

## 1.2D: Types of Organisation: Activity



IB Business Management: [www.BusinessManagementIB.com](http://www.BusinessManagementIB.com)

### 1.2 TYPES OF ORGANISATION: ACTIVITY D

Read the case study information below and answer the questions that follow.

#### WASTE – A GOOD CAUSE FOR PUBLIC-PRIVATE PARTNERSHIPS



Capital Waste Disposal PLC was created five years ago when the capital city's rubbish collection was privatized. As a public sector enterprise, the organisation had been over-staffed and inefficient, but charges for collecting waste were low and the service was popular with local residents. The city government subsidized the waste services and this helped to keep charges down. Shortly after privatisation, the director's announced substantial job cuts to save on costs. The waste collection service was reduced to once a week, yet charges were increased. The city government also

announced that the city's rubbish collection services would be opened up to competition.

The business started to make big profits. It invested in new equipment and paid dividends to its shareholders. Last year, for the first time since privatisation, profits fell. This was due to competition from a newly formed waste disposal business. Many of Capital Waste's shareholders wanted the directors to be replaced. The biggest shareholders demanded to be on the board of directors. The chief executive discussed with the bank whether a loan could be obtained to buy out most of the shares to convert the business into a private limited company. She told the bank manager, "If I turn the business into a private company, I can run it without interference from big shareholders and publish less data about the company."

The government still owns and manages the old and inefficient waste recycling plant in the city. It now wants to involve Capital Waste in a public-private partnership to build a new,

## 1.2D: Types of Organisation: Activity

environmentally friendly waste recycling plant. The business would be asked to invest capital in the new facility and to use its private sector managers to help manage the new plant. A PPP would help to make sure it was built quickly. However, some local residents are worried that private sector managers would try to cut costs, and that difficult to recycle waste would simply be dumped in the local river. They have formed a pressure group to oppose this proposed PPP.

Source: [www.BusinessManagementIB.com](http://www.BusinessManagementIB.com)

---

### 38 marks, 65 minutes

1. Define the terms:
  - i. Public sector
  - ii. Public-private partnership
  - iii. Public limited company
  - iv. Private limited company
  - v. Pressure group.

**[10 marks]**
  
2. Explain **two** likely reasons why the city government decided to privatise this organisation.

**[4 marks]**
  
3. Examine the likely impact of this privatisation, in the short run and the long run, on:
  - i. Customers
  - ii. Shareholders
  - iii. Workers

**[6 marks]**
  
4. Examine the advantages and disadvantages of the proposed public-private partnership for the building and operation of a new waste recycling plant.

**[8 marks]**
  
5. Recommend to the chief executive whether she should aim to convert the business to a private limited company.

**[10 marks]**