

TRADEBE/SITA MERGER INQUIRY

Summary of a hearing with Worcestershire Acute Hospitals NHS Trust, held on 12 November 2013

Background

1. Worcestershire Acute Hospitals NHS Trust (the Trust) operated three acute hospitals: Worcestershire Royal, Redditch Alexandra Hospital and Kidderminster Treatment Centre and Hospital. It produced a full range of healthcare risk waste (HRW) across the Trust all of which was sent for incineration based on category. Within HRW, it also had some specialist areas such as pharmaceutical, chemical and x-ray waste, for example. This was fairly typical of other NHS trusts.
2. The volume of waste had been fairly static over the last five years. The Trust expected this to increase when a new radiotherapy centre was opened at the Worcestershire Royal site. In some areas, demand went up in the winter due to 'winter pressures', but this had a minimal effect on the amount of waste generated.

Healthcare risk waste contracts

3. The Trust's largest site, Worcestershire Royal, was managed through a Private Finance Initiative (PFI) arrangement. Most of the soft services for this site, including HRW services, were provided by ISS through a subcontracting relationship. The Trust contracted with SITA UK Limited (Sita) for the lease and operation of an incinerator at the Redditch Alexandra site. This was operated by Sita on a commercial basis (ie other HRW was brought to the site besides that of the Trust) and it would be feasible for the Trust to operate the incinerator itself when the lease expired). The Trust also contracted with Sita for the management of the Trust's waste streams at Kidderminster Treatment Centre and Redditch Alexandra Hospital.
4. The Sita contract covered the lease of the ground, the collection and disposal of a specified number of tonnes of clinical waste for free and an option to purchase steam at a reduced rate. Steam was used in most hospitals for the conveyance of energy, for heating, hot water generation and processed heating (sterilizers, catering and good production systems). Prices were index-linked with penalties imposed if the Trust went above the specified tonnage.
5. The Trust did not think that the cost per tonne charged under the PFI subcontracting arrangement for the Worcestershire Royal site was good value for money. However, it considered that the contracts with Sita for the other sites were exceptionally good value for money.

Selection of suppliers

6. The Trust told us about its procedures for selecting HRW suppliers. NHS trusts had the option to draw upon Government Procurement Service (GPS) or Health Trust Europe framework agreements when tendering. As prices were typically pre-negotiated in such agreements, suppliers tended to be judged on quality of service.
7. For the Worcestershire Royal site, which was subject to the PFI agreement, ISS would arrange the procurement. ISS would be able to use the framework agreements, but its foothold in the market meant it might be able to negotiate

advantages over them. The Trust expected that ISS would be able to carry out a more rapid procurement process, probably outside the GPS framework.

8. The Trust's view was that the most important factor for selecting a new supplier was compliance with HRW disposal legislation, followed by a competitive price. It would have concerns about a supplier using a subcontractor, because issues had arisen in the past where a subcontractor had lost sight of where HRW should be sent for disposal. The location of potential suppliers was a consideration as the Trust was aware of its carbon footprint. The Trust did not have a set distance criterion but, it would balance location of disposal with the methodology used (ie whether it was going for incineration at a burn-to-energy plant as opposed to a burn-to-air plant). The Trust told us that there was substantial innovation in the HRW market and this was another factor it would consider.

The healthcare risk waste market

9. Companies which were able to offer both alternative treatment (AT) and heat incineration treatment (HT) were at a competitive advantage over companies which were able to provide just one of these services, because they could offer more competitive prices. The Trust did not believe that a company taking over a contract would incur any significant costs. Companies tended to use the same types of bin and ownership of these was often transferred in situ when contracts changed hands. Whether a new supplier would have to make other investment would depend on the capacity on its vehicles and in its plants. It might, for example, require a 'step-up' investment at a particular time, but that was an investment decision for the company.
10. The Trust did not believe that its current supplier had any particular advantage in bidding for the contract again over competitors or that there were any factors that would prevent it from switching suppliers.

Barriers to entry

11. The duty-of-care imposed on all persons producing and handling HRW under the Environmental Protection Act meant it was difficult for a new player to enter the market. A new entrant might find it difficult to prove its ability to deliver the service from collection to final disposal. The Trust would be prepared to consider a company from another part of the country if it could demonstrate a good track record in providing HRW services.

Impact of the joint venture

12. The Trust considered that the joint venture entity could stimulate competition in the market as there would be another operator able to provide multiple waste disposal methods (ie both AT and HT facilities).