******

**RMT National Policy Department briefing – What is market testing?**

In the early 1990s, the Conservative government introduced a policy of market testing public services in central government, testing their efficiency by exposing them to competition from external providers. It was less relevant whether the service was actually contracted to the private sector, but rather that it was subjected to competitive challenge.

However, it is typically used to open the door to privatisation.

While this policy was not pursued across government as a whole, it continued to be used by the Labour Government in various sectors where public provision was perceived to be failing. It is still used by the current Government.

It is an extension of Compulsory Competitive Tendering policy.

TfL have announced their intention to “market test” several Human Resources, Finance and Commercial functions with the additional “market test” of their IM department.

That  market testing is a precursor to privatisation should not be in doubt. RMT members working on lifeline Scottish ferry services are aware, perhaps more than most, of this. Transport Scotland’s 2010 consultation document, Scottish Ferries Review stated:

“….we should test the [Scottish ferries] market by removing some routes from the current Clyde and Hebrides Ferry Services (CHFS) and Northern Isles bundles and tendering them separately…..Tendering is a requirement imposed upon us by EU rules and will continue to be a requirement for us.”  (Pg 6)

The consultation document then listed those routes that would be offered for ‘market testing’:

* **Ardrossan – Brodick**
* **Wemyss Bay – Rothesay**
* **Oban – Craignure**
* **Largs – Cumbrae**
* **Pentland Firth**

In May 2012, the Scottish Government announced the privatisation of the Northern Isles contract which includes the Pentland Firth route.

Please see attached: Operational Taskforce Note 1: Benchmarking and market testing guidance, HM Treasury 2006

For further information the following is available from the stationary office:

The Government's Guide to Market Testing, Efficiency Unit, Office of Public Service and Science, 1993, **The Stationery Office**

**TfL - Market testing**

In the market testing there are 2 streams:

1. The actual market testing
2. Benchmarking

with 2 possible outcomes:

1. Contracting out
2. Efficiencies in-house.

Both benchmarking and market testing are being applied to HR, Finance, Commercial Directorates and Information Management.

It is clear from the approach that it is designed to lead to fragmentation and possibly privatisation.

Actual market testing

For the market testing Prior Information Notices have been placed in the Official Journal of the European Union to identify interested parties. These have been placed in 2 bundles:

1. HR, Finance, Commercial Directorates
2. Information Management

By next week both PINs will have closed.

The Official Journal of the European Union is where public procurement tenders must be advertised across the EU. It is clear from this that the market testing exercise is designed to identify potential privateers to take over the service.

Benchmarking

We have now established that benchmarking will be undertaken by Hackett (a US firm).

Benchmarking will not take place against existing organisations, but rather a “basket company” reflecting the best available comparator for each section (HR, Finance etc...). This is the same way that McNulty benchmarking was done and is discredited.  Similar to fantasy football (not comparing a football team with another football team but instead comparing it was a non-existent dream team of the best players from all the other teams). TfL will forward the Terms of Reference for the benchmarking to RMT at our request. The Terms of Reference and the above could provide the basis on which to begin a campaign against contracting out.