

JLA/WASHSTATION MERGER INQUIRY

Minute of Discussion with the University of Sheffield on 7 June 2018 at 15:00-15:40

Current contract for managed laundry services

1. The University of Sheffield (UoS) explained that it has twelve separate laundry sites for its students and those sites differ in size, some are quite large (20 stacks) and some are smaller (2-3 stacks). In total, there are 55 washers and 53 dryers across the twelve sites. These sites are all managed by Circuit, a subsidiary of the JLA Group. Students have a top-up card and can charge this card with a code. In 2012, UoS switched from coin systems to card systems.
2. The UoS' last tender in 2011 was awarded to Circuit for five years and then prolonged for two years. UoS said that it had no reasons to change supplier, because it was quite happy with Circuit. The 2011 tender was a formal tender published in the Official Journal of the European Union (OJEU).
3. There were [redacted] companies who submitted a bid: [redacted]. Circuit had a significantly better bid than [redacted]. [redacted]. In particular, Circuit offered a better commission level, with an estimate of £[redacted] more per year. In terms of marketing and branding, there was also room for improvement in [redacted] offer.

Current tender process

4. UoS said that it is currently in a new tender process (the 2018 tender) and is assessing the submitted bids. That tender was also published in the OJEU and on the UK website in-tend. UoS said that it has to issue a tender for all contracts exceeding a value of £50,000. The value of the current contract is significantly above that (and UoS estimates an income of £[redacted] a year).
5. The interest from suppliers has been roughly the same ([redacted] suppliers) as in 2011 and [redacted].
6. UoS explained that the tender award criteria did not change significantly as regards services. However, students are much more tech-based these days and [redacted] offered a facility/service called [redacted]. Feedback from students suggests that they do not seem to like the card system and they prefer using an app/cashless for paying as well.
7. UoS said that [redacted]. The vend price level is usually proposed by the supplier. UoS also stated that [redacted].
8. UoS said that [redacted].
9. As regards engineering services, [redacted].

10. In addition, UoS also wanted to get a better understanding of the costs involved and what it would cost if UoS were offering parts of the services (eg tumble dryer for free). Therefore it asked in its tender for submissions on both vend sharing agreements (ie where the revenues are shared between the supplier and UoS) and a number of fixed rental agreement options, ie where the higher education customer (HE customer) pays a monthly service fee (rent) to the supplier and the HE customer keeps all revenues generated from the machines.
11. However, UoS said that it was unlikely to choose the fully fixed model. The cost element of the tender is [X]% and the rest is service to students. The only way to pass costs on to students would be to increase the rent and there is pressure to keep rents low. Therefore, UoS is likely to prefer the vend sharing option for at least the 1-2 years.

Relevant parameters for students and higher education customers

12. UoS explained that because it is charging the students, UoS needs to offer the best prices and therefore the vend price is important. A recent survey conducted among UoS students showed that price is most important and on second place is the availability of machines. The refurbishing of the rooms and cleanliness are not as important.
13. UoS also said that students want things immediately, so service levels are a big issue. Response time is therefore also important.
14. When asked whether there were any specific elements to higher education customers (HE customers) requiring managed laundry services, UoS answered that this could be potentially the case and relates to the service element. When compared to catering, a supplier can decide as to when clean the laundry. It is not coming out of their back office. Financially, there is a lot of pressure on students and they want a good service included in the price. The environment is therefore slightly different and a managed laundry supplier is exposed to a thousand people using the services instead of only a limited number.
15. When asked what UoS would do if it only received one bid in response to its tender, UoS replied that, in other areas of its business, there were occasions in which it received only one bid in response to a tender. In one instance, UoS accepted the bid because it was a good offer. UoS said that if the offer did not get what we wanted, UoS would look for other possibilities and possibly re-tender.
16. UoS does not want its tender requirement to be so specific that suppliers are excluded and where applicable, tries to gain feedback from potential bidders why they have not bid.

Alternative suppliers in managed laundry services

17. UoS spoke to Washstation approximately two years ago about a possible contract, and Washstation was interested to supply UoS. However, UoS had a ongoing contract with Circuit, and therefore did not pursue this further at that time.
18. When asked about Armstrong, UoS said that it has not heard of that company.
19. UoS said that no launderettes are in walking distance to the student accommodations.
20. When asked whether UoS has considered to insource laundry services by using domestic washers and dryers, UoS answered that it has considered this, but did not see it as an option. The kitchens which are relatively new (2007-2009) would need to be

adapted by removing cupboards and thus much sought after storage space. This would be investigated as an option when the rooms were due for refurbishment, but that is not anytime soon.

Comments on the merger

21. UoS stated that it was fairly comfortable that the merger would have no adverse effects as UoS is specific in what it wants.
22. UoS has not noticed any change in service quality, the service is just as good. UoS' account manager seems to be more pulled out than previously. There have never been any major concerns with JLA and odd issues were resolved quickly.
23. UoS said that it was quite clear that Circuit's recent bid contained partially standardised texts and UoS was a bit disappointed about that, as this suggested that Circuit were not tailoring their bids well as they should do, which could develop into complacency if not recognised and addressed.