

TRADEBE/SITA MERGER INQUIRY

Summary of a hearing with Initial Medical Services Limited, held on 19 November 2013

Background

1. Initial Medical Services Limited (Initial Medical Services), focused on the collection, disposal and recycling of healthcare risk waste (HRW) from small- and medium-sized organizations. These included local authorities, government-funded organizations (eg care homes), small NHS sites (eg doctors, dentists, chiropractors) and small private businesses (eg funeral or tattoo parlours). It did not typically tender for larger hospitals due to the large amounts of HRW that required collecting, a lack of suitable transportation and an absence of HRW disposal facilities.
2. Initial Medical Services viewed its competitors as the PHS Group, Cannon Hygiene and Direct Hygiene.
3. It contracted with providers for the treatment and disposal of HRW waste for three years.

Relationship with Tradebe and Sita

4. Initial Medical Services collected HRW from up to 30 customers a day. This was processed (by bulking up) at its waste transfer stations across the UK and then collected by Tradebe or Sita and taken to their sites for treatment disposal. Initial Medical Services used Tradebe in Bristol, Bromford, Haydock and Leeds. Sita was used in Brentford and Crayford.

The healthcare waste market

5. Price was an important factor for Initial Medical Services when deciding on a provider for HRW disposal. Other important factors included compliance with the relevant HRW legislation, contingency arrangements and the location of a provider as this would impact on transportation costs. Price differed between treatment types with incineration being more expensive.
6. [REDACTED].
7. Initial Medical Service's customers viewed compliance with relevant legislation, quality of service and latterly price as the most important criteria when choosing a waste collection provider. Initial Medical Services did not view itself as the cheapest HRW service provider in the market, but saw its reputation among customers and the quality and reliability of its service delivery as reasons why it maintained a good level of business. Initial Medical Services is a subsidiary of Rentokil Initial plc which had other divisions which dealt with pest control and washroom hygiene. These divisions had assisted its waste collection service previously and helped maintain service continuity.

Switching suppliers

8. There were costs associated with switching suppliers for the collection of HRW. This included the replacement of collection equipment such as clinical waste bins and bags for example. Besides the cost of the procurement process, Initial Medical Services had not previously incurred costs in switching between HRW disposal providers.

Barriers to entry

9. Initial Medical Services used to own a waste disposal incinerator over ten years ago, but this was closed as it was not cost-effective. It had not considered re-entering the disposal market.
10. A new HRW disposal provider wishing to enter the market would need to have a network of treatment facilities. Collection-only companies would need to invest in a network of depots or waste transfer stations.
11. The cost of developing a new treatment plant would be prohibitive as would the need for national coverage to help reduce transportation costs.

Impact of the merger

12. The joint venture would have a positive impact on its business as it would provide greater resilience and continuity for the treatment and disposal of waste as Sita had more incineration sites than Tradebe and could process more waste.
13. It did not have any concerns about the merger and its effect on future contract negotiations.