Britain: Government think tank sets out plans for privatisation of essential services

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The Institute for Public Policy Research (IPPR), a think tank that works hand-in-glove with the Labour government, has called for the private sector to take on a much greater role in the delivery of key public services. Its report *Building Better Partnerships* insists there should be no ideological barriers to private sector involvement in "core" public services such as clinical and intermediate health care, the management of education and local government services.

The IPPR's Commission on Public Private Partnerships under Martin Taylor compiled the report. Taylor, chairman of chain store W H Smith, an international advisor at Goldman Sachs and a former chief executive of Barclays Bank, said, "we want to see the arbitrary dividing line between those activities where private sector involvement is uncontroversial and those where it is taboo (no other word will do) questioned and where appropriate removed".

Digby Jones, the director of the Confederation of British Industry (CBI), gave a keynote address at the launch of the report. Also present was John Monks, general secretary of the Trades Union Congress, who treated with contempt the overwhelming opposition of public service workers to backdoor privatisation by the Labour government.

The report makes some muted criticisms of aspects of the government's Private Finance Initiative (PFI), such as its proposals for public private partnerships (PPP) for the London Underground and Britain's air traffic control network. It could hardly fail to do so and retain any credibility, given evidence of the scandalous cost of the services to be built under PFI/PPP, the transfer of land and buildings to the private sector contractors at knockdown prices and the huge reduction in public facilities. The government's much-vaunted "largest ever building programme in the history of the National Health Service," for example, is to be financed by the closure of one third of the NHS's existing capacity.

The IPPR's criticisms amount to a friendly warning to the government to make sure its plans to privatise large swathes of health and education provision are implemented in ways that do not galvanise public opposition. The IPPR report was careful to note that it had not considered the government's use of PFI in its Information Technology projects: The evidence from this quarter would not sit comfortably with the IPPR's rose-tinted presentation of public-private partnerships. Numerous large scale government IT projects developed under PFI have gone spectacularly over budget and are running years behind schedule, resulting in huge extra costs. In the case of housing benefits, paid to those on welfare or low wages, claimants have been stranded without money and in fear of eviction. The Inland Revenue has lost £5 billion of tax revenues and the financial affairs of some public agencies are in chaos.

Massive cuts in jobs and services are planned to wipe out the deficit. For example, the London Borough of Hackney announced last year that it faced an unprecedented deficit of more than £40 million for 2000-01 and a budget gap of at least £50 million for this year, due in no small part to botched financial management "partnership" contracts.

The central purpose of the IPPR Commission was to support the government's claims that the private sector would bring much needed management skills and greater efficiency to public services. Commission chairman Martin Taylor said, "It is impossible to sit through as many meetings as we did and not be struck by the extent to which the public services are in the grip—in many cases no doubt entirely unmalicious—of their staff". The IPPR claims to provide an "independent, comprehensive and forward looking analysis of the use of PPPs", but an examination of the Commission's membership and sponsorship belies such claims and provides an illuminating insight into the close connections between policy makers, the Labour government and big business.

Several Commission members have direct links with key government departments. Six of the 14-member Commission have accountancy, banking and outsourcing backgrounds. Taylor previously headed the government's task force investigating the reform of the tax and benefits system. Kate Barker, chief economic advisor to the CBI, was once chief economist at Ford Europe and was a member of the previous Conservative government's Panel of Independent Economic Advisors. David Dennison, an industry consultant at International Computers Ltd, sits on a number of government and public agency committees. Chris Nicholson, a partner at international financial services firm KPMG, and a key advisor to the NHS Executive, was an economic advisor at the Department of Trade and Industry. He has worked extensively on privatisation and PFI projects. Ruth Kelly, an MP, was formerly at the Bank of England. Lady Tummin chairs the National Council of Voluntary Organisations, whose members have been replacing local government in the delivery of public services.

The public sector members of the Commission include Bill

Callaghan, chair of the Health and Safety Commission and formerly chief economist at the TUC. Sarah Ebanja is the director of the Local Government and Europe division in the Government Office for London. They are both members of the 20:20 Forum, which brings together public and private organisations to discuss "new forms of ownership and control". Claire Perry is Bromley Health Authority's chief executive and chairs the New Health Network, an outfit promoting the introduction of private capital into the NHS. According to the *Health Service Journal*, the New Health Network has "serious business backing" from Superdrug, the discount pharmaceutical retailer, and Westminster Health Plc, the private hospital and nursing home operator. It is able to call on the services of both the IPPR and KPMG, who provided launch sponsorship and staff the Network's office. While Ms Perry has denied that her organisation was a front for the government, one Labour insider said that the prime minister "is very much behind this".

The Commission's sponsors include KPMG, Serco Plc, Nomura Securities, Norwich Union Insurance and the General Healthcare Group, who all have a big stake in the removal of remaining barriers to the private provision of publicly funded services. Swooping like vultures on what remains of welfare provision, some have already played a key role in its dismembering.

Baroness Stokes (formerly Sheila Masters), one of the partners at KPMG, was instrumental in introducing the internal market in the NHS as its Executive Director of Finance. She is currently overseeing projects on outpatient performance, disposal of the NHS estate, IT development contracts, and human resource management in the NHS. Her report *Sold on Health* aims to "root out surplus estate, accelerate sales and cut red tape". All the new PFI hospitals have involved land sales to the private sector at knockdown prices.

KPMG, which runs a benchmarking service for the NHS aimed at improving performance and reducing costs, is currently being sued by US government departments for fraud in Florida involving the healthcare multinational Columbia/HCA, and for setting up illegal contingency funds for the Health Management Organisation SunStar Health Plan. Columbia/HCA currently owns a large proportion of private hospital beds in London and looks set to gain income from the NHS under the government's new "Concordat" with the private sector to reduce waiting lists by using private hospitals.

Japanese global investment bank Nomura has established a European division with "one of the largest teams dedicated to the healthcare sector in Europe, including 7 equity research analysts, 15 investment bankers and 19 specialist salesmen in the US and UK". According to Nomura's annual report, corporate health investors include Medisys, Axis-Shield, Intercare and Anitsoma, and Nomura "advises on the full range of mergers, acquisitions, divestments and investment within the healthcare, with a particular focus on cross-border transactions".

Norwich Union Insurance, having recently merged with the Commercial and General Union, is now the largest insurance group in the UK and one of the top five life insurance companies in Europe. Its subsidiary, Norwich Union Healthcare, is an aggressive promoter of private medical insurance products (PMI) products. One of its key employees is none other than Gerry Holtham, a former director of the IPPR. It has set up a £200 million partnership fund to secure more public sector contracts in health, education and accommodation.

The General Healthcare Group is the largest private hospital group in the UK with 21 percent of private acute beds, 115 operating theatres and 39 intensive care beds in the UK, many of them located on NHS sites. It runs some of the NHS' private facilities and is set to do well with the new Concordat. Its psychiatric division, Partnerships in Care (PiC), has a substantial share in NHS contracts, with a 49 percent share of the independent market in the treatment of mental illness and personality disorders. PiC is set to make a killing out of the recent Health and Social Care legislation that permits doctors to charge for personal care.

One investment analyst recently commented, "The Labour government is offering larger contracts than anyone else in the world and other governments such as the US, continental Europe and Japan are set to do the same." In 1977, when most public services were carried out in-house, government purchases of external goods and services (such as gas, electricity and office supplies, etc.,) accounted for 28 percent of annually managed current expenditure (excluding welfare payments). By 1991, this had risen to 38 percent, reaching 57 percent by 1999. An indication of the rich pickings on offer is the estimation by Capita, the facilities management firm with a turnover of £650 million, that its total potential public sector market could soon be worth £30 billion a year.

Annual payouts committed to the private sector under new public-private partnership deals signed so far are set to increase from £2.9 billion in 2000-01, to about £4.5 billion for each of the years from 2004-08. The transfer of such vast sums from the public purse to the private sector can only be met by slashing public sector pay, and are set to consume 6-7 percent of the current wage bill. With many more PPP/PFI deals still at the bidding stage, this presages a huge onslaught on public sector jobs, wages and conditions.

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