

TRADEBE-SITA MERGER INQUIRY

Summary of hearing with the Heart of England NHS Foundation Trust on 11 November 2013

Background

1. Heart of England NHS Trust was a teaching trust consisting of three main hospitals: Birmingham Heartlands Hospital, Good Hope Hospital and Solihull Hospital. Also included were Birmingham Chest Clinic, Solihull Community Services and two external renal units.
2. It produced a range of waste streams from non-clinical, hazardous and non-hazardous waste streams which were basically clinical (healthcare risk waste (HRW)) and non-clinical waste. The HRW was sent for treatment either by heat treatment (HT) or 'alternative treatment' (AT). The non-hazardous waste stream was sent to landfill sites.

Healthcare risk waste disposal by the Trust

3. The total volume of waste produced across the three hospitals during the last year was 1,375,590 kg. The amount of waste produced by the outlying clinics and the Chest Clinic was calculated in bins and 701 bins were produced during the same period. Volume could be higher during the winter.
4. The AT process and non-hazardous waste stream were introduced in the last two years.
5. The Trust's contracts for HRW services were currently with SRCL and Tradebe. It was invoiced on the weight of the HRW to the nearest 10 kg. Weighing took place at the processing point and weights and measures were checked by the Trust.
6. The Trust segregated its waste in accordance with relevant legislation and instructed the contractor on which process to use. There were regulations specifying how waste should be treated and the Trust was responsible for ensuring that its waste was properly processed. It employed experts to audit its waste streams on site.

The healthcare risk waste disposal market

7. The Trust believed that companies like Tradebe and SRCL, which provided an integrated collection and treatment process, could compete with companies which provided a collection-only service. The Trust considered the latter to be a viable alternative.

Current contracts

8. The Trust currently had five-year contracts with SRCL and Tradebe, but aimed to contract with just one company, which it believed was normal practice. Prices were subject to annual increases based on RPI.

9. It was currently tendering for a contract for all of its sites. This was a lengthy process (around six months) which had to include the European Journal time frame. It expected PHS, Tradebe, Sita, SRCL, Veolia, Select Environmental, WasteCare, Harrison Benn, Initial, GD Environmental, B&M Waste, Healthcare Environmental and White Rose Environmental to bid.
10. The first step was to send out a Pre-Qualification Questionnaire (PQQ) to a number of companies before sending out invitations to tender. Bidders might be interviewed as part of the process. There was potential for splitting the waste with companies bidding for different lots or larger companies bidding for all of it.
11. Price was the most important factor when choosing an HRW service provider. Different prices were paid under each contract and HT prices were higher than AT in both cases. Other criteria it considered were management capability, risk mitigation and innovation. The Trust would be content for a bidder to subcontract parts of the service.
12. The biggest costs associated with waste collection were transport costs. The Trust believed that the location of a company's treatment facilities would be a factor in how competitive a bid it could produce. It suggested that, to be competitive in the current tendering process, a company's facilities would need to be located within a 10-mile radius of Birmingham.
13. The Trust believed that joining a consortium improved the bargaining power of its members because of the volumes involved. It was hoping to time its next contract so that it could join the West Midlands Consortium run by University Hospital of Birmingham NHS Foundation Trust.
14. The Trust did not have the infrastructure to process its HRW waste itself.

Barriers to entry

15. The Trust believed it would be possible for a new entrant to bid for the new contract.
16. If a different provider were to win the contract, it would be required to purchase the bins (which were standard across the industry and had a life of five to ten years) from the Trust. This might be an issue as the current bins had 'Tradebe' written across them. The Trust was not sure whether this could give Tradebe an advantage over its competitors in the current tendering process.

The merger

17. The Trust did not believe that the joint venture would affect its forthcoming tendering exercise. It believed that the prices that the Tradebe–Sita joint venture offered would be influenced mainly by the prices offered by its competitors and possibly any innovations it could put forward—the same as before the joint venture.
18. The Trust felt it had credible options to the Tradebe–Sita joint venture in the forthcoming tendering exercise, including companies that did not have facilities in the area.
19. The Trust considered that the joint venture would give Tradebe the opportunity to reduce costs because it would be able to use plants located nearer to the Trust's sites. It also

considered that Tradebe and Sita would have continued to operate independently if the joint venture had not taken place.