

# PUBLIC SERVICE ACTION

Incorporating Community Action No. 44 February 1991

USGiant Enters Waste and Refuse Sector

## WASTE DEAL

Waste Management Inc. (WMI), one of the world's largest waste disposal and hazardous waste operators, has finally entered the waste disposal and refuse collection sector in Britain. It has set up a joint venture with Wessex Water, one of the ten regional water companies privatised in 1989. A new company, Wessex Waste Management, has been set up with £62.5m cash from WMI and a similar sum from Wessex Water. WMI has acquired a near 15% stake in Wessex Water (which operates in Avon, Dorset and Somerset).

Waste Management has a long history of Federal and State convictions for price fixing, bid rigging, illegal dumping, and toxic waste spillages. (see PSA No.s 2 and 22).

### SECOND ATTEMPT

This is not the first time WMI has had a presence in Britain. PSA first disclosed WMI's track record in 1983 when it set up a British subsidiary, UK Waste Management Ltd with an office in Victoria, London. It had previously operated from Pritchard Services Group offices with whom it jointly operated refuse contracts in the Middle East. It was invited to tender for the Liverpool contract in 1983 but eventually declined to do so. WMI decided to concentrate expansion in other

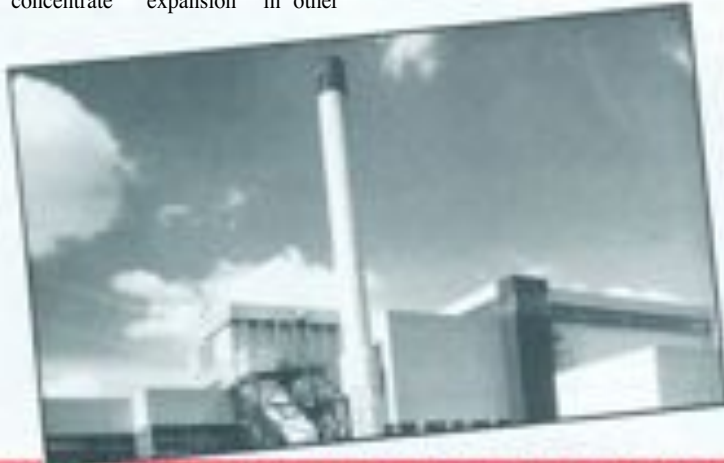
European countries. It now operates in Sweden, Denmark, Germany, Italy, Spain and the Netherlands. European turnover has increased rapidly from \$50m to over \$700m last year. Acquisitions in France are also planned. Wessex Waste Management intends to expand through acquisitions and joint ventures.

The US Waste Management Inc should not be confused with the much smaller Waste Management Ltd which is part of NFC pic, privatised in the early 1980s and the 'jewel in the crown' of worker share-ownership.

WMI operates through several main subsidiaries:

*Waste Management of North America* - operates residential, commercial and indus-

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### \$50m Settlement in Price Fixing Case

In November 1990, WMI reached a tentative settlement to pay \$19.5m for alleged price fixing and bid rigging for container refuse services in 13 cities. WMI is alleged to have conspired with Browning Ferris on a nationwide basis since 1978. Browning Ferris agreed to pay \$30.5m in a separate settlement.

This resulted in a dispute between the companies with BFI claiming that a 'joint deface agreement' specified that WMI would pay 52% of the costs and BFI the remainder based on the share of total revenue received by the companies. The action was brought by Cumberland Farms Inc., a store operator and other firms.

Both companies denied the charges. WMI said they had agreed to settle to avoid further civil exposure in those 13 markets.



trial collection and disposal in 43 states and three Canadian Provinces. Operates landfill sites, transfer stations and recycling.

*Chemical Waste Management* (78% owned by WMI) - hazardous waste management for chemical and low level radioactive waste.

*Waste Management Partners* - operating agreements with local waste collection companies.

*Waste Management International* - operates commercial waste services in Saudi Arabia, Argentina, Venezuela, Australia and New Zealand in addition to the European countries noted above.

*Urban Services* - lawn care, tree and shrub services and pest control to residential and commercial sectors.

*Wheelabrator* (55% stake) - manufactures incinerators.

## CORPORATE PRACTICE

WMI and its arch rival Browning Ferris Industries (BFI - see PSA No. 43) regularly settle federal, state and local law suits and environmental violations by paying fines but rarely admits nor denies guilt, often settling out of court. The fines merely become a cost of doing business. They also blame previous management and subsidiaries claiming that these do not represent the company as a whole. Both WMI and BFI spent the 1980s claiming that legal action represented 'old' practices, yet the court cases keep rolling on. The companies have tried to counter the adverse publicity by funding various environmental groups and entered the recycling business. WMI's Recycle America is being used as a loss leader and leverage into other waste activities.

## ACCOUNTING PRACTICES

WMI has so far sustained a fast growth rate averaging 20% annually. The company has also been criticised for its accounting practices. One analysis showed that WMI's profits would have been reduced by 12.5% in 1989 had it identified tax on a \$70.8m cash gain from partial sale of shares in Chemical

Waste, and its treatment of goodwill. Goodwill on WMI's books soared from \$582m to \$1,073m in the two years to March 1990 due to acquisitions and this is being amortized over the maximum permissible 40 years.

## TRACK RECORD

Between 1981-86 WMI paid an estimated \$31m in fines for environmental violations. Between 1984-88 WMI received 632 orders for different violations and 88 more concerning groundwater. Chemical Waste Management has been penalised for environmental violations in 13 states. However, with \$5.5bn annual turnover these are in effect small beer financially.

## ILLEGAL DUMPING

• WMI describe their Emelle, Alabama site as the 'Cadillac of Landfills' but the site has a long history of violations for illegal disposal of hazardous materials, dumping PCBs, contamination of groundwater, leaks of noxious clouds and so on. State and Environmental Protection Agency (EPA) fines between 1983-87 totalled \$1m. In 1990, further State fines of \$123,000 were imposed for five separate charges of disposing of wastes not permitted at the site.

• The EPA fined WMI \$4.5m in 1989 for improper operation of its South East Chicago hazardous waste incinerator. Half the fine was due to PCB waste drifting into the neighbouring low-income, black community, \$1.7m for keeping improper records, \$525,000 for burning PCBs when scrubbers were not working and \$250,000 for failing to stop burning PCBs when stack motors failed.

• Another WMI subsidiary, Chemical Waste Management, sold 6m gallons of 're-claimed oil' in the Midwest but failed to mention that the oil was blended with PCBs. The EPA fined the company \$2.5m.

• During 1983 WMI's subsidiary Chemical Waste Management accumulated 130 environmental violations leading to \$4m fines. In April 1990 it was fined a further \$363,000 for 11 major violations.

• WMI agreed to pay \$1m settlement for a clean up of its SW Ottawa County landfill.

## PRICE FIXING

• In 1990 WMI's Rochester, NY, subsidiary (Bestway Disposal Corp) paid \$100,000 to settle a law-suit brought by its customers for price fixing. The same company paid a \$250,000 fine in 1989 on federal anti-trust charges.

• WMI agreed to pay \$725,000 to settle charges of illegal market allocation by its South Florida subsidiary.

• WMI has received a \$1m federal fine for price fixing in Toledo, Ohio in 1987 and a further \$350,000 the following year for overcharging public and private bodies (details in PSA No. 43). In 1990 federal prosecutors announced further grand jury investigations were underway in Ohio for alleged bid-giving and price-fixing by Waste Management, Browning Ferris, Laidlaw (which owns 28% of Attwoods pic), and Johnson Disposal.

## COMMUNITY ACTION AGAINST WMI

Camden, Arkansas, residents are organising against a WMI landfill and fake recycling: the POWER campaign in Warren County, Indiana, defeated a planned 600 acre landfill: WMI was forced to withdraw its application for the Big Oak Landfill near New Orleans, to name just a few. Campaigns have also succeeded in monitoring Wheelabrator's incinerators - the new Gloucester County, New Jersey plant received 24 air pollution violations in its first four months.



Philip Wolmuth

## Newcastle Seeks to Privatis Community Care

# ALTERNATIVE CARE PLAN

**NEWCASTLE SOCIAL SERVICES Joint Trade Unions have produced an alternative plan to retain 25 residential homes for the elderly and mentally handicapped as an in-house service. The Council, however, remains committed to privatising the homes to an Employee Share Ownership Plan (ESOP), although in reality it is a management buy-out.**

The Council engaged Coopers & Lybrand Deloitte to examine the alternatives including trust, ESOP and in-house. Their report, not surprisingly, examines only the ESOP in any detail and makes a feeble attempt to show it is a 'viable' option when in reality it would require £1.9m subsidy from the City Council, £1.23m wage cuts from the workforce, and get the 25 homes, valued at £11.9m, for nothing to avoid paying interest and capital repayments. The report is also devoid of any analysis of community care policies.

The City Council, faced with £12.7m cuts to avoid Poll Tax capping in 1991/2, is locked into the transfer of homes as a means of solving short term financial problems. The Social Services Committee has been reluctant to even examine the in-house option. It has been forced onto the agenda by the Joint Trade Unions (NALGO, NUPE, COHSE and GMB). After the City Council commissioned

Coopers & Lybrand Deloitte and allocated £35,000 and a closed home to the ESOP, the unions engaged SCAT to help them prepare proposals to retain an in-house service.

### JOINT UNION REPORT

The Joint Unions report *Community Care: An In-House Service* was produced after a series of meetings with staff and managers in many homes and detailed financial analysis. The report concludes:

- residential homes be developed as a network of local care resource centres to provide a residential service, care support, and an operational base for care in the community.
- the homes must be retained in-house in order to integrate and coordinate care in the community.
- a more professional and flexible home care service will be essential for the effective

implementation of care policies.

- improvements in the running of homes and their management and administration which would result in an annual budget reduction of over £0.5m or £1.5m if the three homes already planned for closure are included.
- the cost of improving homes to registration standards is about £1m, not the £2m-£3m claimed by the City Council.
- the claimed savings associated with the planned transfer of homes have been exaggerated and rely heavily on no further changes to Government policy - an extremely high risk strategy.

The City Council has decided to proceed to set up an ESOP company whilst continuing to examine the trust and in-house options.

The Joint Trade Unions are writing a detailed critique of the Coopers & Lybrand Report and developing their in-house proposals.

### Caring Services in Newcastle

## COMMUNITY CARE: An In-House Service

A Report commissioned by Newcastle Social Services Joint Trade Unions, prepared by SCAT.

Copies of the report, price £3.50 inc. post from

**SCAT, 1 Sidney Street,  
Sheffield S1 4RG.  
Tel: 0742 726683**



Ray Gurnett



## BUS DEREGULATION

Having deregulated bus services in 1985/86 to create competition 'in the public interest', the Government is now attempting to limit bus company takeovers which 'operate against the public interest'. In January 1991 the Department of Trade & Industry (DTI) made its third attempt to unwind recent takeovers.

The **Stagecoach** acquisition of **Portsmouth Citybus** and **South Yorkshire Transport's** takeover of **SUT** were ordered to be reversed by the DTI following Monopolies & Mergers Commission (MMC) investigations. South Yorkshire has taken its case to the High Court where it is challenging the MMC's right to investigate local takeovers.

Now **Stagecoach's** takeover of **Hastings and District** must be reversed. The MMC decided that the Hastings takeover and its merger with another local bus company **TopLine** was against the public interest but suggested conditions be imposed on its operation rather than force divestment. However, this view was overruled by the free marketeer, Peter Lilley, Secretary of State at the DTI. Stagecoach will now have to sell Hastings.

## SCOTTISH BUS SALE

The privatisation of the Scottish Bus Group grinds on with the largest subsidiary, Western Scottish, becoming the eighth sale. Four have been sold but negotiations continue over the Northern, Strathgairn and Kelvin Central subsidiaries.



## DoE Anti-Competitive Notices

# BUSINESS AS USUAL

The DoE has so far issued 21 notices under Sections 13 and 14 of the Local Government Act 1988 (see PSA 42) following complaints of anti-competitive behaviour usually originating from contractors. Two-thirds of the complaints are in the refuse and/or street cleaning services where contractors, particularly **Cory Environmental** and **Sitaclean**, have been actively lodging complaints with the DoE against councils.

A third of the complaints have resulted in no further action since the Section 13, as the DoE have accepted the council's explanation and the contract has remained in-house.

Eleven councils have received Section 14 notices ordering the local authority to terminate the contract, retender and award the work to a contractor. So far, two councils, Camden and Liverpool have succeeded in winning the case to allow the DSO to tender, but the DoE will still require reports on the tendering process and DSO performance and give its approval if a decision is made to retain the service in-house.

Knowsley MDC and York City are challenging the DoE's criteria for judging complaints in the High Court. In the case of Doncaster MDC where the cleaning contract was retendered because the original contract was underpriced, a Section 14 notice has been issued on one of the four retendered contracts awarded to the DSO. The DoE claim that four weeks rather than three months was given between the date of tendering and the start of the contract.

Woodspring DC is the first Tory council to receive a Section 14 notice on their ground maintenance contract. Section 13 notices against Haringey and Eastleigh concern the failure to meet a 5% return on the contract.

The price to authorities of retendering is very high. York City, where there is a discrepancy over administration and depot costs of £55,000, have argued that it will cost £50,000 to retender and by the time the Section 14 has come into effect the street cleaning contract will have been running for two years.

Local Authority	Service	Contractor	Complaint	DoE Action
Birmingham MDC (Labour)	Building Cleaning		Awarded to DSO Inclusion of £190,000 fixed costs	Section 13 Notice - DoE not taking further action
Braintree DC (Con)	Street Cleaning	UK Waste	Awarded to DSO DSO bid marginally above UK Waste	Section 13 Notice - DoE not taking further action
Bristol DC (Labour)	Refuse, Street Cleaning Office Cleaning	PULSE	Packaging of services into one £6.5m contract	Section 13 Notice - DoE not taking further action
Bury MDC (Labour)	Refuse, Street Cleaning	Cory Environmental	Inclusion of pension and fixed costs	Section 13 Notice - DoE not taking further action
Camden LBC (Labour)	Refuse, Street Cleaning	None	Failure to comply with specification and to meet 5% rate of return	Section 14 Notice to retender DSO now allowed bid, following threat of further action
Charnwood BC (Con)	Refuse	Sitaclean FOCSA UK Waste BFI Environman	Inclusion of Discretionary severance costs further action	Section 13 Notice - DoE not taking
Doncaster MDC (Labour)	Building Cleaning	Aimsof Industry	Retendered and DSO awarded 4 contracts but complaints of lack of time to prepare tender	Section 14 Notice - to retender by Nov. 1991 DSO able to bid for 75% of contract

Local Authority	Service	Contractor	Complaint	DoE Action
East Lindsey DC (Ind)	Refuse	Waste Management	Inclusion of 'unjustifiable' costs of £49,602	Section 14 Notice - to retender by July 1991
Eastleigh DC (Ind)	Refuse		Failed to meet 5% rate of return	Section 13 Notice
Eden DC (Ind)	Refuse	Sitaclean	DoE claim that DSO bid £18,885 higher than Sitaclean's	Section 13 Notice - DoE not taking further action
Haringey LBC (Labour)	Building Cleaning	None	Losses of £181,000 on 1989/90 contract	Section 13 Notice
Hillingdon LBC (Con)	Vehicle Maintenance	Serco Ltd	Serco claim £109,000 cheaper than DSO	Section 14 Notice - extended deadline to 30.6.91 for retender DSO can now bid
Humberside CC (Labour)	Building Cleaning		Loss-making contract	Section 14 Notice
Knowsley MDC (Labour)	Refuse	Sitaclean	Pension costs and profit provision	Section 14 Notice - to retender by Oct. 1991 High Court challenge by council
Leicester DC (Labour)	Refuse	Sitaclean	£1.2m contract to DSO £169,000 admin & transport costs excluded from in-house bid	Section 14 Notice to retender
Liverpool MDC (Labour)	Grounds Maintenance	BALI	Inclusion of £1.7m redundancy and pension costs	Section 14 Notice - to retender by October 1991 in four contracts. DSO can now bid
Redditch BC (Labour)	Refuse Street Cleaning	Cory Environmental	DSO awarded £6.44m contract Accused of giving insufficient weight to fixed overheads	Section 13 Notice
Thurrock DC (Labour)	Street Cleaning		Inclusion of fixed overhead costs of £59,000	Section 14 Notice - to retender by 1.11.91.
Wolverhampton MDC (Labour)	Refuse	Sitaclean	Inclusion of pension and support costs	Section 13 Notice - DoE not taking further action
Woodspring DC (Con)	Grounds Maintenance	Contractor	Specification not detailed enough	Section 14 Notice - to retender by 1.11.91.
York DC (Labour)	Street Cleaning	Cory Environmental	Inclusion of admin & depot costs of £55,000 in Cory bid	Section 14 Notice - to retender by 1.8.91.

## Retendering Street Cleaning - Discriminating against DSOs

Government plans to implement the Litter Code which becomes law on April 1st will mean that more than 150 street cleaning contracts will have to be retendered early. But this ruling to get extra cash for contracts will not be applied to privatised contracts. The DoE has stated that all in-house street cleaning contracts amended to include the litter code should go out to tender no more than three years from the original start date. But privately run contracts will be able to run their full term even if they increase their charges.

## BROMLEY SELLS DSO

~ory controlled Bromley LBC has agreed to sell its entire Direct ~Services Organisation (DSO) to iTylers (AAH Holdings pic) for £1.7m. Tylers already have the ~treet cleansing contract. Bids 'Iwere also received from East Surrey Water and SERCO.

Services included are building maintenance, highway maintenance, grounds maintenance, school meals and cleaning with a combined turnover of about £11m.

The East Surrey and SERCO bids were both for £900,000, well short of Tylers £2m offer reduced to £1.7m if the council refused to extend the catering contract. The Council is currently 'fine tuning' the sale.



## MORE JOB LOSSES IN PRIVATISED FIRMS

following the 70,000 job losses featured in PSA No. 43 further job losses have been announced by recently privatised companies. The widening recession is the prime cause although together with the effects of the Gulf War. BREL's cuts were caused primarily by cuts and delays in British Rail ~nd London Underground investment. Many more workers at Jaguar and BREL have been temporarily laid off or are on short-time working. Clearly the claimed wonders of privatisation have not made these firms recession resistant.

	Jobs Lost
Jaguar	1,000
Rolls Royce	1,200
~ritish Airways	6,600
BREL	1,200

# Electricity Generating Privatisation

# POWER SELL-OFF



PRIVATISATION OF THE electricity industry will be taken a stage further in February 1991 with the £1.8bn sale of the generating companies, National Power and PowerGen.

The 12 Regional Electricity Companies (previously the area distribution boards) were sold in November 1990. This leaves the planned sale of Scottish Power and Hydro-Electric later in 1991. The National Grid Company is jointly owned by the 12 Regional Electricity Companies. Nuclear Electric, operator of the nuclear power stations, will remain in state ownership. The multi-billion pound decommissioning costs proving too much for the City.

Only 60% of National Power and PowerGen are being sold. Although the shares are directed primarily at City institutions, the Government has spent £7.5m on a national advertising campaign to the public. Shares are expected to be about 175p with a minimum investment of about £525 for a package of 300 shares. Investors have to buy both National Power and PowerGen shares in a ratio of three to two.

The 12 Regional Electricity Companies were grossly under-priced.



## ELECTRICITY

Company IPO partly paid share price at end of first week of trading on stock exchange

Eastern	144.5
East Midlands	143.5
London	143.5
Manweb	170.0
Midlands	142.5
Northern	146.0
Norweb	149.0
Seaboard	147.0
Southern	165.0
South Wales	151.5
South Western	146.5
Yorkshire	159.0

The average share price increase taking into account the different number of shares issued for each company was 50.5%. On this basis the 12 Regional Electricity Companies were under-priced by some £2,620m.

# BUSINESS & CITY

Edited by Hamish McRae

Friday 18 January 1991

## Contractors expect to reap rewards when Kuwait rebuilds

BRITISH companies are already working in Kuwait, and US companies are expected to be involved in the rebuilding of Kuwait. The Kuwaiti government has set up a committee to help formulate proposals to put UK and US companies in a position to rebuild Kuwait. The committee has already been established, and the UK and US companies are expected to be involved in the rebuilding of Kuwait. The Kuwaiti government has set up a committee to help formulate proposals to put UK and US companies in a position to rebuild Kuwait.

## UK companies want share in rebuilding Kuwait

But the aggressive Americans are expected to have got in first, Andrew Taylor and David Owen report. The Kuwaiti government has set up a committee to help formulate proposals to put UK and US companies in a position to rebuild Kuwait. The committee has already been established, and the UK and US companies are expected to be involved in the rebuilding of Kuwait.

## WAR PROFITS

Even before the bombs had been dropped on the bridges, power stations, and telecommunication facilities in the Gulf War, the contractors were seeking a share of the rebuilding contracts and profits. Kuwait is expected to spend at least £20 billion rebuilding the basic infrastructure. The Department of Trade and Industry and the Foreign Office set up a joint

committee with several major British firms to try to get a 'fair share' of contracts. Companies include Trafalgar House, Costain, Wimpey, GEC, and Taylor Woodrow. British construction firms had many highly profitable Middle East contracts in the 1970s and early 1980s. However, the oil price collapse in the mid-1980s and competition from other firms seeking to board the gravy train led to

fewer contracts, lower profits, and in some cases losses. The Kuwait government in exile has established an office at the World Bank in Washington to coordinate reconstruction. Three US firms, Bechtel (see PSA No. 19), Foster Wheeler, and Brown and Root have reportedly already been appointed to lead the first wave of rebuilding work.

## The Alternative to Privatisation

# A REVITALISED BRITISH RAIL



**THE PRIVATISATION of British Rail is still on the Government's agenda. Whether it is sold as a whole, or individual sectors or companies, such as Inter City and Freight are sold separately has yet to be decided. The Right have suggested franchising certain lines and services.**

The rail unions have produced an alternative plan showing how British Rail can be improved as an alternative to privatisation and the way it is run at present.

The Plan has five components:

### 1. NEW OBJECTIVES

- to increase the volume of rail passengers and freight carried.
- to provide high standards of safety, comfort, reliability, cleanliness and staff attitudes.
- to earn each £ of public grant and transfer more people from roads to rail.

### 2. FREEDOM TO BORROW AND INVEST

BR should be freed from Government borrowing constraints and be able to borrow to fund investment and improvements. The Better Rail report produced for the rail unions identified £500m capital expenditure to reduce overcrowding, improve frequencies, and achieve higher standards of service. The measures would have added

£172m per annum to British Rail's operating costs but it is predicted that the extra income derived from increased passengers would pay for this spending.

### 3. A NEW GRANTS STRUCTURE

Government grants (the Public Service Obligation subsidies) should be immediately restored. Instead of phasing out or eliminating grants, they should be increased to match those of other European countries who are investing heavily in new trains and high speed lines. The Community of European Railways estimates that BR gets a subsidy of £1.44 for every train kilometre compared with £5.95 and £6.70 in Germany and France respectively.

### 4. A NEW DEAL FOR PASSENGERS

A passengers' charter will set clear targets for quality services and passengers would receive compensation for cancellations and persistently late running trains.

Improved services for passengers would include more telephones and information on trains together with creches and nurseries, word processing and other business facilities.

### 5. A NEW RAIL 'WATCHDOG'

A new regulatory body would closely monitor the quality of BR's services and have the right of access to information. The Central Transport Users Committee would collate and present the views of passengers.

## IF BR IS PRIVATISED...

- Fares will rocket. BR already has the highest fares in Europe and has admitted that it will have to increase fares above the cost of living 'for the foreseeable future'.
- Train services will be reduced.
- Overcrowding will continue.
- Rural and other 'loss-making lines' will be closed - Transport 2000 estimate that as many as two thirds of rural lines could close.
- Concessionary fares for the young and elderly are likely to be terminated.
- More rail redundancies and more stations left unstaffed.
- Cost cutting will narrow safety tolerances and make the network less safe.
- Land and other facilities will be asset stripped.

The Better Rail Campaign is hoping to recruit a million passengers to support the campaign against privatisation and seek to get their proposals implemented.

Further details from *The Better Rail Campaign*, 205 Euston Road, London NW1 2BL.



## POWERS TO ACT The Case for Local Government

This broadsheet examines the case for reversing the past decade of increased centralised control of local government by restoring powers and autonomy to local authorities. It examines the need for a general power of competence, powers to trade, and creating the conditions to nurture experimentation and innovation.

It gives examples of powers which local councils should be given to improve the quality of life, better use of council's specialist knowledge, a greater role in economic development, and extending accountability and democracy.

Second in series *New Directions in Local Government* available from: Local Government Information Unit, 1-5 Bath Street, London EC1V 9QQ.

## Health Service 'Reforms'

# NBS-OPTING & CONTRACTING OUT

**THE PRINCIPLES** of the NHS are already being eroded in the lead up to April 1st 1991 when the new market-orientated Health Service comes into operation. In addition there is increasing evidence that commercialisation of the NHS will inevitably lead to increasing health inequalities nationally. (See also PSA 39 on the main proposals and PSA 42 and 43 for an analysis of the Community Care proposals).

The context to these changes is a cash crisis in the NHS and longer waiting lists than ever in many areas. Hospital waiting lists are set to top 1 million as health authorities close beds and restrict surgery during the winter. London Health Emergency recently announced that 2283 beds have closed in London alone during 1990 and that 20 major hospitals were only taking emergency admissions when instructed to do so.

### HIVING OFF SERVICES

Some health authorities are already rushing to commercialise their services before NHS legislation becomes law. In several regions, trading agencies have been set up separate from Regional Health Authorities and dependent on generating their own income. Others have set up charitable trusts or proposed management buy-outs. Many hospitals

are bidding to become self-governing trusts. For example, Trent Health Authority has set up a trading agency for its supplies function, privatised its design services, and privatised computer services by handing over the running of the service to Istel Health, who claim the business, which will be run from the Trent HQ, will have a £5m per year turnover.

The first NHS management buy-outs have gone ahead in the West Midlands, Southampton and South West Thames. In the West Midlands, the management services division of the regional health authority, which in 1988 had an operating profit of £1.9m, has been sold to a management consortium.

NHS managers are also seeking to extend contracting out beyond catering and cleaning, to portering, pharmacy, laboratories, personnel administration, supplies and financial services with cost criteria high on the agenda. West Berkshire Health Authority are proposing to privatise *all* support services. The authority have already discussed the possibility of an integrated package including the management and running of cleaning, catering, reception, laundry, portering, estate maintenance and transport services with several leading contractors. The health authority have argued in favour of privatisation in the light of problems in making savings on the £16m budget if the services stay in-house and the problems of recruiting and retraining staff in the NHS. The proposal does not include any of the lessons from privatisation in NHS cleaning and catering services so far or the problems contractors have in staffing - low pay and poor

conditions in the private sector are even less attractive than in the NHS, particularly in the context of a decreasing pool of labour.

### OPTING-OUT

Under the 1990 act, NHS self-governing trusts will be established as corporate bodies, with a separate legal existence from health authorities. Each trust will be run by a board of directors able to acquire and dispose of assets, determine their own management and staffing policies, and advertise their services. However, they will be subject to a degree of direct Government control - the Health Secretary will be able to determine the membership of boards, financial objectives and regulate the terms and upper limits of trust borrowing. More importantly, opted out hospitals will not be obliged to help plan comprehensive health services for local communities. They will become self-contained businesses seeking to make at least 6% profit annually. Like private hospitals, trusts will cost and price each form of treatment and will be under pressure to focus on more profitable forms of health care at the expense of longer term care for the elderly and mentally ill for example.

In spite of widespread public opposition, the Health Secretary, William Waldergrave, has approved 56 of the 66 trust applications. A second wave of III applications are in the pipeline. Health groups are concerned that political rather than financial considerations have predominated. The BMA have argued in an analysis of the first wave of applications that many are financially risky

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## 'Facilities Management in West Berkshire

Tenders have been received from **BET, Gardner Merchant, P&O Sutcliffe** and **Godfrey Davis** for a Facilities Management contract for all services across the Health Authority including porte ring, laundry, incinerator, reception/telephone, transport, sterile supply, catering, cleaning, works, estate management and medical records. An in-house bid is also being prepared for the end of February. Contracting out this scale of services will set a major precedent in the NHS.

All the unions at West Berkshire are campaigning against the proposal and have voted not to cooperate with Facilities Management.



and complacent about the future competitive market. It is also evident that many trusts intend to turn to private patient income to bridge shortfalls in NHS funding.

### PRIVATE BEDS

NHS Reform will open the way for even more beds to be switched from NHS to private use, especially in the opted-out hospitals. From next April, hospital managers will no longer have to ask permission from the Department of Health to increase their quota of private beds. Opted-out hospitals will not be obliged to carry out any public consultation on their service changes - these will be 'commercial decisions' left to the directors of the Self Governing Trust. Hospital managers under immense pressure to bring in extra funds are already turning closed NHS beds into paybeds. For example, Withington Hospital, Manchester, is planning an 8-10 bed private wing in a disused NHS building and the Royal Victoria Infirmary, Newcastle is planning a 60 room wing for private patients and hotel rooms for patients' relatives. *The Observer* also reported (01.11.90) that Hammersmith Hospital built with money from charities and the health authority for AIDS patients is to be privatised.

### INCOME GENERATION

NHS hospitals will also be able to operate like private hospitals by selling extra services to NHS patients including charging for single rooms, private bathrooms, bedside telephones etc. Although the DHSS guidance stresses that basic services for patients unwilling (or unable) to pay have to be maintained, this also goes directly against notions of equality of service for all and will be a further strengthening of the trend towards charging for good quality health care.

*Continued on page 10*

## LOCAL AUTHORITIES AND NHS TRUSTS

There are two main reasons for council involvement in opt-out proposals.

1. Many council services are closely linked to the health service - care and "social services" housing, environmental health.

2. Local authorities are the democratically elected body representing the local community. This is in contrast to appointed members of boards and authorities in the NHS.

Many councils are establishing bodies to monitor the changes in the NHS by setting up Health Committees covering local authority services related to health, and a watching brief over the NHS. Others have Health Co-ordinating Committees with a brief to co-ordinate council services within a health context, eg., services to the elderly.

This body could also monitor the provision of other health services in the area. Shadow Health Authorities are in operation in some areas to monitor the effects of NHS changes. This is in response to the removal of local authority representatives from health authorities and the unrepresentative nature of these bodies.

There is a three month period for consultation between the Government receiving an opt-out application and the decision being made. This is the chance for councils and trade unions to campaign actively against the proposals.

### ACTION LIST

The LGIU have drawn up an activity list for local authorities. Suggestions include:

- 1. Find out what the HA is doing about contracts, provision for monitoring,
- 2. Establish the alternatives to opting out,

- Look at the impact of opting out on other local health services,
- Analyse the finances of the proposal including how the projections of income have been arrived at,
- Meet the HA to discuss the consultation process,
- Inform neighbouring authorities of your initiatives,
- Build an alliance of groups interested in the opt-out proposal including trade unions, trades council and voluntary organisations,
- Work with the local CHC and other medical organisations,
- Organise public meetings to explain proposals and find out the public's views,
- Put information about the proposals in all public libraries, schools and community buildings,
- Organise a survey of the community's views on opting out and consider whether a ballot would be useful,
- Prepare a report on the effects of opting out for local groups,
- Set up a meeting with the Health Service unions to consider the implications of the proposal,
- Ensure that the councils' efforts are co-ordinated with those of other organisations involved,
- Consider grant aiding local groups working on the issue.
- Publicise local views in the civic newspaper, community press, local newspapers, radio,
- Make use of national trade union publicity.

A handbook for local campaigning against opting out 'Protecting our NHS' is available from NALGO, 1 Mabledon Place, London WC19AH.



Continued (rom page 9)

## THE INTERNAL MARKET

By April 1991, just about every service to NHS patients will be provided under contract. Contracts will have to be set up between health authorities, hospitals, community services and doctors. Services previously taken for granted will have to be assessed, priced and agreed. The creation of the NHS market place will mean dividing the service into purchasers and providers. Health authorities and general practices will buy services offered for sale by directly managed units and self-governing trusts. The market mechanism is designed to motivate those selling services to be efficient but in effect will force hospitals to minimise cost overheads in the hope of undercutting the prices of other units. Those who fail face losing custom and cash - if a hospital loses contracts and reduces services and in the end is forced to close communities will be denied local access to acute health care.

Although the Government have played down the impact of competition in the NHS, it may not take much to disrupt established arrangements. For example, if just one GP fund holder decides to switch business from a local hospital, that hospital will face empty beds and staff with no patients to treat. The obvious management response will be to seek to win contracts anywhere to restore finances. The potential knock-on effect of widespread competition and uncertainty is massive.

## UNDERMINING PAY AND CONDITIONS

The climate of competition combined with cash limits will force each unit to minimise its cost overheads, the main component of which is labour costs. National pay bargaining machinery is expected to be dismantled and will affect every health worker. The new NHS Personnel Director, Eric Caines, appointed in April 1990, announced that he saw 'nothing sacrosanct' about the review bodies, which settle pay awards for 610,000 staff. The process of breaking up the Whitley councils and localised pay bargaining is expected to start with the creation of the first opted out Self Governing Trusts next April. The process is already underway with most of the applications for NHS trust status advertising pay and conditions flexibility as one of the chief virtues of self government. Trusts will have the discretion to change contracts of service and to employ as many or as few staff on whatever pay scales they choose.

Eric Caines recently announced that the new Health Care Assistant grade will be established on local pay rates. An end to national pay rates, which provide a basic minimum for all health workers, could result in different pay rates for staff doing the same job in neighbouring health districts or even within hospitals. In addition, once Self Governing Trusts are outside Whitley agreements they are likely to under-

mine the NHS superannuation and sickness benefit arrangements, which remain one of the compensations for low NHS rates of pay. Proposals include reduction in sickness pay entitlement at the beginning of employment, less pay at the beginning of sickness etc. This would make the distinction between working in the NHS and working for a private contractor much less clear and could lead to major problems in providing high quality health services.

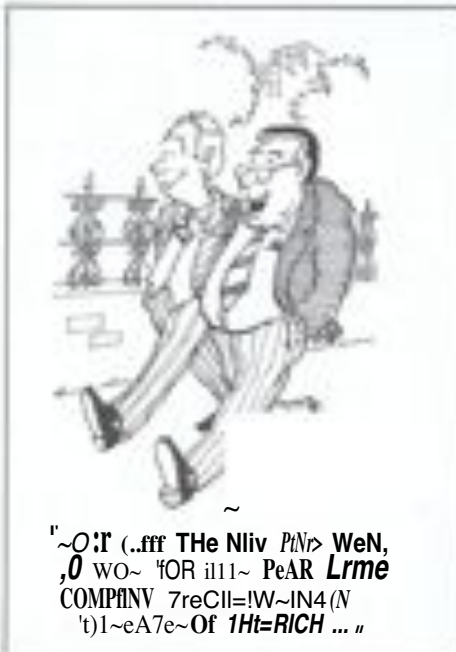
Fears are also growing that opted out hospitals will cut out supplementary payments including unsocial hours, night duty, handling dirty linen, bonus payments and reduce enhanced rates of pay for overtime.



Philip Wolmuth

## INCREASING INEQUALITY

A recent report, 'The Growing Divide' analyses the effect of the NHS reforms on health service users and shows that the changes will exacerbate existing health



inequalities - a subject largely ignored in the debate. The main conclusions of the report are that the move away from centrally and locally planned services to a system based on a health care market place and the change in the status of users of the NHS from consumers to users will disadvantage large numbers of people who already suffer from poorer health and access to health care because of their poorer economic status. This will occur for a number of reasons:

1. Funding will be allocated to regions and districts on the basis of resident population and adjustments for different age groups but little to reflect deprivation indicators.

2. Competition - the development of internal markets will mean that in the longer term patients will have to travel longer distances to receive treatment. Low income patients will lose out unless help is given with travel costs.

3. Self-governing hospitals will not be subject to guidelines about health priorities making the task of eliminating health inequalities in a locality more difficult.

4. GP Practice budgets may mean poorer patients have problems finding a doctor. Poorer people tend to experience higher rates of illness and are therefore greater users of GP resources and potentially more expensive patients. The allocation of drugs budgets may also make doctors reluctant to have potentially expensive patients with higher prescribing rates on their lists,

### Further Information

'The Growing Divide' (£0.00) and Health Watch available from West Midlands Health Service Monitoring Unit, 2nd Floor, 56-58 Constitution Hill, Hockley, Birmingham B19 3JT.

'Lumbered with the Bill' (£1.50) and '20 Questions on Hospitals Opting Out' from Health Service, 446 Uxbridge Rd. London W12.

## Update on Council Housing Transfers

# TRANSFER MARKET

**IN NOVEMBER, 57% of the 5,300 tenants of Suffolk Coastal DC who turned out to vote, said 'yes' to the voluntary transfer of the council's entire housing stock to a newly formed housing association, Suffolk Heritage HA. This brings to 16 the number of councils who have now won voluntary transfer ballots, representing a total loss to the council sector to date of 77,000 homes.**

### THE LEGISLATION

Voluntary transfers take place under the Housing Act 1985 as amended by the Housing and Planning Act 1986 and the Housing Act 1988. The legislation stipulates that tenants must be consulted but does not require councils to hold a ballot, although in practice (so far) none have attempted to push a transfer through without one.

Because the legislation fails to insist on a ballot, it follows that there is no statutory direction on the form any ballots held should take. This led to controversy in Torbay in 1988 when the Tory-run council tried to use the Tenants' Choice voting rules which count abstentions as 'yes' votes. The DoE refused to sanction the deal and, as a result, since then all but one of the ballots held have been decided on a straightforward majority of those who turn out to vote basis. (The exception was in Brentwood in 1989 where the council chose instead to count a majority of those eligible to vote and lost by 70%).

### PROTECTING THE STOCK?

Most of the councils pursuing voluntary transfer claim that they are doing so in the best interests of both tenants and workers. In the run-up to the passage of the 1988 Housing Act, the usual line was that disposal of the entire stock to a single landlord of the council's choosing would prevent it being broken up by predatory private landlords when the Act became law. Since then, with very few private landlords apparently interested in council stock (much to the Government's embarrassment), the emphasis has shifted to the new financial regime introduced by the 1989 Local Government and Housing Act and warnings of huge rent increases on the way unless tenants agree to co-operate. For example, in South Buckinghamshire, where tenants voted for transfer in July 1990, the council raised rents by £5 per week in April and said that it planned a further rise of £23.50 in

## SUCCESSFUL AND UNSUCCESSFUL BALLOTS SO FAR ...

### SUCCESSFUL

Broadlands DC  
Chiltern BC  
Christchurch DC  
East Dorset DC  
Medina BC  
Mid Sussex DC  
Newbury DC  
North Beds BC  
Rochester upon Medway DC  
Ryedale DC  
Sevenoaks BC  
South Bucks DC  
South Wight BC  
Suffolk Coastal DC  
Swale BC  
Tonbridge and Malling BC

### UNSUCCESSFUL

Arun DC  
Brentwood DC  
Bournemouth DC  
Canterbury City DC  
North Kesteven DC  
Redbridge LBC  
Rochford BC  
Salisbury BC  
South Holland DC  
Three Rivers DC  
Torbay BC  
Wokingham DC  
Ynys Mon DC

October. This would have meant an increase of 114% in the space of six months.

### MEANINGLESS GUARANTEES?

Existing tenants who transfer with the housing stock lose their secure tenancies and become assured tenants but keep the right to buy. They are generally also offered contractual enhancements which replicate their old tenancies and mean that, for many, voluntary transfer seems to make little immediate difference to their lives. However, concern has been expressed by, for example, the National Consumer Council, that these contractual enhancements may not be legally enforceable. This could mean that tenants are not protected in the future if a landlord decides to break a contractual agreement and invoke statutory powers under the 1988 Housing Act.

For prospective tenants such as the homeless (for whom local authorities retain responsibility), the impact of voluntary

transfer is nothing short of disastrous. They are not being offered the same contracts as existing tenants and are forced to pay market rents from the outset of their tenancies, whereas existing tenants' rent increases are, typically, pegged to 2% above inflation for the first three years.

### THE TORY HEARTLAND

It should come as no surprise that all but one of the 16 successful ballots so far have been in the Tory-dominated south where high land and property prices (despite the current slump) make investment in the new council-sponsored housing associations an attractive option.

Prominent among the funders have been Banque Paribas (involved in at least three deals) and the National Westminster (involved in at least four). Other investors have included the Halifax and National & Provincial building societies, the Royal Bank of Scotland, S.G. Warburg, and banks in Denmark, Germany and Japan. Reported sale prices range from £22m for 2200 properties on the Isle of Wight to £77.2m for 8056 properties (the largest single transfer so far) in Rochester upon Medway.

### TENANTS EXPOSED TO RISK

The Rochester deal - the only one so far involving transfer to an industrial and provident society, not a housing association - clearly illustrates the high level of risk involved with voluntary transfer. It took almost a year to organise and was on the point of collapsing before the DoE stepped in last July and granted the council special dispensation to cover the new society's cash shortfall until agreement with bankers could be reached. Then in November, only four months after the stock changed hands, it was reported that the society was already experiencing difficulties in meeting interest payments on loans because of an unexpected shortfall in right to buy sales.

With many long-established housing associations finding it difficult to keep afloat in the current financial climate, the situation in Rochester is likely to be repeated elsewhere and 'with tenants being the effective residual carriers of risk, they will have to bear the cost of unplanned cash flow deficits' (quotation from consultants KPMG Peat Marwick McLintock's Housing Newsletter No.4, February 1989).



Further details of Tenants Choice and Tenants Transfer schemes can be obtained from the NALGO/SCAT Housing Landlord Information Service, SCAT, 1 Sidney Street, Sheffield S1 4RG. Tel. 0742-727066.

It also produces *Public Housing News* which is distributed to NALGO branches and tenants organisations.

# Contractor's Fines & Failures

## CONTRACTORS WITHDRAWING FROM CONTRACT AWARDS

Contractor	Authority	Service	Details of Withdrawal
ARA Environmental Services	Hampshire CC	School Cleaning	Withdrew 2 days after contract award, two contracts worth £805,000 over 3 years, October 1990
Commercial Catering Group	LothianRC	School & Welfare Catering	Two contracts worth £4.5m 924 workers. Wanted to renegotiate terms - claimed bid based on winning all four contracts. November 1990
Coordinated Cleaning	Croydon LBC	Cleaning	Withdrew before start, 1989, because contract did not contain termination clause allowing company to withdraw
Fosse Group	Stratford DC	Cleaning, Grounds Maintenance, Public toilets	Management Buy-out, will not re-tender in 1991 focus on leisure & refuse
Northern Industrial Cleaners	ClwydCC	Cleaning	Withdrew from 5 contracts covering 500 buildings because of 'financial viability of the tender bid', £1.4m below DSO
Ramoneur	CroydonLBC	Cleaning	tyliscalculated bid price, 1989
Willmott Dixon	Hounslow LBC	Housing Maintenance	Withdrew from maintenance of 5,500 homes in October 1990, 5,541 orders outstanding at time
Town & Country	Surrey Heath	Refuse Collection	Withdrew before contract started, parent company Hekla Holdings decided to withdraw from local authority work
iTown & Country	Shrewsbury	Street Cleaning	Withdrew, reason as above
iCrossland Leisure	Aberdeen	Leisure Management	Withdrew from leisure centre contract, mistakes in estimating costs

The firms listed above have withdrawn from local authority contracts, in most cases after being awarded the contract, but before starting the contract. Several claim to have made 'mistakes' in their tenders.

Whilst these withdrawals reflect badly on the contractors, they also indicate major gaps in local authority tender evaluation. Either rigorous technical and financial evaluation is not being carried out and/or contractors are not being asked to supply sufficient detailed information.

## PRIVATE HOSPITAL OVERCHARGING

Health insurance company **Western Provident Association** (WPA) has settled a dispute with private hospital group **AMI Healthcare (CGE, France)** after accusing the hospital of 'bedside robbery'. Average charges at AMI hospitals are over £500 per

day. WPP decided to pay only the first £275 after it uncovered systematic overcharging including £106.64 for a piece of sterile gauze. WPP has agreed to pay bills within 3 rather than 10 days as part of the settlement.

## BRS SACKED BY KIRKLEES AFTER LOSS LEADER BID

**British Road Services** (NFC pic) has been sacked from a £1.25m vehicle maintenance contract with **Kirklees MBC**. It took effect from 4th January 1991 after only 17 months of the five year contract. There was substantial evidence at the time of tendering that BRS had submitted a loss leader.



## 'WE ARE NOT CLEANING'

Cleaning Contractor **We Are Cleaning** has lost the cleaning contract at 11 **Worcestershire** schools in Bromsgrove, Redditch and Worcester because it failed to provide adequate cleaning. Heads and teachers complained of dirty schools, in some cases parts of schools had not been cleaned for several weeks. The firm has a contract to clean another 50 schools in the county.

## CATERING FIRM PULLS OUT

**Churchwise Ltd** recently withdrew from a catering and bars contract at **Bridlington's** Spa Royal Hall, the Leisure World centre and Drifffield swimming pool after only one year of a five year contract with East Yorkshire Borough Council. The contract included seven bars in the Spa and Leisure centres. The firm approached the council saying it could no longer operate the contract. The council's catering organisation has taken over temporarily.

## MARRIOTT OVERCHARGES FOR FOOD SERVICES

America's largest catering contractor, **Marriott**, recently admitted to overcharging 14,000 of its 33,000 clients by \$5m. It is 'reconciling billings with applicable contract terms'. They include Government contracts.

## Enforced Tendering in Local Government

# CONTRACT ANALYSIS

Service	DSO			OTHER DSOs			PRIVATE CONTRACTORS			MANAGEMENT BUY-OUTS		
	No. of contracts won	%	%by value	No. of contracts won	%	%by value	No. of contracts won	%	%by value	No. of contracts won	%	%by value
Building Cleaning	215	60.6	90.5				140	39.4	9.5			
Refuse Collection	201	73.4	79.8	1	0.4	0.2	69	25.2	19.1	3	11	0.9
Street Cleansing	168	73.0	81.8	4	1.7	0.6	57	24.8	18.2	1	0.6	0.4
Vehicle Maintenance	103	74.6	83.5	6	4.3	0.1	26	18.8	16.2	3	2.2	0.3
Catering (Education and Welfare)	105	99.0	99.3				1	1.0	0.7			
Catering (Civic and Leisure)	98	76.0	83.6	1	0.8	0.1	30	23.2	16.3			
Grounds Maintenance	389	72.0	85.3	37	6.9	2.7	107	19.8	10.8	7	1.3	1.2
<b>Total</b>	<b>1279</b>	<b>72.2</b>		<b>49</b>	<b>2.7</b>		<b>430</b>	<b>24.3</b>		<b>14</b>	<b>0.5</b>	

Source: IACSAB CCT Information Service

### Contractor's Fines & Failures

#### ESTATE MAINTENANCE DEFAULTS

**Electrolux** has been running up to 1000 defaults a day on their £2.2m estate cleaning contract with **Wandsworth**. The firm suffered £8,000 in financial penalties one week last summer when it failed to carry out weeding on the Roehampton estate. Tenants' organisations have complained about stairs and lifts not being cleaned, lift breakdowns not being reported, failure to replace lights and report regular under-staffing of the contract.

#### UK WASTE COMPLAINTS

Between March and August 1990 **Three Rivers Council** received over 2,000 complaints - an average of 131 per week - concerning **UK Waste's** refuse contract. This excluded the period during and following the two day strike in June (see PSA No. 43 cover) when complaints were running at 1,000 daily. The contract started in January 1990.

#### MEDICLEAN NHS CONTRACT TERMINATED

Repeated failure to meet performance targets for the past year has led the **Royal London Hospital** to re-tender its three-year cleaning contract with **Mediclean (ISS)**. Tower Hamlets Health Authority has admitted there have also been problems with an inadequate specification.

#### Overall DSO contracts won by:

	Number of contracts	Value of contracts
Catering (Education and Welfare)	99.0%	99.3%
Grounds Maintenance	ffl.~	~~
Vehicle Maintenance	ffl.~	~~
Catering (Civic & Leisure)	10.~	~~
Street Cleansing	M.7%	~~
Refuse Collection	n.~	00.0%
Building Cleaning	60.6%	00.5%

The table is based on information from the LACSAB CCT Information Service survey covering contracts let up to 1st August 1990 and some starting in January 1991. It shows that DSOs have won 75% of all contracts to date although there are wide differences between the services.

However, DSOs have won a much higher percentage of contracts by value. For example, although DSOs have won 60.6% of building cleaning contracts, they have won 90.5% by value.



# COMPANIES & CONSULTANTS

## WASTE TAKEOVERS AND MERGERS

**Shanks & McEwan**, the waste disposal and construction group, has merged with **Rechem Environmental Services**, which disposes of hazardous waste. Rechem was formed following a management buy-out from the BET Group in 1985. Shanks & McEwan has concentrated on industrial and commercial waste disposal to date using several large landfill sites owned by London Brick (Hanson Group - which has a 17% stake in Shanks). Rechem has several toxic waste incinerators. The deal valued Rechem at £171.6m.

**Leigh Environmental**, the other operator of toxic waste incinerators, acquired another waste disposal company, **HT Hughes**, late last year.

Following its failed bid to acquire the waste disposal firm **Caird Group**, the **Severn Trent Water Company** retains a 29.9% shareholding. Severn allowed its £74m bid to lapse after Caird published its latest operating figures in its defence documents. Severn Trent suffered a £10m book loss after Caird's share price dived. But the company may still make a further bid.

The French water company and conglomerate **Compagnie Generale des Eaux** (CGE) is purchasing the remaining shares in waste disposal firm **Wistech** - it already has a 40.6% stake. It will become wholly owned by the CGE subsidiary Sarp Industries. Wistech currently has refuse contracts in South Pembrokeshire and Skye & Lochalsh.

## UK WASTE CONTROL

French multinational **Compagnie General d'Entreprises Automobiles** has taken a majority stake in **United Environmental Systems**, the holding company of refuse contractor **UK Waste Control**. UES have stated that the arrangement will provide financial backing as well as the experience and technical resources of **Onyx**, part of the **CGEA** group, which operates in Europe and is seeking to expand in the UK market.

## WATER COMPANIES TAKEOVER

**Compagnie General des Eaux**, the French water giant has offered to pay £112m for three water companies. It plans to merge **Colne Valley**, **Rickmansworth** and **Lee Valley** to form the **Three Valleys Water Services**. This follows a **Monopolies and Mergers Commission** inquiry which found the merger to be against the public interest. However, the merger has been given the go-ahead as the water companies agreed to limit future price rises.

## BET SHARE PRICE CRISIS

The value of services group **BET** (subsidiaries include **Initial**, **Biffa** and **Exclusive**) plummeted on Friday 1st February - its shares fell from 135p to 67p (halving the value of the company) but recovered to close at 100p. Over 57m shares were traded on the day (normally about 2m are traded daily), followed by a further 10m on the following Monday.

The share price downward spiral was caused by rumours that **BET** was attempting to re-finance its heavy debt burden - later denied by the company. However, it did cancel several planned meetings with its major institutional investors, and admitted that full year profits will be lower than expected. The financial press is reporting expectations of pre-tax profits of between £200m-£230m, down from £322m last year.

Details of the company restructuring, announced last November, are still awaited. **BET** has a 35% share of **NHS** domestic services contracts and many local government cleaning and refuse contracts.

## SKETCHLEY

The dry-cleaning and vending group has sold its contract cleaning subsidiary for £1.1m cash to another private company. The company, which operated under the name of **Sketchley Contract Cleaning Services** operates in London and the Midlands.

## COOPERS & LYBRAND DELOITTE

Management consultants are benefitting from the break up of the **NHS**. This company were paid £536,000 by the Department of Health to carry out the financial appraisal of the self-governing trust applications. The appraisal has been heavily criticised and described as 'superficial and simplistic' by trust candidates.

## WATER COMPANY EXPANDS IN EUROPE

**Severn Trent** recently announced a £25m deal acquiring a 20% stake in a Belgian firm, **Aquafin**, which operates sewage treatment plants. **Severn Trent** also disclosed it is planning further expansion in Europe and is currently negotiating with local authorities in Germany and Italy.

## MRS

It was reported in September that **Sitaclean** has made a bid to take over **MRS**, the management buy-out which runs **Westminster City Council's** cleansing contract. So far **MRS** have failed to win any other contracts.



## OPT-OUT SWEETENERS

The Government has broadened the scope for opting out in an attempt to encourage more schools to become independent of local authorities. From 1st November 1990, all Local Education Authority schools are eligible to apply for grant maintained status, rather than just schools with over 300 pupils. So far only 1% of the 2,500 schools eligible have opted out. Sweeteners also recently introduced by the Government include more money to schools if they decide to opt out and a 50% increase in the annual amount schools receive in specific grant and a 50% increase in the formula allocation to grant maintained schools for equipment and small capital projects. The financial incentives are not as great as they may sound since these changes represent marginal considerations in the overall debate a school will have over opting out. However, the Education Secretary has also announced his intention to reduce the proportion of the schools budget LEA's can retain for centrally provided services. If this goes ahead, the distinction between the financing of LEA and opted out schools will be reduced, with serious implications for LEA support services and staff.





Philip Wolmuth

## QUALITY COMMISSION

**CAN THE AUDIT Commission be re-shaped and extended into a Quality Commission, or will the accountants stifle it at birth? How can an agency which has been so deeply involved in policing the implementation of Government policy be 'converted' to fundamentally different policies? Or is an entirely new body required?**

These are just some of the issues raised by the Labour Party's consultation paper on their proposals for the Quality Commission which envisages one Commission rather than two. The paper reasons that quality and financial resources are inextricably intertwined and recognises the many shortcomings of the Audit Commission.

It suggests the Quality Commission should have the following roles:

- Audit financial probity
- Publish guidelines and codes of practice on quality matters
- Promote best practice
- Provide management support
- Monitor the provision of training for local authority staff
- Provide a framework for the operation of quality audits
- Encourage innovation

A Quality Commission could play a vital role in the rebuilding of public services. Comments on the proposals are required by the end of March 1991.

*The Quality Commission: A Consultation Paper*, Labour Party, 150 Walworth Road, London SE17 1JT.



## RETREAT ON EDUCATION VOUCHERS

Proposals to introduce education vouchers has been shelved, at least for the time being. Vouchers are aimed at giving (certain) parents purchasing power to 'choose' their child's education. The idea of this free market approach would be for all schools to become independent ie., private, raising income from the vouchers and purchasing staff and other resource in an open market. The promise of more choice through the Education Reform Act has so far not emerged and certainly vouchers would clearly discriminate against the poor, children with special needs and boost the private education sector.

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## Information

### INNER CITY REGENERATION: First Year Report of the CLES Monitoring Project on Urban Development Corporations

Available from CLES, Alberton House, St. Mary's Parsonage, Manchester M3 2WJ. Cost: £20, (concessionary rate for community groups).

The report written for CLES by Bob Colenutt and Sally Tansley puts UDC's in the context of Government thinking on urban regeneration and looks in detail at the impact of UDC's on local areas in terms of employment, housing etc., and compares them with non-UDC regeneration. The report which includes a survey of UDCs is the first detailed examination of the Government's £1.7bn UDC programme. It concludes that the UDCs which were set up in the 1980s have failed to provide either the jobs or new investment they promised. This is in spite of high levels of funding - the UDCs will receive a total of £1413m between 1989-1992 while Urban Programme districts will only receive £500m in the same period. One example is Sunderland, where the Tyne and Wear development Corporation receives ten times the amount the council is given under the Urban Programme.

The study is also critical of the UDC's reliance on flagship projects rather than small scale developments, particularly now that the property recession has hit UDC's which often bought at the height of the boom. As well as providing a valuable analysis of UDC strategies and impact, the report contains area profiles of 11 UDC and 3 non-UDC areas.

### GOING FOR QUALITY: What About The Workers?

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### MANAGEMENT BUY-OUTS IN LOCAL GOVERNMENT Salvation or Shambles?

Enforced Tendering Advice No.5:  
National Coordinating  
Committee on Competitive  
Tendering

Available from Local Government Information Unit, 1-5 Bath Street, London EC1V 900. (Available to trade union branches from national offices). Cost: £5, (bulk order discounts available).

This Advice Paper explains the situations where MBOs are most likely to be promoted, the risks that authorities face from MBOs, and what can be done if an MBO is proposed. The advice also applies to Employee Share Ownership Plans (ESOPs) proposals where these are part of an MBO. The case against the privatisation of services applies to all buy-out proposals.

### REFUSE COLLECTION AND STREET CLEANING SERVICES: A Report on the Competition and Experience of Privatisation

Written by SCAT. From DEED, Palatine Chambers, Pinstone Street, Sheffield S1 N 2HN. Price: £10.

This report was initially drawn up to inform the tendering process for Sheffield City Council's cleansing services. However, it has broader lessons for local authority trade unionists and managers since it analyses the cleansing market and the structure of the industry. It includes detailed description of private contractors operating nationally and the European competition. A separate appendix provides company profiles on twenty refuse and waste disposal contractors ranging from small firms to large multinational companies operating public sector contracts in a number of countries. The report also looks at the experience of contracting out the service prior to and post-CCT legislation and pinpoints some of the important issues facing local authority refuse and street cleansing services today.

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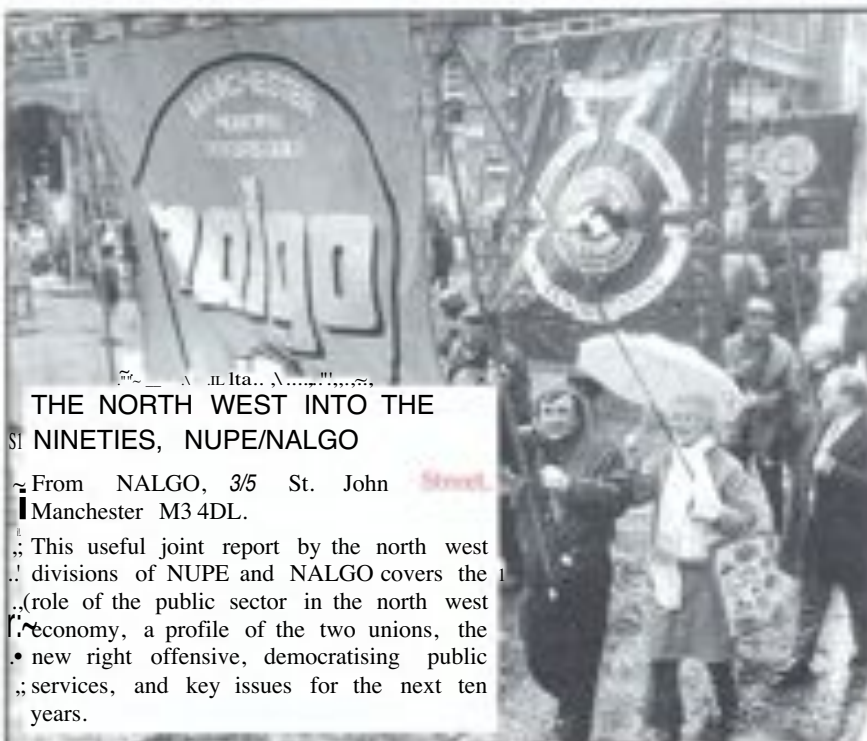
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