



# Bloomberg Business

## Photocopier deals cost taxpayers 'thousands'

THE close relationship between photocopier supply companies and local authorities may be costing taxpayers tens of thousands of pounds. The link is also raising serious questions about the effectiveness of public purchasing organisations set up to save public money by buying in bulk.

Encouraged by the Government, many local authorities have banded together to establish purchasing organisations to supply hospitals, schools and local government itself. However, some purchasing consortia do

little to protect public institutions from the complex sales practices of photocopier salesmen.

There is also unease, not least within purchasing bodies themselves, about their practice of taking a rebate from companies supplying photocopier machines and other goods and services, which is often used to defray the purchasing organisation's costs. Some consortium members are asking whether clubbing together was a good idea since it has not resulted in great savings for the end user.

After commissioning research from Copywatch, a consultancy that advises companies on how to reduce their photocopying costs, the libraries organisation in a south Wales city discovered that it could save almost £2,000 a year on the cost of running four photocopiers originally provided under a contract negotiated by the Gwent Supplies Consortium.

Purchasing organisations take a cut in two ways. One is to give the supplier a target price at which the machine will be

sold on to the customer, according to one sixth-form college. The purchasing organisation buys the machine at a discount to the target price, sells the machine at the target price, and keeps the difference.

Since, however, this involves the purchasing organisation invoicing the final customer, the organisation often agrees instead that the photocopier supplier can sell the machine direct to the customer. The supplier

By Michael Prest

then pays a "rebate" to the purchasing organisation.

These deals are reinforced by the close attention paid by photocopier suppliers such as Xerox, Canon, Danka and Ikon to local authorities. All have salesmen who target local government and strive to establish good relations with officials.

One result is that some purchasing organisations such as the Central Services Agency, which supplies the NHS in

Scotland, select panels of a few authorised photocopier suppliers. Copywatch, which attempted to advise the Forth Valley Health Board on how to cut its photocopying costs, was blocked by the CSA from dealing with the health board.

David Carter, a Copywatch associate, ran into similar difficulties dealing with the Eastern Shires Purchasing Organisation. He said: "I have nothing against the principle of consortia, but in practice there can be vested interests which do not al-

ways have the best interests of the client at heart."

Photocopiers can be a valuable source of income for public libraries. But Lawrence Tag, a former senior manager for Newcastle City Libraries, said the terms of the leasing contracts often preclude servicing machines on Saturdays - the day of heaviest use. Echoing complaints from other customers, he said salesmen often gave the impression machines were new when they were second-hand.

Jose Johns, a retired com-

pany secretary, warned of another hidden cost. Three leasing companies whom she dealt with - Rentokil Business Finance, Pitney Bowes and Lloyds Bowmaker - wrote to her after deals had been finalised, saying they would include insurance as well as regular debits unless she proved she had insurance.

The premium was expressed as a monthly or quarterly rate, which was higher than the price offered by her company's insurer. "It would be more honest to ask you beforehand," she said.