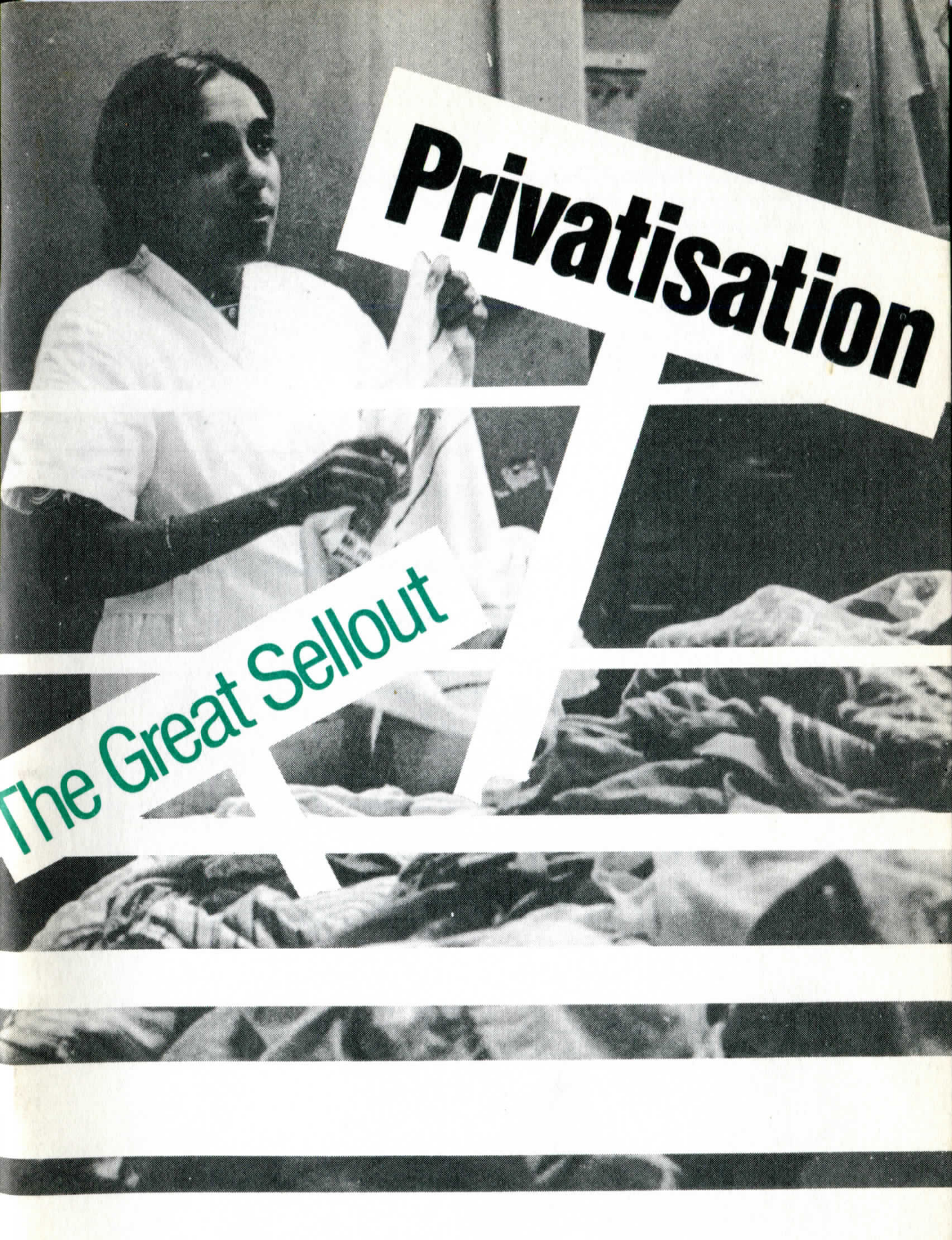
Privatisation

The Great Sellout



Labour Research Department 85p

INSIDE FRONT COVER
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"When I first started working at the hospital 16 years ago, I was working a 30 hour week. Then my hours were cut to 25. Even then I felt I'd like to have another hour to get it really clean. Now Crothalls are saying I've got to do it in 15 hours. Well, there's no way I could do that. Housework you can neglect, but not a hospital — not when you've got babies in intensive care. It isn't right."

Rene Oakden (aged 56) — Barking Hospital Domestic on strike for 12 months against private contractors.

Introduction

The Conservative government have a simple set of policies for the public sector. If it can't make a profit, cut it: if it can make a profit, privatise it.

They claim that privatisation will: make industries and services more efficient, through the cutting edge of competition; lead to better 'value for money', by cutting wastetul jobs and wage levels; help make more money and reduce the costs of goods and services; allow large numbers of people to join in a 'share-owning democracy'; and improve services by freeing them from bureaucracy.

All of these claims are lies, and this booklet exposes them. It also shows how the fight against privatisation is being carried on, by hospital workers on strike for months against the practices of contract cleaning firms, by public outcry against the performance of contractors in services like street cleaning, by successful campaign against the sale of bodies like the Ordnance Survey, and by increasing public disenchantment with the squandering of nationalised industries through sales at knock down prices.

The first section looks at the sales of nationalised industries. It shows how these have been a disaster, even on the government's own terms, because:

- they have not even got a fair price for them;
- competition is actually being suppressed, not encouraged;
- firms' profits only rise because of government financial restructuring and government job cuts;
- shares end up concentrated in very few hands.

The second section looks at the contracting-out of hospital cleaning, laundry and catering work. It shows how widespread the fight is against this programme, and looks at:

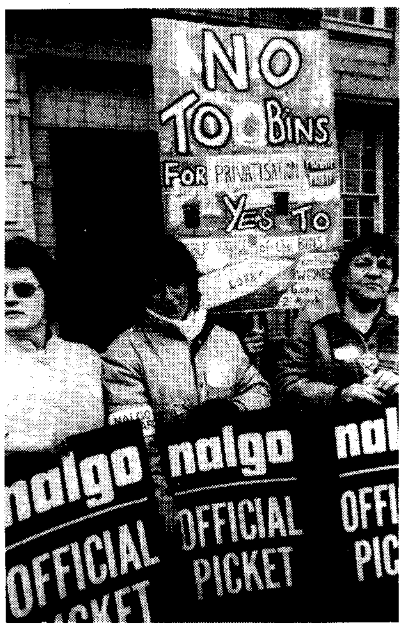
- the overwhelming evidence of appalling standards of work done by private contractors;
- the long battles against contractors at Barking and Addenbrookes hospitals;
- how contractors get rejected when they are judged against standards;
- the refusal of top catering firms to even bid for contracts.

The third section looks at how further areas of council services are being threatened by privatisation.

- the new plans to privatise bus services;
- the disastrous record of contractors cleaning schools;
- the case of Ealing, whose streets are left uncleaned by a leading contractor.

The final section covers the government itself, and its attempts to sell off and contract out government operations. It looks at:

- how office cleaning firms are encouraged to slash wages, and how they even get away with various tricks to avoid paying taxes;
- how it has had to back down from some privatisation plans;
- how some work has been contracted out regardless of the fact that this is more expensive than direct labour.



Local government workers strike against privatisation.

Selling off state assets

The last few months have seen a sharp rise in the scale and speed of the sale of nationalised industries and other publicly owned assets. In 1984 **Jaguar**, **Sealink**, the micro chip company **Inmos** and the oil interests of **British Gas** were all sold entirely to the private sector with the climax coming in November, when, in the biggest privatisation exercise so far, 50% of **British Telecom** was floated on the stock exchange.

The minister responsible for privatisation, John Moore, Financial Secretary at the Treasury, has stated at a meeting of the Ecclestone Supper Club, a group of businessmen and others interested in wider share ownership, that the government intends "to go further and faster" (18.7.84). Announced plans for 1985 include the disposal of the government's remaining stake in **British Aerospace**, and the sale of **British Airways** (although this may now be in doubt). The **Royal Ordnance factories** (makers of defence equipment) the **warship building yards** of **British Shipbuilders** and parts of the **National Bus Company** are due to follow shortly afterwards. (see page 30).

In the more distant future lies the privatisation of further parts of **British Steel** and **British Leyland** as well as the aerospace companies, **Short Brothers** and **Rolls Royce**. Finally the government intends to find some way to privatise all or some of the **coal**, **electricity** and **gas** industries.

It all adds up in the words of its government supporters, to "the most radical economic change since 1945". In the minds of the government the question is no longer "why should it be privatised?" but "why shouldn't it?".

The privatisation programme is now playing a central role in the government's overall strategy but despite the optimistic noises from its supporters its success in achieving its stated objectives is very much in doubt. In the government's own terms of:

- getting a fair price for the assets sold;
- increasing competition;
- improving efficiency;
- creating wider share ownership;

the privatisation policy is failing to meet its targets.

Royal Ordnance factories (makers of tanks) to be privatised

Sold so far

Date	company	% sold	received (£m)
1979			
December	ICL	25*	37
1980			
January	British Petroleum	5	276
June	Fairey Holdings	100*	22
July	Ferranti	50*	54
1981			
February	British Aerospace	52	43
July	British Sugar Corporation	24*	44
October	Cable and Wireless	49	182
1982			
February	Amersham International	100*	64
February	National Freight Company	100*	5
April	Redpath Dorman Long	100*	10
November	Britoil	51	549
1983			
February	Associated British Ports	52	22
March	International Aeradio	100*	60
March onwards	23 British Rail Hotels		51
September	British Petroleum	7	543
December	Cable and Wireless	22	262
1984			
March	Scott Lithgow	100*	12
April	Associated British Ports	48*	51
May	Wytch Farm	50*	82[1]
June	Enterprise Oil	100*	380
July	Sealink	100*	66
August	Inmos	76*	95
November	British Telecom	50	3916[2]

* if entire government shareholding. 1 First payment for details see page 4. 2 gross proceeds.
This list does not include the many smaller companies sold or the disposal of property such as that undertaken by British Rail.

A fair price?

The government has sold publicly-owned companies in 3 separate ways:

- through the stock exchange using a fixed price method of sale;
- through the stock exchange using a price arrived at through tender;
- through sales to existing companies (the management buy out is a variant of this).

In all these methods of sale there is evidence that the government has failed to get a fair price for the assets sold.

Fixed price offers

The fact that the government has sold public assets too cheaply is easiest to demonstrate in the case of fixed price offers. Here the government with the help of its financial advisers (who don't come cheap, see table 1) fixes a price for the shares when it publishes the prospectus for the company or part of the company to be sold. Potential buyers then submit applications for the shares at this price.

Table 1: Paid to the City

The following sums had been paid to underwriters, financial and legal advisers, auditors and stockbrokers by the end of 1984

	£m
British Petroleum (both sales)	14.6
British Aerospace	4.2
Cable & Wireless (both sales)	10.4
Amersham International	1.5
National Freight Consortium	0.3
Britoil	11.3
Associated British Ports (both sales)	3.0
Enterprise Oil	9.0
British Telecom	107.3
Total	161.6

This does not include the costs of the Jaguar flotation borne by British Leyland.

(Source: *Parliamentary Answer* 21.12.84)

If the demand from people wanting shares exactly matches the number of shares available they will get what they want. If the demand is less then the supply shares left over go to the underwriters (City institutions who have earlier guaranteed to take them at the fixed price). If the demand exceeds supply the available shares are allocated between the potential buyers in some way (the government has generally attempted to do this in a way which favoured the "small investor").

There have been 7 occasions when the government has used fixed price sales to privatise companies. In every case, as table 2 shows, the price has been fixed at a lower level than their opening price on the stock exchange.

In some cases the difference has been spectacular. In the sale of **Amersham International**, for example, the shares opened 34% higher than the fixed price set by the government. In the largest privatisation so far, **British Telecom**, the shares opened at 95p on the stock exchange, 90% higher than the partly-paid price of 50p.

The government and its City advisers have argued that it is difficult to know exactly at what price to fix the shares and easy to be wise after the event. However, all 7 sales have resulted in the stock exchange being prepared to buy shares at a higher price than the price fixed by the government.

Table 2: Fixed price sales

company (date)	price offered p	opening price	% difference
British Petroleum* (October 1979)	150	154	+ 3
British Aerospace (February 1981)	150	171	+ 14
Cable & Wireless (October 1981)	168	203	+ 21
Amersham International (February 1982)	142	190	+ 34
Associated British Ports (February 1983)	112	130	+ 16
Jaguar (August 1984)	165	176	+ 7
British Telecom* (November 1984)	50	95	+ 90

* Partly paid shares — full price of shares: 363p British Petroleum and 130p British Telecom

Andrew Alexander, City editor of the *Daily Mail*, and certainly no critic of the government, explained the process, writing about the sale of British Telecom:

> What we are seeing is a transfer of resources from the whole of the population — the nominal owners of a nationalised BT — to a small part of the population at a favourable price (and it has to be favourable to make the strategy work). *Daily Mail* 15.11.84

Sales through tender

Embarrassed by the unfavourable comment generated by its fixed price sales, described in one case by the all party Public Accounts Committee as "creating windfall gains for the investor at public expense" (*17th Report*; May 1984) the government has also sold the shares by making potential buyers tender (or bid) for them. In this case if demand exceeds supply the shares are given first to those who have bid most for them. There is still a floor price below which shares will not be sold and if the shares are not in demand at this price they again go to the underwriters.

This method of sale appears to minimise the risk to the government. It removes the possibility of large speculative gains on the stock market as buyers are no longer able to buy at a fixed price and sell at a higher price when dealing starts; if there is excess demand for the shares it goes to the government on the form of a higher tender price.

Unfortunately for the government, the City does not much like the loss of its chance to make large speculative gains and so has been reluctant to play. There have been 5 sales by tender, and in 3 cases, the issue has been "undersubscribed", ie not all the shares have been sold. The remaining shares have been left with the underwriters.

This does not mean that the share price was too high but that, as the *Financial Times* wrote about the 1983 **Cable and Wireless** sale:

> The institutions simply decided that, in the absence of significant private demand, they could pick up the shares more cheaply as underwriters than investors (*Financial Times* 3.12.83)

Sales to existing companies

In the case of sales to existing companies it is more difficult to measure whether the government has got a fair price for the the assets it has sold. There is no stock exchange valuation as a yard stick. However, the available evidence suggests that in most recent cases the buyers have got a bargain.

International Aeradio — sold to Standard Telephones and Cables for £60m in March 1983. In the first 8 months it helped produce an £18m increase in STC's profits in its international communications and services division.

Wytch Farm (British Gas Corporation's onshore oil assets) — 50% sold to "Dorset" group of companies for £85m initially to be followed by £130m when output reaches 20,000 barrels a day and 40% of net profit when total output reaches 25m barrels — "stockbrokers said the deal even at the higher price was still a good one for the companies" (*Financial Times* 12.5.84)

Sealink — sold to US company Sea Containers for £66m in July 1984 — "Sea Containers....has acquired, at a 39% discount to net book worth a growing concern bristling with expansion opportunities". (19.7.84)

Financial commentators were less optimistic about the purchase of **Inmos International**, the micro chip manufacturer, the sale 76% of which to Thorn-EMI for £95m was agreed in July 1984 — "chip manufacturers are notorious cash drains" (*Financial Times* (13.7.84). However Thorn itself was unambiguous, describing the acquisition as "an outstanding opportunity for the company".

Why low prices

It might seem surprising that a government as committed as this one to cutting public expenditure, and the government treats asset sales as a cut in public spending, should fail to get a good price for what it sells. In fact the reason is clear. The government's political commitment to privatisation turns it into a forced seller, compelled to get the assets off its hands for the best price it can get.

As the minister responsible for privatisation has stated: "the prime aim of the privatisation programme is not to raise money" (John Moore, Treasury Financial Secretary, 18.7.84).

Competition

Increased competition is one of the prime stated areas of the privatisation policy but on the experience to date this is far from being its result.

In the first place all but one of the companies and corporations which have been privatised have been manufacturing, extractive or service companies, already fully exposed to competition. **Jaguar** for example faced competition from Mercedes and BMW as a publicly owned company just as it now does as a privately owned one. In the words of Keith Stuart the chief executive of **Associated British Ports:** "The customer has quite enough choice as it is". (*Sunday Times* 9.10.83)

Secondly, where an internal or external monopoly exists, the evidence so far is that the government subordinates its competition policy to its burning wish to dispose of the assets.

The prime example of this so far has been the handling of **British Airways**. The government's initial hope had been to sell the state-owned airline in its first period of office but mounting losses in the recession-hit industry led to the abandonment of this deadline in favour of a sale in early 1985. In fact the law suit by the receivers of **Laker Airways** may cause a further delay. (British Airways together with other airlines is accused of unfair competition and is being sued for substantial sums).

In order to regulate the competitive position after privatisation the government asked the Civil Aviation Authority (CAA), an independent but official body, to draw up a report on British Airway's future position. The view of the CAA was that there was a "structural imbalance" in the industry caused by the fact that British Airways accounted for 65% of the total airline business and it recommended that routes should be taken away from British Airways and given to other operators.

The government, aware of the fact that any reduction of routes would make British Airways more difficult to sell, responded with a White Paper which rejected most of the CAA's proposals. The degree to which privatisation was uppermost in ministers' minds is indicated by the first sentence: "Uncertainties affecting the sale of British Airways must be resolved." (*Airline Competition Policy:* Cmnd 9366)

The whole episode prompted the *Sunday Times* to comment:

> Privatisation is supposed to be about competition but once again, just as with British Telecom, a public monopoly is being allowed to escape into the private sector largely intact. There was no question of allowing the privatisation timetable to be upset. (*Sunday Times* 7.10.84)

Trade unionists in British Airways, who would have faced further job losses if the CAA's proposals had been implemented, have not been unhappy about the government's decision. And trade unionists in British Telecom, who have seen the emergence of **Mercury Communications** as a rival for the most profitable part of the business, might not agree with the verdict on their industry. However the case of British Airways makes plain that when the rhetoric of competition clashes with the realities of privatisation it is the need to sell the assets which wins through.

Efficiency

According to the government an improvement in the efficiency of the companies privatised is a prime aim of the policy and one which has been achieved so far.

The government measures performance in terms of profitability and certainly the available figures show an increase in profitability since privatisation in every case. However, before accepting at face value the government's argument that this increase is a result of privatisation it is necessary to consider a number of other factors.

Firstly, all the companies privatised so far were already profitable in the public sector (otherwise they could not have been sold). **Associated British Ports**, for example made a £22.4m pre-tax profit in 1979 — 50% higher than the £14.9m made in 1983, the first year of privatisation.

Secondly, the last 3 years have seen a recovery in world markets, even if in the UK, at least, unemployment has continued to increase. With increased demand it is not surprising that profits have risen. As the directors of **Cable and Wireless** discussing the sharp pre-tax profits increase between 1982 and 1983 explained:

> The business has continued to expand... The relatively fixed nature of costs results, in the short period, in changes in turnover being reflected almost directly in profits.

(In any case Cable and Wireless does almost all its business outside the UK).

Thirdly, the increased profits are frequently a result of direct government action to restructure the balance sheets of the companies sold and so improve their profitability. For example the government put £100m of its privatisation receipts for **British Aerospace** back into the company helping to produce a £13.1m rise in interest received between 1980 and 1981; at **Cable and Wireless** £35m was reinvested; and in the **National Freight Consortium** £47.8m was repaid into the company's pension fund. In cash terms **BT** is to be the largest beneficiary of this policy. The newly privatised BT has not taken over £1,250m of debt to the pension fund producing a saving of £200m a year in interest charges. The first accounts for the newly privatised telecommunications giant showed a £684m pre-tax profit for the six months to September 1984. This was described as a 48% increase on the same period in 1983 but, when the financial adjustments introduced to make British Telecom into a private company are stripped out, the profits increase falls to 27%, explained largely by a rise in the volume of business.

Finally increased profits have been achieved in ways which do little to boost the efficiency of the economy as a whole. One clear example is **Cable and Wireless.** It shows a sharp jump in pre-tax profits between 1983 and 1984 up from £156.7m to £190.1m. However 89% of this increase is explained by the takeover of the **Hong Kong Telephone Company.**

For sale

Airports: the 1983 Conservative manifesto promised that "as many as possible of Britain's airports shall become private companies". So far the government has tried to sell Civil Aviation Authority's Highlands and Islands airports in Scotland but has found no private sector buyer for what is essentially a public service for isolated communities. Transport Secretary Nicholas Ridley has suggested that the municipal airports such as Birmingham and Manchester should be transformed into private companies with local authority shareholdings.

British Aerospace: the government intends to sell its remaining 48% stake in the company in spring or early summer 1985; it will retain a so-called "golden-share" to prevent the company being taken over by foreign interests.

British Airways: the 1985-86 public expenditure White Paper still lists the state airline as to be sold by March 1985 but a mid summer date or later seems more likely.

British Leyland: the government has stated it hopes to privatise further parts of the company. The most likely candidate is the parts subsidiary Unipart.

British Rail: asset disposals worth £150m including the £66m raised from Sealink are expected in 1984-85 (public expenditure White Paper) but the government accepts that the programme is now coming to an end.

British Shipbuilders: the merchant bank, Lazard Brothers, has been entrusted with the sale of the warship building yards (Vickers at Barrow; Vosper Thorneycroft — Southampton; Yarrow on the Clyde; and Brooke Marine — Lowestoft) as well as the combined warship/merchantship yards (Swan Hunter — Tyneside; Cammel Laird — Merseyside; and Hall Russell — Aberdeen). The remaining shiprepair yards and marine engineering companies (Falmouth Shiprepair; Vosper Shiprepair; K and L Marine; and Sunderland Forge) are also to be disposed of.

British Steel Corporation: the corporation will continue its current policy of both setting up joint ventures with the private sector and selling off non-mainstream parts of the business. Agreement in principle has been reached to sell the pipe maker Stanton and Stavely to the French company Pont-à-Mousson.

Gas and electricity: "In the next parliament, we shall seek means of increasing competition in, and attracting private capital into, the gas and electriciy industries". (Conservative Manifesto 1983).

National Bus Company: the bill allowing the company to be broken up and sold was published at the end of January 1985.

National Coal Board: chairman Ian MacGregor indicated his own wish for privatisation when he said "over the long term there is no question about it, that opportunities like this (to privatise some pits) will arise as they have done in other industries in this country" (*Financial Times* 6.12.84).

Rolls Royce: new chairman Sir Francis Tombs explained to the Financial Times that the reason he had taken on the job was because the aerospace engine company was to be privatised (*Financial Times* 4.2.85).

Royal Ordnance factories: the 11 factories are to be kept together as a single unit, Royal Ordnance PLC, and the public expenditure White Paper puts the sale date "for planning purposes" as 1986/87. The preferred method of sale is "a stock exchange flotation of the enterprise as a whole."

Scottish Transport Group: the road haulage subsidairy, MacBrayne Haulage, is being privatised.

Short Brothers: government announced in answer to a written parliamentary question that it was seeking advice on how to privatise the Belfast aircraft company.

Trustee Savings Bank: shares to be offered for sale to the public. Bill published December 1984.

Water: government announced to consumers it is considering privatising regional boards. (February 1985)

Cost to employees

In one sense the government does intend that privatisation should produce a real change in the performance of the companies privatised. Increased profits are to come, in part, from a lessening in the job security, wages and conditions of their employees. Ministers in public may not spell this out but when the minister responsible for privatisation speaks of the "disappointing" performance of nationalised industries "on both productivity and manpower costs", (John Moore speaking to the annual conference of London Stockbrokers Fielding, Newson, Smith on 1.4.83) that is what is meant.

So far the experience of privatisation has often been that major job losses occur before the company is sold to the private sector with the result that the taxpayer also picks up the bill for redundancy payments. Examples are: **British Airways** where the average number of staff engaged in airline activities fell from 56,100 in 1979/80 to 36,100 in 1983/84; and **British Telecom** where employment fell from 253,000 to 241,000 between March 1981 and March 1984 with a further fall of 5,400 in the 6 months to end September 1984. The **Royal Ordnance** factories have started preparation for privatisation. Their management announced a cut of 1,800 jobs, 1/10th of the workforce in November 1984.

However privatisation itself offers no guarantee of maintaining employment levels. At the end of the last year before privatisation (1980) **British Aerospace** employed 79,300; by the end of 1984 this had fallen to 76,000; similarly at **Associated British Ports** employment fell from 9,569 in the last year in the public sector (1982) to 8,956 in the first year in private hands (1983) a continuation of a long slide downwards. Further jobs are to go in **British Telecom**; 2,600 job losses are planned in the 6 months to March 1985. An analysis by stockbrokers De Zoete and Bevan which asserted that BT was "overmanned (sic) and has above average scope to increase efficiency" (June 1984) may point to continuing job cuts. **Sealink's** new owner is also seeking job losses with the axing of routes in private ownership.

Cable & Wireless is preparing to sell its subsidiary **Cable & Wireless UK Services** to **Bell Canada International (BCI)** for about £6 million. As a condition of the sale BCI required the termination of all agreements between the company and **ASTMS** (who have sole bargaining rights for the 200 or so staff). On 6 February 1985, Cable & Wireless gave ASTMS notice that all agreements between them regarding UK Services would cease to be honoured as of 6 March (the date of sale). On 7 February, London region ASTMS members staged a 24-hour strike in protest, their first ever stoppage.

At the **National Freight Consortium** the good news in the 1984 annual report (published on 31 January 1985) — "staff numbers increased" — referring to a rise by 700 in the UK workforce, was followed the next day by a less happy story — 870 redundancies at the group's parcels' depots.

One clear example of a deterioration of conditions is in the area of pensions. At both **British Telecom** and **British Airways** new employees will no longer be entitled to join the existing index linked pension schemes. Other problems faced by employees in privatised companies include recognition difficulties at some ex-**British Rail hotels**; the threatened abandonment of a no compulsory redundancies deal at **British Telecom** and an increase in hours from 39 to 40 at the **Scott Lithgow** yard sold by British Shipbuilders

The treatment of employees in privatised companies is in sharp contrast to the position of the directors as table 3 shows.

Table 3: Chairman's pay

chairman's pay	last year in public sector £	(date)	latest year £	(date)	% increase
British Aerospace	46,686*	(80)	87,260	(83)	87
Cable & Wireless	19,356*	(81)	136,881	(84)	607
Amersham International	30,360′	(82)	88,983	(84)	193
National Freight Consortium	21,504	(82)	98,292	(84)	357
Associated British Ports	34,910	(82)	47,944	(83)	37
British Telecom	84,198	(84)	160,000§	(85)	90

* annualised
′ highest paid director in both cases; in 1984 the highest paid director was the American J L Castello. The highest paid UK director was paid between £50,000 and £55,000
§ annualised rate after privatisation

Cost to services

The drive for increased profit under privatisation may also put at risk the less profitable services currently provided by publicly owned organisations. So far the sale of state assets, with the exception of **British Telecom**, has not affected organsiations whose prime function is to provide a service to the general public and even BT makes most of its money out of business calls. But with the planned break-up and sale of the **National Bus Company** this situation is about to change (see page 30).

There has already been a shift in attitudes at **British Telecom.** Under the twin pressures of privatisation and competition from the

Cable and Wireless subsidiary, **Mercury Communications**, prices for residential subscribers have increased more rapidly than those for BT's more profitable business customers. BT is also considering whether to start charging for its directory enquiry service currently provided free. Even the propsect of a 2-tier structure is emerging with richer regions enjoying all BT's new facilities and services while the less prosperous areas must make do with a more rudimentary provision. As the *FT* commented in an article headed "profits are the priority"

> Its licence requires it (BT) to operate a nationwide service. But whether it will continue to be the same service, offered everywhere on the same terms, seems much less certain. (*Financial Times* 19.10.84)

Wider share ownership

Encouraging wider share ownership is another of the supposed policy objectives of privatisation. Together with the process of building up employee shareholdings this is intended to transform Britain into a share owning society in which any inclination to industrial action will be smothered by the fear that this action will depress share prices.

With two exceptions, **National Freight Consortium** and **British Telecom**, examined later, the evidence makes it immediately clear that this policy objective has not been achieved. As the experience of the companies listed in the table below shows, the largest shareholders, owning more than 100,000 shares, hold the vast majority of the shares not owned by the state, on average between 60% and 80% and employee shareholdings are very low.

Table 4: Shareholdings in privatised companies

company and year end		percentage held by those owning more than 100,000 shares	percentage residual government shareholding	percentage held by employees*
British Aerospace	(1983)	36.6	48.4	3.6
Cable & Wireless	(1984)	58.3	23.1	1.4
Amersham International	(1984)	69.4	0.0	3.7
Britoil	(1983)	41.8	49.0	0.1
Associated British Ports	(1983)	58.7	0.0	4.3

* as initially allocated; figures from Treasury

The 2 exceptions to this position are: the **National Freight Consortium** where, according to the 1984 annual report, employees and pensioners own 82.7% of the shares (the rest are owned by the banks); and **British Telecom**, where employee shareholdings are little different from the low figures elsewhere (3.8% of shares are held by employees, many given away free) but whose share register initially contained 2m individuals who had applied for shares.

However, at the National Freight Consortium the position is not quite as it first seems. Some 13,000 employees and ex-employees own shares but the shares are not evenly divided. 164 individuals own 38.2% of the shares not held by the banks and the 15 directors alone own 4.6%.

British Telecom like NFC was sold off cheaply (the NFC sale raised only £5m for the government) and it was the urge to pick up an unbeatable bargain together with the £17.5m advertising campaign which led to the 2m individual applications for shares. However, it is uncertain if this will lead to a massive extension of share ownership in the long term. Many small shareholders will have gone for short term profits, selling their shares, bought for 50p, for double the price. On the first day that small allocations could be sold the *Daily Telegraph* reported that 15 to 20 million shares had been traded "a high volume of business with institutions ready to snap up all the small amounts of stock" (*Daily Telegraph* 12.12.84)

A share register for BT had not appeared by the end of 1984 but the finance director speaking in January 1985 estimated that the number of shareholders in the UK would be "significantly lower" than the 2m who initially applied.

The government's policy of selling off the industries and companies owned by the state seems to be motivated by little more than a determination to hand them back to the private sector. This may be good for the City and for large investors who gain another area in which to make profits but there is little evidence that the benefits are spread any more widely. Costs, on the other hand, in terms of income foregone from profitable companies, job losses and in the future a cut in "unprofitable" services are felt throughout the community.

Fighting privatisation

The **British Telecom** unions have conducted the most widespread campaign against privatisation. It is documented in their booklet *"The battle for British Telecom"*.

The campaign first hit the headlines with a day of action on 20 October on which marches, lobbies and demonstrations took place all over the country. According to BT's own figures 60% of the staff took part. The campaign continued with meetings, leaflets, advertising and intensive lobbying forcing the government to make some concessions particularly in preserving socially valuable but "uneconomic" services. The *Telecommunications Bill* together with all other legislation fell when the general election was announced in May 1983.

The Bill was reintroduced after the Conservative election victory and the unions stepped up their struggle. The **POEU** took strike action over the threat to jobs posed by privatisation and the linked question of the interconnection of the privately owned Mercury lines with the BT system. The 9 week strike of key staff was effectively ended when the appeal courts ruled that the action was "political" and therefore "unlawful" and the union agreed to comply with the court injunction. The campaign of lobbying, however, continued.

Despite their failure to win on the central issue of privatisation the BT unions involved point to government concession on "uneconomic services, services for the blind and disabled, directory enquiries, and other issues."

Contracting out the NHS

The government has told the health authorities throughout Britain that they are expected to put ancillary services — cleaning, laundry and catering — out to tender. A large number of such contracts are being offered to private firms, threatening the jobs and conditions of ancillary workers and the standards of service in hospitals.

But the government is being faced with considerable opposition, as workers and users of the health service are fighting back.

- **Strike action** by workers against privatisation has taken place in a number of hospitals and health authorities (see table 5): the action at Barking hospital and Addenbrookes hospital, both of which had continued for months in 1984 and into 1985, have been particularly determined.

Table 5: Some examples of industrial action against privatisation in hospitals up to the end of 1984

hospital	action against
High Royds Hospital, Leeds	HHS
Nuffield Orthopaedic Hospital, Oxford	Lesters
All Saints Hospital	tenders
Epsom laundry, Surrey	tenders
Hammersmith Hospital, London	tenders
Barking Hospital, London	Crothall
Addenbrookes Hospital, Cambridge	OCS
Wirrall DHA	Allied Medical
South Sefton DHA	Allied Medical
City & Hackney DHA, London	timetables
Royal Free Hospital, London	timetables

- **Constant public monitoring** of the actual standards of work of contractors has been crucial in exposing the consequences of putting hospital hygiene at the mercy of private profit.
- **Rigorous investigations** of contractors by the management of some district health authorities, such as Merton and Powys, shows that direct labour is a far more responsible system.
- Refusal to follow government policy is a position that has been adopted by a number of health authorities (see table 6). The trade union and labour movement is now taking a more active role in making demands on these bodies than before (see *Labour Research* March 1985).
- **Contractors themselves are feeling the pressure**: catering firms are refusing to even tender for contracts, because they cannot do the work cheaply and profitably, and cleaning firms are trying to

blame health authorities' greed for cuts for their failure to keep hospitals properly clean.

Table 6: Authorities not complying with government circular on privatisation as at 1.1.85

Blackpool	Coventry
Brent	Preston
Bloomsbury	Lothian
City & Hackney	Fife
Greenwich	Greater Glasgow
Lewisham & North Southwark	Highlands
	Argyll & Clyde

Standards of service

Private contractors put their business interests first — and quality of service to hospital suffers, along with the workers involved. Examples of appalling performance by contractors are now numerous. In **laundry services**, DHA's have experienced repeated problems: **Cheltenham DHA** found their quality of service from **Sunlight** "nothing short of appalling" — the firm even gave up doing 'foul' linen, which had to be taken over by an NHS laundry (*DHA document* 8.4.83); **Cornwall DHA** had to tell **Kneels** they would have to demonstrate "your ability satisfactorily to discharge your obligations" when they mixed up hospital laundry with that of another customer (*Tribune* 23.3.84); **Oldham DHA** had to sack a succession of laundry contractors "because of unsatisfactory standards and high losses of linen" (*DHA letter* 21.3.83); in **Croydon**, the contract with **Advance laundry** has meant on some occasions "literally hundreds of items" being returned to the laundry because stains were not removed, and items coming back to the hospital damp, crumpled, and with buttons torn off (*Croydon Property News* 12.4.84).

In **domestic work**, there is scarcely a case of recent contracts without problems over standards (see table 7).

Table 7: Dirty work in the NHS
The record of the leading cleaning contractors

firm (+ parent company)	NHS contracts in 1982	main domestic services contracts awarded since 1982 up to January 1985	loss leader	strike	bad work
Crothalls (Pritchards)	Yes	Barking Hospital (London)	-	Yes	Yes
		Redhill Hospital (Surrey)	Yes	-	Yes
		Milton Keynes District Hospital	-	-	-
		Papworth Hospital	-	-	Yes
Lesters (Pritchards)	No	Nuffield Orthopaedic, Oxford	Yes	Yes	Yes
		Hinchingbrooke Hospital, Hants	-	-	Yes
OCS	No	Addenbrooke Hospital, Cambridge	Yes	Yes	Yes
Hospital Hygiene Services	No	Leeds General Hospital	-	-	Yes
		High Royds Hospital, Leeds	-	Yes	Yes
Exclusive (Brengreen)	No	Medway DHA (part)	Yes	Yes	Yes
		Farnborough Hospital, Bromley	-	-	-
		Wokingham Hospital, Berks	Yes	-	Yes
Mediclean (Hawley)	No	Hammersmith Hospital, London	-	Yes	-
		St. Helier Hospital, Merton	-	-	Yes

This record is now deeply embarrassing to the firms. John Hall, the secretary of the firms' trade association, The Contract Cleaning and Maintenance Association, wrote to the *Sunday Times* on 27 January 1985, arguing that:

> "...If a DHA cuts the cleaning specification for a particular part of the hospital, then more often than not this is outside the control of the contractors. In spite of this, he is invariably blamed for the inevitable drop in standards..... public rows have centred on the two hospitals at Barking and Addenbrookes....in both cases, health administrators trying to secure maximum savings have probably drawn up specifications which are too tight for comfort and as a result of this standards have inevitably slipped".

This claim undoubtedly contains an element of truth. As trade unionists are repeatedly insisting, standards of cleaning should be paramount, but are being lost in the government's drive to cut 'costs'. But what the letter conveniently overlooks is that whenever standards are tightly drawn and specified, contractors compare unfavourably with direct labour, as the examples given below from Merton and Powys show. The profits of all the firms actually depend on hospitals being allowed to get dirty and unhygienic.

The government are in fact desperate that DHA's should **not** insist on decent standards. In two cases they have explicitly instructed authorities to take the cheapest bid regardless of other considerations (although legal opinion obtained by NHS unions is that such instructions are not binding). The first was when they told **Medway DHA** in 1983 that "None of these factors — such as conditions of service — feature in our policy advice which is firmly that the lowest tenderer should be appointed" (*letter from DHSS*, 30.8.83). The second was when **Norwich DHA** rejected contractors' bids in favour of the inhouse tender, even though it was not the lowest tender. A government minister told DHA members to review this decision, and at a reconvened meeting in January 1985, the DHA backed down, and gave the contract to the lowest bidder (*Guardian* 31.1.85). The lucky firm happened to be **Reckitt Cleaning Services**, a firm with no experience of NHS domestic work, but a subsidiary of the giant conglomerate **Reckitt and Colman**, which has a powerful base in Norwich.

The other source of the firms' profits, apart from decline in standards, is exploitation of the workforce. The examples given below of Barking and Addenbrookes illustrate the kind of treatment workers are given by these firms, even after years of service with them, as was the case at Barking. The government is again doing everything it can to encourage this exploitation: it has abolished the *Fair Wages Resolution* — which required firms with public contracts to pay wages and overall conditions comparable with public services — and is attempting to tell the DHA's who are still insisting on inserting 'Fair Wages' clauses that they cannot do so (though, once again the NHS unions have published legal advice that these instructions carry no force). Some DHA's are nevertheless still defying the government and insisting on fair pay (see table 8).

Table 8

Authorities insisting on applying Fair wages clauses as at 1.1.85

Pontefract	Portsmouth
Rotherham	South Birmingham
Sheffield	South Warwickshire
Brent	Wolverhampton
Hastings	Macclesfield
Northampton	Warrington
Bristol	Blackburn
Central Birmingham	Blackpool and Fylde
East Birmingham	Burnley
Kidderminster	Lancaster
North Birmingham	Grimsby
Shropshire	Hull
	North Manchester
	Nottingham

"Contractors have discovered great scope for making savings by rationalising pensions, conditions of service, like sick pay, off the job training courses, overtime bonus payments, and holiday pay...contractors control the use of labour tightly: there are no half hour breaks for every 3½ hours worked.... workers can only leave with full pay when the job is finished. The unions call this type of working practice slave driving. The contractors call it efficiency... The conditions of service are estimated to be worth about 29% of the NHS total wage bill. The potential savings for a contractor are considerable."

("High Noon in the NHS" Tory Reform Group (1984) pp 44-45)

Contractors in hospitals: reports from the front line

Mediclean, a subsidiary of the multinational **Hawley group**, started a domestic services contract at **St. Helier** hospital in Merton on 13 January 1985. They had no previous experience of cleaning NHS hospitals except for one small 7 bed dental day-ward. The contract manager had no experience of hospitals, and was hired from Fisons Chemicals (Mediclean's manager on another contract at Hammersmith hospital, has no NHS experience either, coming from Walls Meat). One woman who worked for Mediclean at the start of the St. Helier contract wrote of her experience:

"On Saturday January 19th I began work with Mediclean...
I was hired with no reference checks and no health checks...
I reported for work at 9am was taken to a maternity ward by 9.15 and was left there with a woman who had not worked on a ward before. No one told us what to do, where to find the equipment or what the system was. The woman I was working with was on from 7am to 8pm. She was due for a break at 10 but did not have time. She was afraid to take her break later for fear of being fired if they saw her sitting down.

On Monday I again reported to work and was sent to the same ward. Midmorning I was abruptly moved to another ward which I was told by the Assistant manager needed an extra worker because there was an infection. The colour coding system of cleaning buckets, cloths and mops had not been mentioned before this and I was only told about it on the way to the infected ward. When we got down there the cleaners were using the buckets and cloths meant to be used in the toilet in the infected patient area. No one had told them about the colour coding system. The supervisor removed the toilet bucket from the ward area quickly in order that the cross infection officer who was on the ward would not 'blame the cleaners'. She said "they haven't said it to us, but cleaners are always the first to get the blame for infections", as she quickly removed a filthy mop head which had been left there since the previous night." (statement by Andrea Campbell issued 22.1.85 by *Merton Resource Centre*).

Crothall's were given a contract to clean the **Papworth** hospital in Cambridgeshire in 1984. They made the usual cuts in cleaning staff and standards.

A report on this contract in *Nursing Times* (9.1.85) shows how the firm gets away with these cuts by shifting the burden onto nurses. Nurses at Papworth Hospital now have to:

- make patients tea at 6am and collect the cups afterwards;
- collect cups after evening tea (because domestics now provide only 12 hours rather than 24 hour cover);
- do one of the cleaning shifts of the sterilised "bubble" rooms;
- wash up crockery in ICU area.

In addition, management has expressed dissatisfaction at Crothall's standard of cleaning in the sterilised rooms and cleaning staff are not being properly trained.

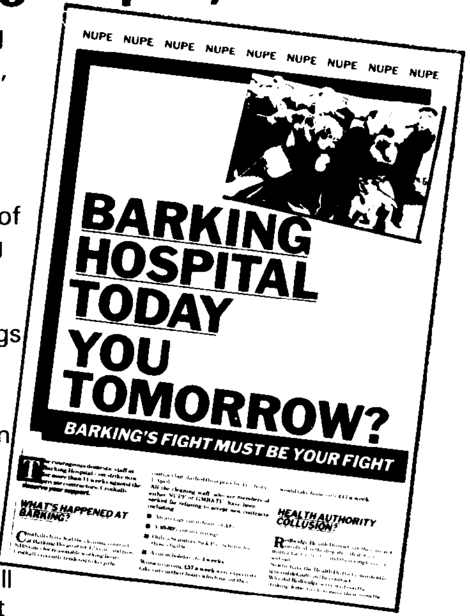
Toilets have been left uncleaned — as at Barking Hospital — and in one case liquid from a broken syringe was left on the floor for four days.

Cleaning in the nurses' homes has been cut dramatically (30 hours to 26) and there have been a number of complaints already.

Crothall and Barking hospital, London

Barking hospital in east London had never been cleaned by direct labour, but by a succession of contractors. **Crothall and Co** won the contract when it went out to tender at the beginning of 1984, but on a bid which involved cutting the number of cleaners' hours by 41%, introducing an impossible shift rota, abolishing sick pay, and cutting holiday entitlements. Cleaners' average earnings would have been cut from £87 per week to £47.

In March 1984, the cleaners went on strike, refusing to work on such terms, and refusing to accept that the hospitals could be cleaned properly on such a basis. 11 months later, in February 1985 they were still on strike, mounting a 24-hour picket line, 100% solid.



Crothall has used scab labour to operate the contract, but persistent public monitoring exposed the appalling conditions they were creating. Three successive inspections — by an independent hygienist, the Community Health Council (CHC), and the local council condemned the contractors for the state of the hospital: "ingrained dirt and grease on the floor", "dirty and unhygienic WC pans and wash hand basins" among other features (see *Labour Research* June and July 1984). A young mother reported with horror that she had "found her two-day old baby Laura's cot matress 'crawling alive' with ants and cockroaches... she said... 'The time I spent in the hospital was a nightmare — the cots and wards were very filthy — I used to go round with a bucket and mop myself" (*Barking and Dagenham Post* 13.6.84).

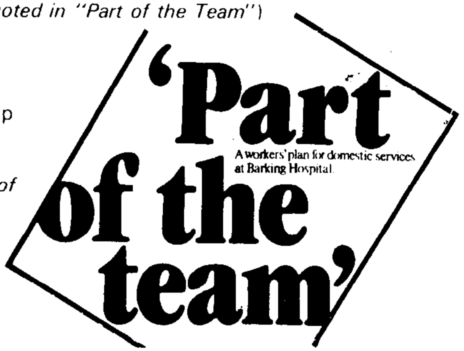
'Cockroaches crawl on hospital babes'

At the start of 1985, the DHA had to make a decision on the contract, which was due to expire in April 1985 after 1 year. The strikers forced them to face all the issues, by publishing an alternative plan for cleaning the hospital, called *"Part of the Team"*. It is based on detailed descriptions from most of the strikers of exactly what their jobs involved before the new contract, and the time it took. It showed vividly that the cleaning work needed all the time allowed **before** Crothall cut the hours by 41%, and still the work was often only done by the commitment of cleaners working in their own time to do the job properly. For the first time, cleaners themselves were telling the DHA exactly what this crucial job involved, and showing that it could not just be treated as an easy way of making cuts. The report was backed up with a detailed analysis of the scientific basis for the need for proper cleaning standards in hospitals, and of the standards laid down by the DHSS itself. The plan demanded that for the first time the DHA should take responsibility for cleaning the hospital itself, by direct labour, and draw up a cleaning service based on discussion with all health workers of what was needed.

> "21 of the 24 domestics reporting on their work said that they did not have sufficient time to do their work adequately. 2 had only "just enough" time; and one said it "depends". This was before the hours were cut by 41% under the contract which commenced in April 1984.
>
> 6 of the day workers and 5 of the evening workers said that they worked in their own time (missing breaks, shorter meal breaks, working late) in order to complete a task. Only 10 said that they did not do work in their own time (and some of these in fact often missed tea)."(from *"Part of the Team"*)

"On geriatric and surgical wards, (where patients are receiving enemas) we would often clean the toilets five or six times a day; sometimes almost following the nursing staff up the wards with some patients. Now under the new contracts we are only to clean the toilets once a day at 2pm. Apart from the obvious consequences surely this represents a possible infection risk to both patients and staff" (domestic at Barking, quoted in "Part of the Team")

"9.00: clean childrens room, hoover, put toys back in boxes and mop, wipe tables and chairs. I had to have my friend to help me do this as there was not enough time to do this on my own." (part of job description by Barking domestic in *"Part of the Team"*).



"Part of the Team a workers' plan for domestic services at Barking Hospital" is available from Barking Health Emergency, 14 Porters Avenue, Dagenham, Essex RM8 2AQ. Price £4.

OCS hospital services and Addenbrookes Hospital, Cambridge

When Addenbrookes Hospital in Cambridge put their cleaning contract out to tender it was awarded to **OCS Hospital Services Ltd.** This firm had put in a cheaper bid than the "inhouse tender" — but its record of NHS cleaning was never properly examined by the Cambridge DHA. OCS Hospital Services Ltd. had never cleaned an NHS hospital — the firm was only created in December 1983 by the office cleaning combine OCS Group Ltd., just to try and impress potential customers in the lucrative hospital field.

The subsidiary was a recent invention: but the main company had a past record of being sacked from NHS hospitals for bad performance and excessive cost. They were sacked by **Amersham General Hospital** in 1978 because they were more expensive than inhouse direct labour for a given standard of service, and because "the level of service and the standard of cleaning are not adequate". (*Bucks AHA report*, March 1977) They had also been sacked by **Westminster Hospital** (London) and the **Middlesex Hospital Medical School** (London) for their poor performance; and had lost all the other hospital contracts they had ever held in the NHS for domestic services. The Cambridge DHA, however, went ahead and appointed this firm. OCS' tender halved the hours spent on cleaning most wards, eliminated bonus payments, pension rights and sick pay, and cut holiday entitlement.

Their performance has been a consistent and public disaster. Domestic workers went on strike rather than accept such conditions, and the firm has been using untrained labour, including illegal child labour: OCS admitted using 14-year-olds illegally after a TV programme interviewed children who admitted working for OCS and stated that they had never been asked for their age, let alone their national insurance numbers. (BBC2 *"Brass Tacks"*, broadcast 16.1.85) The standards of work have been appalling. Persistent monitoring by the local Community Health Council has focussed constant public attention on filthy conditions under OCS' work, forced DHA officials to concede repeatedly that the work is not being done satisfactorily, and obliged the DHA itself to review the contract and publicly insist on talks with the parent company of the OCS group about calling in their financial guarantee of fulfilling the terms of the contract.

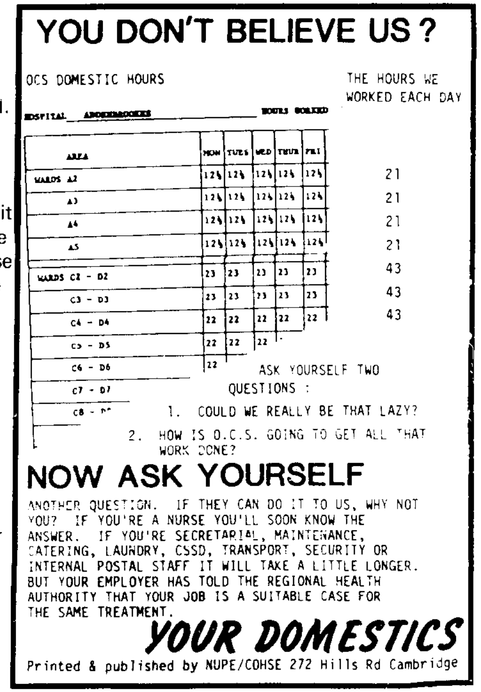
"amiable agreement by your managers that things are wrong is an inadequate substitute for decisive action and is beginning to cause our local management to doubt whether there really is an ability to correct these shortcomings" (letter from Cambridge DHA to OCS dated 22.1.84, quoted in *Health and Social Services Journal* 13.12.84)

Persistent picketing and leafletting of hospital wokers has also ensured widespread support within the hospital, and both nurses and doctors have spoken out in criticism of the firm. And one leading doctor, Professor John Davis, resigned his seat on the DHA as a result of the dispute. In his letter of resignation he wrote:

"My immediate occasion for taking this step is the so called "privatisation" of the hospital cleaning services and the terms of the contract that we have accepted.

You will recollect that when privatisation was first proposed I expressed the view that for the hospital to be run in the spirit that it should be for the patients' sake, we ought to be concerned that all those working in it, and particularly those with direct contact with patients, should enjoy terms of service that would enable them to focus their main concern on the well being of the public rather than their own.

I believe that to save money by further separating the staus of the professional from that of the ancillary staff would not serve this end if it means employing the latter as semi-casual labour. Certainly on my wards we value very highly the responsible and loyal work of our cleaners and the personal help that they often give to our patients and their patients.



YOU DON'T BELIEVE US ?

OCS DOMESTIC HOURS

HOSPITAL ADDENBROOKES — HOURS WORKED

AREA	MON	TUES	WED	THUR	FRI	THE HOURS WE WORKED EACH DAY
WARDS A2	12½	12½	12½	12½	12½	21
A3	12½	12½	12½	12½	12½	21
A4	12½	12½	12½	12½	12½	21
A5	12½	12½	12½	12½	12½	21
WARDS C2 - D2	23	23	23	23	23	43
C3 - D3	23	23	23	23	23	43
C4 - D4	22	22	22	22	22	43
C5 - D5	22	22	22			
C6 - D6	22					
C7 - D7						
C8 - D8						

ASK YOURSELF TWO QUESTIONS :

1. COULD WE REALLY BE THAT LAZY?
2. HOW IS O.C.S. GOING TO GET ALL THAT WORK DONE?

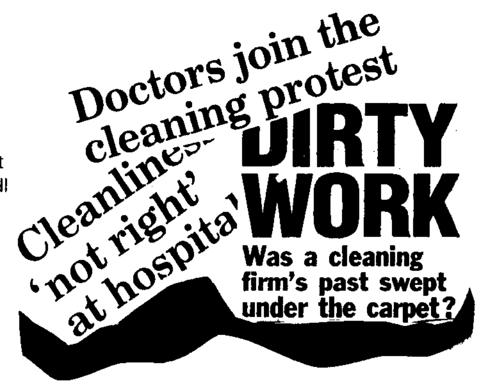
NOW ASK YOURSELF

ANOTHER QUESTION. IF THEY CAN DO IT TO US, WHY NOT YOU? IF YOU'RE A NURSE YOU'LL SOON KNOW THE ANSWER. IF YOU'RE SECRETARIAL, MAINTENANCE, CATERING, LAUNDRY, CSSD, TRANSPORT, SECURITY OR INTERNAL POSTAL STAFF IT WILL TAKE A LITTLE LONGER. BUT YOUR EMPLOYER HAS TOLD THE REGIONAL HEALTH AUTHORITY THAT YOUR JOB IS A SUITABLE CASE FOR THE SAME TREATMENT.

YOUR DOMESTICS

Printed & published by NUPE/COHSE 272 Hills Rd Cambridge

Partly through my own failure to give enough time and effort to understanding the implications of the contract we have accepted, which I trusted our officers to intepret for the authority, it would appear that we are about to do something with which I do not want to be associated and which may well result in our losing the services or the loyalty of some very valuable members of our ward staff...'
If we are not prepared to pay the economic price for acting morally we may end up by paying the moral price for acting economically.
(*Cambridge Evening News* 25.10.84)



Critical appraisals

Most Conservative politicians like to believe that hospital ancillary work, like cleaning, can just be put out to tender, and the lowest bidder gets the job. Many DHAs have acted in accordance with this assumption: they have failed to investigate the past record of the companies (as in the case of Cambridge DHA), or failed to specify the work needed to do the contract properly (as at Barking Hospital), or failed to take proper account of the inadequacies of the tenders submitted by contractors — like West Berkshire DHA, which accepted a tender which did not provide sufficient resources to do the job (*Public Service Action* No.8, June 1984).

Where DHAs do carry out such minimum investigations, the appraisal invariably throws up alarming evidence that the contractors are unable to do a decent job, and the result has been the retention of work inhouse. Examples are the reports being done by administrators at **Merton** on tenders for domestic services at Nelson hospital, and at **Powys**, on tenders for domestic services at Machynlleth hospitals and health centres.

The report by Merton DHA was presented to the authority in December 1983. It contained "a careful analysis of the tenders submitted,.....considered under the following headings: 1. The costs of providing the service; 2. The hours allocated; 3. Rates and conditions of service; 4. The results of visits to other establishments where those contractors invited to tender are currently operating". The analysis of costs pointed out that some tenders quoted hours and costs which were deemed incompatible, and that some tenders seemed to be 'loss leaders'. The analysis of hours pointed to the

absence of any allowances specified in any of the tenders for cover for absence and holidays, and questioned the allocation of hours made by all four firms concluding "...there is some concern, therefore, as to whether the standards required by the specification can be met. If they cannot, obviously the standards could fall considerably". The visits to other hospitals showed that with **Exclusive** "the standard of cleaning provided to the Page Street Wing, Westminster Hospital, was felt to be extremely poor. On the basis of these standards it is felt that serious consideration should be given to not including this company in future requests for tenders." Of **Initial**, that "The service provided by this company at Bethlem hospital...was poor". Of **OCS** and **Hospital Hygiene's** contract with military hospitals they felt that standards were satisfactory, but pointed out a number of differences between military and NHS hospitals, including the considerable management time allocated to monitoring the performance of contractors by military hospitals. The paper concluded that the work should remain inhouse,and summarised its conclusions on the various firms as follows:

1. Exclusive Health Care Services

Whilst with the exception of the inhouse tender Exclusive allocate more hours than any of the other tenderers, it is felt that on this basis of the standards observed at the hospital visited, that this company would not be able to fulfil the requirements of the contract.

2. Hospital Hygiene Services

The figures quoted by this tenderer appear to be suspect in that they are either presenting a tender which is a loss leader or they have missed certain elements out of their tender. If this is the case, the possibility of their maintaining the standards required must be suspect.

3. OCS Hospital Service

OCS have provided more information than the other contractors, however the tender documentation is not properly completed and is therefore contrary to HC(83)18. Also the hours quoted for cleaning wards and clinical areas are so far below some of the other tenderers that their ability to deliver the service in accordance with the contract terms must be suspect.

4. ISC Health Care Services

Although they have not provided full details, from the details provided and from the visit to Bethlem Hospital it would appear that ISC provide rather better terms and conditions to their staff than other outside contractors. However, the hours they have allocated to certain areas, particularly the ward areas, are extremely low and on one ward represent about one third of the hours allocated by two other tenderers. This must therefore bring into question their ability to comply with the specification and their knowledge of the demands of this type of work. In terms of the visit made, whilst their standards are not as poor as those of the first tenderer described, they are still quite poor and would not be acceptable in the terms of this contract.

The report by Powys DHA was considered by the authority in

November 1984. The assessment of tenders was introduced by a clear statement of the work needed to carry out the job:

"The workload for the domestic staff at Machynlleth Hospitals and Health Centre has been accurately measured using techniques and data in common use throughout the Health Service...
The measured workload at the Machynlleth Group is 278.28 Standard Hours, 31% is patient related, 35% is furniture or equipment cleaning and 33% is floor cleaning."

All tenders were analysed against this standard. Two were rejected because they were more expensive than inhouse labour; three others (**Crothall, Hospital Hygiene,** and **Reckitt**) were rejected:

"for a variety of reasons, including lack of absence cover; an unacceptably high work performance ie a performance which could not be attained and **sustained** for the periods necessary; failure to return all the information required in accordance with the terms and conditions of service of the specification; bad records of industrial relations with other health authorities."

Initial were rejected for similar reasons:

"Their history of cleaning in the hospital environment is limited for a few months' experience only; the work performance expected of the staff under the conditions imposed by the tenderer was unacceptable. Failure of the staff to achieve this performance would result in tasks not being completed and hospital areas not cleaned to the requirements of the specification; insufficient absence cover had been allowed for in the cost statement and this would result in further non-compliance with the requirements of the specification."

Exclusive were ruled out because:

"Certain information and documentation as stated in the terms and conditions of the contract were not returned with the tender. This was said to be a typist's error, for which the managers apparently accepted no blame. This lack of information made it impossible to evaluate certain facts at the adjudication; adequate absence cover had not been allowed for in the cost statement; a discrepancy of 40 hours was revealed between the workload as calculated by the tenderer and the rotas submitted for which no satisfactory explanation could be given; generally the tenderer did not inspire confidence in his ability to fulfil the tender requirements to the satisfaction of the panel. He admitted that a contract for health service domestic services held by a sister company belonging to the same group had been withdrawn aftern unsatisfactory service."

The final remaining firm, **Mediclean**, were considered against the inhouse tender and rejected. It was noted that:

This tenderer started its first hospital cleaning contract in April of this year. Their experience is therefore very limited and it is not possible to assess their performance.

Moreover, when account was taken of additional costs arising from contracting out — including redundancy and monitoring costs — the firm's tender was more expensive than the inhouse service.

Catering

The attempt to privatise the provision of hospital meals is proving an embarrassing disaster. Before this government called on health authorities to put catering out to tender, there was only **one** hospital in Britain which used a contractor to provide meals — the **Maudsley and Bethlem Hospitals** in south London. But the firm they used, **Gardner Merchant**, the only firm with any experience of NHS catering, has pulled out of the contract, and has declared that it will not tender for any NHS contracts for the foreseeable future.

They argued that the system of fixed-price tendering used by the government "is a price or cost-driven operation which does not pay sufficient regard to the interests of patients" (*Labour Research*, October 1984), and that cutting pay and conditions "will not only make it harder to get good staff but will spark confrontation" (*Sunday Times* 23.9.84).

Other catering firms have also withdrawn from tendering for NHS contracts once they see the detailed specifications of what is required. When Merton DHA put catering out to tender, all four firms shortlisted declined to put in a bid, and so the service remained inhouse. (*Labour Research* October 1984) The same thing happened in Cambridge: once the three companies involved saw the specifications, they all withdrew. (*Cambridge Evening News* 23.1.85)

By the end of 1984 only two hospital contracts were out to commercial operators: the one at Maudsley that Gardner Merchant had withdrawn from, and one at nearby Orpington hospital. The firm that took on both contracts worth a total of £3.5 million, was **Spinney's.** This firm did not exist before April 1983, when it was set up just to try and get in on the expected catering bonanza. It had no NHS catering experience previously. It is a subsidiary of **Steel Brothers,** which is 41% owned hv a subsidiary of **British and Commonwealth Shipping** — the biggest single donor to the Tory party, giving £94,050 in 1983. (*Labour Research* December 1984).

Privatising Buses

Privatisation of the public sector bus industry and allowing the free market to determine levels of service and fares are the key points of Tory bus policy.

The *Transport Bill* published on 31 January 1985 is the latest in a long line of Tory transport proposals aimed at selling off the public sector transport industry, and introducing competition into public transport services. The government has produced no evidence at all that the private bus industry is capable or even anxious to take over a significant proportion of the local bus network. In fact the latest research findings produced by the Department of Transport's own Transport and Road Research Laboratory (TRRL Report 1131) far from making the case for private operators, and the free market, points to their failures.

TRRL investigated the state of bus services in a part of Devon, a part of Norfolk, and a part of Hereford and Worcester county including the town of Hereford itself. All three areas had been designated 'trial areas' under the Tories' *1980 Transport Act.* Within these three districts any bus operator was allowed to run local bus services without the usual regulations enforced by the Traffic Commissioners, (specifically designed to prevent wasteful competition.) Within all three areas the vast majority of local bus services had traditionally been run by the local subsidiary of the public sector **National Bus Company** (NBC).

The only non-rural area of the three was the actual town of **Hereford.** Here the NCB company, Midland Red, faced competition on its profitable town routes. Its first competitor lost his PSV operator's licence, due to poor safety standards. Anyway according to TRRL the operator's services had become unreliable, and the company became "financially overburdened."

Three further operators however appeared, providing intense competition with Midland Red services. A fares war ensued, with operators competing for passengers at the same time at the same bus stop. Traffic chaos was the inevitable result. TRRL report that "demand for bus travel in Hereford had increased as a result of this competition, but apparently not enough to support all the additional buses, especially at the current low fares.... The present situation appears to be unstable and the financial outcome is uncertain." In short the private firms are not covering their costs and clearly cannot remain in business indefinitely. Midland Red will be left to pick up the pieces after they pull out.

In **Devon,** the NBC company, Devon General, made a number of

minor alterations to their services, and private operators introduced a number of non-competitive services. TRRL report: "None of these changes however depended on deregulation." Similarly in **Norfolk** TRRL state that "after the trial area came into effect there was little change in bus services that could be attributed to deregulation." The message is quite clear — competition will not increase rural bus services. There is simply no money to be made running buses in rural areas. The quality and frequency of rural buses depends on the amount of subsidy given to the services by the local authority.

In Hereford town, competition resulted in job losses and the total withdrawal of some bus services. Midland Red cut their Hereford bus fleet from 19 to 13 vehicles, and jobs were lost. The company also withdrew from running many unprofitable routes. These were of course never taken over by private operators. Cross-subsidisation of loss making routes, a vital part of bus financing policy was killed off by competition.

The dash for profits also lowered safety standards, with several operators forced to withdraw unsafe and badly maintained vehicles

> Three out of five buses used by a private firm in Hereford and Worcester — an area used by the government as a trial for its de-regulation proposals — were found to have defects to the brakes and steering and two were banned from the road by inspectors. Inspection of another company's vehicles showed they had defective brakes, steering and an incorrect mixture of cross-ply and radial tyres.
>
> *NALGO News*, 11.1.85.

In the *1985 Transport Bill,* nevertheless the Tories propose to extend this free for all to the whole country (except London). Added to this the Bill also proposes the selling off of the publicly owned bus industry. The National Bus Company, after it has been broken up into smaller units will be sold off. Its profitable coaching operation, 'National Travel' will no doubt be greatly sought after, leaving the remaining units suitable for probable management buy outs. The Passenger Transport Executives (PTEs) and municipal bus undertakings, presently directly controlled by local councils, will be split up, set up as independent companies, and deprived of public support.

Council services and contractors

Contracting out the work of councils has been the spearhead of the government's privatisation drive. The services given most attention have been refuse collection and street cleaning, and more recently school cleaning and catering, as well as the attempt to run down direct building organisations in favour of private contractors.

The programme is failing. A survey by the *Local Government Chronicle* (22.6.84) showed that only 18 councils out of 401 had privatised refuse collection since 1981, and the number of councils privatising any aspect of the work halved between 1983 and 1984. Widespread publicity over the problems created by contractors was having an impact, and signs of electoral losses being caused by privatisation (see page 36), contributed to this slow down. The big firms complained of the same effects: the annual report of **Pritchards**, one of the three big combines seeking to profit from the privatisation programme, (the others being **Brengreen** and **Hawley**) complained in 1984 of "hostile trade union and political reactions" and that councils were no longer so active in inviting tenders because they were waiting "to observe whether the standards could be maintained."

The programme is now being extended to try to pick up the lost momentum. School cleaning, looked at below, has been a new area of rich pickings for the firms, but a disaster in terms of standards and politics. The new bill on buses, also looked at on pages 30 — 31, seeks to impose contracting out of local transport to private contractors. Patrick Jenkin has announced that he will bring in legislation making it obligatory for councils to put refuse collection, street cleaning and other cleaning work out to tender.

Unclean streets

The record of the firms who have won refuse and street cleaning contracts is now notorious. Their treatment of workers — mass sackings, unsafe working practices, abysmal pay and conditions — has been exposed repeatedly in *Labour Research* and other publications. Their standards of work are similarly awful, and have resulted in fines and loss of contracts, even from Conservative councils. **Pritchards'** record in Wandsworth, South Oxfordshire and Bath; **Exclusive's** record in Southend, Milton Keynes and Eastbourne; **Taskmasters'** record in Sutton and Merton; **Wastecare's** record in Wandsworth, all emphasise the same lesson; workers and standards of service suffer.

One striking example worth recording in detail is the saga of **Exclusive's** contract to clean the streets in **Ealing**, west London. The firm were awarded the contract in October 1983, cutting the workforce by 20% compared with the previous direct labour service.

Their performance has even undercut their tender. In the first four weeks of the contract, they cleaned only 69% of the streets in Ealing. Residential streets fared even worse — only 38% of the job was done. The only explanation anyone could offer was the extra problems created by falling leaves, a result of autumn, which may not have been anticipated by Exclusive's management, even though it is an annual event. Even the Tory councillors who had extolled the virtues of private enterprise were shocked into supporting a motion that: "This council views with concern the standard of service and the large number of complaints provoked by Exclusive Cleansing Services Ltd..." (Ealing council meeting, 29.11.83) A year later, little had changed. The council's sub-committee on street cleansing expressed:

> "the council's concern about the poor level of service provided for the cleansing of residential areas and the fact that they should be required to give an assurance that they will improve their performance at the earliest opportunity in order to achieve the full level of service set out in the specification." (Meeting 1.10.84)

This comment was based on figures which showed that Exclusive had achieved between 33% and 69% of the specified service in residential streets over the first ten months of the contract, even after making 'allowances'.

Exclusive could only say that they had: "every intention of continuing to strive to achieve the successful operation of the contract". Funny they should say that: they said exactly the same, word for word, when the matter of their performance was raised two months previously, in August 1984 (sub-committee meeting, 14.8.84).

Exclusive had some constructive proposals for dealing with the problem — or at least, with their problem. They asked the council to pay them for work they did not do because they:

> "could not have reasonably foreseen the level of performance of staff initially employed who had to be replaced in the early weeks of the contract..."

The council did not agree. Exclusive have also tried explaining that there are areas where by virtue of:

> ...in some cases, the flagrant deposit of litter, ... (they are) unable to achieve the standard of cleanliness specified without the application of a level of manpower and plant resources which (they) consider to be unrealistic (committee meeting 26 June 1984).

By October, they were trying another tack. They were: "in the process of engaging additional labour" to cope with autumn leaves," and when the council had re-clarified their requirements they "anticipated further increases in both labour and vehicles" — at, presumably, the council's expense.

In other cleaning work, the contractors' record is embarrassingly bad. **Initial Cleansing Services** have been involved in two such disasters. The first was the job of cleaning the cattle market for **Gloucester City Council,** a contract which Initial took on in 1982. By early 1983, the environmental health officer threatened to close the market on health grounds, and Initial eventually lost the contract, commenting that, "The standards were very high, and we made every effort to meet them." (*Gloucester Citizen* 21.6.83) The contract went briefly to **Amalgamated Cleaning Services:** they were sacked when they demanded a 60% increase in the contract price to make it worth their while. The job finally reverted to direct labour.

Initial were sacked in November 1984 by another council, **Shepway** (in Kent), when it totally failed to fulfill a contract to catch rats. The firm lasted four months, their performance was denounced by council officials and by a leading councillor who said: "We went for the cheapest and quite frankly it wasn't adequate." *(Folkestone and Hythe Herald,* 14.12.84).

Council ditches rat control firm

A FIRM employed to handle pest control following an outbreak of rats has been ditched by the council.

Initial Service Cleaners won the contract in July when it offered the lowest tender to Shepway District Council. Previously the job was done by Rentokill.

by Alison Bland

But Chief Health and Housing Officer Andrew Barchi said Initial had been negligent and rats had still been a problem.

Initial had its five-year contract terminated in October and Rentokill stepped in to keep the district free of vermin until a new contractor could be found.

Members agreed to put the job out for tender and employ a new firm from April 1. Rentokill would carry on until then. "I am sorry to have to report this to members," said Mr Barchi.

"The contractors have frankly not been carrying out the contract satisfactorily and this resulted in an outbreak."

Chairman Councillor Jeannette Apps said the council had made a mistake.

"We went for the cheapest and quite frankly it wasn't adequate.

Schools

Councils who have tried using contractors for cleaning schools have found the decision to be a disastrous mistake. The schools have become filthy — and Tory councils have found that local people react by voting them out of office.

In 1983, **Birmingham Council** was controlled by Conservatives who were committed to privatisation. They hired **ISS Servisystem,** a subsidiary of a Danish multinational, to replace direct labour and clean the 50 secondary schools in the city. 686 cleaners were made redundant, wages were cut from £2.24 per hour to £1.71 per hour, and other conditions were slashed. Complaints about the standards of cleaning began flooding into the council within weeks of the contract starting, and the firm were fined repeatedly for failing to meet even the council's expectations. In the May 1984 council elections, the Conservatives lost control to Labour, and ISS dropped out of the contract from September 1984 — paying Birmingham £150,000 compensation and returning equipment.

Norfolk County Council also experimented with ISS in the same year, giving them a trial run at two schools. Complaints came from head teachers and school governors of dirt, dust, and 'persistent corner-cutting' — and ISS were sacked and replaced by direct labour in 1984. *(Public Service Action* No. 9, August 1984)

In **Dudley,** the Conservatives who controlled the council also brought in contractors to clean schools and colleges in 1983. The schools were split between three different firms: **Taskmasters** (now a subsidiary of the Hawley Group), **Office Cleaning Services Ltd** (OCS), and **Initial Cleaning Services.** A deluge of complaints followed, and two surveys carried out by the local **National Union of Teachers** showed that "privatisation has been a disastrous failure, leaving appalling standards of hygiene and cleanliness in many schools ...": one primary school reported, "We have to contend not only with filth but also an almost permanent smoglike atmosphere of dust and toilet smells lingering in the corridors". *(Guardian,* 7.3.84) Taskmasters were fined £60,000 for poor work, despite taking on more staff than they had originally tendered for. In May 1984 the Conservatives lost control of Dudley Council too, the state of the schools being a prominent election issue. The new council insisted on higher standards, and in November OCS annouced they were pulling out of the contract and advised Dudley Council "that it might be sensible to take the school cleaning back from contractors to direct labour." *(Wolverhampton Express and Star* 8.11.84) The other two contractors have also been given notice that the council will end their contracts from July 1984. The same tale was played out in Dudley's colleges, where the Conservatives had given work to **Ex-**

clusive Cleaning (owned by Brengreen): totally unsatisfactory work led the council to tell the firm to deliver the job or pack up — Exclusive said that they were not prepared to do the job properly unless the price was increased by 100%, and left.

Cambridgeshire County Council also joined the bandwagon in 1983, contracting out school cleaning to three firms: **Initial, Taskmasters,** and **Pall Mall Cleaning Group Ltd** (owned by Sunlight Services Group). Complaints about standards have been streaming in ever since: 6 classrooms in one school in Peterborough had to be closed because Pall Mall had left them so filthy, Initial left 40% of the work undone at another school, and a survey by the Cambridgeshire Inter-Parent Teacher Association showed that 45% of schools felt the cleaning standards were unacceptable. In November 1984, well over a year after the contracts began, a confidential report by council officials admitted that:

> "It is clear that the contractor's concept of school cleaning was based more on their traditional areas of work — such as office cleaning — rather than on a practical appreciation of school cleaning. In many cases the expected level of productivity has not been achieved and additional staffing hours have been allocated by the contractors. The professionalism expected from some contractors in terms of the deployment of modern cleaning methods, techniques and equipment and the expertise of their supervisory staff has been in some instances disappointing ... (staff employed by contractors are) generally less committed to their schools than the previous council-employed cleaners". (*Cambridge Evening News* 7.11.84)

The Conservatives are now getting anxious about the local elections due in May 1985, as their majority could easily be reversed by a wave of reaction against the filth in local schools.

Kent County Council have also started using contractors to clean nearly 500 out of 820 schools in the county from June 1984. Four firms are involved: **Automagic Ltd; Andmark Ltd; Cleaners Ltd** (a subsidiary of Pritchards); and **Provincial Cleaning Ltd** (another Hawley group subsidiary). Standards were a problem from the outset with headmasters "very disturbed" over the whole business. Standards in Canterbury in particular were so bad that in November 1984 the county sacked **Provincial.** Schools in Gravesend and Dartford have been in such an appalling condition that school governors have considered closing them — **Cleaners Ltd** is the firm responsible there. Kent Conservatives are now worried that this disaster in the schools, along with their other threats to privatise services (see below) could come close to losing them their huge majority at the elections in May 1985.

The other council to have used contractors to clean schools is the London borough of **Merton.** In September 1983 they brought in **Academy Cleaning** to their schools: at the beginning of December,

following a flood of complaints and a survey by the NUT which detailed appalling work practices, the firm were sacked (they have since gone into liquidation). The council then hired another contractor, at an extra cost of £175,000 — **Provincial Cleaning Services Ltd** (see above). The problems with standards have continued, with head teachers and governors complaining of filthy conditions; the headmistress of one school threatened to close classrooms and send staff home in April 1984 unless there was a lasting improvement in conditions.

Privatising the government

In the government's own part of the public sector, the civil service, the drive to privatise has continued. It includes contracting out work done by civil servants — most notably cleaning — and selling off potentially profitable parts of government departments, like the Royal Ordnance Factories or the land of the Forestry Commission. The principal impact is on the jobs and working conditions of government workers, and on the loss of public control over key services and resources. But even here, the fightback against privatisation has led to a number of defeats for the government's plans.

A significant part of the 100,000 jobs cut from the civil service between 1979 and 1984 were lost through privatisation: over 14,000 between 1980 and 1983 alone, according to the Treasury. A Treasury letter in January 1983 emphasised the government's commitment to further privatisation, by reminding all government departments that, "The government's privatisation programme is reviewed collectively by Ministers at 6-monthy intervals." At the end of 1983, the government announced a target of cutting a further 37,500 jobs by 1988, and specified that half of these cuts would be achieved by privatisation.

These cuts fall most heavily on lower paid government workers, such as the building workers previously employed by the **Property Services Agency** (PSA), or the cleaners of government buildings. Contractors are making even greater cuts in the pay and conditions of the workers they do employ: in fifteen months from the ending of their obligation to pay fair wages, in September 1983, wage rates paid by contract cleaners fell by as much as 30% to as low as £1.40 per hour (see below). Other conditions are also victims of privatisation. The most striking element is the loss of pension rights associated with the transfer of work to private control: the 19,000 workers in **Royal Ordnance Factories**, which are due to be sold off from 1986 onwards, have already been faced by a government proposal to end their right to a pension which keeps its real value, although firm union reaction has forced the government to revise their plans.

The range of government services threatened is astonishing. Current threats include plans to privatise:

Artificial Limb Appliance Centres — the major service is supplying free wheelchairs. A government review is now considering whether to hand this over to a private firm, such as **Boots.** Since such firms are already in the business of selling 'de luxe' wheelchairs, they would have a vested interest in running down the free state supply.

Ministry of Defence payroll — a report by consultants Coopers and Lybrand suggests the possiblity of contracting out the whole payroll operation of the ministry of defence to a private firm, probably a computer firm, since the plan is linked to the replacement of the present computer system.

National Seed Development Organisation — the body which markets the results of Britain's agricultural research institutes. They have developed very valuable products (such as improvements in wheat yields which have made Britain a net exporter of grain for the first time in 200 years) under a coherent marketing strategy. Privatisation would mean private firms creaming off the profits of marketing the results without using the profitable results to subsidise other research.

Job Centres — in 1984 a report suggested that many job centres could be closed and replaced with self-service job points with VDUs in places such as building societies and supermarkets.

Pay and conditions

Cleaning firms with civil service contracts have leapt eagerly into action following the abolition of the *Fair Wages Resolution* (FWR) in September 1983. The FWR required government contractors to pay the negotiated rate for a job. The government did not just leave the firms to follow their own exploitative instincts, but effectively demanded pay cuts.

One firm, **ICC (Cleaning Services)** told its employees at **RAF Hereford** that year,

> "In September of this year Parliament withdrew the Fair Wages clause from all current as well as future government contracts and as a result the Ministry of Defence (MoD) informed us that from November 1 1983 all contractors (including ICC) were to be released from their obligation to pay their staff the NJC rates of pay and holiday entitlement.
>
> The MoD further informed us that from that date they expected us to pay our staff the rates of pay generally available in the private sector (which is well below the NJC rate) and pass on the savings to the MoD. Failure to achieve the required savings would result in our being given three months notice of termination of our contract.
>
> We have had long and difficult negotiations with the MoD in London and in order to keep the contract we have had to agree to a pay rate of £1.50 per hour (£58.50 for a basic week) for our staff, plus a reduction of holiday pay to two weeks a year, but effective from January 1 1984."

Other firms did the same: **Exclusive** for example cut their London rates from £2.12 to £1.80: **Northern Maintenance** scrapped **all** paid holidays.

Union organised workers, however, fought back. When Exclusive tried to cut cleaners conditions at the **Inland Revenue** at Llanishen,

— cutting pay rates from £1.71 to £1.60, holidays from 4 weeks to 2, and jobs from 60 to 48, the cleaners, who belonged to the **GMBATU**, went on strike. Full support was given from the office workers and postal workers, who refused to cross the picket line: and after 4 weeks the firm backed down and withdrew the pay cuts.

At the end of 1984 the firms embarked on another round of cutting pay and conditions still further. Exclusive told its employees at the Risley office of the **UK Atomic Energy Authority** that their wages would be cut to £1.50 per hour, with no paid holidays. **Cleaners Ltd**, part of the Pritchard Services Group, who have a contract at the **Department of National Savings** in Durham, cut everything on 1 November 1984: the number of jobs was reduced from 59 to 49, with the workers expected to do 19% more work; the pay rate cut from £1.80 per hour to £1.40; and paid holidays cut from 4 weeks after 1 year's service to 1 week, rising to 3 weeks for anyone unlucky enough to have been working for them for 5 years. A change of contractor at **DHSS offices** in Fleetwood brought in **CCA offices** and **Factory Cleaners** in December 1984: pay rates were cut from £1.70 to £1.45 per hour.

Again, there is resistance. When Exclusive cut pay rates from £1.60 to £1.52 per hour on its contract at the army base in **Camberley, Surrey** — and backdated the cut to 1 December 1984 — the 60 cleaners walked out on strike.

Fiddling on government premises

Cleaning firms frequently use a number of devices to minimise the cost to them of factors like National Insurance. Cleaners are invariably employed part-time for so few hours per week, for example, to avoid their earnings reaching the limit for liability for NI contributions. The government has found itself in the embarrassing position of using firms which resort to various dubious practices to avoid paying money to the government.

In the **House of Commons** itself, the cleaning contract is held by **Exclusive Cleaning.** In July 1983 the firm's regional manager, Mr Ted Cheeseman, was arrested for cashing 29 cheques made out in false names. Although Exclusive employed about 50 people on the contract, wages were paid out to 85 different names: a lot of employees were paid partly under false names, to avoid both national insurance and income tax payments. By this means, the government was being used to subsidise the rock bottom wages paid by the firm. Although the papers on the case were passed to the Inland Revenue in October 1983, by January 1985 there had still been no prosecution of the firm. The managing director of Exclusive Cleaning, Mr R D

Pope, was reported to have commented, "In relation to what you say about the House of Commons, I am absolutely staggered." (*Daily Mirror*, 17.1.85)

He shouldn't have been. In 1981, another firm **Home Counties Cleaning**, was exposed for operating exactly the same practice, on a contract for the **Ministry of Defence** in Bath. By the following year, Home Counties were in tax trouble again, this time being pursued by Customs and Excise for the payment of £800,000 in VAT that it had not paid. Yet Home Counties continued to get government contracts — including the job of cleaning the Customs and Excise VAT Headquarters building in Southend.

Government backs off

The government have withdrawn a number of privatisation proposals in the face of vigorous campaigning and action by the trade unions. Plans to privatise the mapping services of the **Ordnance Survey** were dropped after a public campaign which mobilised opposition from bodies such as the Royal Geographical Society and the Council for the Protection of Rural England.

Heavy Goods Vehicle Testing Stations (HGVTS) were another government candidate for hiving off to the public sector — but again, a vigorous public campaign pointed to the alarming dangers if the roadworthiness of lorries was decided by private firms. And the government finally gave up when its revised plan, to hand it all over to **Lloyds Register**, foundered because the costs of the plan would be far higher than keeping the HGVTS in the civil service.

Another government defeat was over the plans to sell off the **Companies Registration Office** (CRO), which holds information on every company in Britain. The plan would have meant a private agency having a monopoly on supplying and charging for the information on companies, and another public campaign, involving contingency plans for industrial action and non-cooperation, aroused strong hostility to the plan, which was finally dropped.

Some plans to bring in contractors have also been defeated. A proposal to scrap a **Department of Trade and Industry typing pool** at Eastcote, and farm out the work to typing agencies, was defeated by firm union opposition. Another retreat was over the government's astonishing proposals to replace **Ministry of Defence** police with private security firms at the Royal Ordnance Factories, which were strongly condemned by the House of Commons Select Committee on Defence. A similar victory was won at the **Welsh Office**, which had hired a private security firm for its new offices in 1980. Following a union campaign which included other civil servants banning co-operation with the contractors, the Welsh Office gave in, sacked the firm, and replaced them with direct labour in 1983.

Another victory against contractors was won at the **Inland Revenue's** sorting office at Kew. The plan to hand over the sorting of all the Inland Revenue's confidential mail to private firms brought an instant response in the shape of a one-day strike at Kew, followed by other protests. The government withdrew: but the price they exacted was to cut 68 jobs out of 220.

Regardless of cost

The government likes to give the impression that privatisation means getting work done more cheaply by introducing the competitive edge of private enterprise. This is nonsense — and the government itself has pushed ahead with scrapping direct labour and handing out contracts for 'professional services' to private firms when their own figures show that this is more expensive.

The first example is design work on government buildings, for which the **Property Services Agency** (PSA) is responsible. The PSA employed 2,500 staff on design work in 1981, when the government announced its commitment to reduce these to 1,600 as part of its drive to cut the number of civil servants. To achieve this, and to give private firms "a larger base workload derived from the home market on which they could base their export efforts" (minutes of meeting between unions and Secretary of State January 1981), work would be contracted out to building design consultants. Parliament was assured by Sir George Young in October 1981 that, "We are of course concerned to ensure that the transfer of work to consultants gives value for money."

But a report produced by the Treasury and PSA at the end of 1982 on the comparative costs of using direct labour or consultants on building design work showed the opposite. It showed that design work done by PSA staff in 1980-81 cost £47.4m, but would have cost £66.6m if farmed out to contractors. Even though the report leant over backwards to favour the government's position by making allowances for "a tendency to overstate' consultants' fees, or assuming that profit was 'partly a reward for risk", it still concluded that direct labour was 10% to 20% cheaper. Successive Secretaries of State for the Environment (Hesteltine, King and Jenkin) tried to keep this report secret from the time it was received in October 1982, until it was finally released in August 1983. By then, Sir George Young had changed his tune, and told one Tory MP in 1983 that it was "misleading to view the relative merits of inhouse and consultant design simply in terms of cost" (the precise opposite of what the government is telling health authorities).

Another example is the work of auditing the accounts of public authorities — notably health authorities and local councils. Until 1981 nearly all this was carried out by auditors who were civil servants directly employed by the government. But then the government decided that it wanted to give some of this lucrative work to private firms of accountants. In 1982 the government decided to give some contracts for auditing health authorities to private accountants as an "experiment." The unions representing civil servants whose jobs were threatened asked the DHSS what the comparative costs of using these firms was compared with the costs of direct labour. They received the reply that:

> "The tenders received were significantly more expensive than the costs of carrying out the work using Civil Service staff, and this will no doubt be taken into account in any overall assessment of the cost effectiveness of using commercial auditors. I should perhaps add that the tenders received were in the ranges which one could expect commercial accountancy firms to quote having regard to the extent of the work for which they were quoting." (letter from DHSS to civil service unions November 1982)

Not only are these private firms more expensive, their contracts are also posing problems of public accountability. One such contract has gone to **Ernst & Whinney**, who are on probation for 2 to 5 years, to audit **Cornwall DHA**. In March 1984, a public row blew up because the government ordered the DHA to use a private laundry firm even though direct labour was cheaper (see chapter 3). There was a public assurance from the National Audit Office that the auditor of the DHA would carry out a "rigorous, independent and impartial enquiry." *(Guardian* 23.3.84) Yet the auditors of the DHA are themselves in exactly the same position as the laundry firm, of holding a contract, despite being more expensive than direct labour, as a result of government policy: it is therefore difficult to see how they can be expected to be 'impartial' on such a matter.

Similar disregard for cost is apparent in the use of private firms to audit local councils, which has been a deliberate policy of the new Audit Commission. The audit work of the new commission and its agents has been significantly more expensive for local councils than the previous arrangements, which relied almost entirely on the old district audit service who were directly employed civil servants. The commission has fixed fees at the rate of £170 per person-day, which is based on "fee levels in the private sector."

Cleaning Contractors

There is a small group of firms which dominate the contract cleaning market. Their subsidiaries are involved in civil service offices, schools, street cleaning and refuse collection, hospital cleaning and other work. This table sets out the three main groups and their subsidiaries, so that the record of subsidiaries in one area —eg schools — can be matched with a bid by a subsidiary in another area eg hospitals.

Parent firm	Susidiaries	Main areas of work
Hawley Group	Mediclean	Hospitals
	Taskmasters	Refuse, streets
	Provincial Cleaning Services	Schools, offices
	Progressive Cl¢aning Services	Offices
Pritchard Services Group	Cleaners Ltd.	Offices, schools
	Lesters Health Care Services	Hospitals
	Crothall and Co.	Hospitals
	Pritchard Industrial Services	Refuse, streets
Brengreen Group	Exclusive Cleaning	Offices, schools
	Exclusive Cleansing	Refuse, streets
	Wastedrive	Refuse
	Exclusive Health Care Services	Hospitals

Further reading

This booklet has only been able to cover some aspects of what is happening over privatisation. Regular reports of latest developments are published in *Labour Research* (LRD's monthly magazine) and in *Public Service Action* (available from SCAT Publicataions, 27 Clerkenwell Close, London EC1: price £3.00 for annual subscription, 10 issues).

Useful information on the finances and record of most of the companies seeking NHS contracts is contained in a report *"Would you approve this lot?"*, available from Bryn Evans, NALGO, 7th Floor, Centre City, Birmingham B5 4JD, price £1.

A recent TUC booklet contains a useful compilation of various reports on experiences with contracting-out public services. *"Contractors Failures"*, available from TUC, Congress House, Great Russell Street, London WC1 price £2.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