

TRADEBE/SITA MERGER INQUIRY

Summary of a hearing with Veolia Environmental Services, held on 22 November 2013

Background

1. Veolia Environmental Services (UK) Plc (Veolia) was a waste management and recycling business operating in the UK.
2. It owned a high temperature (HT) waste incinerator in Tyseley, Birmingham which was used for the treatment and disposal of healthcare risk waste (HRW) from Birmingham City Council and other third parties. It did not have a separate alternative treatment (AT) treatment facility but could treat AT waste in its incinerator. Veolia did not generally provide HRW collection services, but did have a number of small municipal collection contracts with local authorities (mainly for non-hazardous waste). Veolia used to have a collection business in the Birmingham area but sold it in the year 2001. It also did not collect significant volumes of clinical waste in Sheffield or Gloucester.

Relationship with businesses supplying HRW for incineration

3. Veolia treated HT and AT HRW for Tradebe, GW Butler, [redacted] and a range of smaller collection-only waste generators. It agreed the rates of input for the incinerator by quantity (tonnage) and the type of waste. Veolia used a variable pricing matrix to set prices and they were reviewed on an annual basis. Collection-only waste suppliers generally provided AT waste and their tonnage input was relatively low.
4. Waste was often brought to the HT plant from a significant distance away with [redacted] supplying waste from across the South of England.

HT incinerator

5. The Veolia incinerator was working at a rate of [redacted] per cent capacity over the course of the year. It processed [redacted] tonnes of waste a year. The incinerator took both AT and HT waste and Veolia aimed for a mix of waste at a ratio of [redacted] to ensure the incinerator worked effectively. The amount of AT waste received from a third party had an effect on the price that Veolia charged for disposal. A mix of HT and AT waste could cost less than HT waste only. This was one factor among many that determined price.

Barriers to entry

6. Veolia considered that new companies seeking to enter the HT treatment market would face considerable barriers, not least the high cost of building an HT plant. This ensured a low number of competitors in the market and contributed towards a higher margin than in the waste collection or AT market.
7. It was not feasible to convert an incinerator designed for municipal waste to a healthcare incinerator due to the difference in temperatures required and the approvals required from the Environment Agency.

8. Veolia did not anticipate any new entrants in Birmingham for the HT waste treatment but was aware of planning permission being granted for some AT plants.

The joint venture

9. Veolia felt that the joint venture would have little effect on competition unless significant investment was made to the Sita HT plants in Redditch and Wrexham. Investment might increase the available capacity for those plants and make them more competitive.
10. As a result of the joint venture, the amount of waste supplied by Tradebe to Veolia for treatment had fallen by approximately [X]. This spare capacity could be sold to other waste providers however.