

COMPULSORY COMPETITIVE TENDERING (CCT) FOR LOCAL GOVERNMENT SERVICES IN BRITAIN: PRESSURES, OBJECTIVES AND OUTCOMES

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*Britanya'da Yerel Yönetim Hizmetlerinin Zorunlu Rekabetçi Sunumu:
Baskılar, Amaçlar ve Sonuçlar*

Özet

Bu makale Britanya'da, 1980/97 yılları arasında, Muhafazakar Parti'nin yürürlüğe soktuğu 'zorunlu rekabetçi sunum' politikasının ortaya çıkışındaki nedenleri, ilgili kanunun genel içeriğini, politikanın amaçlarını ve sonuçlarını incelemektedir. Zorunlu rekabetçi sunum kanununun çıkmasında Muhafazakar Parti'nin Kabine dışı milletvekillerinin, özel sektördeki ilgili firmaların ve 'Yeni Sağ'ın önde gelen think-tankı olan Adam Smith Enstitüsü'nün yapmış olduğu baskıların önemli olduğu ortaya konmaktadır. Bu politikanın arkasındaki amaçlar, yerel yönetim hizmetlerinin sunumuna rekabet sokmak, sektörde etkili olan sendikaların gücünü azaltmak ve yerel yönetimleri, diğer kurumların belirli yerel hizmetleri yerine getirmesine olanak veren ve standartları çizen hizmetlerin sunumunu denetleyen ve özel sektörün yerine getiremediği hizmetleri üstlenen bir kurum haline sokmak olarak ortaya konmuştur.

Abstract

This article examines compulsory competitive tendering policy of the Conservative Governments between 1980/97 in Britain. The pressures for compulsory competitive tendering (CCT), the general provisions of the Local Government Act (1988) dealing with CCT, the objectives of the CCT and policy outcomes of the CCT in the initial period will be dealing with. It is argued that pressures by Conservative backbenchers, private sector companies and the Adam Smith Institute (ASI) were important in convincing the government for CCT, and the government fitting CCT into its philosophy enacted the relevant act. Three objectives behind CCT were presented: introducing competition into local service provision, curbing the power of trade unions which were effective in local service provision, and making local authorities 'enablers' of local services to be delivered by private sector, not direct providers of services, and to step in here private sector fills to deliver or can not deliver services. Available evidence about early outcomes of CCT suggested that local authorities were successful in incurring the large proportion of the contracts awarded and remained the key providers of local services. Improvements in authority's knowledge of service quality, standards and the costs of services, the impetus for organisational change and service review and overall financial reduction in costs were emerged as major impacts of CCT in the initial period.

Compulsory Competitive Tendering (CCT) For Local Government Services In Britain: Pressures, Objectives and Outcomes

I. Introduction

Among many policies introduced by the 1979-97 Conservative Governments, compulsory competitive tendering (CCT), which gave an opportunity to private sector to deliver certain local services, was perhaps the most fundamental and far-reaching for British local government¹. After coming to power in 1979, the Conservative Governments under Margaret Thatcher sought to encourage local authorities to increase the extent of the private provision of local services. In fact, local authorities were already allowed to use private firms or voluntary organisations to deliver local services, but it was permissive and until the Conservatives entered office, the presence of contractors in both local government and the health service was minimal (ASCHER, 1987: 23-25). In 1980, the Local Government, Planning and Land Act made competitive tendering compulsory for building construction, highway construction and maintenance. Voluntarily, a number of Conservative-controlled

1 Local government in England and Wales consisted of two-tier structure until the 1995-98 structural changes. The first tier involved 47 non-metropolitan counties with elected county councils, and 6 metropolitan counties and the Greater London Council, which were abolished in 1986, with powers passing to district councils and London boroughs. Functions were those requiring large, scale planning and funding, such as strategic planning, education, police and fire service, and personal services. The second tier comprised 369 districts councils which carry out environmental health, housing, planning and refuse collection. 32 London boroughs and metropolitan district councils carried out all services except for police, fire services and public transport, which are the responsibilities of joint authorities drawn from a number of districts, or of non-elected residuary bodies. In Scotland, similar structure exists with 9 regional councils carrying out similar functions to English and Welsh county councils. Lower tier in Scotland consists of 53 districts with similar powers to English and Welsh district councils. The 1995-98 structural changes resulted in a slight adjustment in British local government structure creating a number of new unitary authorities (46 in England, 22 in Wales and 32 Scotland) carrying out local services in their areas.

councils, notably Wandsworth and Southend-on-Sea, extended competitive tendering to services beyond those specified in the 1980 Act and demonstrated significant economies. However, the majority of authorities—over 90% of the 456 councils in England and Wales—were reluctant to extend competitive tendering on a voluntary basis (CHAUNDY/UTTLEY, 1993: 25-41).

Disappointed with the low level of competitive tendering on voluntary basis, and under significant pressure from Tory backbenchers and private sector supported ideologically by the Adam Smith Institute (ASI), the Conservative Government enacted the Local Government Act 1988 extending CCT to refuse collection, building cleaning, other cleaning (mainly street cleaning), schools and welfare catering, other catering (for example staff canteens), grounds maintenance, vehicle maintenance. Finally, the Local Government Act 1992 extended CCT beyond these technical services into housing management and a large number of mainly 'white collar' activities (legal services, personnel services, finance services, information technology services) at the very heart of the local authority. The provision of the 1992 Act is to be implemented between 1996-2000. Since the implementation period of the 1992 Act is still under progress, the main focus of this article will be on the 1988 legislation. First, pressures for the Local Government 1988 Act will be analysed and provision of the Act will be explained. Then, objectives of government will be examined and outcomes of CCT will be assessed.

II. PRESSURES FOR THE 1988 LEGISLATION

Having introduced CCT in housing building and highway construction and maintenance by the 1980 Local Government Planning Act, the Conservative Government had no further intention, in the short term as least, to extend CCT into other services. The Conservative Party's 1983 election manifesto announced that the part, 'shall press on with his [competitive tendering] wherever public money can be saved and standards of service maintained or improved', but there was no plan for compulsory tendering in the Government's legislative agenda. Yet, pressures for compulsory tendering were to flow after the 1983 election.

1. Backbencher Pressure

The election itself indirectly provided the necessary stimulus for action which brought into Parliament two of the chief protagonists in the debate, Michael Forsyth and Christopher Chope. Their presence in the House of Commons increased pressure of the Government to present a Bill for compulsory tendering (ASCHER, 1987: 38).

Michael Forsyth had been a Westminster City councillor before being an MP in 1983 and had already been instrumental in eliciting a Government commitment to competitive tendering in his three pamphlets by 1983. In *Reservicing Britain*, which was published by New-Right think tank, the Adam Smith Institute, (ASI), in 1980, he extolled the virtues of contracting out, arguing that there was lack of accountability in local authority services. The public sector bureaucracy operated in its own interest and private contractors, contrary to popular belief, were likely to be more accountable to the general public than in house services. He wrote that there was no need for most locally based services to be run publicly. 'Many local government services seem to have entered the public sector by accident of history, with no rationale linking those which local councils feel obliged to provide.' He believed that the private sector was superior to council provision since 'the combination of a protected monopoly position with a claim on tax revenues removes all incentive for efficiency of operation and quality of services'. He concluded that:

The British people have come to expect that public services will become lower in quality and more expensive to provide. This need not be so. Privatisation [contracting out] has its part to play, therefore, not only in reservicing Britain, but in helping to restore the country's faith in itself. (FORSYTH, 1981).

Forsyth continued to argue the case for contracting-out in *Down with the Rates* in 1982, and *the Myths of Privatisation* in 1983. He had also set up his own public relations firm, *Michael Forsyth Associates*, which was active in lobbying for increased acceptance of contracting out as we shall see.

Christopher Chope came to parliament through a different route. During his time as leader of Wandsworth Borough Council, the council privatised refuse collection, street cleaning and gardening. Chope survived both media and trade unions attacks during his leadership. He, with Forsyth, had been active in party conferences to show the benefits of contracting out. For example, at the 1983 Conservative Party Local Government Conference, contracting out was prominent on the agenda. Delegates were shown an audio visual presentation on the advantages of contracting out and given a chance to question a panel which included Chope and Forsyth (Municipal Review, April 1983: 6).

After Chope entered Parliament in 1983, his questions monitored the Government's progress in encouraging contracting out, beginning late in 1983 to when legislation was introduced in the 1987/88 session.²

David Atkinson, who had been a Southend Borough Councillor 1969-72 before entering Parliament in 1977, perhaps proud of his former council's achievement in tendering, was another strong supporter of compulsory

2 See *Hansard*, 8 February 1984, w/a, Col. 651; 2 April 1984, w/a, Col. 397-98; 30 October 1984, w/a, Col. 138; 28 November 1984, Col. 921-22; 20 December 1984, w/a.

tendering. His questions were also urging the government to take measures to encourage local authorities to tender their services.³

The majority of backbenchers also supported the legislation for compulsory tendering who were receiving pressure from all walks of party life. In addition to the general backbench support, splinter groups within the party, such as the Tory reform Group and the Bow Group, were influential in demanding mandatory contracting out (ASCHER, 1987: 50). Chope recalled this backbench pressure:

'When I got in to Parliament, we campaigned, the whole group of us [backbenchers] campaigned, put pressure on the Government, including Patrick Jenkin [the then Environment Secretary]. We could put pressure through the Prime Minister to introduce CCT.' (Interview, 1997).

David Heathcoat-Amory, another backbencher at that time and supporter of contracting out, confirmed in retrospect that 'the pressure [for compulsory tendering] came from some backbench MPs, and the Government itself welcomed it' (Interview, 1997).

Thus, in the 1983-87 Parliament, there was significant pressure from Conservative backbenchers. But, the Government was not particularly eager to embrace compulsory tendering of local authority services. Throughout the first few months of 1984, ministers evaded Chope's and Atkinson's questions and stated that they were considering what measures might be taken in this direction.⁴

The Government was in principle reluctant to embrace mandatory competitive tendering. This became clear when David Atkinson, another leading backbench supporter of compulsory tendering, asked Thatcher whether she was satisfied with the progress being made by local authorities to contract-out services. Thatcher replied that she was 'dissatisfied with the progress' local authorities were making in seeking better value for money by 'putting their services to the test of competition'. She said that the Government was continuing to study what measures could be taken 'to speed up the process' (HANSARD, 27 March 1984, Col. 137). Atkinson urged Thatcher to introduce legislation, but while she replied that the 'progress until the had been very disappointing (only 23 contracts in street cleaning and refuse collection with a saving of £7m), she made clear that she was not willing to legislate for compulsory tendering:

'I hope we can be much more successful in persuading local authorities to go out to private competition, but I should be reluctant to commit us to legislation, because that would be a very technical measure to put through in the House.' (HANSARD, 27 March 1984, Col. 38).

3 See *Hansard*, 27 March 1984, Col., 137; 11 July 1984, Col. 1033-34; 28 November 1984, Col., 921-22.

4 See *Hansard*, 8 February 1984, w/a, Col. 651; 2 April 1984, w/a, Col. 397-98; 30 October 1984, w/a, Col. 138; 28 November 1984, Col., 921-22; 20 December 1984, w/a; 27 March 1984, Col., 137; 11 July 1984, Col. 1033-34.

The Government's reluctance probably stemmed from several factors, as Ascher points out. Relationships between central and local government were already at an all-time low due to rate capping and other spending constraints in addition to the controversy over the abolition of the metropolitan counties. Preliminary evidence had begun to show that the NHS tendering initiative was running into substantial problems (ASCHER, 1987: 39). The Government did not have a clear commitment to extend the compulsory tendering beyond the 1980 Act, in the second Parliament at least.

However, just one week later, there was still more pressure put upon the government by its own backbenchers. On 3 April 1984, Christopher Chope introduced a Ten-Minute Rule Bill. He praised the savings that 23 local authorities were making from contracting-out the provision of refuse collection, street sweeping and associated services. Referring to Thatcher's dissatisfaction with the progress of contracting out on a voluntary bases, he argued that it was time to shake-up all local authorities by imposing a statutory duty to pursue competitive tendering since it was 'the key to better quality local government services at much lower cost' (HANSARD, 3 April 1984, Col. 821).

Ten-Minute Rule Bills, devices used to publicise issues on the floor of the House, are not debated formally, and ministers and their parliamentary private secretaries traditionally refrain from voting (ADONIS, 1993: 107-108). But there was an unprecedented support for Chope's Bill. Eighteen parliamentary private secretaries broke with tradition and voted in favour of it. The Bill was rejected by a margin of three, 167 to 170. As Ascher emphasises, Chope and other backbenchers had succeeded in demonstrating to the government the overwhelming support for compulsory tendering among Tory backbenchers (ASCHER, 1987: 40).

2. Pressure From Private Sector

The second important pressure was coming from private sector contractors, who aimed at influencing the government by a lobbying campaign. The trade associations of the contract cleaning, laundry and catering industries (the Contract Cleaning and Maintenance Association (CCMA), the Association of British Laundry, Cleaning and Rental Services (ABLRS) and the British Hotel, Restaurant and Caterers Association (BHRCA), met with government ministers and civil servants in the first Thatcher government at regular intervals (ASCHER, 1987: 73).

Some associations, for example the CCMA, used civil servants to help them make inroads into the public sector. It recruited John Hall from the Ministry of Defence, formerly in charge of monitoring the contracting out of

cleaning in MOD buildings. Hall became the CCMC's Secretary General (ASCHER, 1987: 49).

The most visible means by which contracting firms furthered their case was through paid lobbyists. Pritchard Services, the largest and most diversified firm in the contract cleaning market, hired Michael Forsyth Associates to do their public relations, and to lobby for them. Before the merger of the Association of British Launderers and Cleaners (ABLC) and British Textile Rental Associations (BTRA) in 1984, a 'Common Interest Committee' formed by the two associations retained the same public relations firm to lobby on their behalf, and the relationship continued with the ABLCRS after the merger. The strategy of Michael Forsyth Associates was to exert political pressure both nationally through parliamentary public relations and locally through coverage in the media (ASCHER, 1987: 73). Some contracting companies favoured the use of 'public relations' advisers in Parliament. A list of MPs who were affiliated with service companies in the second Conservative Government is shown in Table 1.

Table 1 Conservative MPs' Connections

Name of MPs	Organisation	Relationship
Geoffrey Finsberg	Office Cleaning Services	Consultant*+==
Michael Forsyth	Michael Forsyth Associates	Director*+==
	Pitchard Service Group	Client*+==
	ABLC/BTRA	
	Common Interest Committee	Client*
	ABLRCRS	Client+
Marcus Fox	Care Services Group	Director*+==
Anthony Grant	Pritchard Service Group	Adviser*+=

Notes and Sources:

* As at Feb/1984, Parliamentary Papers, *Register of Member's Interest on 7th February*, HC 249 (London: HMSO, 1984)

+ As at Jan/1985, Parliamentary Papers, *Register of Member's Interest on 9th January*, HC 197 (London: HMSO, 1985)

= As at Jan/86, Parliamentary Papers, *Register of Member's Interest on 13th January*, HC 240 (London: HMSO, 1986)

- As at Jan/87, Parliamentary Papers, *Register of Member's Interest on 12th January*, HC 155 (London: HMSO, 1986)

Finally, the contractors tried to influence the government by direct contribution to Conservative Party funds. Although the real purpose behind these contributions can not be determined, it indicates that a relationship between individual companies and the Conservative Party existed (Table 2).

Table 2 Contractors' Donations to the Conservative Party 1982-84

Company	1982 (£)	1983 (£)	1984 (£)	Total (£)
BET	10,000	10,000	20,000	40,000
Pritchard	10,000	21,000	12,000	43,000
Brengreen	—	5,164	21,000	26,000

Note: Brengreen was in the contract cleaning industry; BET was known as British Electric Traction, and owning the Initial Services and Advance Services, both were in the laundry (textile maintenance) industry.

Source: K. Ascher, *The Politics of Privatisation: Contracting out Public Services* (London: Macmillan, 1987), p. 74.

The private sector lobbying for the extension of competitive tendering indeed put effective pressure on the government. Just before Chope's Ten-Minute Rule Bill, Patrick Jenkin was warning local authorities that they would be compelled to go out to tender on some basic services. He told the Conservative Local Government Conference in March 1984 that industry was 'pressing' them for a statutory right to tender, and this was being 'given serious consideration by the Government' (Municipal Review, April 1984: 6).

3. Ideological Support from the Adam Smith Institute (ASI)

The backbenchers and contractors received significant moral and ideological support from the New Right think tank, the ASI. New Right public choice theory argued that the optimal mechanism for allocating goods and making decisions was the market, and saw public bureaucracies and representative democracies as seriously flawed. In particular, public sector expenditure was seen as inherently prone to excessive growth. Public Choice theory advocated fragmentation of existing bureaucracies and contracting out of public services to private sector (KING 1987: 91-108; STOKER, 1991: 238-45). The contracting out reform was repeatedly suggested by the ASI in the early 1980s. In 1981, the institution advocated contracting out in *Economy and Local Government*, written by Madsen Pirie and Eamonn Butler. The ASI also published Forsyth's pamphlets *Reservicing Britain* in 1980 and *The Myth of*

Privatisation in 1983 on the virtues of free enterprise, which gave the Tory backbencher, and particularly contracting firms, a political and intellectual momentum. However, the most important publication of the ASI was *The Omega File: Local Government Planning and Housing*, published in late 1983 by Eamonn Butler, Madsen Pirie and Peter Young. The report suggested, among its numerous radical recommendations, that all local authority services should be put out to contract, and that even the monitoring of these services should be privatised.

III. THE LOCAL GOVERNMENT ACT (1988)

This pressures from Conservative backbenchers, private sector and the ASI eventually paid off. In her Party Conference speech in October 1984, Thatcher praised the Conservative councilors for working hard to get better value for money through greater efficiency and putting out work to competitive tender, saying this was 'privatisation at the local level and we need more of it' (Conservative Central Office, 1984).

Contracting out fitted easily into the market oriented philosophy of the Conservative Party which had developed under Thatcher and its value as a strategy was enhanced by the public sector strikes of 1979. Ridley wrote that privatisation was a popular policy among Tory MPs in 1979 as a result of the experiences of the 'winter of discontent'⁵ (RIDLEY, 1991: 15).

Thatcher had told the Conservative Party Conference in October 1982 that:

'In the next Parliament, we intend to do a lot more. We are seeing increasing evidence of the savings that can be made. Local authority after local authority has found that even the prospect of contracting out their refuse collection produces amazing economies from their staff. As Dr. Johnson nearly said: "When you know you are going to be privatised in a fortnight, it concentrates the mind wonderfully".' (Conservative Central Office, 1982).

In the event, the Government published a consultative document in February 1985, *Competition in the Provision of Local Authority Services*, and outlined plans to make competitive tendering mandatory from 1987 for a range of local services, including refuse collection, street cleaning, internal buildings cleaning, ground and vehicle maintenance, and catering. Authorities would be required to keep separate accounts for each type of work and to achieve financial targets set by the secretary of State, who would also be given the power to select appropriate areas for tendering (DoE, 1985).

5 1978-79 winter season witnessed wide-spread strikes organised by powerful trade unions and caused significant disruption in public services. For example, dead went unburied, critically ill patients were turned away from hospitals by picket and this period is known in British politics as 'winter of discontent'.

The Government's White Paper was published on 5 February 1985. During the ten-week consultation period, DoE received about 450 replies from interested parties. As expected, the Labour Party, the trade unions, and local authority associations strongly opposed the new measure. Contractors unanimously supported the proposal. The only unanticipated responses came from local Conservative politicians and councils, several of whom submitted strongly worded responses condemning unprecedented the level of interference in their affairs (ASCHER, 1987: 42). However, the Government was determined to introduce legislation because of 'the continuing low level of voluntary exposure of local authority services to competition' (THATCHER/HANSARD, 12 Mart 1986, w/a, Col. 465). The government had not conducted a specific research to assess potential problems of compulsory competition as become evident by Jack Cunningham's, Labour's shadow spokesman on environment, question in Parliament. When he asked whether the Government had conducted or intended to commission any research to establish the administrative implications of introducing compulsory tendering, he was curtly told:

There is already a considerable amount of independent professional advice on the administrative implications of competitive tendering. The Government, therefore, have no plans to commission any research at present.' (RIDLEY/HANSARD, 2 February 1987, w/a, Col. 491-92)

In fact, there were some studies supporting competitive tendering. Most notably, the Chartered Institute of Public Finance and Accountancy had issued some reports in 1969 and 1975 (CIPFA, 1969; CIPFA 1975). DoE had commissioned management consultants Coopers & Lybrand to undertake a comprehensive examination of local authority service provision, and the firm's report in September 1981 suggested that authorities might increase flexibility by introducing competitive tendering. Although it did not enthusiastically support contracting out, it stated that competition with the private sector might improve services (COOPERS/LYBRAND, 1981). Finally, the Audit Commission reported that great savings were possible from contracting out and it recommended that:

'...all local authority services should be subjected to the test of market place, and direct labour organisations and private suppliers should compete for as much as local authority business as possible on a completely equal footing.' (Audit Commission, 1987)

The government intended to publish the Bill, requiring councils to tender for refuse collection, street and building cleaning, vehicle and ground maintenance and catering in early 1987. But the drafting of the clauses dealing with compulsory tendering was not finished as the 1987 election approached, and therefore compulsory tendering was not included in the long awaited 1987 Local Government Act which only aimed at preventing 'creative accounting' techniques used by some Labour authorities. The Act stopped authorities from using advance and deferred purchase schemes to avoid the Government's capital expenditure controls, and store up major future commitments, and also

gave local authorities powers to provide financial assistance to the private sector to provide rented housing accommodation.

Following the 1987 general election victory, the Conservative government presented the awaited Local Government Act dealing with CCT in Parliament which completed its parliamentary process in early 1988. The Act lists the seven services as subject to CCT. These are refuse collection, building cleaning, other cleaning (mainly street cleaning), schools and welfare cleaning, other catering (for example staff canteens), grounds maintenance, vehicle maintenance. The Act gives the Secretary of State the power to add more activities to the list at any time, and the management of sports and leisure facilities will be covered as well (added in December 1989).

Under the Act, a local authority may not carry out these services in-house unless it abides by six conditions. The conditions areas follows:

1. The local authority must publish a notice in the local and trade press. The notice must state (a) what work is involved, (b) when and where a detailed specification can be inspected, (c) that a copy of the specification may be obtained at a stated price, (d) that those wishing to tender should notify the council, and (e) that the council will invite tenders to carry out the work.

2. The times, places and price for inspecting and obtaining the specification and tendering for the work must be 'reasonable', and the authority must actually make copies of the specification available. The specification must state when the contract will operate.

3. If any companies express interest, the council must invite at least three of them to tender for the work. If fewer than four companies are interested they must all be invited. The invitation must be issued between three and six months after the press notice was published.

4. The authority must prepare a written bid from its direct service organisation (DSO).

5. The authority must not act in an 'uncompetitive' or 'anti-competitive way'.

6. The direct service organisation must follow the specification.

There are three main exclusions to the legislation. The rules do not apply when the work is minor part of the job of someone who mainly does other things, or when the work is done in an emergency, or if the value of the work is below a certain limit. The last exclusion (known as the *de minimis* rule) has the effect of exempting quite a number of small, mainly rural, authorities from CCT for at least some of the services.

The Act also insists that the authorities set up separate trading accounts

for the various services, and they operate according to certain financial targets specified by the Secretary of State. Finally, local authorities are not allowed to take 'non-commercial' criteria into consideration when awarding the contracts. For example, they may not insist that the workforce be paid at nationally agreed wage rates, nor that it be unionised. Neither they may write equal opportunities clauses into contract, nor decline to award a tender on the grounds that the company is foreign country owned.

IV. OBJECTIVES OF CCT

The Government had three main objectives in CCT policy: (1) introducing competition in local authority services, (2) reducing the power of trade unions in local service provision, and (3) make councils 'enablers' in specified services in accordance with its new and coherent view of 'enabling council'.

1. Introducing Competition

Nicholas Ridley stated that the Government was seeking 'a fair competition between the public and the private sector in the provision of services' (HANSARD, 17 November 1986: Col. 335). The Government was enthusiastic that competition would lead to efficiency and value for money. Ridley believed it 'a spur to efficiency and value for money wherever it operates. Too much of the public sector has been insulated from it' (RIDLEY, 1988: 8). Michael Howard, then local government minister, said services would be provided more efficiently if they were subject to competition, in common with services in other areas of economic life (HANSARD, 6 July 1987: Col. 145).

In addition to efficiency and value for money, CCT was expected to deliver quality services at a lower cost as a result of competition in local service provision. Ridley argued that 'competition will lead to the free operation of the market which is the best way of delivering greater choice, higher productivity and better quality services at lower prices' (HANSARD, 6 July 1987: Col. 80).

In interview, Chope stated that:

The Government saw competition as a way of strengthening local government. Clear decision making processes, full and regular information on cost level and reductions in these cost levels could only work to the benefit of members, officers and local citizens.' (Interview, 1997).

2. Reducing Trade Union Powers

The bargaining power of organised workers, mainly Labour Party members or supporters, in trade unions has been a major government concern.

Thus, by provisions of CCT, the government expected to reduce trade union influence in specified services. At the 1987 Conservative Party Conference, Michael Howard stated that through CCT they would 'stop trade unions using their grip on Labour Town Halls to prevent private contractors getting a fair crack of the whip. local ratepayers deserve good value for money.' (Conservative Central Office, 1987). Later, John Gummer maintained that the CCT legislation 'had broken the union stranglehold on council services by putting them out to tender. Competition will take over from costly union deals and the savings will go to the ratepayers.' (Interview, 1997). Ridley repeated this argument in his famous statement:

The root cause of rotten local services lies in the grip which local government unions have over the delivery of those services in many parts of the country. Our compulsory competitive tendering provisions will smash that grip once and for all. The consumer will get quality services at lower costs (Local Government Chronicle, 14 April 1989: 1).

David Trowbridge acknowledged that CCT 'was a way of breaking the stranglehold of the workforce of local authorities' (Interview, 1997) David Heathcoat-Amory added that it was also politically important and described CCT as a 'very successful way of undermining the political power base of the left wing [Labour] councils' in trade unions (Interview, 1997).

3. The Enabling Council and CCT

The third aim was to make local authorities 'enablers' rather than providers of the specified services (under compulsory competitive tendering), in accordance with the new and coherent Tory view of local government, 'enabling council'. It became clear following the 1987 general election that the Conservative Party pursued to alter the role of local authorities in delivering public services by the 'enabling council' concept. This new view of local government was explained by Nicholas Ridley, then Secretary of State for the Environment, in his pamphlet in 1988. He argued that:

The role of the local authority will no longer be that of the universal provider. But it will continue to have a key role in ensuring that there is adequate provision to meet needs, in encouraging the various providers to develop and maintain the necessary services, ...and to ensure that services are provided and affordable for the clients concerned.' (RIDLEY, 1988: 17-22).

He clarified the argument at the Conservative Party Local Government Conference in 1988, soon after the publication of his pamphlet, saying that 'central government had divested itself of activities which it was never well equipped to discharge and concentrated on taking political decisions'. He believed that that process must spread to local government. He stated:

The principle which lies behind all our policies is a shift in the function of local authorities from that of direct providers of services, and owners of massive assets, to that of regulating and enabling services and facilities to be provided.' (Municipal Review, April 1988: 10).

V. OUTCOMES

1. Winners and Losers

Evidence suggested that local authority 'in-house' tenders were overwhelmingly successful in winning contracts. A survey by *Municipal Survey* at the end of the first year of operating CCT under the 1988 Act showed that 76% of all contracts awarded under CCT remained within the authorities in-house departments. In Scotland, a survey by the Convention of Scottish local Authorities (COSLA) put the figure nearer 85% (GREENWOOD/WILSON, 1994: 409).

A later survey, covering 2,132 contracts in England and Wales until January 1991, showed that local authority in-house-bids varied between 6% and 99%. In terms of value, the proportion awarded to local authorities ranged between 80% and 99% (Table. 3)

Table 3 Contracts Won by DSO in England and Wales (1991%)

	Contracts	Value
Building Cleaning	60.6	90.5
Refuse Collection	73.6	79.8
Other Cleaning (inc. street cl.)	73.0	81.8
Vehicle Maintenance	74.6	83.5
Education and Welfare Catering	99.0	99.3
Other Catering	76.0	83.6
Ground Maintenance	72.0	85.3
Average	75.5	86.2

Source: LGTB/LACSAB, *Information Survey Report, No. 2* (LGTB/LACSAB, 1991)

Another survey by the Local Government Management board in November 1993 showed that local authorities continued to maintain two-thirds share of contracts in England and Wales. The average in-house share of all contracts was 66.8%, with in-house departments operating 82% of all contracts by value (Table 4). Local authorities, therefore, had certainly continued to be direct service providers in the first years of the 1988 legislation.

Table 4 Contracts Won by DSO in Britain (1993%)

	England and Wales	Scotland
Cleaning Buildings	45.4	81.3
Refuse Collection	69.6	85.7
Other Cleaing (inc. street cl.)	70.4	100
Vehicle Maintenance	77.5	95.2
Education and Welfare Catering	89.0	100
Other Catering	76.2	100
Ground Maintenance	66.2	82.1
Sports and Leisure Management	85.5	100
Average Contracts	66.8	93.04
Average Value	82	–

Source: LGMB, CCT Information Survey Report, No. 8 (LGMB, 1993)

The most recent picture is summarised in Table 5. It shows that DSOs have been maintaining the trend in retaining large proportion of contracts.

Table 5 Contracts Won by DSO (1996)

	Contracts	Value
Building Cleaning	42	72
Refuse Collection	61	65
Vehicle Maintenance	77	81
Catering (Education & Welfare)	75	81
Grounds Maintenance	56	74
Sports and Leisure Management	85	93
Average	66	77.6

Source: Municipal Yearbook, 1997, Vol. 1, p. 121.

2. The Impact Upon Management

Although the great majority of contracts still stayed in-house, CCT brought about major gains resulted from injection of competition into local service

provision. First, councils' knowledge about costs of services delivered has been improved leading to major savings. Indeed, local authorities' knowledge about cost of services was inadequate prior to CCT as exposed by a number of councillors. Margaret Eaton, the leader of Bradford City Council in the 1990s, stated that 'the services that were being provided were very inefficient, terribly costly and there was no assessment of what the customers require...For example, nobody was be able to tell how much it cost to clean city hall. Now it is possible' (Interview, 1997). Richard Whitman, a councillor of Bradford City Council since the mid-1980s and now the deputy leader at the council, said 'until CCT was introduced as a legislation and began to take path, there was no attempt by local government to provide services which were specified properly, monitored properly and measured properly' (Interview, 1997). Marion Roe, a former councillors at Greater London Council in the 1980, argued that 'as soon as the introduction of tendering started, the direct labour departments had suddenly got to work out how much things cost for the first time' (Interview, 1997). John Moore, the former leader of the West Yorkshire Country Council before its abolition, emphasised the lack of knowledge about service cost before CCT:

'A lot of us thought that we did extremely well, but we did not realise how expensive they were. We were doing well indeed, but it was terribly expensive. So, we were forced to go to competitive tendering to get them cheaper. I believe, unless you have competition, you are bound to be inefficient.' (Interview, 1997).

The Walsh and Davies study conducted for the Department of the Environment (DoE) in 1993 acknowledged that there were improvements in authorities' knowledge of services and their costs. The study concluded emphasising that 'generally, competition has contributed to the developing quality and performance focus of local government'. In terms of service costs, 'on balance the introduction of competition has led to some reductions in service costs' (WALSH/DAVIES, 1993:165-168). The Walsh research in 1991 showed that on average, the annual cost of services in the 40 councils examined was about 6% lower after competition; the largest saving were in building cleaning; staff costs have reduced as a proportion of total costs; the average cost of preparing for competition was about 11% of annual contract value or 2.5% of the total cost (WALSH, 1991). Where there have been not been cost reductions, the authority is now able to manage its services with more knowledge of the financial impact of changes) (WALSH/DAVIES, 1993).

Another major gain from competition has been the impetus for organisational change and service review. This effects was almost universally acknowledged whether the authority had been for or against competition. The continuing pressure of competition was leading to enhanced monitoring of services and the way that they were managed, so this effects was likely to persist. The Walsh and Davies study concluded that a number of those interviewed said

that 'they should have been reviewing services and monitoring performance anyway, but in practice would not have done so without the spur of competition' (WALSH/DAVIES, 1993: 165-68).

It could be said that, although the level of contracting-out to private sector was low in the first years of CCT, the major expectations of the Conservative Government from the implementation of CCT started to be realised. Competition in service provision has resulted in important changes in both attitude and culture, made a major impact on the management of local authorities, forced local government to become "leaner and fitter" to win competition, and gave the private sector a greater stake in service delivery (GREENWOOD/WILSON, 1994: 417-418).

3. Trade Union Power

Early evidence suggested that CCT led to significant changes in employment practices. For example, Local Government Management Board figures for all activities affected by CCT identified a decline of 19.7% in full-time and a 5.5% reduction in part-time manual jobs between September 1988 and September 1991. In addition, contractors have cut pay, holidays, sick pay, maternity leave and pension rights worth about 25% of labour costs. (Public Services Privatisation Research Unit, 1992: 19). An academic study examining the direct implications of CCT on trade unions power in the 1990s is needed to have a clear picture about this particular subject.

4. Enabling Council: Future Thoughts

The objective of the government, to make local authorities "enablers", regulators of services rather than providing them and concentrating on things only councils could do, led to compulsory competitive tendering reducing the role of local authorities. In CCT, initial results suggested that local authorities were successful in winning the large majority of contracts awarded and remained the key providers of services. Improvement in authority's knowledge of service and cost, the impetus for organisational change and service review, and overall financial reduction in costs were suggested as major impacts of CCT in the first years.

It could be concluded that although local authorities remained the major providers of local services in the initial years of the reforms, the 'enabling council' concept undoubtedly challenged the traditional model of local authorities as near-monopolies. Enabling is, however, a 'vague' and elastic

concept, interpreted very widely indeed, as Wilson argues.⁷ For example, Clarke and Stewart's alternative enabling council implies a liberation from present restriction, their model sees councils taking on board responsibility for local social and economic issues and using all the means at their disposal to meet the needs of the community. This may involve regulating, controlling, inspecting, advising, supporting, aiding, stimulating, guiding and also providing (CLARKE/STEWART, 1988).

Wilson and Game suggest four ideal types of enabling authority (WILSON/GAME, 1998: 354-59). First one is the traditional service delivering authority which is the typical model of local authority in the 1945-80 period, striving towards self-sufficiency but never given the financial and political autonomy to achieve it. It has always seen its principal role as being a direct provider of public service and complained bitterly and publicly about the outrage of Whitehall damaging their rights to set their own budgets and rates according to the needs of their local people. CCT has been opposed for its compulsion and for its prejudice against public services, and every effort has been made to win as many contracts as possible. The Labour government is expected to abolish CCT, removing capping, and release more resources to authorities. Councillors of this type of authority believe that local authorities were set up to provide local services to local people, that is what they are professionally equipped to do, and what should continue to be their core business.

The second type of enabling authority is the residual enabling authority whose councillors have come into local government to use it as a stepping stone to a national political career, to play their part in implementing locally a version of possible Thatcherite project of minimising councils' direct service-providing responsibilities. Considerations of any wider community role are seen as largely irrelevant, the council's function is simply to enable the delivery role of a limited range of public services which the market cannot provide. The third type, the commercial enabling authority believes in the virtues and efficiencies of market forces, but regards them as having a different role to play in local government. Councillors of this authority have no intention of privatising themselves and they see the local authority as having a much stronger and more active role in determining the economic future of its area. The council wants to be the key

7 See, WILSON, D. (1993), "Turning a drama into a crisis: perspectives on contemporary local government", *Public Policy and Administration*, 8/1: 36; WILSON, D. (1995), "Elected local government and central-local relations", PYPHER, R./ROBINS, L. (eds.), *Governing the UK in the 1990s* (London: Macmillan): 232; WILSON, D. (1992), "Structural 'Solutions' for local Government: An Exercise in Chasing Shadows?," *Parliamentary Affairs* 49/3: 442; PRATCHETT, L./WILSON, D. (1996), "Local Government under siege," PRATCHETT, L./WILSON, D. (eds), *Local Democracy and Local Government* (London: Macmillan): 3.

g and co-ordinating agency for local economic development, providing a
of mechanisms and incentives through which the local economy can

The final type of authority is the orchestrating enabling authority which is
gest employer and biggest purchaser in the area. It owns all sorts of land
roperty, has powers of regulation, inspection and licensing, and at the core
munity life. The council may have lost much of its direct control over its
s, sold off many of its council houses, and been forced to compete to retain
of its services. But it still has a unique capacity to take on a role of
unity leadership and governance, attempting to identify and respond to
eds of many different local communities within its area. Wilson and Game
de that the type of enabling authority depends on the strategic choice of
uncils/councillors about the type of authority they want to be.

VI. CONCLUSION

Three factors were influential in persuading the Conservative
nment to enact the Local Government Act 1988 implementing the radical
policy. Conservative backbenchers, private sector and the ASI.
ervative backbenchers were a key policy source putting pressure on the
nment to enact compulsory tendering beyond those specified in the 1980
Private sector companies were influential in pressing through lobbying.
ciations of contractors and some individual companies used a number of
ervative MPs as advisers or consultants, and also hired a paid lobbyist (an
ential Conservative MP) to influence the government. Some companies also
e donations to the Conservative Party. The New Right think tank, the ASI,
ed for contracting out of local government services to the private sector in
ublications, some of them written by an influential Conservative MP.
ough direct influence of these publications and ideas is difficult to assess, it
ar that these affected the government, prepared the ground, and provided
lectual legitimacy for competitive tendering. These pressures eventually
off as the government became unhappy about with the low level of
ering on the voluntary basis and saw CCT fitted the Conservative Party
osophy, though reluctant on the grounds of the possible technical
culties.

Available evidence about policy outcomes show that local authorities
e successful in winning the large proportion of the contracts awarded and
ained the key providers of services. Improvements in authority's knowledge
ervice quality and standards and the costs of services, the impetus for
anisation change and service review, and overall financial reduction in
s were emerged as major impacts of CCT in the short terms. As for the

enabling council concept, it has clearly challenged the traditional role of local authorities as near-monopolies. The government expected councils, under enabling concept, to become organisers and contractors and less important as direct service providers of standardised services to local people. However, enabling council is a 'vague' and 'elastic' concept and interpreted very widely by people involved with the subject as explained above. It is not clear yet which of those types, or views, of the enabling authority has been dominating in the 1990s.

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