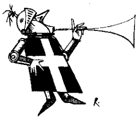

Mind the Steps

NEARLY eight years ago the *Eye* exposed the sale by the Inland Revenue and Customs & Excise of Britain's tax offices to a Bermudan company under a PFI deal, codenamed STEPS and designed to enable the new owners Mapeley to, er, avoid tax. The scandalous episode was set out in all its tawdry detail in a 2003 *Private Eye* special report, "*The Artful Dodgers*", by the late Paul Foot.

The Revenue always insisted that despite the tax avoidance it was still a good deal, based on the unlikely promise from Mapeley that it would not make profit on the 20-year deal until selling the buildings (tax-free) at the end. In 2004 this was cheerfully accepted in a favourable report from the National Audit Office, but unsurprisingly soon turned out wildly inaccurate.

PRIVATE EYE
A SPECIAL REPORT BY PAUL FOOT
The Artful Dodgers
How the Inland Revenue and Customs chiefs joined the tax avoidance bandwagon

Over the next two years the *Eye* regularly pointed out that a) Mapeley was making much more money than it said it would; and b) the government was paying out much more than it said it would. An analysis of the dodgy numbers in *Eye* 1150, in January 2006, concluded: "Now that the government's and Mapeley's assurances about the costs, the profits and the amount of tax avoided are all shown to be false, will the NAO or parliament return to arguably the most outrageous PFI deal on record?"

The NAO duly took a fresh look. And now, nearly halfway through the contract, it has reached the conclusion that *Eye* readers did all those years ago: "Eight years on [HMRC] has not achieved value for money on the contract so far..." It notes that the deal is expected to cost £570m more than anticipated and records a litany of ongoing troubles.

HMRC "has not assessed the benefits realised by Mapeley under the STEPS deal nor the profitability of the Mapeley group", "lacks a shared strategy with Mapeley", "does not monitor the overall cost of the contract" and "only began to develop a detailed business continuity plan to manage the risk of Mapeley default in January 2009" – default not being an impossibility given what is known of Mapeley's current financial troubles.

Taxpayers will be pleased to hear that this is the kind of deal the government proposes with *more* public property under its "operational efficiency programme".

Pilots victory

A GROUP of pilots sacked by Cathay Pacific eight years ago finally won their case for unfair dismissal last month, along with damages for defamation after airline bosses accused them of being unprofessional and acting against the best interests of Hong Kong.

Eye 1057 reported the sacking of 49 pilots in 2001 after they took part, along with colleagues, in a union-led "maximum safety strategy". This was a kind of work-to-rule, intended to counter what they claimed was under-staffing by the airline, resulting in pilots being asked to fly for too long or being called into work without adequate rest between flights.

The company denied it had sacked the pilots for union activities, instead claiming it was their "conduct" that led to dismissal. But the judge in the Hong Kong high court found that Cathay had "no hard evidence of such anti-company or anti-social conduct as it alleges" and that during the trial Cathay "could not identify a single instance where any of the plaintiffs manifested such behaviour".

The pilots were also awarded damages because public statements by company bosses Tony Tyler and Philip Chen had accused the "49ers" of being unprofessional, having poor employment records and not caring about the best interests of the airline or of Hong Kong itself. Eighteen of the pilots took Cathay to court, though one died before the case was completed, with damages totalling around HK$55m (just over £4m).