Southern Cross healthcare crisis
Eye witness to the human cost of privatisation

A health care worker

Bristol

Southern Cross Healthcare is on the brink of collapse. This company provides residential care to 31,000 people and has 44,000 employees. I am a former employee of Southern Cross and when I joined it in 2007 the company’s financial situation was dire. My colleagues told me that the company was in debt by £70 million.

It is reported that Southern Cross has made a £311 million loss in six months and is unable to pay the rent on 30% of the 750 care homes it runs. The Con-Dem government has been readying more private companies to take over our public services as massive cutbacks are made.

By 2008 Southern Cross, like many companies, found itself in a different world. The economic boom was over and it was stuck in multiple 30-year rent contracts with promises to raise rent payments by 2.5% each year. A year after Blackstone had made a £508 million profit out of Southern Cross, myself and my colleagues were told that we would be on less hours and receive less pay due to the financial situation that the company was facing.

The social care sector as a whole was in trouble, beyond Southern Cross. The ‘business’ is almost completely funded by debt. Private equity companies were buying up care homes after borrowing vast amounts of money from banks. The idea was to quickly sell on these companies at a huge profit. However, when the financial crisis hit and banks stopped lending, many of the companies found themselves with an unsustainable amount of debt.

One company, Care Principles, was bought by another equity company in 2007 for £270 million, double what the company was actually worth, and paid for by loans from Barclays Bank.

The finance director at the time said: “There is absolutely no room for anything to go wrong.” However by 2009 the instability that arose from being a company funded by debt caused its collapse and Barclays Bank found itself running care homes.

Steps were taken to ‘nationalise’ Southern Cross in a similar way to what happened with the banks.

However, government ministers have said that they will not get involved and the Conservatives oppose intervention, saying it is between the private companies and the council paying for the service.

There can be no question that these companies are suffering on a day-to-day basis.

When I worked for Southern Cross, regional directors would regularly turn up in their company cars -- jagers -- and designer clothes while the staff that worked in the home were barely paid above minimum wage. Service users who were paying thousands of pounds a week were not getting the service they were paying for.

It was clear that not enough money was going back into the home to provide a good service.

No service should be driven by profit and greed, especially when that service is vital not only to people’s quality of life but to their survival.

Turning care into a commodity means that service users and staff are suffering on a day-to-day basis. Privatisation means that all aspects of the service are driven and help the people who depend on them.

The Con-Dem government wants private companies to take over public services, including the NHS. Yet when these companies collapse, it’s not willing to pick up the pieces and help the people who depend on them.

The Socialist Party is fighting against privatisation. We call for fully funded, publicly owned national services that are democratically run, including the people who use them and work in them, not torn apart by a coalition government that wasn’t even elected into office!

A socialist society would see services run, not for profit, but for the benefit of all, the opposite of everything that companies like Southern Cross stand for.

The Socialist Party continues to fight against the Con-Dem government’s plans and needs you to join and fight with us.

The Socialist Party says:

• Immediately take all health and social care services and buildings back into the public sector with compensation for the banks who made a killing out of care services.

• The government should provide the necessary extra funds to local authorities to run care homes

• Scrap Lansley’s Health and Social Care Bill

• Rebuild the NHS! No cuts – defend jobs and services

• For united action to defend the NHS, with organised trade union action at its centre, supported by anti-cuts campaigns and service users

I now work for the NHS and the level of care is astounding compared with what I saw at Southern Cross. Yet this is under threat from David Cameron’s ‘Big Society’. Imagine if Southern Cross was running your local A&E, maternity department, children’s home or benefit office?

Socialist alternative

I work in the care industry because I want to help people and make their lives better – not to line the pockets of a few millionaires.

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Imagine if Southern Cross was in charge of your local hospital. What would a Con-Dem government do if these private companies were to collapse, or if they were to cut services, including the NHS? Yet these companies collapse, and help the people who depend on them.

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Corporate sharks who made a killing

Former Southern Cross bosses picked up £35 million by selling all their shares in the company in 2007, just before they plummeted. The top windfall was bagged by one of the company’s founders, who made a killing out of care services. Meanwhile, private equity enthusiasts paid £175 each to hear Blackstone’s senior managing director, David Blitzer, speak at a London Business School meeting.

The GMB trade union organised a protest outside the ‘Private Equity: The New Normal’ meeting. placards read: “Blackstone – the sharks who made a killing out of care.”

Funnily enough, the failure of Southern Cross was not discussed at the conference.

Bob Severn

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Southern Cross was bought by Blackstone, an American private equity company in 2004. It then started buying up smaller companies and Southern Cross rapidly grew in size.

Southern Cross has made a £311 million loss in six months and homes may now face closure.