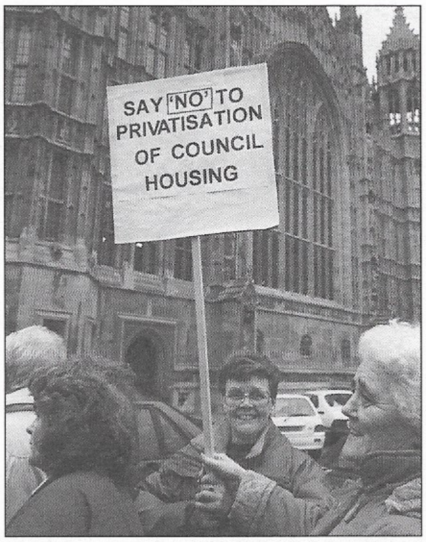


Photo: ROGER O' DOHERTY

Tenants lobby MPs over creeping privatisation

RAIL ASSETS GOING FOR A SONG

The recent sale of British Rail's 11,000 strong fleet of trains and carriages for £1.8 million has fuelled criticisms that the Government's increasingly desperate efforts to sell off as much of Britain's rail industry prior to the general election is costing taxpayers billions of pounds.

Control of BR's rolling stock, originally valued at £3 billion, was transferred to Angel Train Contracts, Eversholt Leasing and Porterbrook in November.

Further criticism emerged after it became clear that the three companies will not be subject to regulation. Despite receiving public funds to modernise the industry, there are no safeguards to ensure that the money is used for this purpose.

Within weeks of the rolling stock sale, it emerged that Railtrack, the national rail infrastructure, could be sold for as little as £1.5 billion - less than a third of the company's asset value and £500 million less than the company's annual turnover. The temptation for the new owners to embark upon an asset stripping operation, in search of a quick profit, is obvious.

Insiders believe that Government's insistence on a quick sale will inevitably lead to the company being sold at a bargain basement price.

News

Housing management CCT: In-house services have todate won 185 contracts covering 670,000 dwellings compared to just 10 contracts (16,000 dwellings) won by private contractors - an in-house win rate of 97.7%. At least ten metropolitan authorities and six London boroughs did not receive external bids.

Government U-turn on council trading: "Local authorities have powers to trade for profit and to take on staff for the purpose of those trading activities" says new advice from the DoE. The Local Authorities (Goods & Services) Act 1970 does not limit trading to surplus capacity.

Expensive enterprise: The creation of 58,000 jobs in Enterprise Zones cost £21,000 per job according to a DoE research report. Urban Regeneration Minister David Curry admitted that they "are relatively expensive at achieving their goals and the incentives they offer are not always well targeted."

Big increase in DSO surpluses: DSOs made a £240m surplus in 1993/94, a 22% increase on 1991/92. Building and highways maintenance and school and welfare catering accounted for nearly 60% of the surplus.

60,000 home sale: The Government has advertised the sale of Ministry of Defence married quarters, 14,000 of which are vacant, in Britain's largest sale of residential property.

Privatisation of student loans halted: The Government has been forced to shelve the sale because banks and building societies were concerned about the high level of bad debts and opposition from their student customers.

Miners sell pit shares: Miners at Monktonhall Colliery, Edinburgh, have sold their 51% share stake in the pit to Waverley Mining Finance, which had acquired 49% of the shares in 1994 when the pit was near bankruptcy.

Hillingdon hospital dispute

UNION CAMPAIGN AGAINST PALL MALL

Health union UNISON has announced the launch of a major national campaign against NHS contractors Pall Mall.

The Union is stepping up its campaign against the company, one of a number attempting to win contracts to provide ancillary services in the NHS, following attempts to impose swinging cuts in pay and conditions on catering, domestic and portering staff at Hillingdon Hospital in London.

Pall Mall recently took over a range of ancillary services at the hospital after they had been subjected to compulsory competitive tendering.

Fifty six workers at the hospital - the majority of whom are Asian women - voted for strike action in November after the company attempted to impose new contracts which included cuts in hourly rates and payments for weekend working, the scrapping of London Weighting, and reduced holiday entitlement. Staff, all of whom are low paid, stood to lose between £25 and £35 a week.

The company also stands accused of racist behaviour after management demanded that staff hand over their passports as proof that they were working legally.

A new report prepared by the UNION, "Pall Mall: The Unacceptable Face of Contracting", highlights the company's poor industrial relations record in the NHS and its unwillingness to stand by Transfer of Undertakings regulations.

UNISON now wants all NHS authorities to take this into consideration before awarding it any further contracts - including those where the company is involved as a partner in consortia under the Private Finance Initiative.

As part of its campaign the union is planning to take out advertisements exposing Pall Mall's treatment of staff in a number of key local, national and the health service journals and newspapers. Letters explaining the union's case against Pall Mall are also being prepared for distribution to other media outlets, NHS Trusts, contracting authorities and to the NHS Supplies Agency.

In addition, the Union is seeking meetings with the NHS Executive, the Commission for Racial Equality, the Private Contractors Association to discuss the company's behaviour and is considering a boycott campaign against Pall Mall's parent company, Davis Services Group.

PENSIONS SELL-OFF

The Government is to go ahead with plans to privatise the Teachers' Superannuation Scheme (TSS) despite overwhelming opposition from across the political spectrum.

An announcement by the Department for Education and Employment that it has invited six private companies to tender for the running of the scheme, currently administered by the Teachers' Pension Agency in Darlington, drew an angry response from both civil service and teaching unions.

The Agency has met, and in some cases outstripped, all quality and efficiency targets set by the Department.

Of the 131 organisations consulted by the Government over the proposed privatisation, 128 registered their opposition. Local MPs and councillors, including local conservatives, and local businesses, have all spoken against the move.

The National Union of Civil and Public Servants (NUCPS) and the Civil and Public Services Association (CPSA), who between them represent the 400 clerical and executive staff employed by the Agency, have vowed to fight the plan.

Company Update

BRETS Ealing staff face conditions cuts

In the largest case of externalisation so far, 416 white-collar staff and 1,078 manual staff were transferred from the London Borough of Ealing to Brown and Root Ealing Technical Services (BRETs) in April 1994. The company has failed to expand as planned and has had problems meeting financial and service delivery targets.

Within months of winning the work and staff transferring under TUPE, BRETS announced the need to make redundancies. So far, 38 manual staff and 51 APT&C staff have been made redundant.

In July 1995 the number of BRETs APT&C staff was about 350, of whom about 45 had been brought in by Brown and Root. This means that of the 416 London Borough of Ealing white-collar staff who transfered, some 110 (26%) are no longer with the company.

In addition, the company is seeking to alter terms and conditions of employment. In a letter to staff the company propose the following changes:

* 2.5 hour increase in the working week
* Introduction of individual performance related pay
* Overtime at plain time
* Removal of five fixed days leave
* Imposing maximum of 25 days annual leave for staff not currently entitled to more (current maximum 28)
* Requirement to work from any of the company offices
* Phasing out of paternity leave
* Bereavement leave to be discretionary, not a right
* Consolidation of London Weighting and Ealing allowance and withdrawal from the public sector job evaluation scheme to a Brown and Root grade.

The company also wishes to introduce a new contract which abolishes many local and national conditions of service. At present there is no agreement between the unions and the company on the above issues.

North Yorkshire Highways EXTERNALISATION STOPPED

The proposed externalisation of the highways and transportation department, North Yorkshire County Council, has been stopped before the invitation to tender stage. Five firms, W.S Atkins, Babtie Group, Halcrow, Mouchel Group and Rust Consulting had made presentations to staff and councillors in October followed by a UNISON presentation.

Externalisation has been on the agenda for over a year. The County Council advertised for expressions of interest in June 1995 following a staff ballot in December 1994. A second ballot was held after the presentations by the consultants. Staff support for externalisation had declined substantially from 157 to 82 with a similar ballot response rate. Support in design and construction, the service advertised for externalisation and where there was most interest in externalisation, had declined from 93 to 74 in favour.

Results of Ballot

Section	Yes	No	Total in Group
Design & Construction	74	33	132
Highways & Transportation	3	125	240
Land & Property	5	1	8
	82	159	380

UNISON also submitted a summary of the key issues, prepared by the Centre for Public Services, which was included in the report to the Highways and Transportation Committee

Hereford and Worcester

The council employed private consultants Coopers and Lybrand to advise them on the future of their construction related services. The outcome was that the council decided to market test the engineering consultancy for possible externalisation. The Centre for Public Services was asked by UNISON to analyse the consultant's report and prepare a critique of the externalisation proposal.

The Centre's report found that:

* The decision to market test the service was based on an optimistic assessment of the private sector market, the competition and staffing implications.
* The fast track programme and timetable for possible externalisation is unnecessary. Under the Government's timetable for local government reorganisation, CCT is four years away. Externalisation pre-empts the outcome of a CCT exercise and assumes the most pessimistic scenario.
* Externalisation of the engineering consultancy will predetermine the form and functions of the new authorities. It is these authorities which should take the decisions about the future of the service, rather than the outgoing authority.
* The expertise of the 73 staff working in the engineering consultancy will be lost if the service is externalised. Working under contract in an externalised service usually involves staff turnover, loss of staff morale and reduced commitment to the council.
* If the engineering consultancy is privatised, it is likely to set in motion further externalisation eg. property services which is also being considered for market testing.
* Externalisation will alter conditions for staff. Issues such as private sector restructuring and relocation, pension entitlement, pay and conditions, holidays and sick leave, trade union representation and negotiation, equal opportunities, job satisfaction, training and career development should be seriously analysed as part of the options for staff.
* The engineering consultancy is a viable unit and has made a surplus for the past two years. If the externalisation goes ahead, this will be retained by the company and will not be used to the benefit of the county council or its council tax-payers.

Alternative Options

In addition to making a series of recommendations, the report stated that there are three main options for the consultancy which should be properly debated and discussed openly with staff, trade unions, managers and councillors.

Management has been very reluctant to involve staff. The Director of Environmental Services had stated that: "there was a danger that staff would pick a firm that would molly-coddle them, giving poor value for money to the council."

The council did not even inform staff or the trade unions about the names of the shortlisted contractors. However, they have now been forced to back down and have agreed to a meeting of all staff with councillors and senior management.

Back door privatisation

DSO SELL OFFS

Over the last three years there has been a new and worrying trend in local government, which has not been given much publicity but represents a major form of privatisation. DSOs are being sold off to private companies to run manual and other services, even though, in most cases, the services were being run in-house following a proper CCT and contract award process.

As the following table shows, some of these trade sales are worth millions and cover all manual services. The latest council to consider this option is Lambeth, which is proposing to sell a 51% holding in its operational services to the private sector, with Lambeth retaining 49% of the £25m a year service.

DSO sales

Local Authority	Contractor	Service	No of staff	Value £m	Year
Ashford DC	SCS Contractors	Refuse, ground maint, other cleaning			1994
Barrow DC	Sita GB	All DSO services		£2.5m	1994
Berkshire CC	Ringway	Highways DLO			
Bexley LBC	FM Contract Serv	DSO management	67		
Brighton DC	Ecovert South	All DSO services		£8.9m pa	1995
Bristol DC	Sita GB	All manual	1,000	£20m	1994
Bromley LBC	Sita GB	Ground maint, building, cleaning, catering	550		1993
Devon CC	Ringway/Colas	Highway DLO	440	£20m pa	
Dartford DC	MBO	Building maint, refuse	160		
Dover DC	Sita GB	Refuse collection, ground maint			1995
Ealing LBC	BRETS	All DSO services (plus technical)	1,500	£26m pa	1994
East Dorset DC	Drinkwater Sabey				
Elmbridge DC	Sita GB	Ground maint/Building & street cleaning		£1.2m pa	1993
Gloucestershire CC	Ringway	Highways DLO			
Gloucestershire CC	BET	Catering & cleaning	2000		
Kingston LBC	Sita GB				
Mendip DC	Sita GB	Ground maint/Building cleaning		£0.13m pa	1995
Portsmouth DC	Amey FM	All manual services	650		
Rushmoor DC	Quadron Services	Refuse, leisure, grd main		£7m	
Rutland DC	Cory Environmental	Refuse, ground maint, building, other cleaning		£0.63m	1993
St. Albans DC	MRS Environmental	Range of services			1994
Shropshire CC	John Doyle Group	All manual services			
South Wight DC	Ecovert	All manual services			
Surrey Heath DC	Ecovert	Refuse/street cleansing		£1.3m pa	1993
Teignbridge DC	Onyx UK	Refuse/street cleaning/ building maintenance	167	£16m	
Thanet DC	Serco	All manual services	280	£2.8m pa	1994
Warwick DC	Serviceteam	Range of services	160	£2.6m pa	1993
Waverley DC	Arkeco Env Services (MBO 40%/MRS 60%)	Refuse, ground maint, vehicle maint			1993
West Somerset DC	Serviceteam	Refuse	38		
Winchester DC	Serco Ltd.	All manual services		£4.14m pa	1995
Windsor & Maidenhead	Onyx Ltd.	Refuse, other cleaning, vehicle maint			1995
Wokingham DC	Artel Ser. (OCS)	Ground maint, leisure, other cleaning		£0.63m pa	1993
Woodspring DC	Quadron Services (MBO & employee buyout)	Range of services	370	£11m	
Wycombe DC	Ecovert Wycombe Ltd. (Joint venture - DSO & Ecovert)	Grounds & vehicle maint		£1.79m pa	1993

Source: Centre for Public Services files 1995

Contractor Update

Tyler (AAH) Acquired by serviceteam

Serviceteam, a company recently formed by three former managers of Lewisham Council's DSO and a Councillor, has acquired Tylers (AAH Environmental Services) from the German pharmaceuticals company Gehe which acquired the AAH group early in 1995.

Having earlier failed to persuade Lewisham Council to sell the DSO (Direct Team) in a trade sale, it was only a matter of time before senior managers Mushtak Malik, who previously worked for Exclusive Cleaning, Philip Walker, Mike Boult and ex-Council Leader Dave Sullivan, found a route into the private sector.

Serviceteam has acquired 125 AAH contracts, primarily covering refuse collection, street cleansing and grounds maintenance in a £32m deal funded by two venture capital companies 3i and ECI.

The company is already in dispute with staff on its Wandsworth refuse contract, won by Tylers in October 1994. There has been a long running dispute over working hours with staff often having to work a 6 day week of up to 70 hours, an equivalent hourly rate of £2.48. The Wandsworth Privatised Workers Support Group report that Serviceteam has sacked nine staff, a further five has been suspended and saved from dismissal only after the intervention of the GMB. An interim package was agreed, then withdrawn, and was followed the next day by the dismissals. Later in the month 85 staff walked out in a 24 hour unofficial stoppage against Serviceteam's tactics.

Cadbury Schweppes sells ITNet

ITNet, the computing services company with several contracts in local government, has been sold in a £32.5m management buyout from Cadbury Schweppes, its former parent company. The deal will result in ITNet management and staff holding 50.1% of the shares in the company. Investment capital group 3i will hold 37.4% and Cadbury Schweppes will retain a 12.5% equity share interest. The company, which employs over 800 people, is expected to have a turnover of £60m this year. Cadbury Schweppes is currently ITNet's single biggest customer accounting for 25% of turnover.

More Takeovers

CATERING CONTRACTORS

Rationalisation and takeovers have been commonplace among catering contractors, over the last three years.

Granada, Sutcliffe's parent group, recently acquired Slough-based ACMS. This follows the purchase of companies such as Caterskill, Cityline, Leith's, the Catering Guild, Latherby & Christopher by large catering companies. In addition, Compass has bought Canteen in America and Eurest, a European company. Gardener Merchant also made US and European acquisitions prior to being sold to the French company, Sodexho.

The exceptions to this polarisation between three very large firms controlling 70-80% of the market and small firms, are CCG, BET, Aramark and Shaw Catering; the first two of which are active in tendering for education catering contracts. Although DSOs retain 75% (82% by value) of current contracts, private contractors are gaining ground as the following table shows:

CCT: Education Catering Contracts

Contractor	Contracts won	Average value	% by value
DSOs	210	£1,815,590	81.8
BET	16	£2,559,006	7.4
CCG Services	15	£1,633,615	5.5
Chartwells (Compass)	17	£857,235	3.8
Gardener Merchant	3	£479,333	0.4
Professional Management Team	1	£554,808	0.1
SITA (GB)	4	£518,932	0.5
Sutcliffe Catering Group	1	£500,302	0.1
Others	10		0.3

Source: LGMB CCT Information Service, Survey Report No. 11 June 1995.

CCG now has at least 15 school meals contracts including Sunderland, Gateshead and West Sussex. The company was recently awarded the £8m a year East Sussex County Council contract. The margin was extremely close, with the in-house bid only being £193,000 a year more expensive. The council's DSO had negotiated savings of £1.2m a year off the cost of the service, but the council decided to terminate the existing in-house contract early and retender with the aim of "maximising savings".

In civic catering, the private sector now has 30% of the value of council contracts. The leading contractor is Gardener Merchant, with 13 contracts in local authorities.

COMPASS HEALTHCARE BUY-OUT

The healthcare division of catering contractor Compass Group has been sold to its management in a £178.8m deal. It has 15 hospitals and two nursing homes and made £15.8m pre-tax profit on £69.7m turnover in 1995. Compass will use the proceeds to reduce its debts and intends to concentrate on its expanding contract catering operations.

Private Prison Services

PRIVATE CONTRACTORS WHO'S WHO

In his second article on private prisons, Stephen Nathan describes the leading companies in the emerging global 'corrections industrial complex' and highlights some of the industry's recent failures and dubious practices.

Although US firms Corrections Corporation of America (CCA) and Wakenhut Corrections Corporation (WCC) have the most prison contracts there are hundreds of firms supplying a myriad of services including design, health care, catering and electronic surveillance systems.

Most money is made from contracts to finance, design, build and manage facilities so security/prison companies have formed joint ventures with construction, engineering and facilities management firms and/or finance houses and banks to offer authorities a 'package' of expertise.

THE MAIN COMPANIES CONSORTIA

CORRECTIONS CORPORATION OF AMERICA

- USA: Corrections Corporation of America (CCA), formed 1983.
- UK: CCA + John Mowlem + Sir Robert McAlpine = UK Detention Services (one third owned by CCA).
- Australia: CCA + Chubb Security Holdings = Corrections Corporation of Australia (50 per cent owned by CCA).
- Outside of the UK, Belgium, Australia: CCA + Sodexho SA (of France) (51/49 per cent in favour of CCA in English speaking countries or 49/51 per cent elsewhere).

CCA claims to have 27,097 beds in 46 facilities. In 1995 in the US, CCA acquired Transcor Inc (the country's largest prisoner transportation company), Concept Inc (the third largest private prison operator), Correction Management Affiliates Inc, Correctional Services Group Inc and Corrections Partners Inc (CPI). CPI had four existing US prison contracts and three more starting up. In Australia CPI + Skilled Engineering + Multiplex Construction + BZW Australia = CorrPac Pty Ltd; in the UK CPI was involved with construction companies Wimpey + AMEC.

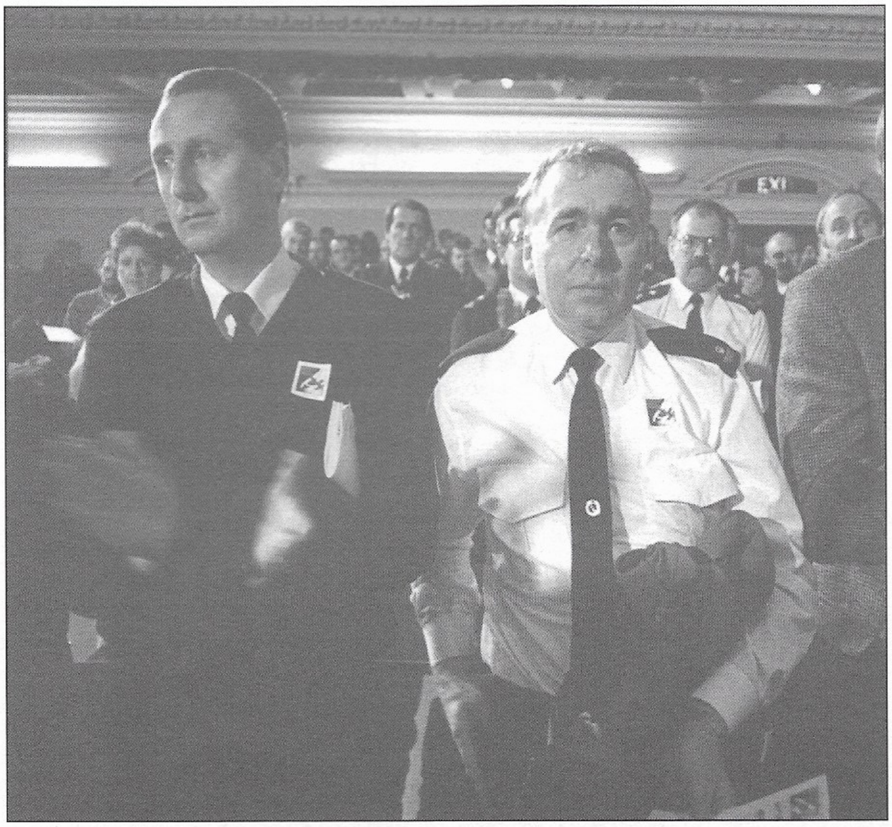


Photo: PHILIP WOLMUTH

Prison officers are among those who continue to campaign against the privatisation of the service.

A COMMITMENT TO EXCELLENCE

WACKENHUT CORPORATION

- USA: Wackenhut Corporation, a multinational security firm 100 per cent of Wackenhut Corrections Corporation (WCC), formed 1984.
- UK: WCC + Serco Plc = Premier Prison Services Ltd (50 per cent owned); WCC+ Trafalgar House + Serco = Premier Custodial Developments Ltd (one third each).
- Australia: Wackenhut Corrections Corporation Australia Pty Ltd (100 per cent owned).

WCC = Australasian Correctional Management Pty Ltd (now 100 per owned, formerly 50/50 with Thiess Contractors).

WCC + National Australia Bank = Australasian Correctional Services Pty Ltd (now 66.7 per cent owned, formerly also included Thiess).

In the UK, Premier Prisons has one prison and two escort contracts. In the US Wackenhut Corrections Corp. has more than 20 contracts and four in Australia.

Private Prison Services

group 4
SECURITAS
Giving the world a sense of security

GROUP 4

Secom Investments NV owns many companies including:

Group 4 Securitas NV (registered in the Netherlands Antilles)

Group 4 Total Security Ltd

Group Prison and Court Services Ltd

Group 4 Remand Services Ltd

Group 4 Rebound Ltd

Group 4 + Tarmac Plc (Britain's second largest construction firm, 50 per cent joint venture)

Australia: Group 4 has a joint in venture with Fletcher Construction

In the UK, Group 4 contracts include three prisons, two immigration detention centres and three regional escort services. It has one contract in Australia.

SECURICOR PLC

UK: Securicor Custodial Services Ltd (100 per cent owned)

Securicor/Seifert (architects)/WS Atkins (an engineering and construction consultancy bidding for government contracts) formed Bridgend Custodial Services Ltd: Securicor owns 40 per cent, Seifert (10 per cent), WS Atkins (10 per cent) and construction firms Costain (20 per cent) and Skanska (20 per cent).

In the UK, Securicor has one prison and one escort contract but is keen to expand into Europe.

Another dozen companies are involved in bidding for prisons, secure training centres, escort services or prison ancillary services in the UK.

FINES, FAILURES & DUBIOUS PRACTICES

Contracting-out prisons for 20 or 25 years hi-jacks any debate about whether prison actually works as a deterrent or rehabilitative measure as the industry will lobby to protect its own interests. But claims that the private sector raises standards do not bear close scrutiny.

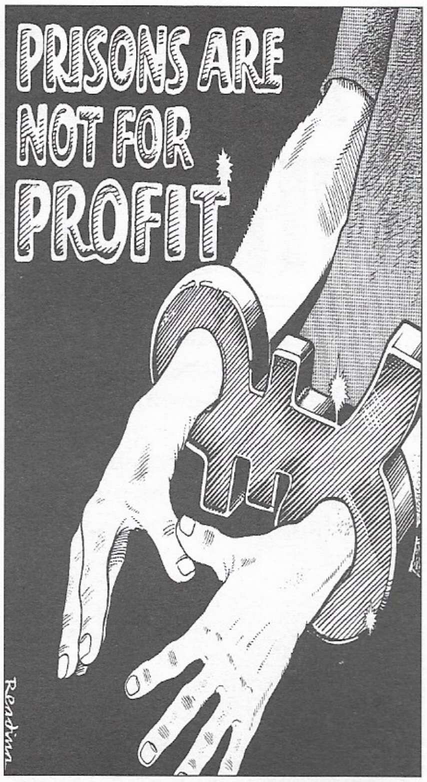
UK

● The Wolds, the UK's first privately run prison, was criticised after its first year of operation by Her Majesty's Chief Inspector of Prisons. In 1994 the National Audit Office could not determine whether the prison was offering value for money. The fact that Wolds cost £8m more to run than the published contract price and that Group 4 had not been penalised for contract failures were noted by the Commons Public Accounts Committee in 1995. The committee also expressed concern that Group 4's bid was not the lowest and that "a full explanation was not available" as to why the company had won the contract

● CCA's joint venture UK Detention Services Ltd was the first private operator to be penalised by the government and fined £41,000 after losing control of Blakenhurst prison during a disturbance in February 1994. In May 1995, the Chief Inspector of Prisons published his report of an inspection eight months earlier, making over one hundred recommendations for improvement. Early in 1995 a UK Detention Services custody officer, Jeffrey Titmarsh, was jailed for 18 months for scheming to have two prisoners beaten up.

● Doncaster prison run by Premier Prison Services Ltd has the worst record of attempted suicides -96 in 18 months - of any UK prison. Staff turnover is high; drugs and violence are rife. Following two suicides within the first few months (there have now been five) and concerns raised by probation officers, police and social services, one MP called for a public inquiry. The Home Secretary declined but the Prison Service had to temporarily second another manager to help improve the operation. PPS also had to recruit some 29 per cent more staff than they originally planned. Seven default notices have been served on the company but no financial penalties levied.

● Campsfield House Detention Centre near Oxford, although run by Group 4 for the Immigration and Nationality Service, was inspected by the Chief Inspector of Prisons following a series of incidents including 17 escapes, a riot and hunger strike involving 140 of the 199 detainees. His April 1995 report was very critical and included 65 recommendations for improvement.



● Sutcliffes recently lost the contracts for catering at HM Prison High Down and the officers' mess at HM Prison Downview following complaints about the poor quality of the food. The services are now provided in-house.

AUSTRALIA

● At the Arthur Gorrie facility run by Wakenhut's ACM, within a year of opening the company's management team had to be changed and a consultant enlisted to implement a suicide prevention strategy. Between November 1992 and November 1994 there had been five deaths in custody, as well as riots, fires, a drug overdose and allegations of serious assaults and rapes.

● Junee Correctional Centre, also run by ACM, was plagued by problems including a comparatively high rate of prisoner-on-prisoner assaults. In August 1994 the prison received high marks in its annual performance review from the New South Wales (NSW) government but in October 1994, the Ombudsman reported Junee's staff turnover "at a rate which puts it above most NSW gaols and rising" and "already the prison is having problems recruiting specialists, particularly psychologists and other non-custodial staff...." In 1995 the

Ombudsman reported "record numbers of oral complaints" from Junee prisoners.

● In July 1995 a former custody officer at Junee alleged on ABC radio that he had been asked to destroy incident records.

● CCA has also had problems in Australia, particularly with its prisoner escort contracts at Melbourne's St. Vincent's Hospital.

CCA Corrections Corporation of America

UNITED STATES

● Until contracts were renegotiated, private jails used by the US Marshals Service cost 24% more than public jails. One factor was medical costs; the companies were to pay the cost of prisoners health care while in prison but the government had to pay for treatment outside. Company doctors simply referred prisoners to outside specialists to save money and pass on the costs to the government

● In Texas, Wackenhut is one of several companies contracted to run drug treatment centres for the State government. Although not charged with any crime, Wackenhut is suspected of diverting US$700,000 of public money at its Kyle facility. A trip to England and mobile phone charges have been cited by Texas Rangers investigating the company as examples of "unallowable petty cash expenses". In July 1995, the State suspended payments to all operators of suspect programmes, including Wackenhut. Auditors were concerned that profits were being made out of programme budgets which were supposed to be break-even. Wackenhut denies any impropriety.

● More than 100 prisoners went on the rampage at CCA's West Tennessee Detention facility on 28 October 1995. They had been sent to the jail by the North Carolina State Department of Correction and the demonstration was in protest at being sent so far from their families. The protest was ended by CCA guards pumping pepper gas into two dormitories which had been seized by prisoners. The prisoners were then transferred to another prison 40 miles away.

● Esmor Correctional Services, one of America's fastest growing private operators, had a contract cancelled by the INS after an inquiry into a riot by detainees at its New Jersey detention centre. The inquiry revealed cost cutting, low staffing levels, an atmosphere of abuse, poorly paid and untrained guards who physically and verbally abused detainees.

● Florida's first privately run prison has been cited for extensive lapses in security and failure to comply with guidelines on staff training and inmate care. In June the State department of corrections ordered US Corrections Corp. of Kentucky, which runs the Gadsden Correctional Institution for women, to deal with the most serious problems quickly. The prison had only been open five months. Among the concerns were 89 uncertified and untrained prison officers out of a total of 212 staff; staff shortages that led to 12 hour shifts being worked; no vocational programmes were operating; there were empty bookshelves and inoperative security cameras; conditions throughout the 740 bed facility were potentially hazardous.

● Arizona's first private prison, Marana Community Correctional Treatment Facility, was criticised in an October 1995 report by the state Department of Corrections which detailed 80 per cent staff turnover, low wages, lax security and insufficient work programmes at the prison run by Management & Training Corp. of Utah.

● Prisoners rioted in October and November 1994 at Concept Inc.'s Eloy Detention Centre, near Tucson Arizona. The company had hired high school graduates, trained them for two weeks and paid them less than $6 per hour. (Arizona's state-employed guards earned $10 per hour minimum.)

News

Courts service privatisation provokes first ever strike

Information systems in courts throughout England and Wales were given a one week a month sentence by IT staff in November following the announcement of Government plans to extend privatisation in the Court Service.

Sixty three members of the IT development team represented by National Union of Civil and Public Servants and the Civil and Public Services Association voted for a series of week long strikes after four private companies were asked to bid for administrative work currently carried out by staff in the Lord Chancellor's Department and its agencies.

The companies, Electronic Data Systems, Sema, Unisys, and Siemens, are all bidding for a new computer support system contract for the courts under the Government's Private Finance Initiative .

The strong feeling among court staff was confirmed in a separate ballot of the remaining 7,000 union members who voted for a one day strike on December 11. It is the first time that the Court Service has been hit by industrial action outside of general disputes in the Civil Service.

Staff were particularly angry over the Government's attempt to 'add on' administrative work to the computer contract which under the terms of PFI prohibits in-house bids. "Only last year, the department's Information Services Division won their market test, proving without doubt that they were the most qualified to provide the service," explained NUCPS National Officer, Azim Hajee.

John Sheldon, NUCPS General Secretary said: "The Private Finance Initiative is being used as a back door to privatise large chunks of the Court Service. A major concern is that this includes quasi judicial areas of administrative work with highly confidential information passing into the hands of private companies."

More Research Shows Tendering Discriminates

EOC CALLS FOR SUSPENSION OF CCT IN NORTHERN IRELAND

The Equal Opportunities Commission for Northern Ireland (EOCNI) has called on the Government to immediately suspend its policy of compulsory competitive tendering in health and education services following a formal investigation into the effects of CCT on women's employment.

The EOCNI investigation into twenty contracts found that competitive tendering had had "a seriously damaging effect" on the numbers of women employed and on their terms and conditions of employment. The investigators also found that women had been disproportionately affected compared with men.

Although the findings of the final report will remain confidential until its publication in the New Year, the EOC has the powers to issue interim recommendations under legislation covering Northern Ireland. This was necessary as a number of health and education contracts are currently in the midst of the competitive tendering process.

The EOCNI's recommendations have won praise from supporters of public services and backs up extensive research into the effects of CCT carried out by the Centre for Public Services on behalf of the EOC, and UNISON in Northern Ireland.

EOCNI Chair and Chief Executive, Joan Smyth said: " We are well aware that the investigation examines a significant element of the government's economic policy. However, women make up nearly 80% of those working in the health services and nearly 70% of those with jobs in education. Without them the services would not exist. We owe it to them to make sure that equal opportunities are an integral part of the tendering process."

Unions take legal challenge on EOC findings

At a conference organised by UNISON and the Municipal Journal held on 5th December in London on the findings and recommendations of the EOC research carried out by the Centre for Public Services, Rodney Bickerstaffe, UNISON, called on the Government to implement the recommendations of the EOC report (see PSA 49-51).

He called in particular for the detailed examination of the effect of the operation of the lower earnings limit on women. The point was also made that the gender implications of the changes the Government wishes to make to eligibility for unemployment benefit should be analysed. The proposed question "What is the lowest wage you are willing to work for?" under the provision of the new job seekers' allowance is likely to be discriminatory. UNISON also believes there are grounds for a complaint to the European Commission on the basis of the EOC research which shows disparity between European equal rights legislation and CCT.

The TGWU is also seeking a judicial review on CCT claiming that the Government broke the law by refusing to include a sex equality clause in the Local Government Act 1988. The case has been brought about by the EOC research findings and the interim recommendation of the Northern Ireland EOC that competitive tendering in health and education services be suspended following an investigation of 20 contracts. The TGWU are arguing that CCT is contrary to the European law relating to equal pay and sex discrimination.

Minimum wage for council workers

The three local government unions, GMB, TGWU and UNISON have submitted pay claims for the 1.5m white and blue collar workers in local government on low pay. The claim has the objective that no local government worker will earn less than £4.15 an hour. If implemented, this would take 500,000 staff one step further away from the poverty trap and achieve the unions' commitment to a minimum wage.

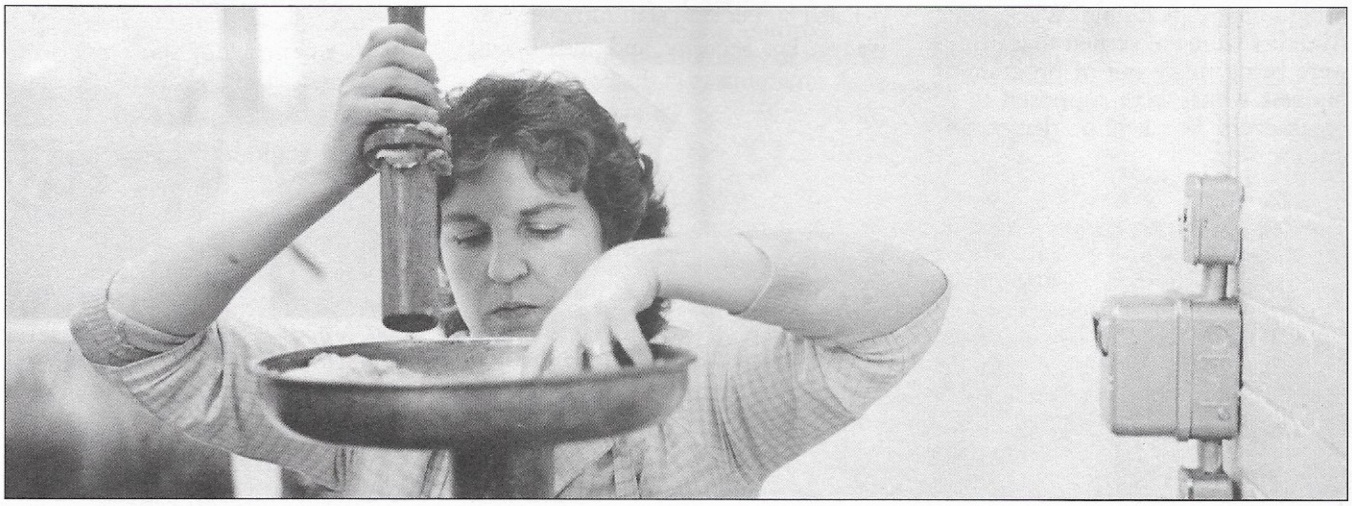


Photo: JOHN BIRDSALL

Reports Required

NEW CCT RULES

The Government is going to tighten up on competition. The onus will be on councils to show that they have encouraged competition. If no private sector bids are made for a contract, councils may be required to ask potential contractors why they were not interested.

In the draft guidance issued in October on the conduct of CCT, new requirements are set out by the Department of Environment. Local authorities will have to show that their tendering procedures are not anti-competitive and to demonstrate that they have considered the market and packaged the work accordingly. The key principles are to:

* take steps to identify the way the market operates and remove obstacles to competition;

* specify the services output rather than the way the service is performed in detail;

* adopt clear procedures for balancing price and quality. It is of particular interest that the guidance does not refer to councils accepting the lowest bid unless there are sound reasons for doing so;

* provide councillors with a detailed report at appropriate stages of the CCT process. Councillors will be expected to become more involved in the detail of the anti-competitive procedures, including taking up complaints from contractors;

* take a flexible approach to packaging work for competition and seek to achieve a good competitive response;

* consider their statutory duties in relation to equal opportunities issues and the need to avoid unlawful discrimination.

The guidance appears less prescriptive than previous rules, but it does leave an open-ended arrangement where the Government can decide what it deems to be anti-competitive once the tendering process has taken place.

Quality in manual services

The DOE has at last admitted that quality is important in manual services. The shift in thinking follows years of strict rules in manual services CCT, where price rather than quality has been the focus of contract award decisions. Interim guidance on the assessment of quality in the application of CCT to blue-collar front line services has been issued by the DOE. This means that local authorities will be able to decide on the appropriate balance between quality and price in evaluating tenders in manual services, as well as white-collar services. It will also apply to on-street parking, security services and vehicle management when competition is extended to these services.

The local government associations have produced a detailed handbook on individual services. The guidance sets out criteria for definition, contract documents and building quality into the tendering process.

"Guidance on the Assessment of Quality in the Application of CCT to Blue Collar Front Line Services" costs £5.00 and is available from Local Government Management Board, Tel: 0171-235 - 6081 Ext.293.

Reviews

Racial Equality and Council Contractors Commission for Racial Equality, Association of Metropolitan Authorities, Local Government Management Board. 1995

This handbook clearly sets out the arguments and procedures for adopting equal opportunities policies in the contracting process. It deals specifically with employment and explains how local authorities can promote and monitor racial equality policies and practices in employment. As well as providing checklists for action, the report presents a framework for pursuing racial equality through contracts, contract conditions and the use of standards and criteria for tender evaluation and monitoring.

Available from CRE, 10/12 Allington Street, London SW1E 5EH. Price: £10.00.

Arguments for a National Minimum Wage (TUC,1995)

A detailed report produced by the TUC setting out the economic and moral case for the introduction of a statutory national minimum wage in Britain. Providing a wealth of analysis, the report identifies the low paid, examines the politics behind the debate over a national minimum wage, details the widening gap between rich and poor, and highlights the benefits for both the national economy and for individuals and families. Particular emphasis is placed on women who make up the majority of low paid workers in Britain.The report also includes a number of individual case studies and a detailed examination of the experience of a minimum wage in the France and the United States.

Copies of Arguments for a National Minimum Wage are available from the TUC, Congress House, Great Russell Street, London WC1B 3LS. Price £20.00.

PUBLICATIONS

NEW

Checking Specifications
Public Service Practice No 6

Provides detailed practical advice on how to check specifications in preparation for white-collar CCT and re-tendering of manual services.

Contents include: contract packaging criteria; performance standards; specification and tendering instructions; quality plan and method statements; equal opportunities in service delivery; council and environmental policies; quantifying work; monitoring performance; preparing for tender evaluation.

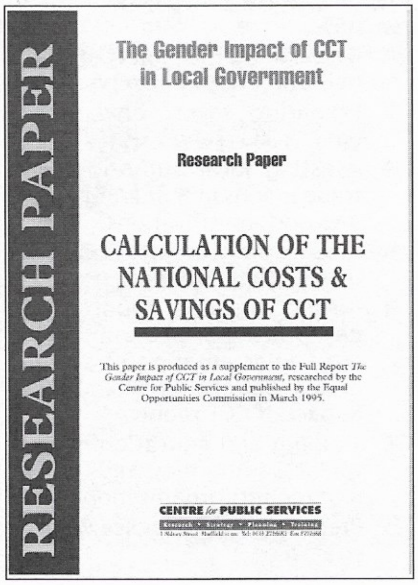
ISBN 1 897692 05 6
Published April 1995
Price £18.00 to local authorities and other public bodies, **£10** to trade unions and community organisations

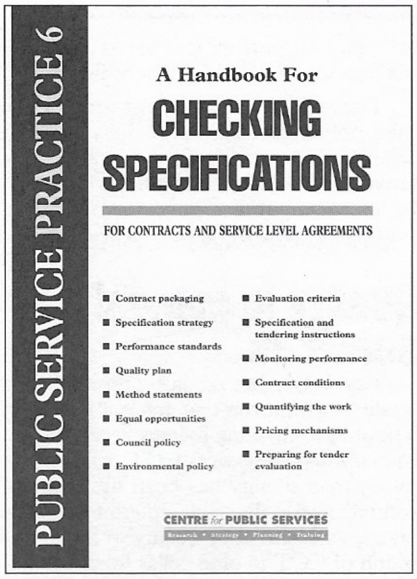
Calculation of the National Costs & Savings of CCT

A supplementary research paper to The Gender Impact of CCT in Local Government, researched by the Centre for Public Services and published by the Equal Opportunities Commission in March 1995.

Contents include: the cost of unemployment on central and local government; CCT job losses nationally; comparison of national costs and savings of CCT; use of DSO profits; Corporation Tax payments by private contractors.

ISBN 1 897692 02 1
Published March 1995
Price **£15.00** to local authorities and other public bodies, **£10** to trade unions and community organisations





ALSO AVAILABLE:

Tender Evaluation:
Public Service Practice No 1

Detailed handbook covering all aspects of white collar, professional and manual services for CCT in local government and market testing in the Civil Service and NHS. Contains many valuable checklists and practical advice.

Essential reading for all those involved in the tendering process.

ISBN 1 897692 01 3
First published 1989, revised 1994
Price **£18.00** to public bodies, **£10** to trade unions and community organisations

Public Service & Business Plans:
Public Service Practice No5

Detailed handbook designed to assist authorities in organising the planning process. Includes a detailed outline of a Public Service Plan covering strategic objectives and market analysis.

ISBN 1 897692 00 5 56
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