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Parents Advocating School Accountability  
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## **Edison Schools Slapped Down in Philadelphia**

The April 17 announcement that for-profit Edison Schools Inc. will be managing 20 Philadelphia schools amounts to a damaging setback for the controversial, New York-based company.

Edison had originally hoped to take over the entire Philadelphia district administration, along with dozens of schools, with the enthusiastic backing of Pennsylvania Gov. Mark Schweiker. That proposal, strongly opposed by Philadelphia Mayor John Street, touched off months of explosive protest in the community.

In reaction to the announcement that Edison would get only 20 schools, shares in the publicly held company fell 8 percent the next day, April 18, to \$11.78. The stock fell one more cent the following day.

Meanwhile, one market analyst downgraded its recommendation on Edison stock. Two other commentators initially touted the stock on April 18, after the Philadelphia announcement, but then backpedaled on their recommendations the following day.

On April 18, Gerard Klauer Mattison downgraded its recommendation on Edison from “buy” to “neutral.”

But the same day, CBS Market Watch quoted USB Piper Jaffray analyst Mark Marostica as predicting that Edison would gain control of 27 additional Philadelphia schools, on top of the 20 that had just been announced. The next day, CBS Market Watch retracted that statement, acknowledging that it had “incorrectly reported the status of public schools in Philadelphia that may be assigned to Edison Schools.”

Meanwhile, on April 18, Merrill Lynch analyst Lauren Rich Fine identified Edison as a “buy” and projected that the company would take over 28 more Philadelphia schools. The next day, Fine backpedaled under questioning by New York Times reporter Jacques Steinberg, admitting, “There’s not much out there to support what we were saying.”

Fine is an industry analyst for media and advertising, not education. Edison founder and CEO Chris Whittle has a background in that industry, as former publisher of Esquire magazine.

Fine was also quoted defending Edison when February 2002 business news articles questioned the way the company reports its revenues. She called the concerns “overblown.”

The backpedaling on comments by analysts Marostica and Fine illustrated post-Enron concerns about media reliance on Wall Street analysts with financial interests in the companies on which

they comment. “Wall Street analysts ... by definition (are) employed to do nothing but spin positive company news in order to sell stock,” Wall Street Journal reporter Jonathan Weil told the March/April 2002 Columbia Journalism Review in reference to Enron (“Enron: Uncovering the Uncovered Story,” by Scott Sherman, Columbia Journalism Review, March/April 2002).

A participant in the Yahoo electronic bulletin board for Edison investors was sharper about Merrill Lynch’s role. “The fact that Merrill Lynch has also been involved in underwriting the stock offerings for Edison,” the anonymous poster observed on April 20, “makes one wonder if it is the company's goal to prop up their client's sagging stock no matter what kind of tale they have to invent to do so. In my humble opinion, this borders on market manipulation based on knowingly false and misleading information.”

Meanwhile, heated protests in Philadelphia continued over the prospect of Edison’s takeover of 20 schools. Student protesters blockaded the district administration building before members of the School Reform Commission (SRC), the body devising a rehabilitation plan for Philadelphia’s troubled school district, arrived for the April 17 announcement about Edison's role. The protest forced the SRC to make the announcement elsewhere.

Later that day, the SRC went to court seeking an injunction to keep protesters away from the building, and hauled several teen-age protesters into court. The SRC announced that it would seek monetary damages from the protesters. “The students' parents were served Thursday with ... the commission's motion for a preliminary injunction and copies of the complaint seeking the monetary damages,” the April 20 Philadelphia Inquirer reported.

And other issues rapidly surfaced. At Luis Munoz-Marin School, slated for an Edison takeover, 20 teachers immediately requested transfers to other schools. A Philadelphia teachers’ union official predicted staffing “chaos.” The April 21 Baltimore Sun reported in an article on the Philadelphia situation, “At week’s end ... hundreds of the city's 13,000 teachers were seeking paperwork to transfer or quit.”

Edison Schools Inc. has raised questions with its reporting of student achievement as well as the revenue reporting concerns revealed in February.

The company claims that 84 percent of its schools made “positive gains” in the 2000-2001 school year. But Edison lists 62 schools that it claims made “positive gains,” for a year when the company says it ran 113 schools. Sixty-two of 113 schools would be 54.8 percent, not 84 percent.

And scrutiny debunks the claim that the 62 “positive” schools are successful. At least 10 of the schools on the “positive” list have had contracts with Edison severed – Edison had already been terminated from several of the schools at the time it released the list touting them as successes. More than 10 of the “positive” schools also appear on their states’ lists of failing schools.

Edison Schools, which runs more than 100 schools nationwide, is a nationwide school management firm with stock publicly traded on the NASDAQ, though the 10-year-old company has never made a profit. Edison has attracted ideological support from backers of privatization

and school vouchers, and from such powerful conservative bastions as the Wall Street Journal editorial board and the Hoover Institution.

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For more information on Edison Schools, go to [www.pasasf.org](http://www.pasasf.org). PASA is an advocacy organization and our press releases reflect our point of view. Our material is reported and written in accordance with professional standards for accuracy. Any problems called to our attention will be corrected or responded to publicly as appropriate.