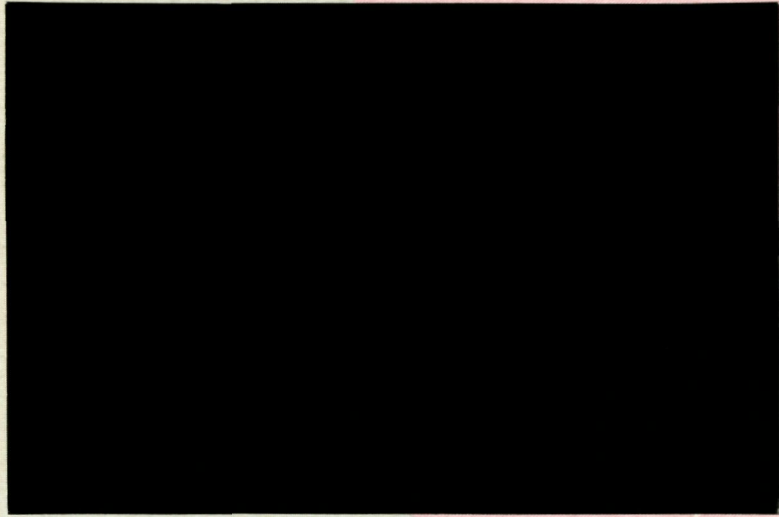


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Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations



ISS
A company profile.

SOMO

Sjef Stoop
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INTRODUCTION

Euro-Fiet asked SOMO to make a profile of the Danish services-multinational ISS. This has resulted in this report. The main information basis for this report was provided by annual reports and press cuttings. Some additional research has been carried out in the Netherlands, the U.K. (by the research institute CAITS) and Germany (by FAST e.v.), especially to get a more objective view on labour issues.

However, all responsibility for any wrong information or omissions lies with SOMO.

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CONTAINS:

1. HISTORY AND ACTIVITIES	3
2. STRUCTURE	6
3. STRATEGY	9
4. ISS MARKETS AND COMPETITORS	13
5. PERFORMANCE	16
6. LABOUR ISSUES	21

Annex 1. List of acquisitions and divestments.

Annex 2. List of subsidiaries

Annex 3. Excerpts from SCAT (public sector action research centre UK).

Annex 4. Exchange rates. 28

1. HISTORY AND ACTIVITIES

Established in Denmark in 1901 as a security guard company, ISS diversified into cleaning and building maintenance in 1934 and into security alarm manufacturing and installation in 1939. On this basis the company grew in the postwar period, to become a market leader in Denmark. From the mid-1970s onwards ISS expanded very rapidly. It diversified into energy control in 1974, catering in 1975 and linen and laundry services in 1977. The 1980s proved to be the decade for ISS. Turnover grew from DKK 1,532 million in 1975 and 3,724 million in 1980 to DKK 9,366 million in 1990. The number of employees more than doubled, from 45,000 in 1980 to 108,200 in 1990 (excluding 8,500 in associated companies). This growth came from both further diversification and international expansion as from strengthening its sheer monopoly position in its homemarkets.

Activities of ISS now consists of services in the field of: cleaning, security, laundry and linen services, catering, sale of cleaning material and machinery, energy control, heating account services.

Besides providing services, ISS also trades in chemicals and equipment for the cleaning and maintenance industry, and in security and heatcontrol systems. This is mostly done through subsidiaries of ISS Darenas and ISS Clorius respectively. It also produces some of the energy control and security systems inhouse.

Added to the broad range of services provided internationally, national companies sometimes add local specialities, e.g. retail and shopping centre services in the U.S., landscape management in the U.S. and Brazil, internal transport in Switzerland, waste disposal in Finland, money transport in Austria.

In Denmark and sometimes too in other Scandinavian countries, new products are developed and tested such as indoor climate, hospital services, abattoir cleaning, train cleaning, school services, rental of industrial clothing (all in Denmark) and services for the elderly (Sweden 1988), catering (Norway). When successful, these developments are transferred to other ISS markets.

An internal franchising system is used to communicate know how from product development companies to recipient ISS companies. This started in 1982 with the development of Hospital Services in Denmark.

Now, specialized Abattoir services is a special branch in Scandinavia, Europe and Latin

America; Hospital services in Scandinavia and Europe; Catering in all divisions except the U.S., Landscape management in all four divisions.

Some attempts at diversification in the 1980s failed, mostly in the field of high technology and data-services. Already in 1974, ISS had acquired the electronic systems and equipment firm Odin Clorius Inmentic. In 1982 ISS Data services was established, aimed at providing inhouse services. In 1985 ISS merged Clorius into ISS Electronics and established ISS Videotex, dealing in Personal Computers and terminals.

The American data-processing department was closed down in 1985. In 1988 the ISS Clorius division took over ISS Electronics and ISS Videotex and at the same year 50% of the shares of this division was sold to some pension funds. In 1990 ISS Videotex and Electronics were closed down as independent companies, costing about 50 million DKK. Especially ISS Electronics had made heavy losses, adding up to 39,5 million DKK in 1987-1989. The number of employees fell from 414 in 1986 to 247 in 1989.

In 1988 ISS established Air Call A/S a joint venture with British Air Call offering telephone services. In 1989 it was said that this did not live up to its expectations. In 1990 Air Call was changed into ISS Telemarketing and became part of ISS Data. Thus ISS Data provides inhouse services, but also acts as a software dealer and sells telemarketing services.

In 1988 ISS owned 25% of Stofa Invest A/S, Denmark's biggest aerial system and tv-cable company. In later years the company didn't give any information about this affiliate in its annual report, and in this case no news often means bad news.

2. STRUCTURE

During the second half of the 1980s, ISS has built an international group structure, consisting of three layers. Strategic management is the task of a separate parent company, without responsibility for direct operations. The international operations are managed by five divisions. In several countries (Switzerland, Norway, Germany, U.K.) the different companies are part of a national holding company.

The ISS Group's parent company is ISS International Service System A/S in Charlottenlund (Denmark). It's functions are: strategic management, financial control, planning and control of group development. Group management is in the hands of a board of directors of nine persons and a management team of two persons.

An executive management committee consisting of the management team, the managing directors of the four regional divisions and one extra person.

Group President, member of the board of directors and member of the management team is Mr. Poul Andreassen, chief executive for 29 years.

ISS splits its products and services in two main fields:

Building Maintenance, which means management operation and control of the customers building. This comprises: cleaning, laundry and linen services, security, catering, and sale of cleaning material and machinery (mainly through Darenas companies). The other part is Energy and Automation (Clorius), which comprises: energy control, heating account service, production and sale of automated security and energy products.

Building Maintenance is divided into 4 regional divisions: Scandinavia, Europe, Latin America, and North America.

The Scandinavian division is coordinated by ISS Scandinavia A/S (Copenhagen). This division, which was formed in 1989 and was brought into a separate holding company in 1990, comprises all of the group's service companies in Denmark, Norway, and Sweden, except for the ISS Clorius companies. None of the regional divisions comprises ISS Clorius

companies. Also the ISS involvement in ISS ServiSystems OY (Finland) is handled from the Scandinavian division. Although ISS only has a 16.9% share in this company, ISS has a management agreement with this company and provides for management and know how.

Starting from 1989, ISS Europe Ltd. has its headquarters in London. This is the management company for the European activities. Until 1989 also the Latin American activities were coordinated by this division. ISS Europe Ltd. also acts as the holding company for the division's companies in the U.K., Switzerland and Germany have their own holding companies.

The Latin-American division, established in 1989, is limited to activities in Brazil. ISS Sulamericana is the holding and management company for these, based in Sao Paulo.

The fourth division of ISS is ISS North America division, which comprises the US subsidiary ISS International Service System, Inc. in New York. The operations of ISS Inc. are divided into three geographical units and one coordinating the Landscape management, Retail and Shopping Mall Services.

The fourth ISS division is formed by ISS Clorius. ISS Clorius International A/S (Ballerup, Denmark) is responsible for this division, which comprises the activities in the field of energy control and heat metering. This division only provides for 3% of turnover in 1990, it's activities being limited to Denmark, the U.K., the Netherlands, Norway and Sweden.

Three companies, all in Denmark, do not belong to a division and serve mainly internal functions. ISS Finans A/S, which is located at the parent company, acts as internal bank and provides for foreign currency payments, risk management, cash management and other internal financial services. ISS Data A/S (including ISS Telemarketing) is the main supplier of information systems and data communication via own information and telephone network. This mainly serves the Scandinavian subsidiaries. The ISS Center for Service Management A/S provides the framework for international management courses, and training in its own conference centre.

The group claims to be a de-centralized company, where local management enjoys maximum freedom of action. Much effort is put into creating common standards and goals among all its managers through management development schemes.

Besides, all subsidiaries report to Group management through a joint reporting system.

3. STRATEGY

ISS has a clear and successful business-concept. It aims at the utilisation of it's international potential within the marketing of integrated services systems based on and developed within a very strong home market (Denmark, especially in cleaning and laundry). This will lead to concentration in big units, offering wide range of services. Thus Building Management will mean an integration of technical control and supervision in building management systems. A good example is Hospital service, where catering, cleaning linen service and internal transport may be integrated.

ISS seeks to improve its competitiveness not by offering the lowest rates but by offering high standards. However analysts state that the quality of actual cleaning performances is not easy to asses.

ISS also tries to develop new services, like integrating train-cleaning with anti-vandalism schemes or offering specialized services for the electronics industry. It expects cleaning to become less important within ISS. Catering will become more important.

Starting from the late 1970s, ISS has pursued a selective internalization strategy. Internationalization is selective. ISS seeks it's growth in geographical markets were it is already operating. (See table)

Since 1986 ISS has concentrated its acquisitions mainly in Scandinavia, the U.K. and the U.S. 1987 and 1989 witnessed important acquisitions in Germany too.

In the second half of the 1980s ISS has stepped up its aggressive acquisition strategy aimed at achieving cost rationalisation as well as commercial domination of national foreign markets. In Annex 2 a list of these acquisitions is provided.

The new markets of Eastern-Europe are being explored from Austria, with a joint-venture in Hungary, and Germany, were ISS moves together with existing customers expanding in the former DDR. ISS also plans expansion in Asia.

ISS Internationalization:

ISS had already started operations in the UK in the early 1970s. Outside Scandinavia, ISS was also already active in Germany, Austria, Australia, Belgium, Switzerland, the Netherlands, Spain, and Australia.

By acquiring 33%, later raised to 53,54% of Prudential Building Management Company in the U.S., ISS gained a foothold on the U.S. market in 1978.

A joint-venture in Greece was started in 1977, and in the same year ISS started activities in France.

In Sweden ISS acquired the fourth biggest cleaning company in 1987 and raised the number of its employees in this country from 11 to 1,340. In 1990 it acquired ASAB, the biggest Swedish cleaning company.

Already in the 1970s ISS owned a Brazilian subsidiary. In 1984 ISS presence in Brazil was beefed up by acquiring the cleaning and security company Orbram SA from Electrolux, and by setting up a own security company.

Besides these attempts at internationalization in Europe and the U.S., ISS sold of its activities in Australia in 1979 to Electrolux. In 1981 part of its share in its Finnish holding was sold, which however is still closely connected to ISS.

Activities in France were not very successful. In 1987 75% of the shares in the French companies were sold. Ever since results from operations were given for the separate companies (1983), the French security company had reported a loss. Also the Hospital service was in the red for two years.

In the 1980s ISS' business goal was to achieve an annual growth-rate of turnover of 15%.. Added to that in the 1990s will be top-priority to the objective of reaching pre-tax profits of 5% of turnover.

ANALYSIS.

The question of course will be: is the sector suited for ISS's strategy. The cleaning-industry has seen very little change in the last 35 years. Now, there is fierce competition from new companies, a battle for low-wage workers and an expanding need for full-time management employees to supervise a mostly part-time labour force¹. Competition is very tough.

¹ Most of the following analyses is derived from an article in the Washington Post, volume 110, issue 157, 11 may 1987.

But the commercial cleaning business is being glutted with new operators hungry for contracts-large or small. It's one of the last areas where a guy can go into business tomorrow with a vacuum cleaner in his trunk and a couple of friends. Many of those small operators have found that business is a lot more complicated than owning a mop and a broom. For instance, it takes a computer operation just to meet the payroll. Many of the smaller companies will fall by the wayside in the next several years. It's an easy business to get into because it doesn't take a lot of capital. What isn't easy is bidding on large buildings for small new companies. A company has to bill each month, and if it doesn't get paid right away it is in trouble. Small companies don't usually have the financial backing to bid on major buildings.

Apart from advantages in the field of labour management and contract bidding, one other advantage of large companies in the conventional cleaning sector may be that larger companies can secure higher standards of performance and security. For some customers this is quite important. For instance: companies in the high-technology industries are most concerned about the security of documents, while many attorneys with spectacular offices are more worried about their Persian carpets or calculators being stolen.

In an industry where the profit margins are low, businesses have added extra layers of management to ensure efficiency as they've matured, said company officials. One official of a large U.S. cleaning company said: 'This is not a cleaning industry, it's a management industry, '. His company's building superintendents and area supervisors-who a few years ago were part-time-are now full-time employees. One of the reasons for the added managers goes back to that clean image wanted by most office workers of associations, attorneys and accountants 'They're not concerned about the bottom line, they're willing to pay more for a spectacular building. ' And for the developers who own the buildings, the competition is so cut-throat that the mere suggestion of a complaint about building care can send tenants scurrying to another office site.

But while competition in cleaning is tough and finding workers is tougher, industry officials say that if they can work through the problems there's nothing but growth ahead for well-managed companies. 'I don't see the business peaking anytime soon,' said James Perry, president of ISS Inc. 'We're not going to be replaced by robots with vacuum cleaners. '

However, apart from integrated packages of services for special clients, such as the electronics industry, shopping malls, airports, etc., it is likely that there is not much room to grow for an large cleaning company. A large part of the market will be served by low-cost producers. So it seems right for ISS to search it's growth potential in other directions. However the 1980s have shown that it is difficult to diversify. This will mean that also in the 1990s ISS will pursue a strict policy of fierce cost-reduction.

4. ISS MARKETS AND COMPETITORS

Cleaning and maintenance still is ISS main activity, as can be seen from the next table:

Turnover and results by service area (DKK millions)				
	1988	1990	%	1990 Profit
Cleaning	4,806	7,089	(75.7)	63.6
Security	852	924	(9.9)	10.1
Canteen	171	567	(6.1)	8.0
Sales	117	164	(1.7)	4.1
Linen	280	339	(3.6)	5.8
Energy	351	259	(2.8)	(-2.2)
Other	32	24	(0.2)	10.6
Total	6,609	9,366	(100)	100

In 1988 cleaning and maintenance only took 72.7% of total turnover. Due to a big growth in the U.S., which mainly consists of cleaning and maintenance activities, this share has risen in the past years. Canteen services rose from 2.6% to 6.1%. The shares of energy and of other activities fell sharply, security fell from 12.9% to 9.9%.

The table also shows cleaning to be less profitable than average, energyservices to be in the red, whereas sales activities, linen and "other activities" have a much larger share in profits than in turnover. ISS appears not to be able to hold its share in the security services market, which in Europe grows at about 10% a year. ISS turnover in this market only grew 8.5% in two years. In the Netherlands it sold off its Security branch, employing 185 persons, although this one was profitable.

Contract cleaning in Europe represents a market of ECU 13 billion in 1990, employing one and a half million workers. Although the demand for cleaning only grows slowly, the market for contract cleaners is expanding rapidly, due to contracting out by larger companies and also by public authorities. Recently, stricter cost cutting policies especially by public authorities have caused market-growth to slow down and put a strong pressure on prices.

In North-Western Europe, the market is divided by a few very large firms and a lot of very small firms. For instance in the UK four companies own half the market, one of the biggest being OCS, employing 35.000 people. In France, ONET employs 24.000 workers.

The next table shows ISS to rank second in employees, but only 7th in turnover. This is

partly explained by ISS' diversification. Also a larger share of part-time work at ISS might explain some of this difference. In profitability ISS also ranks seventh.

European top 10 in support services and catering(=*)

	turnover	profit	employment
1 BET (UK)	4.0	0.343	132,000
2 Trusthouse Fort	3.7	0.313	92,000 *
3 Adia Inspectorate	3.3	0.119	17,300
4 Williams Holding (UK)	1.7	0.172	17,300
5 ECCO (Fr)	1.4	0.037	12,200
6 Sodexho (Fr)	1.2	0.004	35,800 *
7 ISS	1.1	0.022	111,400
8 Heys (UK)	1.0	0.003	5,400
9 Hesta (Zw.)	0.9	0.004	12,700
10Randstad (Nl.)	0.9	0.028	2,500

1989 figures in million ECU

Security

1. Security Services(UK)	1.059	7,664
2. Securicor Group (UK)	0.697	39,045
Compare: ISS	0.112	

Source: Panorama of EC Industry 1990.

Major

Competitors in the E.C. (1988)

Cleaning

Belgium	Cemstobel (Incl. Roeske) TSI (Temco, Euroclean, Oneg, Perlav, Asso)
Germany	Pipenbrock Pedus
Spain	Taski Johnson
France	Onet Abilis General Service France Entreprises Ferroviaires
Luxembourg	Pedus
Netherlands	Hodon (Cemsto, De Zon, Kord, e.o.) Hago
U.K.	GOM (General Office Management) OCS Group (Office Cleaning Services) ADT (Mediclean, Pritchard, Provincial Home Counties)

ISS seeks not just to internationalize. Where-ever it operates, it seeks a dominating position. In Norway and Denmark, ISS is the largest private service company. In Denmark its has a market share of more then 50%. ISS Linen in Denmark owns 10 laundries. In the U.S., Austria, Greece and Brazil ISS is market leader, in Belgium and Switzerland it ranks second amongst cleaning companies. In the Netherlands, ISS ranks 6th amongst cleaning companies. Clorius daughter Warmtemeter B.V. holds a 90% share of the Dutch energy metering market. In the U.K., Mediclean is the largest hospital services firm. In the Netherlands, ISS is leading supplier of abattoir services.

However, as the market is very fragmented, with a small market share one can be the biggest, for instance in the US were ISS has a 3% share.

The diversification strategy pursued by ISS is also pursued by most other large companies.

5. PERFORMANCE

According to stock exchange analysts, ISS gets the thumbs up². There is no doubt that ISS has shown a tremendous growth and is still a financial healthy company.

As the cleaning sector is not capital intensive, it is marked by a high return on capital:

										Post-tax
return on shareholders equity.										
1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	
25.2	15.1	27.3	22.7	22.6	21.4	18.6	19.5	24.9	25.5	

However profits as a percentage of are rather low. This percentage has been fairly stable since 1985.

										Post-tax
profits as a % of turnover										
1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	
1.2	0.7	1.3	1.5	1.8	1.9	2.1	2.1	1.8	2.1	

As can be seen from the tables, ISS has managed to integrate its massive acquisitions without a fall in profits.

Total equity as a percentage of total liabilities had become quite low in 1988. A new way of accounting goodwill and a share issue in 1989 improved this ratio. However, in 1990 it again decreased.

			Total
equity as a % of total liabilities			
1988	1989	1990	
22.5	30.9	23.6	

(from 1988 onwards, goodwill of acquired companies is not written off in one year but amortised over a period of twenty years)

However, financial costs have risen sharply. Between 1987 and 1989 ISS invested 2,054 m. DKK in fixed assets. This required 336 m. DKK bank loans DKK. Net interest payments rose from 11.7 m DKK in 1988 to 134.3 m DKK. This accounts for 34.7% of cash flow (5.5% in 1988), whereas analysts use a rule of thumb that cash flow should be five times as high as interest payments for a healthy company. This means that the burden of interest

² The European 12 april 1991, page 23.

payments may be to high. As a consequence, it may be expected that ISS will enforce stricter profitability criteria to its subsidiaries.

The most recent figures the company disclosed, showed profits to be held back by a DKK 65m increase in net financial costs³. Profits rose to DKK 135.5m from DKK 130.1m in the same period last year. But operating profits, after depreciation, were ahead 38 per cent to DKK 246.2m from DKK 177.7m and sales by 26 per cent to DKK 6.13bn from DKK 4.85bn. For the full year the group forecast an increase in turnover of 20 to 25 percent and a corresponding increase in pre-tax profits.

The group reported increased profit margins in Scandinavia and Europe, with an 'especially satisfactory development' in turnover and profit by its German arm and continued strong growth and increased profit by its UK hospital services unit. High financial costs in Brazil caused profits to decline. Tough competition in the US meant that profits were unchanged. About two thirds of the increase in turnover reflected acquisitions, mainly the Scandinavian cleaning service companies of Sweden's Electrolux.

Acquisitions helped lift net financial costs by DKK 65m to DKK 103m, but pressure on financial costs was eased by the proceeds of a new share issue in the spring, which yielded DKK 392m.

The different divisions of ISS has shown a mixed picture. Latin America, while having a far lower labour productivity as its share in turnover is far below its share in turnover, has a share in profits which is far above its share in turnover. Europe on the other hand shows a profit share which is below its share in turnover. In Belgium and the US, ISS is faced with structural adjustment problems. Also, the companies acquired from the Reichert group in Germany were facing problems in 1990. This is shown in the next table:

³ Financial Times 22 august 1991.

REGIONAL DISTRIBUTION OF TURNOVER AND EMPLOYEES

1986	Denmark	Scandinavia	Europe	U.S.	Brazil
Turnover	36%	12%	24%	--28%--	
Employment	24%	9%	33%	16%	17%
1988	Denmark	Scandinavia	Europe	U.S.	Brazil
Turnover	44%	25%	25%	2%	
Profits	42%	23%	17%	1%	
Employment	21%	24%	43%	11%	
1989	Denmark	Scandinavia	Europe	U.S.	Brazil
Turnover	25%	37.2%	21.8%	36.2%	33%
Profits	34.5%	16.2%	36.0%	5.6%	
Employment	21%	29%	38%	12%	
1990	Denmark	Scandinavia	Europe	U.S.	Brazil
Turnover	25%	36.7%	23.2%	29.5%	78%
Profits	33.9%	19.4%	25.3%	14.5%	
Employment	22%	31%	33%	13%	

% of total, including Clorius and intra-group items
 Scandinavia incl. Denmark. Europe excl. Scandinavia.

The Clorius division, 4.4% of turnover in 1989 and 2.8% in 1990, is all that is left from ISS' attempts at getting a share of the high tech markets. In 1986 ISS still had beside its regional divisions, two special groups. One, the ISS Servi Group was responsible for international product development in the cleaning and linen services. This task is now the responsibility of the regional divisions, although the Danish subsidiaries still take the main share of product development. The other group, ISS ISEC, was responsible for the development of security and energy-control service and for the manufacture and development of the software and hard ware used in these fields. The group also handled development in information technology. Clorius is still making a loss, stemming from its operations in Denmark, Sweden and Norway.

Also, UK subsidiary Mainmet is in the red. In 1990 ISS took over Mainmet, which was part of ISS Clorius, the Danish company's 50 per cent-owned Midlands arm, before a management buy-out in 1981. Before being taken over Mainmet had slipped into a pre-tax loss of over Pounds 650,000. The bulk of Mainmet's customers are local authorities.

Mainmet seemed to be a winner, making and servicing gas and electricity meters for local councils, and making payment card systems for photocopiers and vending machines. The most plausible explanation for its misfortune is that it was dependent on lumpy local authority contracts, which proved fatal at a time when spending is being squeezed. ISS was its biggest supplier, and trade creditor.

Most of the profit of the Clorius division comes from Dutch subsidiary Warmtemeter B.V. It would not be very surprising if ISS was to sell this of and end all Clorius activities. In 1989 ISS already sold 50% of its shares in Clorius. It might be possible that this deal included some agreement about the remaining 50% of ISS.

The managing director of Clorius is the only division leader not taking part in the executive management committee.

6. LABOUR ISSUES

Although ISS claims to give top priority to the development of its Human Resources, the tradition of bad labour conditions, especially in the cleaning sector, weights heavily on labour conditions at ISS.

The official policy in the 1980s was to devote much attention to the quality of its labour force. Although nowadays this goes under the heading "quality" and "human resources", in fact it is an extension of the Human Relations programma ISS already started in 1975.

This policy is based on the assumption that the west will reach full employment by the year 2000, so employers will have to compete for employees. Also in choosing to compete on service quality, training and motivation of the work force becomes an important asset.

Besides this, less part-time workers also implies lower administrative costs. Also, in the security business, the quality and integrity of personnel are of paramount importance.

In the U.S., a change that many in the industry see taking place as a result of the new immigration law is a work force that may change from part-time to full-time workers, meaning that an industry that has been largely made up of part-time workers would suddenly begin offering higher wages and benefits to its work force. The 6 pm to 10 pm shift will change to an 11 pm to 7 am shift.

Thus, in 1986 an extensive scheme was set up, the "Partner Project" to create a closer bond between employees and the company. One of the goals was to reduce turnover. Therefore, companies had to make monthly reports on seniority and turnover. ISS also wants to reduce part-time work. In the "Partner Project" the importance of training and education to improve quality and job-satisfaction is stressed once again. Also quality circles were introduced, comprehensive studies of the employees' job satisfaction were made, and within Clorius an information ombudsman was appointed.

In 1989 the "Five Star Programme" was introduced, giving top priority to training and

education of supervisors.

In the Netherlands, ISS introduced a line code system to register the time consumption on the job at abattoir services which may increase service quality, but also increases control over labour.

ISS has three employee representatives in the board of directors. In 1985 it started a scheme to issue employees shares. This has been taken up by employees in Denmark mainly.

It is to be doubted whether ISS claim that it's personnel policy is the same in Sweden and Brazil, in Denmark and the U.S., really holds true. Perhaps it is mainly true for it's Scandinavian operations.

In the recently acquired German cleaning companies, most people are working as part-timers, most of them being immigrants. Most people earn less then 418 DM a month, because below this level, employers don't have to pay taxes. It is almost impossible for them to know which company exactly employs them. Labour conditions are perceived to be worsened. Although in Germany an extensive network of works-councils exists, not one works councils exists within ISS establishments.

In the U.S., in a big office complex in the Los Angeles area, the company was involved in a fierce dispute with local 399 of SEIU. 120, mostly Hispanic, janitors had to strike for almost a month to stop unfair labour practices and win union recognition and a wage increase.

Wages were low, at \$4.25-\$4.50 an hour (still \$7.32 in 1983) and benefits consisted of only one week's vacation a year. None of the janitors knew anything about the pension scheme ISS claimed to offer.

Only after the police brutally attacked a demonstration and ISS workers in New York threatened to go on strike and stimulated by the mayor of L.A.'s denouncement of ISS's refusal to negotiate, an agreement was signed, raising wages for part of the work force to \$5.20 and giving full family health insurance as well as vacation pay and sick leave.

Union organization was easier then in most cases, because buildings in the office complex

were mostly owned and managed by one company and most of the centre's 13 offices were cleaned by ISS.

The agreement made ISS loose some contracts, but in 1991 a major competitor was made to sign a similar agreement.

'They are not viciously anti-trade union' is how one trade union officer put it when asked about ISS in the U.K.. 'On balance they appear to be less anti-trade union than many other contractors'. Both NUPE and COHSE the main NHS ancillary staff unions have recognition agreements with ISS though in many cases recognition is not granted. Of those that do exist, NUPE have the majority.

As for working conditions, it is alleged that although ISS in Britain for instance, usually offer the nationally agreed hourly rate, when the company wins a contract it is notorious for cutting bonuses to staff. ISS tenders do not always include the nationally negotiated 'Whitley' rates. (As with all contractors to the National Health, ISS accepts Whitley Council determined rates of pay for the industry in the majority of cases.)

'The Sub-Committee examined in depth the tenders submitted by the 'In-House' Tender Team and ISS, and with regard to the latter were greatly concerned that ISS staff were to be paid 85% of the Whitley rate. It was felt that this rate of pay would significantly affect ISS's ability to recruit and retain staff of appropriate quality, which could create serious difficulties in relation to the standard of services provided by the contractor.' (Letter from District General Manager of Leicester Health Authority to Regional Manager of Trent Health Authority 19.10.87).⁴

⁴ The following gives details of current Mediclean basic pay and conditions for its staff at the University Hospital of Wales. The company has a 1 million contract with the South Glamorgan Health Authority.

Basic pay: 2.98 per hour for the first year of the contract.

Enhanced rate for Saturday: All hours to be worked on Saturday to be paid at time and one half.

Enhanced rate for Sunday: Also time and a half.

Public Holidays: Eight public holidays, plus two additional days to match the NHS extra

The privatisation process has left many people in the U.K. without jobs. ISS are not exceptional, invariably when they win a contract the deal involves a reduction in staff. 'All 75 porters have been issued with redundancy notices, following the failure of their own in-house bids for the contract. Those not taken on by Mediclean will be helped to find jobs in other local hospitals... 'Hospital managers said they believed that the service would be at least as good under Mediclean. The porters said that was impossible, not least because only 57 staff will be employed instead of 75'. (Report from Bicester Advertiser 24.5.91 - referring to developments at John Radcliffe Hospital, Oxfordshire).

From 1986 onwards cleaning of most Lincolnshire Council buildings is undertaken by ISS Servisystem in one of the biggest service contracts awarded by the public sector. The Financial Times noted (22-8-1986):

"The contract, valued by the company at 3.3 m Pounds (pds) for the first two years, will save the council about 400,000 pds a year and will give fresh impetus to the Government's plans to legislate to force all local authorities to put cleaning and other services out to competitive tender. The expected saving will be achieved primarily by ISS cutting the cleaners' pay rate to 1.70 pds from the 2.24 pds an hour paid at present by the council.

Although pay rates will be cut, ISS expects to recruit about 1,000 cleaners - the same as the present council-employed workforce. There may even be a marginal increase in numbers to allow for the company's allocation of a smaller cleaning area per employee."

Mr Michael Bizley, the company's managing director, said the 1.70 pds an hour pay rate

statutory days. Any hours worked on public holidays to be paid at double time, with the exception of Christmas day, Boxing day, and New Years day which will be paid at triple time. Annual Holidays: Two weeks annual holiday after one years service, three weeks after two years service and four weeks after five years service. Accrued from date of employment. Supervisors are entitled to four weeks from the commencement of service.

Sick Pay: Company sick pay benefits are to ensure continuation of income during the periods of sickness and are only to be used for that purpose. The company makes monthly credits for the employees benefit and if an employee becomes sick they are able to draw upon the provision to the extent of their balance. All employees who regularly work 30 or more hours per week will be credited with one fifth of their normal weekly work hours per month. All employees who regularly work more than two days per week but less than 30 hours will be credited with one tenth of their normal weekly work hours per month. The main criticism is that while pay rates may be in line with Whitley Council rates, conditions of employment are invariably poor.

would still be about 20 p higher than the average commercial cleaning wage in Lincolnshire." ISS tries to create a public image of offering better performance standards by employing better qualified and motivated people. The examples from labour relations in the U.S., Germany and the U.K. show that this doesn't always fit with reality. So it's logical that also standards of performance of ISS are not always what ISS pretends them to be. This is illustrated in annex 3 with some British findings.

The integrated services concept of ISS might make union organizing more difficult, because in many countries different unions organize cleaning, catering and security. For instance in Germany, cleaning is organized by IG Bau, Stein und Erde, while catering is organized by the NGG (Nahrung). Similar differences are to be found in the Netherlands.

- Annex 1. List of acquisitions and divestments.
- Annex 2. List of subsidiaries
- Annex 3. Excerpts from SCAT (public sector action research centre UK).
- Annex 4. Exchange rates.

ANNEX 1

RECENT ACQUISITIONS, NEW ESTABLISHMENTS AND COMPANIES SOLD OR CLOSED.

First letter: country: Denmark, Norway, Sweden, Finland, United Kingdom, Germany, Greece, France, Belgium, Netherlands, Switzerland, Austria, Spain, Brazil, U.S.

Second letter: sector: Cleaning, Canteen service, Laundry, Trading, Security, Energy control, Electronics, Other services.

Between brackets: number of employees involved.

NEW

SOLD/CLOSED

1985 (amongst others)

- ISS Videotex A/S (D)
- S.I. Service Industries S.A. bought from Pritchard Services Group (B,S)
- ISS Darenas International sells retail department Geismars Vaeverier (D,T)
- Sureway Security Ltd (UK)
- Cleaning company in Stuttgart
- ISS Securitas in operation (SW)
- Vastio-keskus Bolagen Oy (FI,S)
- Share in Greek companies reduced from 50% to 20%
- Merger 3 Darenas companies UK
- ISS Hospital services UK merged into Service Systems Ltd

1986- ISS International Division of special services

- Kring Vask (D,L)
- Møns Dampvaskeri (D,L)
- Arhus Dampvaskeri (D,L)
- new laundry Copenhagen
- regional profit centres Securitas (D)
- share in EMAB raised to 100%, amalgated with ISS Clorius AB (S)
- acquisition of agent company Clorius Varmemaler a.s. (NO) by Clorius Int.
- Corporate risk management (internal) transferred to ISS Finans A/D
- Drammen Alarmkompagni a.s, Drammen Vakt Kompagni a.s., Allvakt a.s. (NO,S), these 3 merged into ISS Allvakt Securisystem a.s.
- ISS Servicesystem Ltd. (UK) buys 7 cleaning firms
- ISS Darenas Ltd. special division machinery sales and service (UK)
- ISS Securitysystem Ltd buys Sureway Security (UK)
- ISS Servisystem GmbH Hamburg buys out local partner in ISS Servisystem GmbH Stuttgart
- ISS Servisystem GmbH Hamburg buys cleaning company
- ISS Servisystem S.A. new marketing and sales department (F,CL)
- ISS Surveillance Francaise split up in regional centres
- ISS takes over 50% share of AEC in ISS Sulamerica (BR,CL).
- ISS Int. Service System Inc. (US) buys 4 cleaning companies and 1 energy-service company
- ISS Int. Service System Inc. (US) buys Macke Building Services (US) (4,000)

- ISS Servisystem S.A. and ISS Service S.A. for 75% sold to French partner
- ISS Surveillance Francaise sells Gardiennage Industrielle et commerciale
- ISS Vel-Vask sells Greaker Vaskeri (NO,L)
- ISS Servisystem b.v. sells ISS Presto (NE,CL)
- ISS Inc. sells Renofab Dry-cleaning (US)

1987- Irma Catering A/S (D,CA)

- Servitex made independent (FI,L)
- ISS Clorius buys Warmtemeter b.v. (NE,EN)
- Romerike Renhold a.s. (NO,CL)
- ISS Clorius signs agency contracts in Turkey and Yugoslavia
- ISS Securitas Ltd. buys Security Installation (M.K.) Ltd. (UK)
- Rosenmüller Gebäude Reinigung GmbH (G)
- E.N.I. Management Services S.A. (BE,CL)
- ISS Marischka Securisystem formed (A,S)
- ISS acquires total shares of the two ISS Greece companies
- Pride Professional Services (US,CL)
- TaloSystems Oy set up (FI,O)
- Pesu-tekniikka Oy (FI,CL)

- French subsidiaries sold

1988- Service 80 A/S (D,CL)

- Förenade Städ AB (SW,CL)
- ADT Maintenance division (US, CL) (26,000)
- Norsk rengjoring Service (NO,CL)
- Securiclean a.s. (NO,CL) (400)
- Securi Consult a.s. (NO,S)
- Doral Industries (US, CL&S) (1,500)
- ISS Air Call A/S (D,O) (joint venture with British Air Call)

- ISS Instruments International sells its Belgian activities

1989- Sinab AB (SW,CL) (1,500)

- ISS Servisystem A/S takes over ISS Securitas A/S from ISS A/S
- Mediclean (UK, hospitalservices) (6,000)
- ISS Clorius Int. A/S takes over ISS Electronics and ISS Videotex
- Reichert (G,CL)
- Benco Building Services (US,CL)
- Dybdal (D,L)
- New laundry (D)
- ISS Scandinavia division set up (BMS)
- ISS Europe Set up, also holding for UK activities
- New operating company ISS in Berlin

- Sell of 50% of shares ISS Clorius int. A/S to pension funds
- Sell of Clorius Ltd Reading (UK) except metering division

1990- Well's Restaurantes Ltda (BR,CA)

- Ren Vask A/S (D,L) (integrated into existing production facilities)
- Ebeltoft Vask (D,L) (integrated into existing production facilities)

- EKL-Vask (D,L)
- Dansk Erhvervs Rengoring A/S (D,CL) (700)
- Alusol Systemer A/S (D,S)
- EA Indbrudssikring (D,S)
- Vagtcentralen ApS (D,S)
- ASAB AB (CL,S) (9,000)
- Moss Kjemiske a.s. (NO,L) (and closed)
- Mainmet (UK,EN) (95 after restructuring)
- Pinnacle Hygiene Systems (UK,T)
- ISS buys all shares of ISS inc. (US)
- Wasabolaget AB (SW,CL)
- Electrolux cleaning activities in US (Swan Services 4,000),D,SW,FI (10,000).
- Evon beheer b.v. (NE,CL) (750)
- ISS Servisystem (London) Ltd. established (286)
- Dominion Security Services Ltd. (UK,SE)
- ISS Marischka (Austria) acquires 75% of small company in Hungary, which becomes ISS Servisystem Kft.(CL)
- Simpson Landscape (Atlanta) (US,O)
 - closing of ISS Electronics and Videotext (production centres)
 - ISS Air Call A/S transferred to ISS Data A/S (D,O)
 - sell of ISS Securisystem (NE)
 - closing or selling of of smallbranches in U.S.

ANNEX 2. LIST OF SUBSIDIARIES

ISS Scandinavia			ISS share	ISS Clorius			ISS share
ISS Scandinavia A/S	Denmark	100%	ISS Clorius International A/S	Denmark	50%		
ISS Servisystem A/S	Denmark	100%	ISS Clorius AB	Sweden	50%		
ISS Securitas A/S	Denmark	100%	ISS Clorius a.s.	Norway	50%		
ISS Catering A/S	Denmark	100%	ISS Clorius Limited	United Kindom	50%		
ISS Darenas International A/S	Denmark	100%	ISS Clorius Güntert AG	Switzerland	25%		
ISS Linnedservice A/S	Denmark	100%	ISS Warmtemeter B.V.	The Netherlands	50%		
ISS Vel-Vask a.s.	Norway	100%					
ISS Holding AB	Sweden	100%					
ISS Servisystem AB	Sweden	100%					
ISS Servisystem a.s.	Norway	100%					
ISS Securisystem a.s.	Norway	100%					
ISS Catering a.s.	Norway	100%					
ISS Finland Oy	Finland	100%					
ISS Servisystem Oy	Finland	80%					
ISS Data A/S	Denmark	100%					

Other companies

ISS Finans A/S	Denmark	100%
ISS Quality Institute A/S	Denmark	100%
ISS Center for Service Management A/S	Denmark	100%

ISS Europe & Brazil

ISS Europe Ltd.	United Kingdom	100%
ISS Servisystem Ltd.	United Kingdom	100%
ISS Servisystem (London) Ltd.	United Kingdom	100%
ISS Food Hygiene Ltd.	United Kingdom	100%
ISS Mediclean Ltd.	United Kingdom	100%
ISS Darenas Ltd.	United Kingdom	100%
ISS Securilimpa Lda.	Portugal	100%
ISS Holding GmbH	Germany	100%
ISS Hölzl Servisystem GmbH	Germany	100%
ISS Servisystem GmbH (Frankfurt)	Germany	100%
ISS Servisystem GmbH (Hamburg)	Germany	100%
ISS BFR GmbH	Germany	100%
ISS Schnee und Eis GmbH	Germany	100%
ISS Servisystem S.A. - N.V.	Belgium	100%
ISS Servisystem B.V.	The Netherlands	100%
ISS Food B.V.	The Netherlands	100%
ISS Hospital Service B.V.	The Netherlands	100%
ISS Holding S.A.	Switzerland	100%
ISS Servisystem S.A.	Switzerland	100%
ISS Hospital Service S.A.	Switzerland	100%
ISS Marischka Servisystem GmbH	Austria	100%
ISS Marischka Securisystem GmbH	Austria	100%
ISS Servisystem Kft.	Hungary	75%
ISS Servisystem d.o.o.	Slovenia	100%
ISS Servisystem S.A.	Greece	100%
SAEL	Spain	50%
ISS Sulamericana Comercial Ltda.	Brazil	100%
ISS Servisystem Com. e Ind. Ltda.	Brazil	100%

ISS North America

ISS International Service System, Inc.	USA	100%
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ANNEX 3.

ISS-INTERNATIONAL SERVICE SYSTEMS A/S - UK Operations

HIGH FAILURE RATE

The Joint Trade Union Unit (JTRU) estimated in 1990 that the group has a failure rate in the region of one in four contracts. The following examples highlight some of the problems:

* Cheltenham Health Authority

Four months after Mediclean started work at Cheltenham, the authority were withholding a 'significant sum' from the company as a penalty for work not done properly. The general manager at Cheltenham General Hospital, said: 'We weren't prepared to pay for a service we weren't actually getting. The hospital was visibly dirtier than a hospital should be'.

* Ealing Health Authority

A severed leg was left in a wrongly coloured bag and syringes were left sticking out of plastic bags. An environmental health officer was called in. Two porters were suspended when they refused to clear the rubbish without proper protective equipment.

* North West Surrey Health Authority

Mediclean quit this contract after one year, claiming recruitment difficulties.

* Melton & Sutton Health Authority

The local Trades Council documented a series of complaints from patients and staff about cleaning standards, and demanded a health authority inquiry into the contract.

* Leicestershire Health Authority

Soon after Mediclean moved in, nursing staff and local unions complained about deterioration in service standards. The local union also reported that cleaners walked off the job in protest at conditions, and that less than six months on the job, staff turnover was high and that few of the original employees remained on contract.

* Calderdale Health Authority

Mediclean staff walked out during the first month of the contract because they could not cope with the workload. A year later turnover of staff was reported to be high - of 180 cleaners, 120 had left.

* Richmond, Twickenham & Roehampton Health Authority

Deductions were made from Mediclean's payments because of poor performance. The company admitted to recruitment difficulties.

* The Royal Marsden Hospital Sutton

The Board of Governors threatened ISS with fines and the sack unless they improved their performance. They also had to take on an extra member of staff to monitor the contract. 'The

Board heard that at RMH Surrey, ISS was providing a near satisfactory service in clinical areas but that the service was patchy in non-clinical areas ...'It was agreed that ISS should be informed that the hospital was seriously considering terminating the contract at the end of one year and that financial penalties would be imposed if there was no improvement in the service.' (Minutes of Board of Governors - Royal Marsden Hospital 25.3.87)

* Lincolnshire County Council

Lincolnshire County Council privatised its cleaning of buildings, mainly schools, in 1987 - ISS Servisystem won the contract. The contract was the subject of an investigation and report by SCAT (public sector action research centre) for East Midlands public sector unions NUPE and NALGO. The report 'Taken to the Cleaners' looked at conditions in 35 schools and problems which SCAT argued were not simply initial teething problems but fundamental ongoing failures.

SCAT found evidence of:

- poor quality cleaning
- classrooms, changing rooms and other areas regularly not cleaned because ISS could not provide the required quota of cleaners
- mistakes and admissions such as windows left open and light left on
- very high turnover of staff, up to 600% in the first 18 months of the contract
- failure to recruit and retrain staff caused by ISS's low wages of 1.77 in 1988
- teachers and caretakers giving up complaining about conditions

SCAT argued that the contractors poor performance had been consistently obscured by a failure on the County Councils part to cover-up the shortcomings of its decision to award the contract to ISS. However, the Council did reveal that ISS had been penalised 35,352 for poor quality and non-performance up to November 1988.

* Royal London Hospital

It was reported in the Health Services Journal on the 10th January 1991 that the Royal London Hospital is asking for new tenders for its cleaning contract just over a year after signing a three year deal with Mediclean. The decision to re-tender was taken by Tower Hamlets Health Authority after Mediclean repeatedly failed to meet performance targets.

ANNEX 4.

Exchange rates:
(june 1990)

1 Danish Krone:

0.88 French Franc

0.26 Deutsche Mark

0.30 Dutch Guilder

1.01 Norwegian Krone

0.95 Swedish Krone

0.22 Swiss Franc

54.00 Belgium Franc

0.09 Pound Sterling

0.15 US Dollar

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