

TRADEBE/SITA MERGER INQUIRY

Summary of a hearing with ISS Mediclean, held on 29 November 2013

Background

1. ISS Mediclean Limited (ISS) was a division of ISS Facility Services A/S, an international facilities management organization.
2. It provided facilities management services primarily for the public sector including NHS Trusts. It provided 'soft' services such as waste management and 'hard' services such as overall building management.
3. Its waste management service involved the collection of waste within a facility. The waste was then collected by providers of integrated waste collection and disposal services through subcontracting arrangements. It did not use collection-only waste disposal providers.

Relationship with the parties

4. The parties were not in competition with ISS but were potential subcontractors for the collection and disposal of waste. ISS contracted Sita to provide healthcare risk waste (HRW) and household waste services from six sites to a service standard agreed between ISS and the relevant NHS Trust. ISS did not have any current relationships with Tradebe.
5. ISS sought to mirror as closely as possible the contract between ISS and the NHS Trust and the contract between ISS and the waste disposal provider. This included any changes in price that might occur during the contract.

The facilities management and healthcare risk waste markets

6. The market to provide facilities management services was very competitive as NHS Trusts sought the most cost-effective tenders. Sodexo and Compass were ISS's main competitors in the facilities management market.
7. Contracts between NHS Trusts and ISS typically lasted three years, with an extension option of two years. If ISS secured a new contract and there was an incumbent waste disposal provider, it would typically continue to work with that provider. If there was no provider in place, it would tender for a new provider. Bidders often included Sita, SRCL and Biffa. ISS worked closely with NHS Trusts during the procurement process when selecting a new provider.
8. ISS preferred to work with one provider of waste disposal services. Approximately 75 per cent of its contracts were with a single provider.
9. ISS said that costs for the disposal of HRW remained largely stable but could be affected by rising fuel costs or landfill taxes.

Future trends in the industry

10. ISS did not anticipate changing its business model. It would always tender for a full range of facilities services and would not look to concentrate in one area. It saw the full service tendering model as one that would continue in the market as it increased the reliance of the customer on the service provider and so benefited the sustainability of the provider's business.
11. ISS had dealt with consortia of NHS Trusts, especially in London, but it had not been directly affected or lost any service contracts as a result.

The joint venture

12. The joint venture would bring extra competition to the waste disposal market as it would create a body able to bring a comprehensive service that had the expertise to deal with HRW and household waste.