Interserve: dead men walking?

How can the outsourcing racket, which sucks the public purse dry while failing to deliver decent services, finally be put an end to?

The collapse of Carillion in January 2018 sent a shockwave through the whole outsourcing industry, calling into question the sanity of entrusting vast swathes of the public sector into the hands of giant capitalist monopolies like Kier, Capita, Mitie and Interserve. The last mentioned, once Carillion's biggest rival, is now in deep trouble, and the others are not far behind. Like Carillion before it, Interserve battens on thousands of government contracts, including the construction of schools and hospitals, the provision of school meals, cleaning, catering, servicing military bases, shredding confidential files for the Department of Work and Pensions (DWP), running probation and rehabilitation services, waste disposal and other activities too numerous to mention. Confronted by the sheer scale and amazingly diverse character of Interserve's operations, one might be forgiven for wondering at the splendid breadth of expertise that the company must command to keep track of it all. The truth is more prosaic. The reality is that one thing alone unites all these disparate contracts: they all offer the opportunity to make a fortune while milking the public purse . Like money itself, these contracts are odourless and tasteless, serving only as a blanket opportunity for footloose capital, deprived of sufficient avenues of productive investment, to mine profits from the public sector instead. The company's expertise, such as it is, is limited to a certain tricksy skill when it comes to finagling debt-for-equity swaps and refinancing packages. However, even this kind of smoke-and-mirrors acumen cannot indefinitely confer immunity from market forces, as Carillion learnt and Interserve is now also learning. Monopoly capital cannot afford to settle for anything less than *maximum profits*; it must expand or die. Never mind that its portfolio was already creaking at the seams, Interserve could not but over-extend itself. In particular, it committed to a joint 'energy from waste' project that proved costlier than envisaged. Finding itself nearly £650m in debt, Interserve went cap in hand to the banks that had invested in it, and in March 2018 secured an £834m rescue package. Meanwhile, however, interest costs spiralled from £28.4m in 2017 to £56m in 2018, with projected figures for 2019 hitting £80m. The creditors that, against all the laws of gravity, are keeping Interserve levitating for the moment (but under their direction) are HSBC, RBS, BNP Paribas, Davidson Kempner Capital and Emerald Asset Management. For the moment they are prepared to take a 'haircut' rather than risk sending the company over the brink and saying goodbye to the whole debt. The shareholders too have had to watch aghast as the value of their shares has gone into freefall, slumping by 75 percent during 2018. Governmental contracts account for 70 percent of Interserve's turnover. As recently as 10 December 2018 it was announced that Interserve had bagged a contract, funded by the Welsh government, to undertake work at Merthyr's Prince Charles hospital. It seems that so fearful is government of the consequences of Interserve failing, that it continues to throw good money after bad, praying that a further injection of public money may help the company turn the corner. When Carillion collapsed there was huge disruption to services, with projects abandoned in midstream. Yet rather than draw the sane conclusion that public services should remain public and publicly accountable, ensuring continuity of service, the government proposed a so-called 'living will' arrangement. Under the scheme, to which Interserve is signed up, the outsourcing company writes detailed contingency plans, so that if it goes belly-up the government supposedly has the ability to step in and keep everything ticking over. Thus we arrive at the ultimate insanity. Government abdicates responsibility for providing essential public services to privateers and venture capitalists dedicated only to making a fast buck. When the outsourcer goes bust, government steps in and, reading from the 'living will' manual thoughtfully supplied by the deceased, patches up the contracts as well as possible – until such time as some other band of rogues can be found to benefit from a further injection of public cash. We have a better solution, entirely feasible even under capitalism. Let government end the whole outsourcing racket and resume its responsibility for providing public services. And if it is unable or unwilling to do so, then let it make way for the working class to show how it's done, by implementing a planned socialist economy.

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