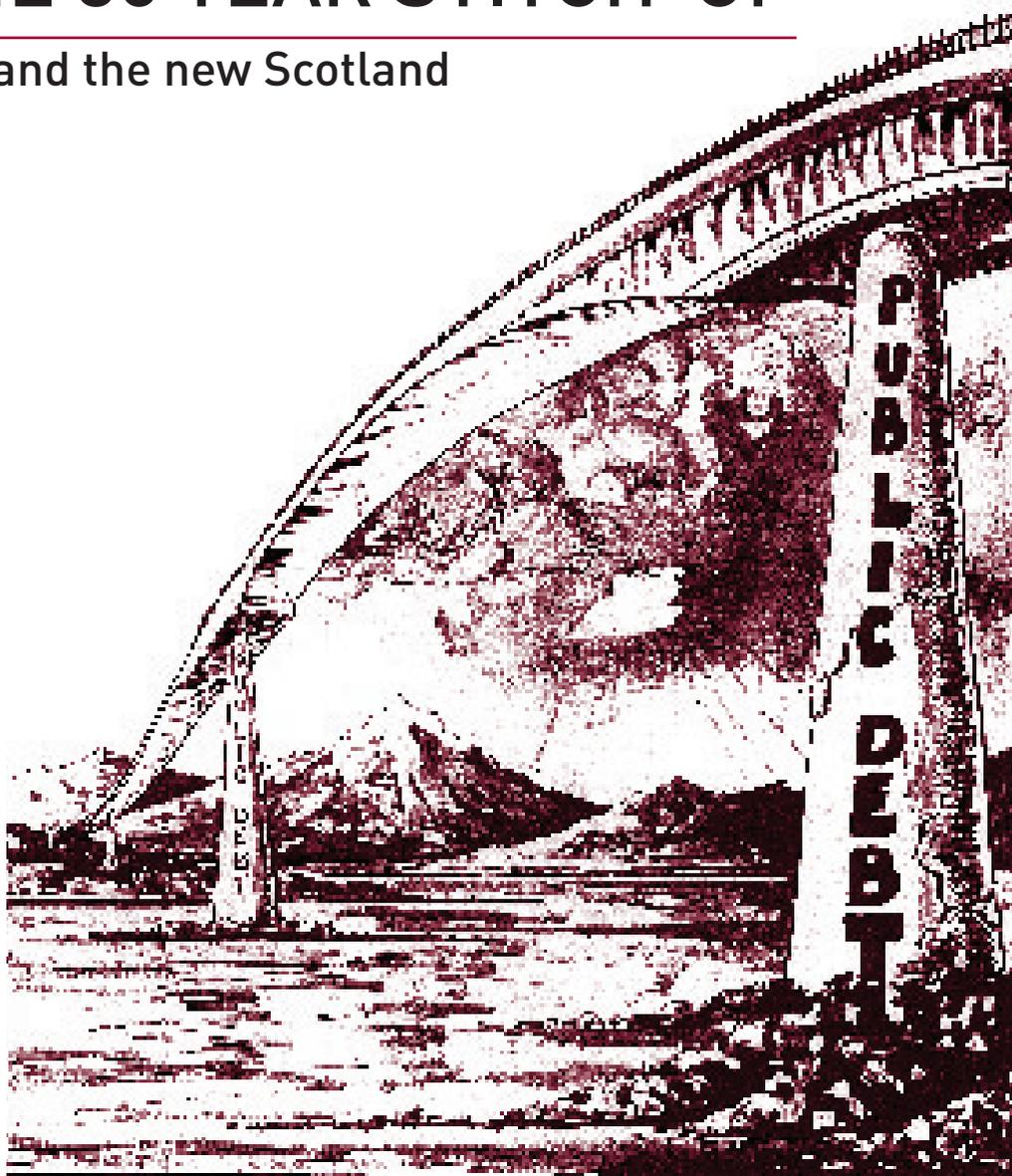


# scottishleftreview

Issue 2 December 2000

## THE 30 YEAR STITCH-UP

PFI and the new Scotland



Tom Nairn on Constituting Scotland

Andrew Noble on Nick Davies' The School Report

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Isobel Lindsay is a lecturer in the Department of Government AT Strathclyde University. She is an Office Bearer in a wide range of civic organisations in Scotland.

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Henry McCubbin worked for BBC and Grampian television before becoming Labour MEP for North East Scotland and whip for the Socialist Group in the European Parliament. He has recently been providing economic advice to the Greater Manchester Authorities.

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Writing in a personal capacity, Craig Binns works in the Housing Department of Glasgow City Council. He is a senior lay officer with Unison.

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Tom Nairn is one of Scotland's leading writers and political theorists. His seminal work, *The Break-Up of Britain*, has been followed by a wide range of controversial and internationally renowned books.

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Front Page Cartoon: Jim Blair

# Editorial

Isobel Lindsay

“**L**ucrative Contracts for Businessmen” was the headline in **Scottish Business A.M. (20/09/00)** in response to the announcement that the Scottish Executive was to launch a substantial increase in the use of Public Private Partnerships (PPPs). This gung-ho mortgaging of Scotland's future public finances must be challenged. This edition of SLR illustrates the extent to which these schemes are riddled with problems and shrouded in secrecy. The relative quantity of PPPs in Scotland puts us very much in the front-line.

The problems are not just around excessive long-term costs to the public. They are also quite contrary to all the sloganising around the 'knowledge economy' and 'new thinking' since we are being tied into a static future with very long-term management and rental contracts for public service provision. Transparency and open government are also off the agenda with these deals since so much is hidden under the excuse of commercial confidentiality as Henry McCubbin illustrates.

The first example we had in Scotland was initiated by Michael Forsyth. The Skye Bridge is now universally regarded as a financial disaster for everyone except the banks. A leaked report (**Scotland On Sunday 19/11/00**) on one of the most recent projects, the Kilmarnock Prison, suggests that it will cost up to £160m more than claimed - £290m over 25 years rather than £130m - and that it costs the community £26,000 per year to keep a prisoner there, not the £11,000 stated by the Scottish Prison Service. The fact that there can be such different interpretations is, of course, a product of the secrecy around these deals.

Also affecting Scotland we have the proposed PPP for the National Air Traffic Service, placing its management in private hands. As part of its preparations for this, the Government asked the Civil Aviation Authority to come up with proposals for savings on NATS as a 'sweetener' for the PPP. They did this in an unpublished briefing document in October which suggested cuts of £165 million from the NATS budget over the next five years. (**The Observer 26/11/00**) We can also on this issue have some sympathy for Londoners who are faced with the privatisation and fragmentation of their underground despite the overwhelming unpopularity and the option of alternative funding schemes which would keep the service in public control.

These PPPs raise major issues of democratic accountability as well as the efficient use of public resources. Of course, borrowing money in any system

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always ties us into future commitments but the ties involved with PPPs are far more restrictive and far-reaching. Public authorities are legally bound to hand over the construction and operational control of hospitals, schools, etc. and to pay rental for these services for 25-30 years. The social and population changes which we have seen over the past 30 years have been substantial. Given the rate of technological change, they are likely to be even greater over the next 30 years. Anyone who claims to make more than an informed guess as to what our needs for services and buildings will be in that time-scale is lying. We might find with new information technology that we want to organise education in quite different ways and to make radical changes in our use of buildings or land. But we will still be tied into paying large amounts of rental not just for the original building construction but for management fees for the servicing of these buildings that may have seemed appropriate in 1999 but may be totally inappropriate in 2015. It is not just the nature of service delivery which may change. The distribution of population in Scotland is changing and may continue to do so at a faster rate. We simply do not know what will happen. Yet we are being tied into a static future in terms of the financial implications of these schemes at the very time when there is so much fluidity in our thinking about what that future will be. This is truly borrowing from our children.

This form of funding also undermines democracy and open government, both values that the Scottish Parliament was supposed to promote. They are shrouded in secrecy in the guise of commercial confidentiality. In virtually all of these projects not just the public but also many elected representatives are denied full access to all the facts and figures. Surely one of the principles we were all supposed to sign up to was that you could not have effective and accountable public decision-making without transparency?

If we were talking about a few PPP projects throughout Scotland, this would be bad enough. But what is alarming is that the signs coming from this Government, both at Westminster and Edinburgh, is that this is to be the preferred method of financing public capital programmes. Just think ahead to a situation when a large proportion of our schools, hospitals, prisons, transport facilities, administrative offices, recreation facilities – are all tied into expensive long-term management contracts which we cannot change or could only do so with substantial penalties. Elected representatives would have little scope for flexibility and policy change. Public sector employees would be completely fragmented and in weak bargaining positions.

Develop the logic a little further. The private developer builds or takes over the buildings and all of the staff who

service the buildings. It is then not such a big step to argue that they should also manage the teachers or the nurses or the clerical workers so that there could be better integration of the work teams.

Why is this happening? It is a strategy imposed from above. Local councillors and officials have been highly critical "off the record" but they have been presented with little choice. The alternative to the Treasury's insistence on PPPs is a drastic restriction in the capital programmes of public authorities. One does not have to be paranoid to note that in the present round of GATS (General Agreement on Trade in Services) negotiations, influential lobby groups have been working behind the scenes to persuade the US and the EU to allow service-based multi-nationals greater rights to enter the markets of other countries. For example the Coalition of Service Industries is a US-based group who want to be able to target European health and education provision. There is little doubt that this is on someone's agenda.

The excuse that this is just about getting access to scarce capital does not stand up against the well-known financial arguments against PFI. Maurice Fitzpatrick, head of economics at the city accountants Chantrey Vellacott DFK argues that "for every net £1bn of PFI contracts outstanding this is an extra cost to the public sector of £50m per annum." Bonds are another option used widely in the U.S. but despite all these options we are being pushed down the route of the least favourable to the long-term public interest.

If we were being charitable, we might account for this policy as a short-sighted attempt to get current investment while leaving the next generation to pick up the bills. There is also the old excuse about keeping the Public Sector Borrowing Requirement low in preparation for entry into the Euro. But public sector accounting practices are set to change to a system of 'resource accounting' where assets, liabilities and depreciation are all declared. This is long overdue and brings us into line with most other European countries. The outcome of this will remove some of the specious arguments that have been used up until now to justify the PPPs:

"this innovation cuts the ground from under the PFI. Once public investment is fully costed and justified, what need is there for the sleight of hand of the PFI - for which revenue payments are going to have to be made for decades to come?" (**The Guardian 20/11/00**)

Inherent in this private finance strategy is the assumption that private is good and public bad. This current policy originated under Thatcher to entrench even more deeply the power of private capital. It feels like Thatcherism. It smells like Thatcherism. So what else could it be? ■

# how to make a healthy profit

Matthew G. Dunnigan

The Private Finance Initiative (PFI) was launched in 1992 to transform “public sector organisations from being owners of assets and direct providers of services into purchasers of services from the private sector”. Initiated by the Conservative government, PFI has been enthusiastically adopted by the current Labour administration to provide “the largest new hospital building programme in the history of the NHS” and has now expanded into a wide range of public sector provision, particularly in Scotland, ranging from the initial Skye Bridge project to education and housing development. PFI or PPP (Private Public Partnerships) projects now account for a growing proportion of public sector expenditure.

PFI is essentially a lease-back arrangement in which a private consortium of banks and construction companies designs, builds and operates a public sector project in return for capital and interest payments, usually paid over a thirty year time scale and known as the availability payment. PFI was originally seen as a way of avoiding expansion of public sector debt (the public sector borrowing requirement). Unfortunately, private capital is provided at substantially higher interest rates than are available from the Treasury. Formerly, capital for public sector developments such as hospitals was seen as a “free good” and provided from the Treasury as a capital grant. The lease-back arrangements involved in a PFI project result in the transmission of a growing burden of debt repayment to the next generation of taxpayers. The greater costs of PFI schemes have been authoritatively described by Professor Allyson Pollock and her colleagues in relation to new hospital construction.

The present report summarises the results of adopting a PFI scheme to replace the ageing Royal Infirmary of Edinburgh. The PFI contract was signed in July 1998 and the new hospital is due to open in 2003 on a greenfield site on the outskirts of Edinburgh at Little France.

Construction of new hospitals by the PFI route imposes a heavy financial burden on Health Authorities and Trusts. Providing the capital costs of constructing and equipping the new Royal Infirmary of Edinburgh by a capital grant as a “free good” in the public interest would have incurred costs of £279 million (Royal Infirmary of Edinburgh: Full Business Case). The cost of building the hospital by the PFI route involves capital and interest repayments of £26.6

million pounds annually over a thirty year repayment period (PFI and capital charge costs), a total of £798 million pounds. This payment, ultimately derived from the taxpayer, must be deducted from the new hospital’s revenue income, and reduces the revenue income available to all Lothian Health Board hospitals.

The burden of repayment costs are partly reduced by locating new PFI hospitals on greenfield sites where the capital costs of land purchase are cheaper. Removal of a hospital to a peripheral greenfield site has the additional advantage that valuable sites of redundant hospitals in the city centre can be sold off for housing and commercial developments. This reduces the capital costs of the new hospital and provides an additional source of profit to the consortium managing the PFI scheme. In Edinburgh this involves the sale of the Dental Hospital, the City Hospital and the Princess Margaret Rose Hospital; the ultimate fate of the old Royal Infirmary (a listed building) remains uncertain.

## Interest payments for new PFI-financed hospitals are reduced by 30 per cent reductions in acute beds

Capital and interest payments for new PFI-financed hospitals are also reduced by downsizing the capacity of the new hospital. This involves reductions in acute beds (about 30 percent fewer for all first-wave PFI hospitals) with consequent savings in nursing, technical and ancillary staff salaries. The large capacity reductions in downsized PFI-financed hospitals are justified by postulating efficiency savings from

reduced inpatient lengths of stay, higher occupancy levels and transfers of inpatients to day surgery and post-acute settings. The latter include transfers to NHS geriatric long-stay beds and increasingly to means-tested social work and private care settings with supportive home care in the primary care sector. This untested and unevaluated “vision” of more efficient (and cheaper) health care was incorporated into Lothian Health Board’s Integrated Healthcare Plan 1996-2003.

In a further attempt to reduce costs, catering, portering and other ancillary services are handed over to the private sector in all PFI projects, usually with inferior salaries and conditions of employment for staff formerly employed by the NHS. These are among the most poorly paid workers in the United Kingdom. The private sector companies responsible for ancillary services are remunerated by a “facilities” payment incorporated in the Full Business Case.



Indications of the financial pressures on Lothian Health Board and the Trust responsible for the management of the new Royal Infirmary can be gained from the Full Business Case. Annual capital charges for the old hospital of £14.5 million will rise, as noted above, to £26.6 million, an increase of from 9.3 percent to 18.4 percent of total annual revenue expenditure. The reduced expenditure available for running the hospital will be partly met by reducing the total manpower budget from £93.1 million to £77.2 million (a 17 percent reduction); this includes 21 percent reduction in the nursing budget. A reduction in bed capacity between 1998 and 2003 of 12 percent (988 to 869 beds) appears relatively small. This reduction is misleading, however, since it does not take into account bed losses from the closures of three smaller acute hospitals in Edinburgh, bed reductions in two other large acute hospitals (the Western General Hospital and St. John's Hospital at Howden) and previous downsizing of capacity since 1996 (see below).

Given the current healthy state of Treasury finances, with a large budget surplus, it is now obvious that PFI projects are a bad buy for the taxpayer. They will impose an increasing burden of debt on the next generation of taxpayers in a large-scale version of the "buy now, pay later" approach to spending with the accumulation of credit card debt. NHS PFI-financed projects involve a cost-cutting exercise which will create smaller acute hospitals at a time when rising demand for acute hospital emergency and elective care is exacerbating long-standing demand-supply imbalances in patient care. These are destabilising the NHS and putting the very concept of an NHS "free at the point of use, according to need" at risk.

The effects of the substantial downsizing of the acute hospital sector in Lothian Health Board hospitals, largely driven to finance the costs of the new PFI-financed Royal Infirmary of Edinburgh, are already evident. These are the subject of a detailed study by the author of changes in capacity and clinical activity in Lothian Health Board hospitals compared with other Scottish hospitals between 1990-91 and 1998-99 which will be available shortly. Between these years, Lothian Health Board hospitals lost 34 percent of their acute bed capacity compared with 15 percent for all other acute hospitals in Scotland. These large bed reductions have resulted in substantially greater pressures on acute bed capacity in Lothian Health Board hospitals than in other Scottish hospitals, particularly in winter, leading to rising occupancy levels, the decanting of patients into inappropriate beds, postponed or cancelled elective admissions and long waits for admission to acute beds in the Royal Infirmary from its A&E department. The effects are an exaggerated version of the growing capacity crisis in all NHS acute hospitals. Incredibly, despite these problems, Lothian Health Board plans to reduce acute bed capacity in its acute hospitals by a further 8 percent between 1999 and 2003.

The construction of a poorly accessible, downsized new hospital in Edinburgh is poor Value for Money (VFM). The financial burden resulting from the Labour government's love affair with the private sector, designed to repair Britain's neglected public infrastructure, will cost the taxpayers dear. ■

For further reading see the website;  
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## **Fire Brigades Union**

*(Scottish Region)*

**Defending Jobs and Conditions in Solidarity with  
All Public Sector Unions**

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Treasurer: Jock Munro

Organiser: Roddy Robertson  
Executive Council Member: John McGhee

Secretary: Tam Tierney

# obfuscation, obfuscation, obfuscation

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Henry McCubbin

In Glasgow the 3ED consortium, involving the Miller Group construction company, the Halifax Bank and Hewlett Packard computers, will organise construction and retain operational control of school buildings for the next 29 years. The city council will rent the buildings from 3ED for an annual fee of £40.5 million and 600 ancillary staff will be transferred from local authority to private employers. At the end of the 29 years, the assets will return to city council control, after 3ED have recouped £1.2 billion—three times their initial outlay of £220-400 million.

According to information provided by Jane Shaoul of Manchester University and Dave Watson of Unison, the Glasgow Schools PFI project, Britain's largest public-private partnership, will cost the City Council £34.6 million more than if its new secondary schools were funded by traditional methods. The costing is based on the council's published business case for the deal, in which a private consortium will build and refurbish the city's entire secondary school stock directly contradicts the authority's claim that the private route would save taxpayers £36m.

The council is justifying the vast payments on the grounds that the scheme will not cost the city's 620,000 population anything in extra charges. This is a complete distortion, since Glasgow has already been paying for 3ED before a single brick has been laid. Closing nine secondary schools over the last few years, and condensing 30,000 pupils into the remaining buildings have gained the Council a temporary surplus in their education budget. The closures were pushed through against considerable opposition from pupils, teachers and parents in the schools concerned.

This budget surplus will go to 3ED. In addition, repayments to 3ED are guaranteed for the next 30 years, regardless of the council's finances and the social needs of the population. The council is to cut a further £24 million from its spending this year—including £3 million from the social work budget and £7.3 million from education. The cost of primary school meals is to increase by 10 percent and in secondary schools by 15 percent.

Labour has boasted that never before has a UK city been able to forecast its education budget so far ahead, nor build so many schools all at once. Yet the administration is so nervous that the real financial and educational implications of the deal will come out, that the full arrangements are still secret. Councillors voted for the package on the basis of unsubstantiated assertions that

PPP was 5 percent cheaper than retaining the work under local authority control. This vote may come to haunt those members who were too lazy or unable to grasp the fact that they were sanctioning an incomplete plan. Later this year Audit Scotland will be investigating PFI and councillors can only hope that such lax administration is not liable to surcharge as the amounts committed are huge.

In view of the Scottish Executive's new requirements on public disclosure, some authorities are seeking to avoid public scrutiny by presenting only half the picture in the published documents. Unison's analysis also showed:-

- a massive £70m risk factor, to make the deal look cheaper than the public alternative
- borrowing underwritten by the council
- key risks retained by the council
- the original requirement for refurbishment of 26 schools and the construction of two new schools changed to the construction of 12 new schools as this would be more profitable for the construction company
- hidden subsidies from the government
- no demographic forecasts for the school population.

In essence, there are very few hard figures in the business case and that makes it difficult to make valid comparisons with the public sector alternative. What we do know is that, in hard cash, the taxpayer would get a better deal through public sector finance.

Renfrewshire Council has challenged the Scottish Executive to prove that PFI meets best value criteria. The Labour controlled council proposed an extension of St Andrew's School at a cost of £3.75m. The Scottish Executive agreed to underwrite the costs of bulldozing the school and building a new one at a cost of £45m. The council's estimate of the cost of building a new school was £19m.

It has only been possible to challenge the government's case that PFI provides value for money in the area of health services, because a few of the business cases submitted to government for approval have become publicly available. This is unlikely to continue, as under the government's proposed Freedom of Information legislation such documents will, in future, be withheld to protect "commercial confidentiality".

This will not present a problem to one Scottish Council.

Falkirk Council has simply and steadfastly refused to open its school's PFI scheme to public scrutiny. Audit Scotland please note.

The notion that private enterprise always produces efficiency gains must surely now be exploded as pure ideological hype divorced from economic sense after what we have witnessed on British railways as of late. The spectacle of long queues of angry people outside Passport Agency offices last year caused the government acute embarrassment as more than half a million passports were still waiting to be processed, because the private contractor, Siemens, were running late with the installation of a new computer system. Andersen Consulting is massively over budget and years overdue in delivering the computerised National Insurance recording system. This follows disruption caused by the Home Office's new immigration computer and problems with a Prison Service system. Despite contracts with penalty clauses, the government is refusing to seek full compensation for such big Information Technology projects that have gone wrong, in the interests of getting PFI working. Siemens is set to get away with a measly £60,000 fine and Andersen with £3.9 million.

As the House of Commons Public Accounts Committee noted, the failure to obtain compensation "would result in the risk purportedly transferred to Andersen Consulting under the PFI contract being transferred back to public sector". The government has chosen to attribute blame for these failed projects to public sector staff and agencies, rather than abandon its policy of using PFI to finance its modernisation programme.

Odd this since the same company is quoted in the Full Business Case presented by Glasgow's Officials as follows:-

Arthur Andersen, commissioned by the Treasury Taskforce, published a report in January 2000 on Value for Money Drivers in the Private Finance Initiative. The six primary value for money drivers are

- risk transfer
- output based specification
- long-term nature of contracts (including whole life costing)
- performance measurement and incentives
- competition
- private sector management skills

This relationship was once called a conflict of interest. It is certainly blurring the distinction to invisibility between advisors and beneficiaries of that advice. Should we take it that there is a certain ambivalence as to whom the risks are being transferred and are the outputs profit? Long-term contracts are necessary in order that there can be a sufficiently large service payments within them to allow the project to slide under wholly artificial treasury rules as to what constitutes public sector finance. Performance measurement has been part of public sector management for decades. Competition? What competition after a contract has been issued for 30 years? One can rest assured that 30 year contracts as advised by Andersen for interested parties such as Andersen will be a damn sight longer than those offered to the staff subject to these contract manipulations. As for private sector management skills see above.

Governments of all political shades have introduced privatisation, deregulation, liberalisation, and now "public-private partnerships" at the behest of big business. Similar policies are being applied all over the world. The International Monetary Fund and the World Bank have made loans to developing countries conditional upon the opening up of the public sector to such "partnership" schemes. Both are now promoting the use of "markets in infrastructure provision".

The World Trade Organisation is intent on liberalising government procurement and infrastructure provision. Its Government Procurement Agreement (GPA) came into force for a number of countries, including those in the EU, opening up public contracts to international competition. The extension of GPA is a key issue in the next round of WTO talks later this year. The financial institutions and banks, who play a leading role in PFI deals in both Britain and the rest of Europe, are the real beneficiaries as public assets are transferred into the pockets of private capital.

The private sector has always provided goods to the public sector whether building schools or manufacturing beds and pharmaceuticals. PFI is about giving the private sector control over public procurement, a recipe for corruption if ever there was one. Contracting out and its twin, deregulation, far from providing freedom has in fact provided tyranny, albeit a private tyranny for those subjected to be employed under it by socializing the costs of job reductions and privatising the profits from lowering wage costs. The banner seen in the anti capitalist demonstration in Seattle earlier this year said it all "Social welfare not corporate welfare."



# brickbats and slated

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Craig Binns

People with acute political instincts will already have clocked the Executive's present council housing stock transfer policy as a potential disaster - another poll tax. Incoherent justifications of the proposal by Ministers; central government interference in the day to day operation of the process; gross and unexplained delays in implementation; changes of direction; failure to keep interested parties informed; absence of local democratic control; exorbitant and spiralling Dome-like costs: many danger signs are on display. The responsible Minister, Wendy Alexander, has now decided to abandon this "poisoned chalice" in favour of another portfolio, and her Deputy, Frank McAveety, has been unceremoniously sacked by a wise and vengeful Henry McLeish. It's a mess. Why? Because, like the Poll Tax and the Millennium Dome, housing stock transfer is driven not by need, popular demand, or any other rational consideration, but by a flawed ideology inherited from the pre-1997 Tory administration. It is part of the same process that has given us PFI, PPP, Air Traffic Control privatisation plans and the current chaos on the railways.

Contrary to the claims of its supporters, stock transfer will create no new resources, but will in fact suck potential investment funding away from social rented housing. The transfer landlords will have to borrow money from commercial lenders at higher rates than the government charges to local authorities. VAT will be charged on improvement works, which will entail extra costs of £200m in Glasgow, according to the Council's own consultants, Ernst & Young. The transaction itself will cost tens of millions; if ownership of the stock is subsequently fragmented among a number of agencies, as proposed, the additional management costs will amount to hundreds of millions of pounds over the next thirty years. All of this will be paid for by rent payers, council taxpayers and income tax payers.

There are other problems too. For example, to create a single social tenancy, the Executive intends to extend Right to Buy to assured housing association tenants. As in the case of council house sales, this will place

heavy financial burdens on the remaining association tenants. But the problems and extra costs arising from stock transfer are so numerous that only a tiny sample of them can be considered here, and every week more and more are revealed. In the few days before writing this, we have had disputes over the effect of stock transfer on the Executive's proposal to fund central heating installation in council housing, and controversy over its possible impact on Housing Benefit payments to certain tenants. More amusingly,

the Executive's contention that transfer is not privatisation appears to have been exploded in Berwickshire, the first Scottish local authority to transfer all its stock to a housing association. According to the **Metro** of 6<sup>th</sup> November, Berwickshire Housing Association is attempting to evict a tenant for arrears. This is being challenged under the Human Rights Act, but the association's lawyer has come up with an interesting defence: he claims the association is a private landlord, so the eviction is a private matter and the Human Rights Act doesn't apply. So much for Wendy Alexander's "social landlords" and "community ownership".

Opposition to stock transfer is growing. The STUC, all the council workers' unions, the Scottish Tenants Organisation and many local tenants groups have joined in demanding that council housing be improved without

transfer. But drive towards council stock transfer is stronger in Scotland than in England. A Labour Party Policy Forum held in England in July produced a document containing the following words, as reported to UNISON's National Affiliated Political Committee:

"It must be recognised ... that a free choice between alternative forms of management can only be exercised where there is a genuine level playing field, and local authority housing is seen as a viable and attractive option. This requires encouraging all authorities to take a strategic view of needs across all housing and supporting the creation of new arms length companies to manage local authority owned housing, with such companies given extra scope to

**If tenants vote yes, it will be because they are being blackmailed: vote yes and get your house done up; vote no and it will be left to rot. They may vote yes, but they will punish the administration which does this to them**

borrow where there is a proven record of efficient management and a sound business plan. Labour will ensure that local authorities which have established arms length management companies which have greater financial freedom, can borrow to improve their stock.”

Council workers’ unions would be happy to discuss proposals based on such a policy. If this can be contemplated in England, why is the Scottish Executive so insistent on its single-option transfer proposal?

One reason may be the contempt which some of our politicians have for local authorities and all their works. Councils are supposed to be incapable of managing housing, or indeed education and other services. But why is this? It is simply because the resources available to councils have been so severely cut over the last twenty years. Housing associations can improve their stock, while charging rents lower in Glasgow than the council average by around 20%. But there is no magic about this; associations get lavish grant funding from the government, while the council has to depend on borrowing.

If changes are needed in council practices - for example, in the direction of greater tenant involvement - the Executive already has power to direct councils to adopt these practices without going to the trouble and expense of stock transfer.

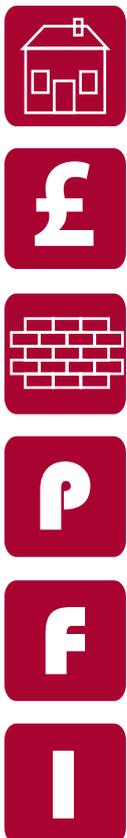
There is an obvious alternative to stock transfer. If the present outstanding council housing debt was taken over by central government, servicing costs amounting to £100m per year would be saved. In ten years (the period of the proposed post-transfer improvement programme) this would amount to about £1bn, not much less than the projected cost of the improvements, without any above-inflation increase in rents. And, as noted, hundreds of millions in VAT, and management and transaction costs, would be saved.

So why the insistence on removing housing from council ownership? As far as we can see, like other forms of privatisation, stock transfer is driven by a desire to minimise public borrowing, as defined by the Public Sector Borrowing Requirement. But it would be possible for Gordon Brown simply to remove council housing from the PSBR, which he could do by adopting the measure of public debt used in all other European Union states. It is called

General Government Financial Deficit, and it doesn’t include investment in self-financing municipally-owned enterprises. Why doesn’t the Chancellor make this simple and overdue change in Treasury practice? Is he really content to squander billions of pounds of public money merely to sustain his reputation for fiscal “prudence” in the pages of the Daily Mail? If there is some other motive, we would like to know what it is, but nothing we have been told makes any sense.

The changes in the Scottish Executive may give us a last chance to secure a change of policy. Stock transfer is not popular; tenants are at best suspicious of it, and council workers are opposed to it. As stated recently by Charlie Gordon, Leader of the Glasgow City Administration, if there was a tenants’ ballot now, the vote would go against it. He’s probably right, and the gross delays in holding this ballot (originally scheduled for November 2000, then postponed to May 2001, now most probably November 2001, but who knows?) can do nothing to endear tenants to the transfer. Their homes will decay further as pre-transfer spending on improvements winds down. If tenants nevertheless vote yes, it will be because they are being blackmailed: vote yes and get your house done up; vote no and it will be left to rot. They may vote yes, but they will punish the administration that does this to them the next time they are within reach of a ballot box at a Council or Scottish Parliamentary election.

We ask the Executive to be mindful of this, and to reconsider the whole policy, which it can now do without losing face. As we have seen, there are other ways of doing all the things required to improve public sector housing at a fraction of the cost of stock transfer. The new administration on the Mound has already shown a readiness to consider change. If Henry McLeish’s promised “bonfire of the quangos” indicates a view that public services should be provided by the appropriate democratically-elected authorities, it is very welcome. Housing stock transfer, with its “steering groups” and other unelected cabals, is irredeemably quangoid, and the First Minister should consign it to his bonfire at the earliest opportunity. ■



# constituting scotland

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Tom Nairn

Getting out of Britain is not easy. We mustn't be parochial about this, I agree; it may turn out to be even harder for the English and the Welsh than for the Scots. However, we in Scotland have to do it our own way, and a starting-gate has now been laid down: the new Scottish Parliament. There are both pros and cons to it, much debated around the first birthday celebrations in July. But the most important con was scarcely mentioned then; a sign of immaturity, perhaps, which any new political opposition will have to address?

Scotland had been allowed a Parliament, but not a **constitution** of its own. The rules guiding the new assembly are a concoction rather than a synthesis: on one hand, the Scotland Act (1998) with its absurd stack of prohibitions delimiting Scottish sovereignty; and on the other, that crumbling Dome of Ages, Westminster's Mother of all Constitutions. It's rather as if Monopoly and Chess had been arbitrarily compounded into a single game, and the players left to get on with it. No-one will ever understand the rules. Few enough affected to grasp the mystique of Great Britain's constitutional lore. That remained the preserve of those who worked it, the former ruling class and their legal gun-dogs: they always believed that tacit knowledge (conventions, etc.) was safer than damned documents readable by any lout off the streets. Blairism inherited this antique and is now striving to refurbish it; for God's sake, a new House of Lords is one of the provisions in the Preservation Order!

Certainly, a faltering semblance of normality has been upheld in Edinburgh over Year One. But this is simply because the same political party is in office in both countries; one machine, run from one place (in spite of occasional squeaks from Glasgow) and harnessed to the one-off dream-state of the Blair Project. In a recent bulletin, Robert Hazell's Constitution Unit at University College, London, estimated that about half Edinburgh's legislative time had involved measures at least questioning the links with London. But of course as long as Labourism prevails, such questions will be either answered (or drowned) by committees. The smoke-filled rooms are no more; but not what went on in them. The Kingdom is now effectively United by Committee; and not much

else. There they are, committee, council, board and quango: Joint, Inter-Ministerial, Steering, Departmental and Planning, ranging from the anachronistic, like the Judicial Committee of Her Majesty's Privy Council (arbiter of matters constitutional) to the out-of-sight, like the Council of the Isles (thought up to make Ulster Protestants feel there will always be a Britain).

As the wind leaks remorselessly from the Project, however, such devices lose their pith as well. Is there anyone at all who seriously believes such a system can endure? In 2005 or (at the latest) 2009-10, there will be the problem of different parties and governments in power at Holyrood and Westminster. Though quite normal in broad comparative terms, our problem will have to be tackled in an hysterically abnormal British context. By that time, I doubt if even Brian Wilson M.P. will retain undented faith in the old unwritten constitution. Actually I suspect that by then the English may be regarding it with greater contempt than the Scots,

Welsh and Irish. The question was ignored by Thatcher, flirted with and then cast aside by Blair. But it's bound to impose itself soon. The main hinge of world-stage Britain's has always been the Treaty of Union (1707), and if a British state and identity are to be maintained at all, they will in those circumstances have to be re-negotiated. Much negotiation can only be among equals: Holyrood, Cardiff and Belfast will have to conduct themselves at least as if they were independent, and able to confront whatever English body (or bodies) will by then have come into existence.

In Scotland, we can't of course legislate for the rest of Britain. But surely we can get ready to legislate for our own part in what will be a great process. That involves high politics, and long-range questions of identity and national direction. When Gordon Brown warned Scots against immature identity politics, what he really meant was: leave my old **British** identity-politics alone; United Kingdom nationalism would remain safe within his (and Robin Cook's) custody. The Greenwich Dome was a reanimation project for that Brit-nation; meant to demonstrate how unstoppably lively the old Constitution would be under new management. Why, it could even

**It's rather as if Monopoly and Chess had been arbitrarily compounded into a single game, and the players left to get on with it. No-one will ever understand the rules.**

strengthen itself by handing out power around the periphery... just as long as the meek recipients settled down, and concentrated on their low-political nuts and bolts.

As Ross McKibbin has pointed out most acutely in the last number of **New Left Review**, the Blair government's aim of modernisations has come to need and imply depoliticisation. In Bertold Brecht's famous phrase, what it now strives constantly to do is re-elect an alternative British people: those idealised customers of government depicted in its **Annual Report**. Whenever actual people upset it, however; as in Wales and the London Mayoral contest; a quite different face appears. What we then see is the tetchy, impatient visage of a Great (if regrettably declining) Power. Its fear of farther loss generates ever-greater impatience with disloyalty, hence ever more spin-doctoring and modernisation rhetoric. The position is summed up by Brown's policy on the Euro, only partly unwittingly: yes, Britain must join; when every one of her five impossible conditions are fulfilled to the last semi-colon, and Middle Britain is quite sure foreigners have given up deviance. We can be Euro-citizens the day a Paris government stops fearing another Editorial tongue-lashing from **The Scotsman**.

The Scots and their Parliament badly need to get their own act together, in order to defend themselves against this foundering world. This is why any new political formation must be constitutionally oriented; aimed not just at defending the Parliament but also at constructing a more durable and internationally presentable basis for Scottish government. It is important to notice this is not the same as independence; I mean, in the sense of the Freedom-or-bust single-strike idea traditionally cherished among SNP fundamentalists. That was a way of keeping nationalist spirits up against huge adversity, at the cost of a certain paranoia and tunnel-vision. But it's out of date: adversity **in that sense** is finished. The ancien régime is falling apart so quickly no-one can keep up with it. We're fully into the rapids of disintegration, accelerating every day that passes, and the question is how Scots can emerge from them intact.

Intact and, of course, independent; or at least, much more independent than the Scotland Act permitted us to be.

It's true that most voters and MSPs still think of constitutional matters as somehow abstract, remote or secondary. But this is essentially the residual myopia of Britishness; not surprising in a transitional system where, unavoidably, it has been the old-Brit parties that took over and are still trying to run things. They have borne forward many vices of Westminster, and here is an outstanding one; perhaps the most fundamental, and the hardest to get rid of. Since the defeat of Chartism in 1848, popular constitutional agitation has been marginalized in U.K. political life. The only exception; a great one; was the feminist revolt of Edwardian times, which shook the old order badly. But the ranks were reformed none the less (and it's still happening: I find myself writing this the week after Mo Mowlam's resignation).

**From 1979 onwards the initiative for constitutional change lay unavoidably with the Labour Party. This is no longer the case. That's why I think any new left-national movement should put the Constitution in the centre of its ambition**

The sense that constitutional politics is for them rather than us may now be a feature of British-Labour politics; it is emphatically not a feature of the older Scottish tradition. The exact opposite is the case. A study called **Claiming Scotland** has recently appeared and made this point most interestingly. The author, American anthropologist Jonathan Hearn, has got to know us pretty well, but also kept some distance from our dafter notions. He argues that although **ethnic** Scottishness is largely contrived, the effort to transcend it and to make (or claim) a political and constitutional nation has been the underlying identity of the Scots. In William McIlvanney's famous slogan, we are indeed a country of mongrels on the edge of nowhere. But there is an odd implication to this. The only way we have ever been able to do better is by becoming a **civic** nation. And what that means is constituting ourselves by choice, as an egalitarian (in today's terms a social-democratic) society. Hearn lists the chronology of the effort: 1638, 1643, 1689 (Claim of Rights Mk.1), 1707 (the Union Treaty, conceived **by the Scots** as an equal arrangement), 1842 (Claim of Rights Mk 2), 1949 (the Covenant), 1988 (Claim

of Rights Mk 3), 1992 (The Democracy Declaration at Edinburgh). Even more amazing, he points out how all these have referred back, sometimes half-consciously, to an event in the later Middle Ages: not the military victory of Bannockburn but the claim made in its wake, the Declaration of Arbroath (1320).

This is what constitutionalism is about in Scotland. It isn't unique. England and other countries exhibit analogous traditions which are not (or not entirely) invented as a current fashion would make us believe. But it isn't unimportant either; and perhaps it's time we went ahead towards Claim of Right Mk 4. After all, it was the 1988 version; the work of the Constitutional Convention and all that flowed into it; which gave us the Scotland Act and the reconvened Parliament. But in one vital respect things have now altered. From 1979 onwards the initiative for constitutional change lay unavoidably with the Labour Party, even although (as nationalists say) their pressure from outside remained vital. This is no longer the case.

**Adversity is finished. The ancien régime is falling apart so quickly no-one can keep up with it**

Labourism has allied itself fatally and finally with the failing structures of the United Kingdom, and what was new about it in the nineties now risks foundering completely in the wreckage. In Scotland and Wales, the initiative must now surely lie with the genuinely new forces and alliances released by their Parliaments and changed electoral systems.

That's why I think any new left-national movement should put the Constitution in the centre of its ambition. Of course it isn't the answer to all problems (any more than independence). But it is a much more important **necessary condition** of Scottish political advance than the arguments of Year One have recognised. Combined with reappraisals on other fronts; foreign relations, for example, and escape from the Barnett Formula via taxation powers; there must be a strategy in the making, which I hope this new **Review** and its supporters will be arguing out during the remaining time of the first Parliament. ■



The National Union of Rail Maritime and Transport Workers

The Scottish Regional Council of the RMT welcomes the establishment of the newly formed 'Scottish Left Review' and supports the declaration by its Editorial Committee.

We believe a forum of this nature is long overdue and we congratulate the founder members for taking the initiative. We are proud to be associated with the 'Review' and wish it every success for the future.

The RMT argues support for its policy objectives and argues for:-

1. The return of our Railways to Public Ownership.
2. The repeal of all the Anti-Union Laws and to replace them with fairer laws which enshrine ILO conventions 87 and 98.
3. To oppose the concept of PFI/PPP projects.
4. To keep Caledonian MacBrayne in the Public Sector and oppose any plans to privatise our Ferry Services.
5. To support the ITFs campaign against 'Flags of Convenience'.

Willie Welsh  
President

Phil McGarry & Stevet Todd  
Regional Organisers

Jim Gray  
Secretary

# drowning in disorder

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Book review by Andrew Noble

Nick Davies

The School Report: Why Britain's Schools are Failing, Vintage Original Paperback (2000), £6.99.

Even if our wintry skies were not filled with looming rainclouds, we would be living discontentedly in partial darkness. Our skies are dark with chickens coming home to roost. Two decades after Thatcher's allegedly entrepreneurial dawn and three years into New Labour's evangelical, Clinton-derived "triangular" Third Way (right-wing policies in left-wing castoffs) our essential systems (health, education, transport) are disarrayed to the extent of endangering our civic, indeed, personal lives. Nick Davies's incisive, deeply disturbing little book, derived from his rightly lauded Guardian articles, is not only an account of our fractured school system but a paradigm for how the degeneration of all British public services has been and is being politically "managed".

Davies's book is a compelling mixture of first-class investigative reporting, especially of these schools sunk in the terrible impoverished depths of our society, and an acute account of the fallacies and consequent illogical actions of government policy. Central to this is governmental recourse to careerist pseudo-experts of whom the unlamented Chris Woodhead, clung to by Blair, was chief among men. Intelligent and informed dissidents have no part in a proper policy making dialogue. Davies gives such men a much-needed forum. Here, for example, is the account given by the Oxford economic historian, Simon Szreter, derived from a rigorous analysis of world Development Reports:

"By 1991 the best of continental countries were running a ratio of between ten and twelve pupils per teacher. ' But Britain's state schools were still stuck with an average of nineteen students in every classroom. In the early 1990s, only four of the twenty five most developed societies had larger class than Britain - Ireland, Hong Kong, Singapore; and South Korea -- and Szreter suspects that when figures are finally brought up to date they may well have left Britain behind: ' No other democratically elected government in the modern world has dreamed up this master stroke of actually disinvesting in the

educational resources of the nation."

How is this educational state of affairs being managed? Certainly the efficacy of logistical planning of the traditional Civil service, not without shortcomings, has been traduced. In its place all our institutions have been corrupted by a pseudo-entrepreneurial management culture badly translated, from the highly suspect mores and jargon of the American business school. In a recent article in **The Times** Libby Purves cogently defined this managerialism:

The last decades of the 20th century in Britain were defaced and degraded over a wide field by a very similar culture to the one which wrecked the railways. Call it managerialism. Managerialists believe two things: first that specialist experts are of their very nature less fit to make decisions than some all purpose transferable boss; and secondly that there exists a set of immutable laws about competition, profit, communication, and so on which they can apply equally to any enterprise.

All our institutions are now morbidly impregnated by this managerial culture. Everywhere increasingly incompetent and authoritarian bureaucrats, in the name of unstoppable modernisation, absurdly define themselves as dynamic entrepreneur when, in reality, the only things they sell are their colleagues down the river. In an irony of Swiftian proportions, a half-baked theory of allegedly capitalist-derived freewheeling, endlessly flexible behavior has in an educational context, becomes practice of constant internal and external scrutiny. Rather than Western capitalism, we have a situation more akin to the apparatchik world of the redundant communist East.

Genuine teachers exist in a state of besieged depression or flee, the profession. The most manifest symptom of this incessant, paralyzing bureaucratic scrutiny is the colossal amount of time and energy it devours. It is also inevitable that under such pressure both schools and higher educational institutions

**Everywhere increasingly incompetent and authoritarian bureaucrats, in the name of unstoppable modernisation, absurdly define themselves as dynamic entrepreneurs**

derive survival strategies of varying degrees of deceit to misinform their banal inquisitors. Thus Davies writes:

The pressure to deliver statistical ends without genuine means now runs through the system. The Guardian last year reported that there was widespread evidence of schools cheating during Ofsted tests: renting expensive IT equipment for the duration of the inspection, hiding disruptive pupils, fiddling class records, making weak teachers take time off and temporarily replacing them with supply staff. We have been told of schools who helped themselves out of special measures by using LEA advisers to stand in for teachers who were likely to be criticised by visiting HM inspectors.

This huge bureaucratic gathering of supposedly vital information is also in inverse proportion to, not only the system's inability to make sense of it but to transform it into practical, positive action other than varieties of public relations campaigns. Worst of all, Davies puts forward a powerful case that with regard to our schools the whole enterprise is undermined by a politically willful evasion, initiated by the smirking Kenneth Baker and accepted, like so much else, by David Blunkett, that there is no absolute relation between poverty and under-achievement. Poverty is neither an excuse nor something a "good" teacher cannot overcome by a return to traditional, non-trendy methods.

At the start of his enquiry, Davies half-believed this endlessly reiterated educational propaganda. This is surprising because in 1998 Vintage published his terrifying **Dark Heart: The Shocking Truth about Hidden Britain**.

At the time Jack Straw noted that "this book should be required reading... it will shock many to the quick, that all this could be happening under their noses". It has not, despite this, become a best seller among New Labour focus groups. This study of the 20 per cent lower depths of British society, the 'sink estates' and those areas where a vacuum was left by deindustrialisation, is one filled with abhorrent drug and sexual addiction and energised by self-destructive loathing, criminality and sadism. The darkest aspect is the suffering and torment of the children of this nether world. Victorian Dickens is mild in comparison. We have wolf packs of male adolescents. We have children deprived of any element of normal parental protection not only abandoned but also hated by their parents. Pedophilia is rampant and related to systematic prostitution so that one does not know which

is more terrible: the children destroyed by this or those who successfully adapt to it with a peculiar hedonistic nihilism and £800 a week earnings. When Davies started to go into the schools of such areas what he found was an inferno of psychological and physical damage that made any possibility of regular teaching unthinkable. Consider this situation facing Head Teacher Libby Coleman in East Brighton:

The students had had a riotous summer, burning out half-a-dozen police cars on the estate. The police said some of the children were working for a new drugs syndicate who had moved down from Glasgow. The few new teachers she had hired were drowning in disorder in the classroom. Deciding to hire a counselor to help with the wilder children, Libby tried to explain that she had lost her sixth girl that year, pregnant; that a seventeen-year old former student had just been murdered on the rubbish tip next to the school; that the brother of one student had just been accused of helping to murder the father of another; that a boy had been run down on the crossing outside the school; that she had just had her purse stolen by a Year Eight girl who had evidently given it to her older sister, who was a prostitute, and that this older sister had used her credit cards, and so the police had traced her to her flat where they had found her dead from a heroin overdose along with her boyfriend, and so now the Year Eight girl had been taken into care and it was her friends who were upset and needed extra counseling.

Inevitably the Head Teacher was broken on the wheel of this environment; indeed psychosomatic and even terminal illness was endemic among the staff. Davies's vision is a kind of social, psychological Chernobyl pumping out contagion in various ways into all levels of British society.

What we presently have however is a government in educational denial of this reality. Worse, we have in place as our legacy from Baker a set of policies schools that economically have, especially private ones, are given ten-fold while the bottom layer deprived ones have even what little they have taken away. Much of this huge statistical, bureaucratic empire is, according to Davies, simply the rationalisation of traditional British class preferences. ■

# web review

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Henry McCubbin

Welcome to the first of a regular feature in SLR that will suggest a number of web sites that may be of particular interest to our readers. Increasingly the web is becoming a source of information far beyond that immediately available to ordinary members of the public via their newspapers or libraries.

Frequently news reports and commentaries on major events are, by necessity of space or time, mere résumés of major documents only available previously to specialist or academic interests. Now this information is often available in its complete form via Internet databases. The BMA reports on the NHS PFI/PPP scandal are good examples of this.

As always, with regards to the internet, readers have to beware that there are a number of spoof and disinformation sites, either freelance or state sponsored, therefore care has to be taken before passing or publishing information obtained by this means to ensure that facts are facts.

To avoid this the Web Review will confine itself to commenting on the general nature of the sites mentioned.

To illustrate how you can find out the news before it happens I like the example of the US Center for Strategic and International Studies (CSIS).

The Center for Strategic and International Studies (CSIS) is a public policy research institution dedicated to analysis and policy impact. CSIS is the only institution of its kind that maintains resident experts on all the world's major geographical regions. It also covers key functional areas, such as international finance, U.S. trade and economic policy, national and international security issues, energy, and telecommunications.

Founded in 1962 and located in Washington, D.C., CSIS is a private, tax-exempt institution. Its research is nonpartisan and nonproprietary. Sam Nunn chairs its Board of Trustees.

The Center's staff of 90 policy experts, 80 support staff, and 70 interns, is committed to generating strategic analysis, exploring contingencies, analyzing policy options, exploring contingencies, and making policy recommendations.

Why find this site so interesting? Because in September 1999 I read an article on this site called The Lessons and Non-Lessons of the Air and Missile War in Kosovo. In it the accuracy of our so-called smart weapons was exposed. This later became big news in the UK almost one year later. If you want to read the report click on: [www.csis.org/kosovo/lessons.html](http://www.csis.org/kosovo/lessons.html)

Next on my list for Strategic information is another US site [www.stratfor.com](http://www.stratfor.com). This site contains a great deal of informed commentary on US and NATO thinking. For instance the rules of engagement in the new forms of civil unrest as in the Balkans and with terrorist threats identified with a particular state are now to met through by-passing armies at frontiers and attacking power stations and water works etc. It would appear that the so-called International Community is using its Kosovo example as a precedent in order to subvert international law. Is there anyone left at Westminster who knows about this or is willing to oppose it?

Anti-globalisation is a word that even sounds ugly. Perhaps the rise of this movement is best attributed to what some might call the subversive use of the Internet. There are many sites now dedicated to this cause but [www.50years.org](http://www.50years.org) is a good one to start with. It has many links to other like minded organizations and provides good analysis of events.

Finally, with genetic research causing so many political problems, some of which must be resolved by our on Scottish Parliament, I would point surfers to [www.genewatch.org](http://www.genewatch.org) as this site has several reports on the important issues. It also has the habit, to be encouraged, of leaking internal memos from companies like Monsanto thus letting us know what these industrial giants think of us. ■

We want to hear from you. Please contact the Scottish Left Review as follows:

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