

TRADEBE/SITA MERGER INQUIRY

Summary of a hearing with North of England Commercial Procurement Collaborative, held on 26 November 2013

Background

1. The North of England Commercial Procurement Collaborative (NOECPC) was an NHS organization hosted by the Leeds and York Partnership NHS Foundation Trust. It managed purchasing arrangements and facilitated procurement on behalf of NHS organizations.
2. NOECPC was funded by its NHS members from across England which paid an annual subscription to access NOECPC's services to assist them in their procurement. NHS organizations which were not members could access NOECPC agreements but would have to pay a fee. HRW contracts formed a small part of NOECPC's total number of contracts. NOECPC did not have private health sector clients currently.

NHS Yorkshire Clinical Waste Consortium and Healthcare Environmental Services Group

3. In 2011, NOECPC had administered a healthcare risk waste (HRW) contract between NHS Yorkshire Clinical Waste Consortium and Healthcare Environmental Services Group (HES). The consortium included 23 NHS Trusts.
4. The HES contract was for the disposal of 9,000 tonnes of HRW. 70 per cent was to be disposed of by alternative technology (AT), 15 per cent by high temperature (HT) incineration with the remainder treated as offensive waste which could be disposed of into landfill sites without treatment. [REDACTED].
5. The split in the waste streams reflected the NHS Trusts ability to segregate the waste effectively. Significant changes in waste segregation in detriment to that agreed within the contract are managed firstly by the supplier then collectively via the consortia management group where such changes begin to impact on the effectiveness of the service overall including the cost of the service.
6. The tendering process had taken 18 months to complete. It was based on three stages of dialogue before an invitation to tender. Four suppliers had made it through to the tender.
7. HES was chosen as it achieved the best score overall across four categories: price, technology, logistics and contract management. The consortium's biggest concern during the process was the sustainability and continuity of the service delivery with any new supplier, therefore this was examined in detail within the process.
8. Prices for the disposal of HRW differed across the four shortlisted suppliers. [REDACTED]. NOECPC would consider using a collection-only supplier for HRW providing it was reassured that any subcontractors in the supply chain were being appropriately managed by a lead supplier.

The healthcare risk waste market

9. NOECPC was currently administering a retender of a contract for the Northern Clinical Waste Consortium. This consortium consisted of 15 NHS healthcare trusts and was seeking a retender of its current ten-year contract with SRCL which was ending in 2015. The volume of waste within that contract was 6,000 tonnes.
10. NOECPC's contracts between NHS consortia and HRW suppliers typically lasted between five to ten years. Some contracts contained break clauses that allowed the consortium to assess performance to ensure that the contracted price remained competitive. Its contracts also had extension periods of up to five years and often had price variations for inflation and fuel costs built into them—as agreed with the consortia to meet their collective requirements.
11. NOECPC felt a consortium would need to provide over 3,000 tonnes of waste collectively to attract the best prices from HRW suppliers or justify a supplier building a new treatment plant locally. The length of a contract also influenced a supplier's decision to build a new plant.
12. This consortium tendering model was being replicated in other areas and was leading to new entrants entering local markets as the length of the contract and the volume of waste made it cost-effective to build a new plant if required.
13. Price was often the main factor for NHS Trusts when deciding on an HRW supplier as long as the ability to deliver effectively was assured.

Future trends in the industry

14. NOECPC was currently only working with the Northern and Yorkshire consortia on HRW contracts. It was also setting up a framework agreement for clinical waste services that could be used by any NHS organization acting independently to assist them when arranging procurement exercises. The framework would be available in early 2014.
15. NOECPC was not aware of any other new entrants into the HRW market since the emergence of HES.

The joint venture

16. NOECPC noted that benefits of the joint venture might include (i) the new entity's ability to act as a stronger competitor for SRCL in terms of geographical coverage; and (ii) the creation of a company that could deal with both clinical and general waste, which might be attractive to NHS Trusts seeking a single waste services supplier. However, it could also reduce competition in the market as there would be one less HRW service supplier.