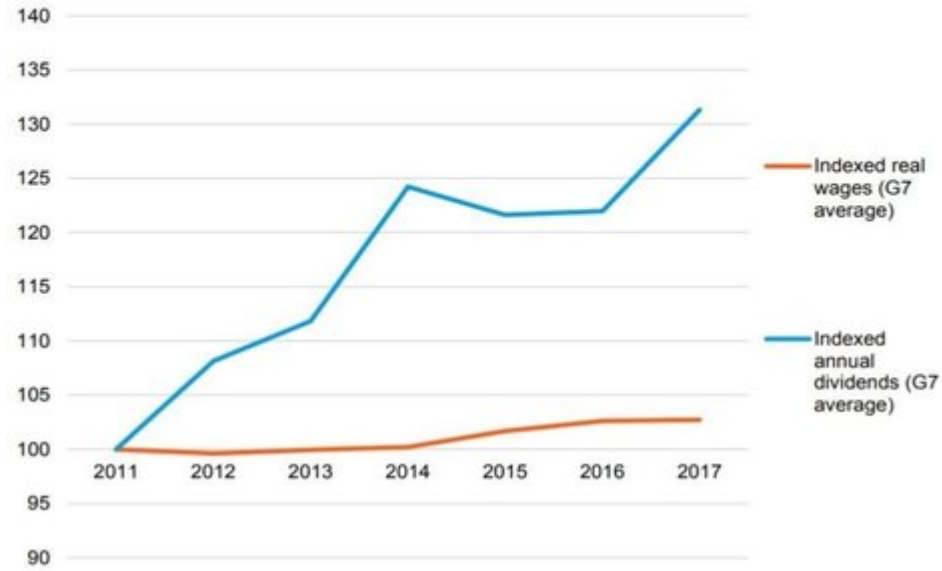
# Twitter Thread by Paul Mason

**Paul Mason**
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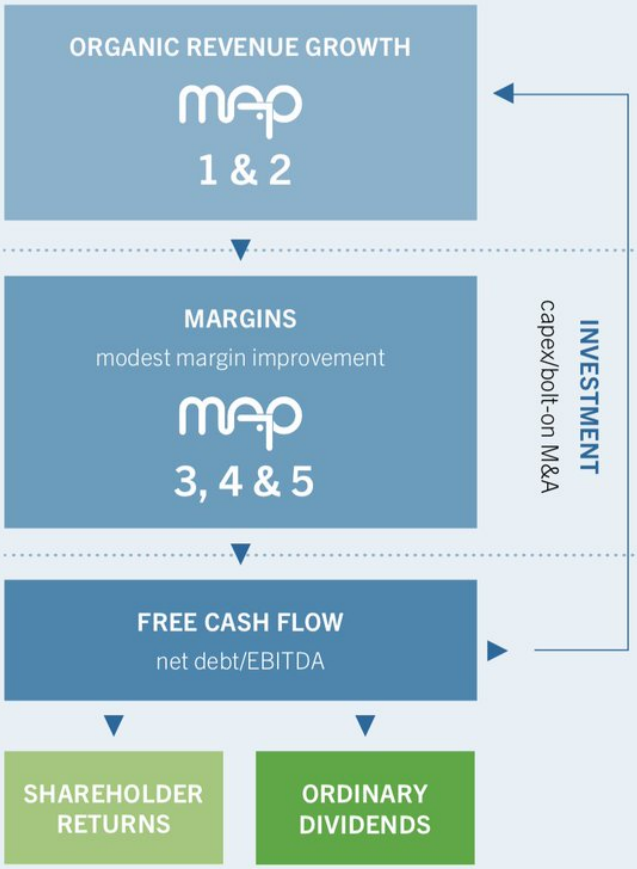
**The Chartwells/Compass free school meals package scandal is a teachable moment about capitalism. 1/ Why do so many families need free school meals? Because real wages have stagnated while profits soared...**

**Figure 4: Rising returns to wealthy shareholders and stagnant wages in G7 countries, 2011 to 2017[43]**




2/ Why packages and not vouchers? Because the big outsourcers like Compass *lobbied the government* against vouchers, claiming they could use their scale to provide cheaper food...

3/ Here's the business model in a single graphic. Buy food as cheap as possible. Achieve growth by replacing/acquiring smaller, higher-quality providers, hire the cheapest possible labour...("we focus relentlessly on costs")... but it's not done to make huge bottom line profits




## HOW WE CREATE VALUE

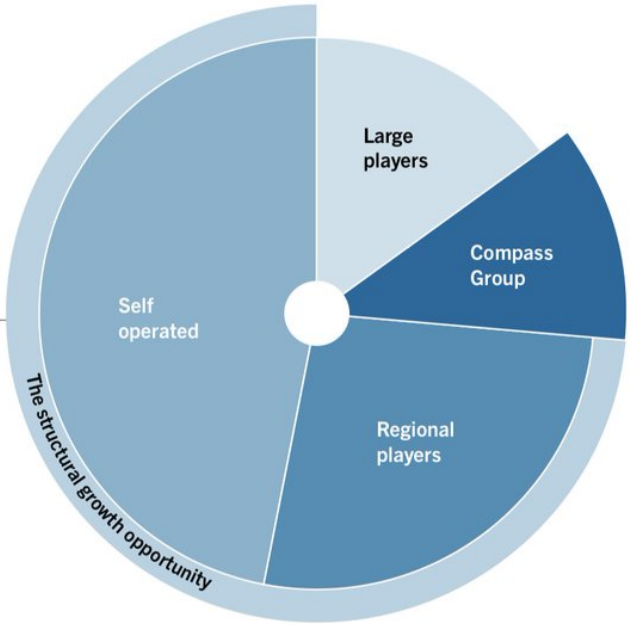
Food is our focus and our core competence. We take a pragmatic and targeted approach to other support services. We prioritise organic growth and invest in the business to drive new business and retention (MAP 1) and consumer sales (MAP 2).

We focus relentlessly on costs: this includes managing the cost of food (MAP 3), in unit labour costs and overheads (MAP 4) and what we term above unit overheads (MAP 5). In large markets, our scale enables us to have lower food costs and to better leverage our overhead costs. Operational efficiency and effectiveness are key to improving margins.

This focus on organic revenue growth and margins helps grow our earnings and cash flow. Our priorities for cash are clear and simple. We invest to support organic revenue growth and to generate further efficiencies to deliver continued margin improvement. We invest in bolt-on acquisitions that add capability or scale in an existing market and whose returns exceed the cost of capital by year two. Our aim is to target a net debt to EBITDA leverage range of 1x-1.5x and we are keeping future dividends and other shareholder returns under review and will restart them when it is appropriate to do so.

4/ If you look at a normal year, Compass and other big outsourcers make relatively meagre profits... they grow, and drive dividends, by acquisition - not by innovation... (except in ways to cut costs)...

# Significant structural growth opportunity




**GLOBAL FOOD SERVICES MARKET PRE COVID-19 C. £220BN**

Numbers relating to market size and penetration rates are based on management estimates and a range of external data.

5/ Businesses like this were created by the state. They're not the product of the market, or consumer choice, but of regulation. They survive on wafer thin margins because that's how the govt structured the market...

6/ So it's not corruption - except in the moral sense - that leeches most of the value of the food away from the poor families who have to live on it... it's "operating costs"... the CSR department, the glossy annual report, the lobbying, exec salaries etc...

7/ How do you turn £30 worth of food into seven quid's worth? It's capitalism. It's an institution called a corporation. It's the state that regulates to eviscerate small, well-run businesses and replace them with faceless outsourcers... it's called neoliberalism... but wait...

8/ Who owns Compass? The global middle class and the super-rich, through these lovely bespoke, boutique (add other adjectives) investment managers... it's to them that the £1.6bn a year operating profit flows (in a good year)...




9/ The managers and execs of these firms are trapped in the same system as the victims of the gross rip-offs at the bottom (though they have a better deal) ... it's the system and its design that incentivises cost-cutting, and a race to the bottom...

10./ What if we designed school meals provision on human scale? Do we have a model? I do - in my memory! Good, locally produced food, so good people look forward to it...

11/ Free school meals should be a universal basic service. Produced and sourced locally, with decent wages and the best quality produce, with a fair deal for the farmer and nothing to the middleman, aka the capitalist...

12/ They would cost more to produce. But the efficiencies and scale could be even bigger - despite the fragmented nature of many co-ops and SMEs providing: because the state would foster co-operation, not competition...

13/ Capitalism makes us look at that rip-off box of veg, beans and bananas and say: if only they'd delivered value for money. I want value for people, not value for money.