

Britain: Council signs contract with IBM for service privatisation

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4 January 2010

Conservative-run Essex County Council has signed an eight-year contract with computer giant IBM to supply and manage public services in the county. The privatisation deal has been welcomed by the Conservative Party, and is being touted as the model of local government to be followed by an incoming Tory administration.

Conservative Party Chairman Eric Pickles, an Essex MP, described the IBM deal as “the future.” He said the Tories would be following developments in Essex closely. Lord Hanningfield, Leader of Essex Council, is also David Cameron’s Shadow Transport Minister.

Under the deal, which could be worth up to £5.4 billion, IBM will analyse the council’s services piecemeal, and make decisions on whether they should be outsourced or kept in-house. Almost all of the council’s services, including schools management, roads, and libraries, are covered by the package. The council has said the deal will save 20 percent of the council’s £1.2 billion budget over the next three years. Unions estimate this will mean the loss of around 6,500 jobs.

A flavour of what IBM will do was provided by spokesman Simon Humberstone, who gave an example of the efficiencies that could be made sending one rather than two staff to help bedridden people. “We can set up a hoist and send one worker instead of two,” he said.

The council has already put some £800 million of services out to private contracts. IBM’s first task will be to review these contracts, with the intention of making further savings. Hanningfield has said that the council and IBM will work together as management partners, but has made quite clear that the firm will be given the reins to make whatever cuts are possible.

The deal marks a shift in IBM’s involvement in government privatisation. Hitherto they have acted largely as a supplier, rather than administrator. Their record as a supplier lays bare the insoluble contradiction between

public services and corporate profits. Earlier this year a glitch in their computer system at the Driver and Vehicle Licensing Agency led to 62,000 duplicate tax discs being sent out.

IBM also holds 75 percent of the £400 million joint venture company Southwest One, established with Somerset County Council, Taunton Deane Borough Council, and Avon and Somerset Police. Although the County Council is obliged under the Audit Commission Act to disclose accounts information from the previous financial year, in 2008 IBM moved to block disclosure of information about their contract. When their combined system was launched this year, there were so many problems that Somerset’s Chief Executive Alan Jones sent out an e-mail of apology to all staff.

Last month Southwest One belatedly filed its accounts for its first operating year. They showed a loss of £2.5 million. These initial losses will be borne by IBM. Southwest One’s Chief Executive, Richard Jones, has now resigned. There is the clear implication that taxpayers will be paying for the company’s incompetence, as has happened before when private companies have taken over the running of public services.

When Essex County Council began their tendering process last year, they claimed that the proposal was to save £200 million by reducing spending on administration work. However, the tender document also specified that frontline jobs could be privatised. Whatever initial protection exists for pay and conditions, it is expected that further recruitment will require more flexible and less favourable conditions, on lower pay. Thousands of administrative and clerical posts are expected to be lost. The security of around 39,000 jobs is at risk.

The public sector workers’ union Unison claimed in November 2008 that they had been kept in the dark about the proposals. Their main objection appeared to be that they should be involved in any negotiations. Mick

Marney, from the County Hall branch, complained to the union nationally about the council's failure to communicate with him.

The union condemned the council for "pursuing a secret plan to privatise virtually all services across the county." The union's criticism focused on the fact that the council had "breached its statutory duty in failing to consult or inform local people." Unison's response was to report the proposals to the Communities and Local Government Secretary.

No proposal has been made for any type of industrial action against the council.

In reality, Essex's contract tender did not emerge out of the blue. The council has a long record of privatisation and outsourcing services. Earlier this year it announced plans to transfer 850 care home staff to a new private company. It also announced a private banking programme with Santander. Essex's IT services had already been outsourced. When these services were brought back in-house in February this year, Unison boasted of a "humiliating U-turn." In fact, the IT services were included in the contract then under tender.

The Labour Party is also supportive of such privatisations. The Brown government has pushed ahead with the private financing and outsourcing of public services. When he was Chancellor of the Exchequer, Gordon Brown was the architect of the Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) as means of privatising essential services. These have led to taxpayers covering the debts of private companies, as for example in the collapse of Metronet, the company established to maintain the London Underground.

The local Labour group merely expressed concerns that local government law might have been breached in the lack of consultation. A spokesman stressed that they were opposed to the proposal "because there is no detail."

Essex's contract with IBM is a clear indication of the scale of cost-cutting that will be undertaken by any incoming government at the next election. Other Tory-run councils have also been cutting costs by privatising services. Barnet council, in north London, has advocated the so-called "Easy Council" model of privatised service provision. Under this model, residents have to pay extra for specific services, and the scheme's architect, council leader Mike Freer, has stated openly that his "new relationship with citizens" includes the understanding that the council will not automatically provide blanket service coverage.

Hammersmith & Fulham has funded council tax cuts by

outsourcing jobs and cutting services. This has included raising charges to some of the borough's most vulnerable residents, for example, in a 60 percent rise in Meals on Wheels costs. The council has also introduced means tests to end the automatic free provision of home care to disabled residents.

The Tories have repeatedly pointed to the use of this model of service provision in Canada. The privatisation programmes pursued by successive Liberal and Conservative administrations there have seen a devastating erosion of social infrastructure, resulting in or compounding such disasters as the 2003 electrical blackout, 2000's fatally poisoned water system in Walkerton, and the death earlier this year of three people in Montreal struck by snow ploughs.

Such programmes further underline the widening gulf of inequality, stripping ordinary people of access to vital services whilst ensuring corporate profits for private companies. They speak of the growth of a parasitic layer enriching themselves at the expense of the mass of ordinary people. It was no surprise, then, to find that Lord Hanningfield was one of the peers under investigation by police this summer over his expense claims.

Over the last seven years Hanningfield has claimed nearly £100,000 for overnight stays in London, although he lives only 50 miles from the capital. In his capacity as council leader he is also provided with a chauffeur. He has been accused of claiming for stays in London when he had returned to his family home. His is believed to be one of the five cases referred to the Crown Prosecution Service last month to determine whether there were grounds for prosecution.



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