

Privatised and Unprepared:

The NHS Supply Chain



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1.

Introduction

Months after the arrival of the Covid-19 pandemic, huge numbers of UK health and care workers still lack adequate personal protective equipment (PPE). This is affecting many professions: doctors, nurses, hospital support staff, administrators, mental health workers in the community and primary care, and social care workers in a variety of roles. [Nursing Notes](#) reports that Covid-19 has killed 209 health and care workers in the UK as of the 14th of May 2020, and as Alex Bailin QC – an expert in corporate manslaughter law – says, many of these deaths were “[avoidable with proper PPE](#)”. This failure to protect health and care workers is a disaster in its own right, and it is contributing to Covid-19’s catastrophic death toll in this country.

The aim of this report is to expose the role that the privatisation of health and social care has played in this preventable catastrophe. Privatisation has created a system which is both chaotic and bureaucratic – both fragmented and sclerotic. There has been an outcry over PPE shortages in media coverage of the pandemic, but little has been said about privatisation. This is a serious oversight, which this report will address.

NHS Supply Chain – the organisation at the centre of this problem – was created in 2018, after years of outsourcing of NHS Logistics. NHS Supply Chain is technically a part of the NHS, headed by the Secretary of State. But this status is merely a fig-leaf for a needlessly complex web of contracts with private companies who answer to shareholders first. Immediately upon its formation NHS Supply Chain outsourced two major contracts for IT and logistics, and then broke up and outsourced the whole procurement system, by delegating eleven supply areas to various contractors. The parcel-delivery company DHL was put in charge of finding wholesalers to supply ward based consumables, including PPE kits. Unipart was given control over supply chain logistics, including the delivery of PPE. The stated rationale for this approach – an almost obsessive drive towards greater outsourcing and greater fragmentation – was “efficiency savings”.

In what follows we examine this heavily privatised, convoluted, and fundamentally dysfunctional system that NHS Supply Chain has created – one which puts layers of corporate red tape between doctors and

nurses who need PPE in order to work safely, and the companies making these supplies. The government's failure to react to Covid-19 shouldn't be downplayed, nor should the inherent complications of procuring PPE during a pandemic. But in order to make sense of these factors we need to understand how NHS Supply Chain itself was supposed to work, why it hasn't worked, and what must be done differently in future.

While the government has been outsourcing NHS *procurement*, it has been losing its handle on the reins of NHS *governance*. In the early stages of the pandemic, when businesses and communities across the UK were lining up to help provide PPE, many found no one in government willing to take their call. When the UK needed decisive leadership it instead had a disparate network of private companies acting independently and with ineffective oversight. No wonder, then, that the Health Secretary, Matt Hancock, has often stumbled when trying to explain PPE shortages. In the back of his mind he may have been asking "didn't we hand that problem over to Unipart, or DHL, or one of the other companies we're paying to manage this?" Of course if he was thinking such a thing, he could scarcely voice it. And that is precisely the point. The public rightly expects the government and the NHS to take responsibility for essential, life-saving tasks. Instead of accountable, coordinated leadership, we have had a chaotic mish-mash of independent private contractors, and this has severely undermined the national effort to protect NHS and care staff.

There are plenty of "bad apples" in this story – companies whose track record, philosophy, and priorities mean that they shouldn't have been entrusted with the responsibilities they were given. But this isn't just a story about bad apples. It is a story of a flawed system that has helped turn the pandemic into an utter disaster. This system offers few real advantages over in-house NHS provision, and it creates a range of risks. It undermines coordination and accountability. It is a system in which a "just in time" ethos – devised by logistics companies in order to win contracts and enrich shareholders – takes priority over public health.

The [Independent SAGE group](#) has called for reform to this system. "There must be reform of the process of procurement of goods and services to ensure responsive and timely supply for primary and secondary care, and community infection control." This is especially important, they argue, "in anticipation of a second wave of infection." Our report echoes this call, and strengthens the case for it. We call on the government to simplify the NHS Supply Chain and bring it back into NHS control, as well as increasing overall NHS capacity, particularly locally, to deal with the virus. As soon as possible, the whole NHS should be reinstated as a fully public service and outsourced contracts across the board should be brought in house. That's what NHS staff and health workers deserve after all they've done for us.

2.

The Problem: Lack of PPE and Preparedness

A. Four Decades of Creeping Privatisation

Over the last 40 years the NHS has been subject to waves of policies that have given private companies opportunities to profit from the NHS budget. For example:

- In 1984 the Thatcher government instructed health authorities to open cleaning, catering, and laundry services to tenders from private contractors, resulting in tens of thousands of workers losing their jobs or being transferred to contractors on worse pay and conditions.
- In the 1990s the Major government split the integrated health authorities into “purchasers” and “providers” operating in an internal market with simulated competition.
- From 2000 the Blair government drove the contracting out of clinical care to private hospitals, “[Independent Sector Treatment Centres](#)” and private companies, facilitating the outsourcing of more work.
- In 2012 the Cameron government abolished [Primary Care Trusts](#) and Strategic Health Authorities, and replaced them with 207 Clinical Commissioning Groups, which were required to put a growing range of clinical services out to competitive tender, resulting in an [increased share of NHS spending flowing to private providers](#). Procurement services were identified as a matter for centralised policy [in 2005](#) with the creation of the NHS Business Services Agency, which [in 2006 outsourced NHS Logistics](#), and its responsibility for logistics and procurement to DHL and Novation under a contract that lasted (after renewals and a [reorganisation](#) with additional outsourcing to private companies in 2015) until 2019. The [Carter Review of NHS efficiency in 2016](#) suggested that savings of about £700 million per annum were possible, through measures including (a) a faster shift to electronic procurement, (b) the formation of collaborative groups to share data

and experiences, (c) the creation of “collaborative procurement hubs”, and (d) “sharing or even outsourcing of their procurement back-office”. It also called for NHS Supply Chain to create a product price index which trusts could use to get an idea of what they should be paying for supplies, and for trusts to report monthly what they were buying, and for this “to develop into a national analytics and reporting system so that trusts have full visibility of what they buy, how much they buy and what they pay, and how this compares with their peers”.

While the Carter Review recommended sweeping changes, it did not recommend that the government should aim to centralise 80% of procurement for the whole of the NHS, nor that this procurement should be segmented and outsourced. This agenda emerged from the government’s own separate initiative, the [Procurement Transformation Programme](#). This programme sought to replace the Business Services Agency and the DHL contract with a new system known as the *Future Operating Model* (FOM), aimed at centralising and dividing up the procurement process. The FOM was published in 2017, alongside claims that it would deliver [£2.4 billion in savings](#) over seven years up to 2022, and annual savings of £615 million thereafter. Until recently only 40% of NHS equipment was bought through the central system, but the government’s plan aims to get the centralised share of NHS purchases [up to 80% by 2022](#).

The rapid privatisation of NHS procurement services in recent years is the end game of a decades-long, transformation in how the NHS operates. The general strategy behind that transformation has been to reduce expenditures by outsourcing services to providers that promise greater efficiency. The corresponding costs and downsides of this transformation have consistently been downplayed.

B. Continuous Failure on PPE

As recently as the middle of March NHS officials were expressing confidence in the adequacy of the UK’s PPE supplies. On the 17th of March NHS representatives told the Commons Health Select Committee that there was [adequate supply of PPE](#) to “keep staff safe in the months ahead”. They acknowledged “local distribution problems” but insisted that two existing stockpiles – one for a pandemic, the other for a no deal Brexit – were sufficient. On the 20th of March deputy chief medical officer Jenny Harries claimed that the distribution issues were solved; on the 30th of March she said the UK [always had sufficient stock](#).

By April the message was shifting. Harries apologised on the 1st of April, saying that the distribution element had proved “[a little bit tricky](#)”. The failure to provide adequate PPE to NHS hospitals was dubbed a “[crisis within a crisis](#)” in a joint trade union statement on the same day. By mid-April the urgent concerns of front line health workers were coming to light in the media. The death of [Thomas Harvey](#) – a nurse, 57, who died of Covid-19

on the 29th of March – drew attention to the issue after his son Thomas slammed the government’s failure to provide PPE: “why has it taken so long? Why have we had to lose my dad, and similar situations, for you [the government] to take action?” Mr Harvey had only been provided with [gloves and “a flimsy apron”](#) to protect himself while carrying out his work. The PPE shortage became more widely recognised after the death of another front line worker, Dr Peter Tun, who had [reportedly pleaded with his hospital](#) to provide his ward with PPE in the days before he contracted Covid-19. Dr Tun died at his own workplace, the Royal Berkshire Hospital, on the 13th of April. The [Guardian reported that](#) on the 23rd of March he had sent emails to hospital managers pleading for PPE, but was told that given short supply his neuro-rehabilitation ward ranked lower than others that needed protective kit. One manager emailed back to refuse his requests saying: “These supplies are not widely available and need to be used sensibly”.

Since then the problem has become [worse not better](#). On 17th April, several [well-placed sources in procurement reported widespread concerns](#), more severe than so far in the Covid-19 outbreak. One source told HSJ the situation today was [“not normal even during this pandemic”](#); another described the “critical” shortage as “a dire situation for everyone”. By early May two-thirds of all doctors in England said they still felt only partly or not at all protected, and [half had resorted to buying their own PPE](#). One procurement lead told HSJ: “They aren’t supplying enough, they aren’t fulfilling orders. It’s completely chaotic.” Another said his trust had “just enough to manage for the time being.” Another said “We don’t know how much or when stuff is going to come in. The lack of recognition of the impact it’s having [on clinician confidence, on patients, on staff safety – it’s irresponsible](#).” Two doctors have launched a legal challenge to guidance on PPE issued by NHS Supply Chain and others on the grounds that it fails to comply with [international standards set by the WHO or UK law](#) on health and safety.

The continuous failure to source enough PPE has led to companies exploiting the situation, with one NHS trust speaking to ITV News about “blatant profiteering” after a supplier offered personal protective equipment at [825% of the normal price](#). CEO of East Suffolk and North Essex NHS Foundation Trust (ESNEFT) Nick Hulme, told ITV News the firm – which he declined to name – offered to sell him coveralls for £16.50, which is £14.50 more than the £2.00 they were in January before the coronavirus outbreak increased demand for PPE. Mr Hulme said the business he was talking about was not the only firm trying to “make a fast buck” adding that PPE price hikes during the coronavirus crisis were “happening a lot”. In the same week as the report, Chris Hopson, chief executive of NHS Providers, said that trusts are being forced into [“hand-to-mouth”](#) workarounds, including washing single-use gowns and restricting stocks to key areas.

C. Rationing Demand Instead of Boosting Supply

These problems are not just due to a global surge in demand for PPE because of Covid-19. The UK, like all countries, has known for years about the need to stockpile equipment for use in epidemics, and to create secure supply chains for producing more. But the privatisation of NHS procurement generated perverse incentives that encouraged a rationing of the demand for PPE, rather than a boosting of supply.

On the 11th of February the UK Department of Health and Social Care (DHSC) sent a letter to NHS suppliers downplaying the risks of Covid-19. This was despite the WHO having already [declared](#) Covid-19 a “public health emergency of international concern”, while also warning of severe disruptions and shortages in PPE supply. The [DHSC’s letter](#) noted that the Chief Medical Officers had only raised the official risk to the UK from low to moderate, and it expressed confidence in the system’s resilience and preparation.

“The NHS and wider health system are extremely well prepared for these types of outbreaks and follow tried and tested procedures of the highest standards to protect staff, patients and the public.”

The DHSC’s letter thus instructed suppliers to keep their equipment stockpiles unchanged.¹ The letter also asked suppliers to “monitor orders carefully and consider demand management plans in the event of excessive or unusual ordering patterns”. The DHSC’s message here, in effect, was that if there was an unusual surge in orders from NHS trusts, suppliers should plan on rationing supplies, rather than treating the shortage as a problem that the DHSC should be addressing itself. NHS Supply Chain started acting accordingly with PPE supplies shortly thereafter. In an “important customer notice” on the 21st of February, it [warned](#) NHS trusts and other customers that it would be “managing the demand for PPE products starting with FFP3 Respirators to maintain continuity of supply across the network”. It said

“We have seen an increased demand for PPE products over the last two weeks as NHS trusts have put in place preparedness measures. As a result, we are implementing controls on excessive order quantities to ensure stocks are managed fairly for all of our customers... Orders placed for excessive order quantities may be subject to automatic system reduction. Any multiple orders placed by customers may be cancelled.”

¹ The DHSC had actually built up stockpiles in 2019 in preparation for shortages resulting from Brexit. But after the election it was in the process of running them down again. The letter called for this “ramp-down” [to be paused](#): “suppliers who still retain some or all of their EU exit stockpiles, should hold on to them, while the Department considers more targeted approaches... the Department has already directed NHS Supply Chain to pause ramp-down activity of the centralised stock-build of medical devices and clinical consumables.”

Superficially this looks like a measure aimed at evenly distributing available PPE supplies to different NHS trusts. But what it means, in practice, is that companies holding the procurement contracts for various NHS supplies – e.g. DHL, for masks – were using automated processes to determine what counted as an “excessive” PPE request, and withholding supplies from NHS trusts accordingly. Instead of boosting supplies, NHS Supply Chain was rationing demand. By March, when the government started to realise that the UK had a critical shortage of PPE, it relaxed its official guidelines on the standards of protection required for workers in Covid-19 wards. As the Financial Times reported at the time, there was widespread suspicion that these guidelines were [“tailored to fit the stockpile”](#). But this was the predictable result of the privatised procurement system that was already in place. Having outsourced responsibility for PPE procurement, the DHSC could delegate responsibility for managing PPE stockpile to obscure and anonymous private contractors.

This might simply look like mismanagement. But active steps have been taken to prevent NHS trusts from finding their own solutions. Until recently NHS trusts could still directly buy their own PPE. Many of them formed “collaborative procurement partnerships” to make the process more efficient and gain from combined purchasing power. This enabled them to bypass the failings of the centralised NHS Supply Chain system by buying PPE materials directly, including from the many local sources offering it. But on the 3rd of May 2020 the government told trusts to stop buying their own PPE equipment and said that [Supply Chain Coordination Ltd should take over the management](#) of any new deals being negotiated between trusts and suppliers. NHS Supply Chain then issued suspension notices for 13 non-invasive ventilator masks and 57 tracheostomy tubes, tracheostomy kits and vascular catheters, [meaning they can no longer be ordered](#) from its online catalogue as normal for hospital trusts. This move would “protect stockholding” and “push out volumes in line with the NHS England and NHS Improvement consumption model”. [The details of this model are not known.](#) The NHS Supply chain customer notice says [“Orders which have been placed on 5 May 2020 will be cancelled.”](#) We can only assume that these orders to ration equipment are advised by NHS Supply Chain’s Category Tower Service Providers (CTSPs), given that they are responsible for procuring these items. They are protecting their own contracts with other private companies, and literally managing demand to fit the supply, rather than responding to demands from the NHS for resources.

3.

The Structure of NHS Supply Chain: How Does it Work?

A. Fragmentation and Outsourcing of Procurement

The years 2017-19 saw a steady push – guided by elite management consultancy firms – towards the complete break-up and outsourcing of NHS procurement and logistics services. This began in January 2017 with the Department of Health [advertising three year contracts](#) for the [procurement of £190m](#) of NHS goods and services. In July 2017 Ernst & Young was awarded a lavish [consultancy contract](#) to help design the “intelligent client coordinator” for a new integrated procurement system. This system, in keeping with the recommendations of the Carter Review, was aimed at achieving annual savings in excess of £600m by doubling the proportion of products that the NHS buys centrally. In 2018 NHS Improvement (NHSI) frustrated the Health Care Supply Association – an association which promotes the work of procurement and supply chain staff in UK healthcare – by revealing they were again [planning to hire management consultants](#), in this case to devise a new model for procurement of goods and services for local NHS trusts. The Association’s spokesperson [argued that](#) “the NHS has enough capacity and knowledge to be part of the solution, rather than have the solution done to us... the question in our minds is how is the centre going to effect change when they don’t control local teams?” But this criticism was ignored. One month later NHSI announced at the HCSA conference that the £400,000 contract had [been awarded to Deloitte](#).

In February 2019 [Unipart Logistics](#) took over responsibility for delivering the logistics service for NHS Supply Chain as NHS Supply Chain: Logistics. NUHS Supply Chain’s press release boasted that “With the new provider now fully operational, all critical elements of the new operating model for NHS Supply Chain are now in place to support the delivery of safe, fit for purpose, value for money products to the NHS. This will enable our ambition to realise savings of £2.4 billion for the NHS in FY2022/23.”

In April 2019 this transformation agenda took an important step forward when the administration of the NHS Supply Chain was taken over by Supply

Chain Coordination Ltd (SCCL), a company created by the Health Secretary, Matt Hancock, to be “[the in-house management function of the NHS Supply Chain](#)”. Although SCCL was said to be 100% owned and controlled by the UK government, its terms of reference made it clear that its purpose was to outsource almost every aspect of NHS procurement and logistics services. The SCCL was expected to do its job by overseeing and coordinating the procurement and delivery products, “[ensuring the provision of reliable logistics services](#)”, and “managing the provision of IT services”. Hancock appointed as CEO Jin Sahota, who had [no experience of healthcare](#) before he was appointed to DHSC Supply Chain in 2016, having worked for a series of private companies in the electronics and media sector, most recently as a senior vice-president of the French media multinational Technicolor. Sahota described SCCL as “[equivalent to a FTSE250 business with approx. £3.2 billion turnover](#)”.

Unsurprisingly SCCL had no intention to oversee and coordinate NHS procurement services through the development of in-house resources and staffing capacity. Instead it divided responsibility for procurement into eleven different outsourced segments, known as “[Category Towers](#)” – each of which procures a different category of products, e.g. clinical consumables, capital medical equipment, or non-medical products such as food and office solutions – and each of which is intended to be managed by a different contractor, known as [Category Tower Specialist Providers](#) (CTSPs). The Category Tower structure is depicted in the following diagram.

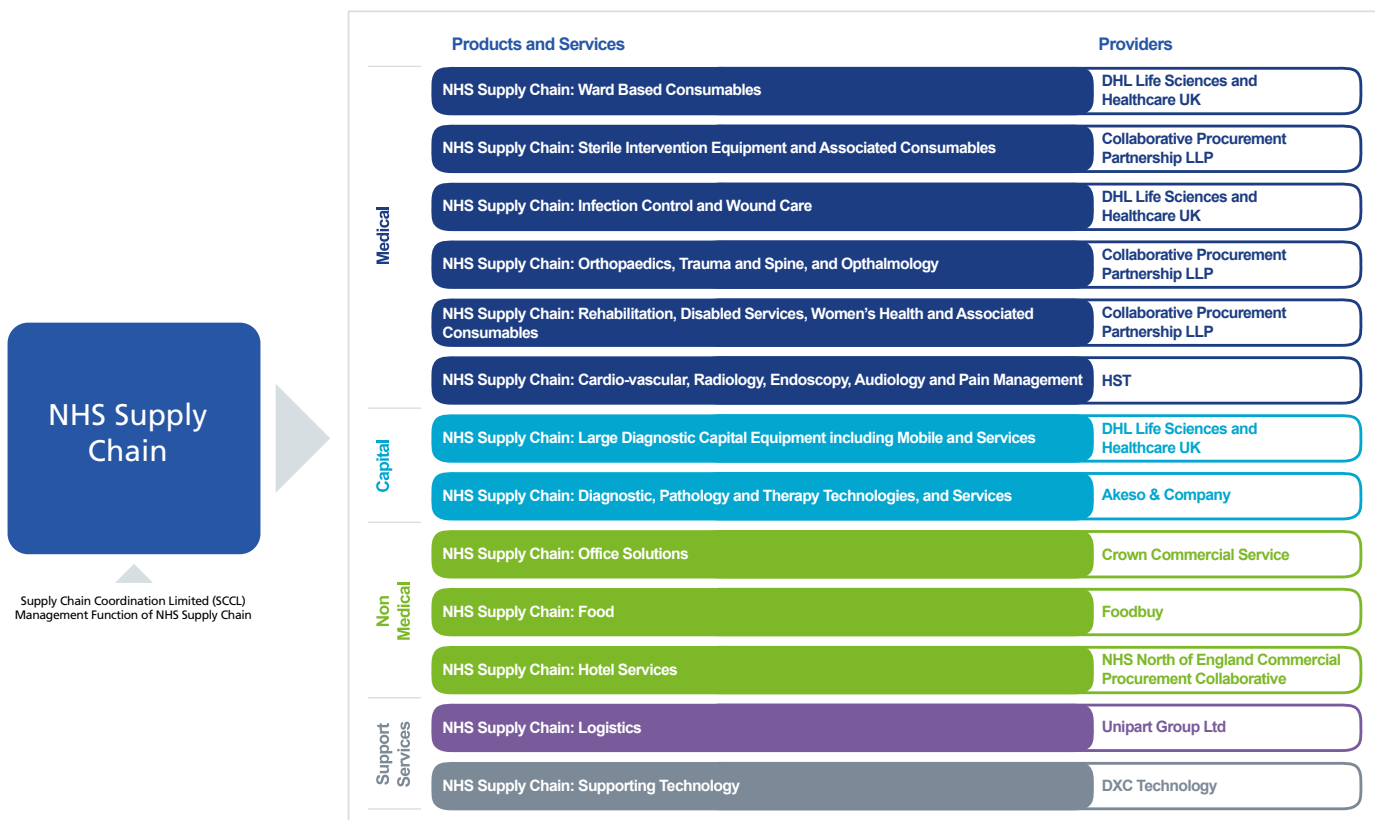


Figure 1. Outsourcing procurement via the category towers

B. Designating Approved Suppliers

CTSPs do not find supplies themselves. For products in their category, rather, they go through a process of choosing companies who will appear in the SCCL catalogue as approved suppliers. Trusts can then use the SCCL catalogue to order supplies from approved companies. Some products are classified under the [National Contracted Products](#) (NCP) initiative, which designates companies who will provide products with a standardised specification at an agreed price. These contracts are expected to deliver the savings.

For example, DHL's CTSP contract for the "Infection Control and Wound Care" tower includes [non-silicone foam dressings](#). A procurement exercise was carried out and awards made to just three suppliers: Smith & Nephew, Advanced Medical Solutions, and 3M United Kingdom PLC. At the same time twelve suppliers were removed from the approved list. The notice claimed that "[there are potential national savings of £960,000 \(20%\)](#)". These savings are sought through two mechanisms. First, by limiting the ability of local NHS trusts and their staff to specify their needs in ordering supplies, the CTSPs simplify the requirements for suppliers, who only have to provide for a single specification. In other words: "product range standardisation is designed to remove unwarranted variation". Second, companies are induced to offer these standardised products at a lower price through the creation of an oligopoly, i.e. a limited competition pool, in which the commercial market is only made open to a restricted group of vendors. Some of the suppliers who receive these approvals are wholesalers who don't necessarily manufacture the products they supply. The PPE website listing shows a range of countries of origin for these products, e.g. the monopoly supplier of the standard surgical gown [gets the products from an unnamed source in Egypt](#).

The product standardisation that the whole system aims to achieve has ironically proven to be one of the system's shortcomings. As reported by the [Telegraph on the 13th of May](#), "16 million protective goggles are being recalled from hospitals and the frontline after failing safety tests against Covid-19". It continues

"a total stockpile of nearly 26 million "Tiger Eye" protectors failed to meet standards at their time of purchase under the Gordon Brown administration... The eye protectors were in CE marked boxes but do not meet the current requirement for splash protection 'and should have been checked at the time of purchase', the Government has acknowledged."

Gowns from a shipment from Turkey were also dubbed "[useless](#)". Mark Roscrow, the chairman of the Health Care Supplies Association, said the Turkey shipment had "clearly fallen short" and he asked [why Government officials had failed to carry out proper checks before spending taxpayers' money](#). "Something very wrong has happened here," he told The Telegraph.

“It’s not clear to me why we weren’t able to obtain samples in the usual way, and to see that these gowns weren’t fit for purpose.”

C. Monopoly Suppliers of Gowns and Masks

One problem with this system is that SCCL and the various CTSPs do not have to designate a diverse pool of competing suppliers for each product. They can choose just one or a few companies and effectively award them a monopoly or oligopoly for the supply of a given product. The notional upside of this is that suppliers will offer a lower price if they are rewarded with a monopoly. But the predictable practical downside is that companies will offer low prices in order to be awarded a contract, and then later be unable to get sufficient quantity or quality to meet actual demand. The consequence of this is that supply will fail, or that the price may have to be increased after all, or worse, both.

This is in fact precisely what happened with two important elements of PPE, both of which resulted in monopolies being handed out to single suppliers. First, surgical face masks – Type IIR standard face masks – went through a mini tendering competition in 2018, as a result of which Mölnlycke Health Care Ltd was awarded as the sole, monopoly supplier of these masks from the end of October 2018. Eight other companies who had been supplying such masks were removed from the approved supplier list for at least twelve months, leaving NHS trusts working under the new system with no choice of supplier for surgical face masks. The notice claimed that “[There are potential national savings of £622,331 \(31.58%\)](#)”. It was also noted that trusts only used the centralised SCCL system for 39% of orders for this product, but the new deal would result in them using SCCL – and thus Mölnlycke – [for 85% of the orders](#). One year later, in October 2019, NHS Supply Chain reported that the deal would be extended for six months to “allow for the CTSP time to reopen competition”, but meanwhile the deal would be extended for six months, even though Mölnlycke “[has increased prices across the two product lines](#) for the six month extension period.” This system has now broken down. The product listing in the [new PPE channel](#) includes [16 suppliers of IIR face masks](#), and on the 3rd of May Public Health England (PHE) [published advice to consider lower quality alternatives](#). PHE said that this was “[a pragmatic approach for times of severe shortage](#)”.

There was a [similar NCP process](#) carried out in 2018 for single use Surgical Theatre Gowns. This was again awarded to a single supplier, [IMS Euro Ltd](#) – a Manchester-based wholesaler of medical consumables – at a price representing “[significant savings opportunities of up to 33% \(£1.5 million\)](#)” on the previous cost. IMS Euro was already an established supplier to the NHS, but this award meant that twelve other suppliers –including Medline, Guardian Surgical, and 3M – were removed from the online catalogue. What IMS had been awarded was effectively monopoly access to NHS trusts buying through the national listing. By the end of 2019, however, there were problems with quality, which had to be resolved by revising the specification

– and increasing the price, and extending the monopoly of IMS Euro until August 2020. NHS Supply Chain [said at the time](#)

“We have listened to customer feedback and worked with the supplier and Gowns Sourcing Group to develop a new improved specification... The improvements across the gowns mean that the cost price will increase by £0.25 pence per gown. However the improved specification gowns still represent a reduction in price from the other gown products of the same, or similar, specification within the market and still lower than the original gown product prices prior to the launch of NCP.”

But IMS Euro is only a wholesale distributor of goods, not a manufacturer, so it has to transmit – and regulate – this new specification to the manufacturers, who are thus multiple steps removed from the NHS hospitals and clinics who are relying on the equipment. The system for gowns has also clearly broken down. Caring for Covid-19 patients requires fluid-repellent gowns not covered by the monopoly for standard gowns. But the list of NCP products shows that the setting of a monopoly or oligopoly deal for these is now postponed indefinitely. The PPE channel [reported](#) on the 4th of May 2020 that

“stocks of fluid repellent gowns and coveralls remain pressured. This afternoon advice published on the Public Health England web page indicates other alternatives staff can use if a Trust runs out of suitable gowns or coveralls... For many weeks the Cabinet Office have been buying gowns and coveralls from existing manufacturers and working with numerous UK companies to get gowns manufactured at pace.”

One result of this failure was the now notorious contract for a plane-load of [400,000 gowns from Turkey](#) that turned out to be a delivery of 67,000 – [thousands of which were useless](#).

D. A Complex Web of Contractors: Four Layers of Profit-taking

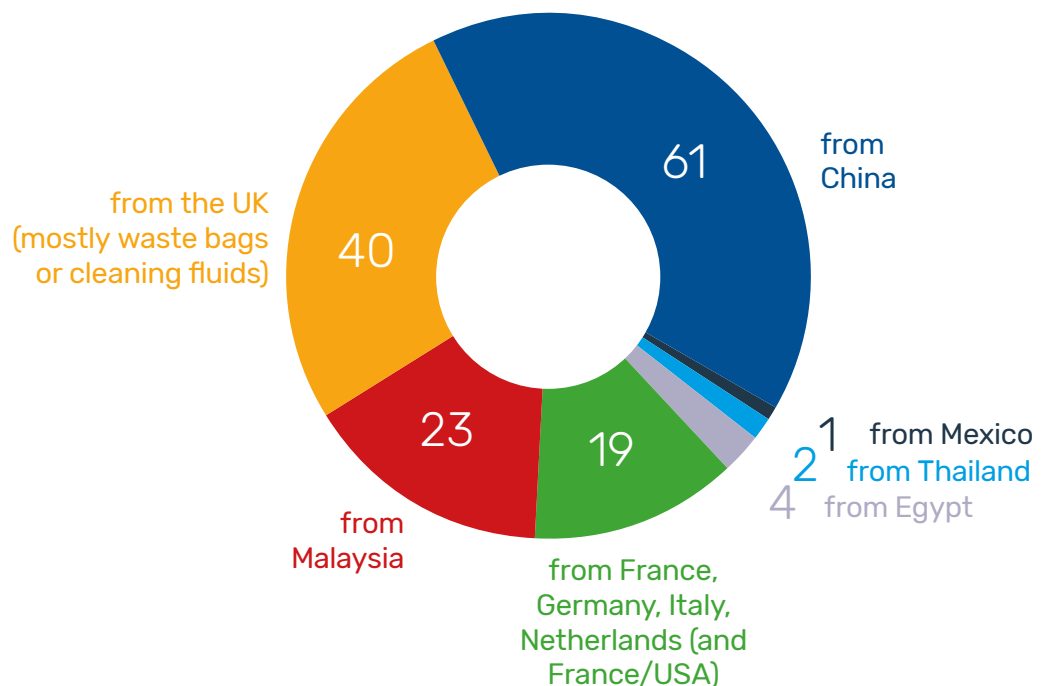
The result of this system is to create a complex web of companies distancing NHS trusts from suppliers of equipment, as shown in the tables and chart below. The actual manufacturers of gowns, masks, and other equipment are invisible and inaccessible to the NHS trusts who are ordering the products. Every piece of equipment passes through four levels of profit-taking before it arrives at the hospital. (1) The producers only deal with the wholesale suppliers, who (2) in turn receive their contracts for the different categories through CTSPs. (3) The CTSPs themselves are paid to find suppliers, and (4) the equipment is delivered by another company with a logistics contract. The horizontal division into multiple CTSP contracts makes this fragmentation even more complex, and adds the additional complication of outsourcing some of the system to foreign private companies. Currently, among the eleven CTSP contracts

- Five of them have been awarded to UK public sector bodies
- Two have been awarded to private UK-based firms – one to the large catering multinational Compass, one to the small consultancy Akeso
- Four have been awarded to DHL – one of which is shared with a USA company – which is owned by the German post office, Deutsche Post, which is itself 20% owned by the German state

These CTSP contracts in total [cost £190 million](#). None of this money buys any actual medical equipment, rather, it pays corporate middlemen to find equipment suppliers. Paying the middleman is wasteful at the best of times, and all the more so when corporate middlemen in the NHS are proving spectacularly unreliable, e.g. in allowing millions of items of PPE equipment to be [exported by British factories](#) to Europe. There are also two other large central contracts issued by NHS Supply Chain, for:

- Logistics – awarded to the UK firm Unipart, for £730 million; and
- IT technology – awarded to the American company DXC technology

At the far end of the process are the actual producers of the medical supplies and equipment, many of which are to all intents and purposes anonymous and invisible actors in a globalised system of production. The 143 products in the new PPE-dedicated supply channel – excluding those from the Pandemic Influenza Preparedness Programme (PIPP) stockpile – are sourced:



| CTSP | | | | |
|--|---|------------------------|-----------------|--------------|
| Categories | Contractors | Parent country | Value £M | Years |
| Ward based consumables | DHL | Germany | 22.5 | 3-5 |
| Sterile Interventions Equipment | Collaborative Procurement Partnership LLP | UK | 18.0 | 3-5 |
| Infection control and wound care | DHL | Germany | 18.0 | 3-5 |
| Orthopaedics, Trauma and Spine, and Ophthalmology | Collaborative Procurement Partnership LLP | UK | 18.0 | 3-5 |
| Rehabilitation Disabled Services, Women's Health | Collaborative Procurement Partnership LLP | UK | 18.0 | 3-5 |
| Cardio-vascular, Radiology, Endoscopy, Audiology and Pain Management | HST = DHL + Vizient | Germany + USA | 18.0 | 3-5 |
| Large Diagnostic Capital Equipment | DHL | Germany | 30.0 | 3-5 |
| Diagnostic, Pathology and Therapy Technologies and Services | Akeso and company | UK | 22.5 | 3-5 |
| Office solutions | Crown Commercial Services | UK | | 3-5 |
| Food | Foodbuy (Compass Group) | UK | 12.5 | 3-5 |
| Hotel services | Collaborative Procurement Partnership LLP | UK | 12.5 | 3-5 |
| PPE Monopoly Suppliers | | | | |
| Surgical gowns (standard) | IMS Euro | UK (sourced Egypt) | | |
| Surgical masks | Mölnlycke | Sweden (sourced China) | | |
| Logistics and IT | | | | |
| Logistics | Unipart | UK | £730 | 5 |
| Logistics sub-contract | Movianto | USA | | |
| Supporting technology | DXC Technology | USA | | 4-6 |
| Other Central Contracts | | | | |
| Pandemic Influenza Preparedness Programme (PIPP) | Movianto | USA | £55 | 5.5 |
| Develop new procurement model | Deloitte | UK/global | £0.4 | |
| | Clipper Logistics | UK | n/a | |
| Testing facilities management | Deloitte | UK/global | n/a | |
| Nightingale hospitals | KPMG | UK/global | n/a | |

FIGURE 2. Contractors at various levels relevant to purchasing of PPE²

2 Sources various, including https://wwwmedia.supplychain.nhs.uk/media/DH-FOM-Phase-2-Announcement_FINAL-v3-1.pdf; <https://www.unipart.com/nhs-procurement-revolution-to-save-taxpayers-2-4bn/>; <https://www.contractsfinder.service.gov.uk/Notice/Attachment/137423>; <https://www.contractsfinder.service.gov.uk/Notice/Attachment/138764>; https://wwwmedia.supplychain.nhs.uk/media/ICC_IT_Announcement.pdf.

The table below shows the scale of the role of DHL, the company that was given contracts to manage 4 of the 11 CTSP categories of NHS procurement. In less than one year, between July 2019 and April 2020, DHL managed 64 tenders for NHS supplies, deciding on the allocation of at least £4.1 billion of public expenditure on the NHS (values are only available for 47 of these contracts). DHL is accountable only to SCCL Ltd for the delivery of its contractual functions, not directly to the Secretary of State, nor to parliament.

| | Date | Value | Status | Awarded to |
|---|--------|--------|--------|----------------------------------|
| Blood Collection Systems and Blood Lancets | Apr-20 | 168.00 | award: | Becton Dickinson |
| Needlefree Connection Systems and Associated Products | Apr-20 | 144.00 | award: | 2 suppliers |
| Architectural Surgical Medical Systems, Operating and Diagnostic Imaging Tables, Patient Stretchers and Trolleys, Medical Lasers and... | Apr-20 | 90.80 | award: | 4 suppliers |
| Patient Assessment Devices | Apr-20 | 14.10 | award: | 4 suppliers |
| Non-Invasive Ventilation, Sleep Therapy (CPAP) and Sleep Monitoring (Diagnostics) | Apr-20 | | update | |
| Syringes, Needles and Associated Products | Apr-20 | | update | |
| Neonatal Equipment, Adult, Paediatric and Neonatal Phototherapy Devices and Associated Accessories | Mar-20 | 44.00 | pin | |
| Blood Pressure Cuffs and Support Products | Mar-20 | 13.00 | pin | |
| Non-Invasive Ventilation, Sleep Therapy (CPAP) and Sleep Monitoring (Diagnostics) | Mar-20 | 216.00 | tender | |
| Robotic Medical Equipment and Associated Accessories | Mar-20 | 100.00 | tender | |
| Subcutaneous Catheter Securement Device | Mar-20 | 14.00 | award: | |
| Healthcare 21Medical Consumables Products for the Pandemic Influenza Preparedness Programme ('PIPP') | Mar-20 | | award | |
| Non-Invasive Ventilation, Sleep Therapy (CPAP) and Sleep Monitoring (Diagnostics) | Mar-20 | | update | |
| Syringes, Needles and Associated Products | Mar-20 | | update | |
| Syringes, Needles and Associated Products | Mar-20 | | update | |
| Fractional Flow Reserve – Computed Tomography (FFR-CT) Services | Mar-20 | 27.60 | award: | Heartflow |
| Maintenance, Repair and Calibration of Medical Equipment | Feb-20 | 394.00 | pin | |
| Subcutaneous Catheter Securement Device | Feb-20 | 14.00 | pin | |
| Syringes, Needles and Associated Products | Feb-20 | 240.00 | tender | |
| Total Orthopaedic Solutions 2 | Jan-20 | 2.00 | award: | 5 suppliers |
| 4D Non-Invasive Representation of the Coronary Artery System Including Flow Data, Services | Jan-20 | 27.60 | pin | |
| Reusable Waste Container Service | Dec-19 | 20.00 | pin | |
| Enteral Feeding, Bile Bags and Associated Products | Dec-19 | 69.60 | tender | |
| Respiratory and Suction Consumables | Dec-19 | | update | |
| Enteral Feeding, Bile Bags and Associated Products | Dec-19 | | update | |
| Respiratory and Suction Consumables | Nov-19 | 167.00 | tender | |
| General Wound Care | Oct-19 | 360.00 | pin | |
| Negative Pressure Wound Therapy | Oct-19 | 72.80 | pin | |
| Disposable Wipes for Surface Cleaning and Disinfection | Oct-19 | 68.00 | pin | |
| Diathermy Consumables and Related Accessories | Oct-19 | 20.20 | pin | |
| Medical Hollowware | Oct-19 | 4.10 | pin | |
| Patient Dry Wipes | Oct-19 | 24.00 | tender | |

| | Date | Value | Status | Awarded to |
|---|--------|----------------|--------|---|
| Airway Management Products and Associated Equipment | Oct-19 | 172.00 | award: | 5 suppliers |
| Pulse Oximetry, Capnography and Related Patient Monitoring Technologies | Oct-19 | 85.40 | award: | Albert Waeschle |
| Electrodes, Ultrasound Gels, Defibrillation and Related Consumables | Oct-19 | 58.00 | award: | 4 suppliers |
| Wound Drainage and Autologous Blood Systems | Oct-19 | 32.00 | award: | 3 suppliers |
| Sharps Pads and Associated Products | Oct-19 | 1.40 | award: | 3 suppliers |
| Patient Dry Wipes | Oct-19 | | update | |
| Single Use Tourniquet | Oct-19 | | update | |
| Advanced Wound Care | Sep-19 | 248.00 | pin | |
| Electrosurgical Equipment, Smoke Evacuators, Related Products and Accessories | Sep-19 | 30.00 | pin | |
| Pressure Infusers | Sep-19 | 3.40 | pin | |
| Single Use Tourniquet | Sep-19 | | pin | |
| Patient Monitoring Equipment, Related Accessories and Services | Sep-19 | 165.00 | tender | |
| Architectural Surgical Medical Systems, Operating and Diagnostic Imaging Tables, Patient Stretchers and Trolleys, Medical Lasers and... | Sep-19 | 90.80 | tender | |
| Patient Assessment Devices | Sep-19 | 14.10 | tender | |
| Blood Collection Systems and Blood Lancets | Sep-19 | | update | |
| Medical Consumables for the Pandemic Influenza Preparedness Programme (PIPP) | Sep-19 | 4.70 | tender | |
| Decontamination Capital Equipment and Associated Accessories | Aug-19 | 45.00 | pin | |
| Blood Collection Systems and Blood Lancets | Aug-19 | 170.00 | tender | |
| Needlefree Connection Systems and Associated Products | Aug-19 | 144.00 | tender | |
| Medical Chart Paper and Ultrasound Film | Aug-19 | 5.90 | award: | Nissha Medical Technologies |
| Non Invasive Ventilation, Sleep Therapy and Sleep Monitoring | Jul-19 | 180.00 | pin | |
| Operating Microscopes and Associated Accessories | Jul-19 | 50.00 | pin | |
| Imaging, Radiotherapy and Ancillary Devices and Associated Accessories | Jul-19 | | pin | |
| Oxygen Therapy Products for the Pandemic Influenza Preparedness Programme ('PIPP') | Jul-19 | 0.13 | tender | |
| Enteral Feeding, Bile Bags and Associated Products | Jul-19 | | award | |
| Needlefree Connection Systems and Associated Products | Jul-19 | | award | |
| Medical Consumables for the Pandemic Influenza Preparedness Programme (PIPP) | Jul-19 | | update | |
| Medical Consumables Products for the Pandemic Influenza Preparedness Programme ('PIPP') | Jul-19 | | update | |
| Respiratory and Suction Consumables | Jun-19 | 180.00 | pin | |
| Needlefree Connection Systems and Associated Products | Jun-19 | 130.00 | tender | |
| Medical Consumables for the Pandemic Influenza Preparedness Programme (PIPP) | Jun-19 | 10.30 | tender | |
| Medical Consumables Products for the Pandemic Influenza Preparedness Programme ('PIPP') | Jun-19 | 7.10 | tender | |
| TOTAL | | 4142.03 | | |

*Table: DHL tenders 64 NHS contracts worth at least £4.1billion in less than 1 year
NHS Supply Chain Operated by DHL Supply Chain tenders July 2019–April 2020*

Source: <http://bidstats.uk/tenders/?q=DHL>

The multi-layered privatisation of NHS supplies

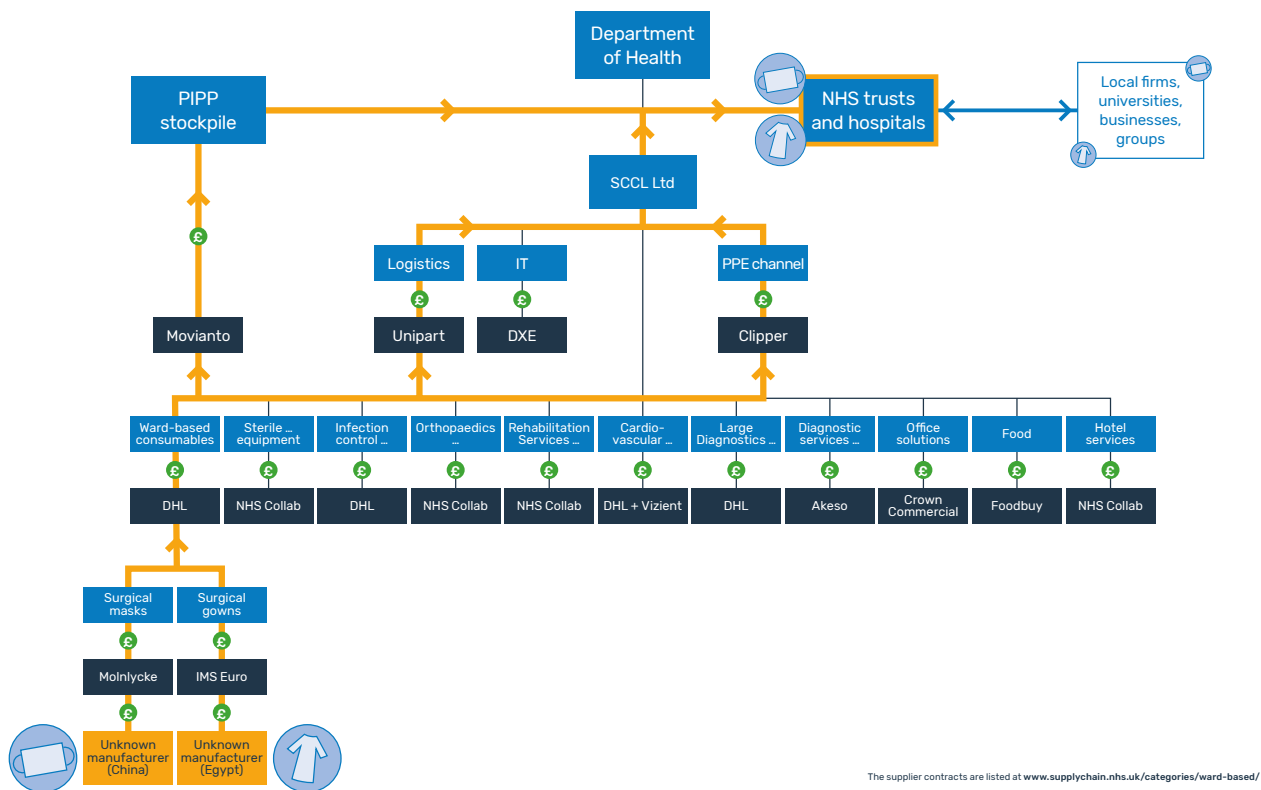


FIGURE 3. Multiple and multi-level system of procurement

E. Further Privatisation Failures: Stockpiles and Emergency Initiatives

Other elements of the NHS procurement system could have and should have contributed to addressing the UK's PPE shortage during the unfolding Covid-19 crisis. First, the UK government has a longstanding commitment to stockpile supplies in case of an epidemic. Second, it established a separate PPE supply channel and an emergency cabinet taskforce in March 2020 to try to help address PPE shortages. On both fronts the decision was made, again, to outsource key services. The results were predictably dire.

i. Pandemic Stockpiling

The NHS should have had stocks of PPE ready to be deployed in a pandemic situation like the one that has unfolded. Its pandemic influenza preparedness programme (PIPP) included a commitment to holding a stockpile of millions of pieces of equipment, mostly PPE, for such an event. Responsibility for this was outsourced in 2018 under a £55 million contract which included the construction of a brand new custom-built warehouse. The contract was issued to Movianto, a subsidiary of USA health supplies firm Owens and Minor. But following a crash in its share price Owens and Minor announced in January 2020 that in order to reduce debt, they were [selling off Movianto to a large French distribution company, EHDH](#).

This PIPP stockpile should have been a key source of PPE. However, [the Guardian reports that drivers described the system at the warehouse as “chaos”](#), and Channel 4 News [has seen stock control reports](#) which reveal (a) that the amount of equipment stockpiled in January 2020 was at times 10 or even 28% lower than the levels recommended in 2009, (b) that there were no gowns included, and (c) that “45% of the 19,909 boxes holding PPE supplies had exceeded their use-by dates”, including masks and respirators. The PPE supply channel list of products shows six different models of masks or respirators in the PIPP stockpile, but [two of these are described as having been “replaced” by other models on the list](#).

ii. Emergency Initiatives

Two emergency government initiatives have been undertaken since March to try to address the PPE shortage situation. Just last month the government created a new PPE supply channel which was supposed to accelerate delivery of PPE supplies both to NHS trusts and to care homes, community, and GPs. The contract for operating this new system was awarded to Clipper Logistics, a company whose [CEO](#) is a leading [donor and supporter of the Conservative Party](#). This supply channel is failing to meet the needs of the care sector. [A report of the Local Government Association \(LGA\) in May 2020](#) states that

“care providers and councils are still not able to access sufficient supplies of PPE... Care workers and other staff are not being provided with the protection they need to carry out their roles looking after vulnerable people. This is putting workers and vulnerable people at risk... The intended national “Clipper” system has been too slow to come on stream and providers are increasingly turning to alternative suppliers and facing inflated costs and lack of product assurance – giving rise to further risks.”

This report includes quotes from a number of frustrated council officials.

- “PPE is a huge issue – we were led to believe that PPE would arrive, and it didn’t, although we did get a shipment of 50 fluid resistant masks. We are now seeking to source our own PPE” (Chief Executive)
- “We had a delivery of face masks that were not up to specification and had to be replaced. Seven boxes came damaged on last delivery” (County Council)
- “LRF drops of PPE have had expiry dates of 2015 at worst and 2018/19 at best. We have decided that we will not use these” (Unitary Council)

This failure followed on from another failed government initiative, in which a crisis cell spearheaded by Deloitte was established in the Cabinet Office in late March, to try to deal with PPE procurement for NHS staff. Deloitte has [strong links](#) with the Cabinet Office: Minister Chloe Smith was a consultant at Deloitte before going into politics, and a senior policy advisor

also previously worked for the company. While it was tasked with [procuring emergency supplies](#), it was Deloitte that [failed to respond](#) to the 8,000 frustrated emails from would-be suppliers; and which allowed millions of items of PPE equipment [to be exported](#) by British factories to Europe and the US after companies failed to get any response.

This is an excerpt from the Telegraph on Deloitte's failings:

"Senior sources in the UK manufacturing industry, however, on Friday night described the project as a "disaster" and said manufacturers had struggled with communication and red tape.

Instead of identifying UK-based supply chains, sources said, the team at Deloitte pursued factories in China where prices have increased and supply is short due to spiralling global demand.

Part of the problem is that the NHS began sourcing disposable kit from Chinese factories some years ago in order to cut costs, so UK suppliers shut down production, sources said.

"It's been a nightmare to deal with Deloitte," one factory owner told the Telegraph.

"They don't seem to understand how supply chains work and they spent too much time going after China.

"They talk about a global supply shortage and that's true. So why have they barely spoken to factories across this country who know how to make this kit?

"It took ages to be given the specifications for exactly the gowns they wanted. Many UK companies have been completely ignored. And even when we do come up with solutions, we get snarled up in rules and regulations."

4.

Why Outsourcing Has Failed

A. Loss of Accountability and Public Interest

The multi-layered outsourcing system described in the previous section has undermined the core function of a public service procurement process. Such a system should use the integrity of civil servants directly employed by government, in order to try to fulfil the following conditions and ideals

- That the public interest remains paramount
- That procurement takes place via transparent procedures of competitive tendering, published criteria, and diligent investigation of company records, thus minimising, corruption, cronyism, and cartels
- That there is rigorous public scrutiny of contractor performance and payments of public money
- That the specification and supply of equipment should be based on the requirements of public services
- That ministers are accountable for all of the above

The NHS's increasingly privatised procurement system has almost none of these features. It is rife with cronyism, and desperately short on accountability and oversight. It has already proven unwilling or unable to resist the encroachment of predatory cartels. (A parliamentary debate in 2019 concerned the Kier Group having awarded supplier status for floor-coverings in NHS hospitals to three foreign firms – [who had been convicted just a few months earlier in France of operating a price-fixing cartel for 23 years](#).) Moreover, by devolving the responsibility for procurement itself, the public interest is not represented in the system in any kind of accountable way. "[The Department of Health and Social Care, despite holding responsibility for the management of the supply chain of the NHS, is now rather detached from operational decisions](#)". In other words, the secretary of state quite literally doesn't know how the NHS supply chain is being operated.

The advocates of privatisation and outsourcing predictably argue that expertise in procurement is about being aware of how to make the competitive market work in the interests of the purchaser. But in the privatisation of NHS procurement the ideal of market competition has routinely lapsed into monopolistic and oligopolistic arrangements. The needs of NHS staff – for better quality or quantity of goods – are subordinated to the contractual rigidities of the suppliers, whose interests are unjustifiably prioritised. And government and parliament are not unaware of the downsides of privatising procurement processes in public services. For example in 2013 the Conservative government abandoned proposals for privatising defence procurement. The decision was strongly influenced by a report from the Royal United Services Institute, which pointed out that there would not even be any savings. The US had already found that [“placing more procurement functions with private sector results in higher rather than lower costs”](#).

B. Public Risks of a “Just in Time” Business Model

On its website Unipart claims that the automotive sector has lessons for healthcare logistics. It asks what car parts have to do with patients or screws, and batteries with bandages and medicine. [The answer](#) is that

“The automotive sector is built upon the foundations of The Toyota Production System – a way of working which ensures just in time production, quality to be built within the process, and stop points to avoid passing on defects.”

Just-in-time production is a system of supplier / customer relationships whose key purpose is to minimise waste, including excess inventory. This is the opposite of what is needed in NHS supply chains. The primary concern for public health systems should be ensuring that there *is* sufficient give and flexibility in the system, so that “inefficient” excess inventories of key supplies are available for unforeseen exceptional emergencies, like epidemics. When applied to health care, the “just in time” approach touted by companies like Unipart can turn into the nightmare of inadequate stocks just when they are most needed.

The inflexibility of outsourced and centralised procurement is [also being seen in the USA](#), where there is a huge petition from doctors for the states to [bypass the market and directly requisition production capacity from companies to produce locally the PPE and other equipment they need](#).

C. Outsourcing: No Gains in Efficiency or Expertise

Many measures to address the Covid-19 crisis have been outsourced to contractors who have failed to deliver. This work should have been done by civil servants or local government offices who answer to the public. But capacity is low because of austerity, and many politicians have an

ideological preference for outsourcing. This ideological preference is now costing lives. Dozens of studies across the world have found that the evidence [does not support the lazy assumption that private companies are more efficient than public provision](#). In the UK especially there is no excuse for such mistaken beliefs, in the wake of a series of fiascos going back to the horrific plunge in NHS hospital hygiene standards after the privatisation of support services in the 1980s, up to more recent examples including the collapse of Carillion, the failure of privatised ambulance and patient transport services, and the incompetence of Compass, G4S, and Serco.

Outsourcing work to private companies rarely brings expertise into the public service. Quite the opposite: contractors end up relying on the existing expertise of staff previously employed by the NHS, e.g. the [2000 NHS logistics workers](#) who were transferred to Unipart – along with the use of NHS assets, including warehouses, vans, and lorries – when Unipart was awarded a major NHS logistics contract (see section 7B, below). Consider also the key NHS staff who were transferred to the small management consultancy Akeso, now in charge of procuring diagnostic and pathology equipment for the whole of the NHS (see section 7A, below). The lack of private sector expertise is often glaringly obvious, as when [Deloitte were given the contract](#) for organising Covid-19 testing sites across the country, despite not having carried out such work in the past. And this general problem – an expertise deficit in private companies awarded private NHS contracts – can be observed not only in relation to supply of PPE but other important measures to respond to Covid-19.

- The development of a new website to improve the supply of PPE to GPs and care homes was outsourced. The site was expected to launch in the week of the 6th of April, but as of the 15th of May 2020, the PPE website was still [telling them](#) that “a solution to meet this demand is in the final stages of development. Until you receive further information, please continue to order through your regular ordering channels”.
- Contracts to operate drive-through coronavirus testing centres were awarded under [special pandemic rules](#) through a fast-track process without open competition. The contracts, [the value of which has not been disclosed](#), were granted to accountants Deloitte, which is managing logistics at a national level. Deloitte then appointed outsourcing specialists Serco, Mitie, G4S and Sodexo, and the pharmacy chain Boots, to manage the centres. These arrangements have failed, with the testing centres being reported as [“too far away”](#) by some, the wrong [tests being sent out, results being lost and others being sent to the wrong person](#). Other expensive contracts have been issued to the big accountancy/consultancy firms to do work for which they have no qualifications, [with the cost of the contracts remaining secret](#).
- When schools were closed as part of the lockdown, a scheme was set up to ensure that 1.3 million children in England who are eligible for free school meals would instead receive vouchers worth £15 a week.

The scheme was outsourced to Edenred, a French company whose main business involves promoting luncheon voucher schemes in many countries. But the system does not work: school staff have often had to stay up late into the night to access the online system, while many parents cannot download the vouchers: “one school, in Worcestershire, unable to access vouchers for their vulnerable families for the past fortnight, turned to a charity to provide food parcels.” Edenred has merely said it is [“We are aware that some schools have faced long wait times when using the site.”](#)

5.

The Solution: An NHS Supply Chain that Works for Us All

In light of the manifest failures and problems that have resulted from the privatisation of NHS procurement and supply chains, and the disastrous results of this in the context of the Covid-19 pandemic, we call on the government to bring the NHS Supply Chain back into public ownership.

The procurement of goods for the NHS should itself be a function of the NHS, not an additional profit stream for private contractors who contribute no expertise and who have not delivered an efficient or effective system. Procurement should be brought back in-house, with a direct line of accountability through the Department of Health and Social Care, the Secretary of State and Parliament. We need

- A procurement system which is clear, transparent and properly coordinated, where we know who is in charge of decision making
- Accountability, including public servants we can turn to for answers, not a haphazard array of private companies who are accountable primarily to their shareholders.
- The right priorities; public safety and the health of the nation must be the NHS's top priorities, not savings, cost-cutting, and private profits.

The NHS Supply Chain itself will need to rely on three sectors to procure the goods and equipment it needs – the public sector, private businesses, and local community initiatives. And a sensible balance can be struck between centralisation, aimed at increasing efficiency, and localisation, aimed at enabling NHS trusts to be able to make the most of local manufacturing activity and opportunities.

A. The Public Sector

As well as bringing the supply chain function itself back into the NHS, the government should create a state owned supplier of medical goods and equipment. It makes sense for countries to try to predict future pandemics

and take steps to be prepared. We know that our government ignored the results of its [Exercise Cygnus](#) which predicted in 2016 that we would be ill-prepared for a pandemic, and allowed stockpiles to go out of date. In the future it should take steps to increase its own resilience.

One of these steps should include setting up an in-house manufacturer for basic medical goods and equipment for the NHS, one that is able to turn its hand to whatever is needed at short notice and reduce some of the risk involved in being dependent on global supply chains. The fewer the links in the chain, the greater the capacity for local and national level production, the more our immunity from global pandemics in the future.

This supplier could take on [a key role in stockpiling supplies](#), while also acting as a “run-of-the mill as a supplier of run-of-the-mill healthcare consumables and equipment (dressings, drips, disposable gowns, beds, surgical scrubs and equipment, etc.), and competing with other suppliers in the domestic and international market”.

This would actually be building on existing government policy for public sector manufacture and distribution of vaccines, as there is a public sector solution available for vaccine production, namely, VMIC. A Covid-19 vaccine has yet to be developed, but when it is, the next great task is to manufacture and distribute the product on a mass scale. This is one area where the government has made a far-sighted decision. In 2018 it invested £66 million in creating a new public sector company Vaccine Manufacturing and Innovation Centre UK Ltd (VMIC), owned by three major public universities: University of Oxford, Imperial College London, and the London School of Hygiene and Tropical Medicine. The centre has also linked up with private sector partners with extensive experience in vaccine manufacturing and development, including Janssen Vaccines & Prevention B.V. and Merck Sharp and Dohme (MSD), who will share expertise and also invest an additional £10 million. The reasons for setting up VMIC in 2018 are [even more compelling today](#).

“Major epidemics and pandemics are not a thing of the past... The UK needs the capacity and the speed of response to provide vaccines at the required scale quickly in an outbreak... The scale of manufacture must be large relative to the costs of set-up. VMIC will satisfy this with higher product yields, shorter cycle times and lower costs. The facility aims to manufacture millions of doses in the response time needed... An effective national response must bring vaccines to emergency workers and the general public in the shortest possible time. In an outbreak threat the Global Health Security Programme team at the Department of Health will immediately step in to work with the VMIC management team to ensure that the national priorities are met... this Centre will make better vaccines, more quickly, to help save thousands of lives across the world and protect just as many here in the UK.”

The original plan was to complete the construction of the new plant by 2022, but the construction of the facility has already started, and it is [being accelerated](#).

“Construction work has begun ahead of schedule to build the highly specialist facility that will house... the country’s first bespoke strategic vaccine development and manufacturing capability. A rapidly accelerated programme will aim to see the 7,000m² (footprint) state-of-the-art facility opening its doors in 2021, ahead of the original scheduled date in 2022. An unprecedented collaborative effort between The Vaccines Manufacturing and Innovation Centre, Harwell Campus, Vale of the White Horse District Council, UK Research and Innovation, and Glencar, the main contractor, has accelerated the construction of this complex build in order to bring the facility on line early so that it can provide an emergency response capability for the UK.”

At the same time VMIC is [working closely](#) with teams developing the vaccines:

“Dr Matthew Duchars, Chief Executive of VMIC said: “Whilst no-one could have predicted the Covid-19 outbreak we are doing all we can to fast track the build so VMIC is set-up to offer long-term support to the UK’s future vaccines needs whilst simultaneously contributing right now to the vital work that will help us emerge from this pandemic... VMIC scientists and engineers are working round the clock as part of the BIA Covid-19 Taskforce, and alongside Oxford University advising on manufacturing options of the vaccine candidate ChAdOx1 nCoV-19, which has recently opened for trial.”

B. The Private Sector

The NHS has always had to buy in huge quantities of goods it cannot manufacture for itself, ranging from toilet paper to drugs, prosthetics and complex equipment, from the private sector. These suppliers will need to deliver a profit in order to stay in business.

During this crisis, businesses and communities have come forward, eager to help provide the vital PPE our NHS needs. The government has had more than [8,000 offers of supplies](#), and Labour’s Rachel Reeves says [dozens of companies offering PPE have been ignored](#). There have been significant offers of help from unions and workers to create a PPE manufacturing army, had it been understood what gaps there were in supplies, and had the supply chain been able to respond to such needs. As [a statement from Unite](#) explains:

“The country’s leading manufacturing union Unite, doctors’ union, the British Medical Association, Unison and the Royal College of Nursing have today (Friday 3 April) joined together in calling on the government

to unleash a national effort to produce the protective equipment millions of key workers desperately need to keep safe during the health crisis... manufacturing capacity currently furloughed or underutilised should be repurposed amongst the UK's world leading manufacturers to produce the PPE kit desperately needed by our NHS, social care providers and other front-line workers across UK industry."

The insourcing of NHS Supply Chain contracts should create accountability and coordination so that businesses can contribute to their full potential. There are however some very positive developments in response to the crisis, which show that it is possible to provide the needs of the NHS by local sourcing of materials, whether from the private sector, voluntary organisations, or direct production.

C. A Surge of Local Initiatives

There has been an outburst of rapid and innovative responses from local people, groups, shops, businesses and universities wanting to help produce and deliver the equipment necessary. The NHS system is currently unable to respond to these initiatives widely, however several solutions have been devised. Supplies for local hospitals and trusts have been sourced using simple direct arrangements.

- Engineers at Nottingham mobilised the 3-D printing machines to produce masks [at scale for health workers](#). Aerospace engineers in Burnley [led a similar project](#).
- Staff at the Sir John Cass School of Art, Architecture and Design at London Metropolitan University have sewn nearly 500 face masks over the past week for Whittington Hospital and Hammersmith Hospital. The team made the masks following closely the guidelines laid out by the NHS, and will continue sewing the vital safety accessories for [other London maternity hospitals](#).
- Cheltenham Hackspace is a community workspace that provides space and tools for their members to work on their hobbies and interests. They have chosen to use some of their tools – including 3D printers and laser cutters – and tech expertise to produce PPE for frontline workers and have already made over [2,000 much needed PPE face shields](#).
- Helping Dress Medics, has already delivered [8,000 scrubs](#) to newly qualified medics and other staff who may not have access to scrubs and have struggled to obtain them through the usual suppliers.
- Alisa Pearlstone from London, who sold her healthcare public relations company in 2016, launched NHS Hero Support with her husband a month ago and has already raised more than £88,000. Ms Pearlstone and a team of 30 volunteers have established an international logistics network to buy kit from countries such as China and Hungary. Her group has sourced more than 180,000 pieces of kit and distributes it

through a network of 1,000 volunteer drivers, supplying hospitals from Aberdeen to Brighton. [“We’re not trying to be the NHS, we’re just trying to make sure people aren’t going into work with their arms bare, their faces bare,” she added.](#)

- The British retailer John Lewis is reopening its Herbert Parkinson textiles factory in Lancashire, which usually manufactures curtains, pillows and duvets, to produce [8,000 clinical gowns for the NHS](#).
- One GP says her practice is using personal protective equipment (PPE) [made by local firms, as well as schools and residents](#) after government supplies stopped in March. The donations included 50 visors made by schools. Other schools have stepped in too, like this one in [Somerset](#).

Again these initiatives have come in other areas too

- UCL engineers [re-designed and developed](#) a new less invasive breathing aid suitable for use with Covid-19 patients, and much less invasive than a full ventilator in less than a week. They lined up Mercedes UK to manufacture it, and also released the entire specification for free global use.

A publicly owned NHS Supply Chain could continue sourcing supplies from businesses and community initiatives as needed, working in partnership with the local trusts, as well as relying on the state owned manufacturer.



Conclusion

Privatisation left us unprepared for a pandemic. If it were not for coronavirus, the huge problems with outsourcing NHS Supply Chain might not have been brought to public attention in such a stark way. Now that they have been brought to our attention we need to act, urgently.

The companies involved in the supply chain vary in terms of their track records and philosophies. Their cultures and approaches range from the fairly innocuous to the truly scandalous. But they are all part of a system which puts the profits of companies above the well-being of patients and the smooth functioning of our NHS – a system so convoluted that it's almost impossible to trace the source of problems and hold decision makers accountable; a system that puts cost-cutting above the safety of the nation.

The chance to serve our NHS is a responsibility to be taken seriously and handled carefully, not an opportunity for maximising profit while dodging accountability. If we are to move forward, we need an NHS Supply Chain that puts people before profit, which takes responsibility instead of abdicating it, and which prioritises long-term planning and community safety.

To achieve this, we recommend:

- Privatisation and outsourcing of the NHS's Supply Chain services must end. The entire system must be simplified and brought under direct NHS control, with clear lines of accountability and a culture of prioritising safety, long term planning and smart use of skills and resources within the NHS and in local communities and the local manufacturing sector.
- All NHS services, including logistics and procurement services, must be explicitly kept off the table in international trade agreements.
- A public inquiry should be held as soon as possible into the government's handling of the PPE crisis, looking at the role of the NHS Supply Chain in the failings that have emerged and are still emerging.
- Capacity and expertise must be rebuilt at every level throughout the

NHS and the public sector, following the example of the new vaccine centre and other innovative public ownership models.

- To enable this, our NHS must be properly funded, to the level of comparable European countries, so that our funding per head is on a level with that of countries like France and Germany. Costly PFI contracts must be ended as soon as possible.
- Legislation must be passed to reinstate our NHS as a fully public service, with the Secretary of State for Health holding primary responsibility. There should be an end to the wasteful competitive market for NHS services and the restoration of pride and capacity in our national treasure.

Every part of our NHS is vital. There isn't an optional extra section. There aren't easy pickings which don't matter. It all matters. Let's not wait for the next pandemic or crisis to further rip our communities apart with grief. We must take action to expand the capacity of our health service so that it can protect us.

7.

Annexe: NHS Supply Chain Contractors

Many of the problems discussed in the foregoing report are illustrated in the public records of the companies which have been given major contracts for managing key areas of procurement, the basic core functions of logistics and IT, and those which have received special contracts in the Covid-19 crisis. They include companies responsible for major expensive failures on previous government contracts (DXC, Serco), engaged in repeated global failures of audit work (Deloitte), involved in recent disputes over underpayment of staff on NHS contracts (Compass), that are self-confessed former members of international cartels (DHL), with past investigations over bribery (Compass), and that are chaired by an active donor to the Conservative Party (Clipper Logistics). The point is not that the wrong companies have been chosen, but that using any contractor carries significant risks of failure or conflicts with the public interest.

A. Category Tower Service Providers

i. DHL

DHL was the key beneficiary in 2015 when the government initially outsourced the running of the entire NHS supply chain. [The company still boasts in a case study about](#) how it helped the government privatise “purchasing and supply agency and logistics authority”. The company is now owned by Deutsche Post, but it had a chequered history before then. In the 2000s DHL was a core member of freight cartels operated across Europe by leading firms, including DHL and UPS, meeting in an “unpretentious Italian restaurant on the outskirts of London”. [France fined the companies €672m](#), and the [European Commission also applied fines of €169 million](#) to the cartel members – except DHL, who received immunity for becoming a whistle-blower. DHL also [confessed to being part of a cartel](#) in Singapore in 2014, thus again obtaining immunity.

ii. Vizient

Vizient is a huge [healthcare operations company in the USA](#) servicing the private healthcare system. Part of that is supply chain work but some of it is more over-arching in terms of the organisation of a hospital. Vizient has already had some consultancy and [operations contracts with the NHS](#).

iii. Akeso

Akeso is a small management consultancy in London which employed about 30 people before getting a £9 million contract for procuring diagnostic, pathology, and therapy equipment and associated consumables – its biggest job ever. It is not so much bringing expertise to the NHS, but rather taking it out by [taking on NHS staff](#). The [contract has already produced a career move in the other direction](#) where a former Akeso director, Sue Colbeck, has now become deputy at NHS London procurement partnership.

iv. Foodbuy (Compass Group)

[Foodbuy](#) is the wholesale supply division of the [world's largest catering multinational, Compass Group](#), which profits from many public service contracts for school meals, hospital catering, and university catering – unlike the government, Compass does not outsource its own supply chain. There have been hundreds of performance problems with Compass' contracts. The most recent was in March 2020, when a head teacher in Bristol denounced as “shameful” the loaf of bread, crisps, and cooking butter supplied by the Compass Group company Chartwells for free school meals children during the shutdown. The firm's response was to blame “difficulties faced in the food supply chain” – in other words, the role of Foodbuy. The Bristol Post reported under the headline [“Catering firm slammed for charging £11 for free school meal consisting of crisps and slab of butter](#). It continues “Catering firm says poor provision is due to food supply chain issues caused by coronavirus”. There would be sympathy as far away as Shanghai, where in 2018 the food regulators investigated the food safety controls of a Compass company after it supplied [mouldy food](#) to a large school.

Compass has also been in major disputes over pay with staff working for them on NHS contracts. In 2019 hundreds of cleaners, caterers, porters, receptionists and security workers employed by Compass at NHS trusts in St Helens and Blackpool took repeated strike action over the company's failure to match health [service pay rates and working conditions](#). Compass paid only the minimum wage instead of the NHS rate, no overtime rates at weekends, and minimal sick pay. Compass' record also includes being investigated for bribery by the UN in 2005, paying US \$18 million in reparations for overcharging schools in New York in 2016, supplying burgers with horse meat to schools in Ireland in 2013; and facing complaints about the quality of the food being served at [Dunedin Hospital](#).

B. Logistics and IT Contracts

V. Unipart

Unipart was created in 1987 via a management buyout of the [spare parts arm of British Leyland](#), led by John Neill, who is still CEO. Neill was on the board of Rolls-Royce in 2008-15 when it was involved in paying huge bribes for international contracts.³ Unipart is now majority owned by its employees and pension fund. The original car parts business was sold off in 2011 and collapsed in 2014 [with the loss of 1,400 jobs](#). Unipart received a five-year NHS logistics contract in September 2018 – covering inventory management, warehousing, and delivery of medical consumables and devices – in a deal worth £730 million.

Unipart doesn't bring new expertise to the NHS, rather it has taken experienced staff out of the NHS. About 2000 former NHS staff were [transferred to Unipart with the contract](#). Nor did it bring in assets from the private sector, it simply ["took over the operation of "the warehouses, systems, vehicle fleet and all other assets"](#), which are still owned by the NHS, including a [new warehouse due to open in May 2020](#). The NHS contract is crucial for Unipart's profitability, representing about 20% of its entire annual turnover of £799 million. Unipart said in April 2020 that it expects to see ["continued growth in sales and profitability in 2020"](#) despite losing business off firms who closed because of the lockdown.

vi. DXC Technology – formerly CSC, EDS

DXC is a huge USA IT services company formed from a merger in April 2017 between CSC and HPE ([HPE was formerly known as EDS](#)). It was awarded the contract for the entire IT system of NHS Supply Chain:

"DXC Technology has been awarded a "major" contract by the Department of Health and Social Care for the new NHS Supply Chain. DXC will assist with the transformation of the NHS's procurement and logistics arm – namely the delivery of a new operating model – as outlined in the Department of Health and Social Care's (DHSC) Procurement Transformation Programme. The revamped system is expected to be fully operational by April 2019 and aims to simplify the procurement landscape for NHS organisations, while ensuring they can "purchase quality goods and consumables for patient care at the best possible value," DHSC said. NHS Supply Chain provides

³ Nils Pratley wrote [in the Guardian](#), in 2017: "For Rolls-Royce, the company, the book is now almost closed. It has apologised "unreservedly" in court for the bribery and corruption in its midst in the period 1989 to 2013. It will pay £671 million in penalties... But two questions still loom large: who, at the top at Rolls-Royce, knew what was going on and when? ... The leadership of Rolls-Royce knew in 2010 about allegations regarding corruption within the company but decided not to notify the Serious Fraud Office, according to the damning judgment on the scandal from Lord Justice Leveson. The verdict raises questions for the board of directors at the time about the extent of their knowledge of irregular activities and why no action was taken... The board in 2010 contained some heavyweight City figures... [including] John Neill. The brains behind car parts group Unipart for 40 years. Neill took over as a 29-year-old and is today chairman and chief executive. On the board of Rolls from 2008 to 2015. He declined to comment."

procurement, logistics, e-commerce and customer and supplier support services to the NHS. Under the contract, DXC will be responsible for delivering supporting technologies and IT infrastructure services across NHS Supply Chain. This will include the management, support and maintenance of the internal IT systems infrastructure, hardware and software applications across the business, as well as undertaking a [“significant programme of IT modernisation and transformation” to support the future development of the service.](#)”

Yet both of the companies that merged to form DXC 3 years ago had appalling track records in terms of incompetence, including three of the most expensive disasters in the history of NHS and UK government computing, as well as similar failures on contracts in the USA, and being investigated for accounting fraud, and making false statements to investors.

CSC:

- In June 2013, Margaret Hodge, chair of the Public Accounts Committee, described CSC as a “rotten company providing a hopeless system” with reference to their expensive failure on a multibillion-pound NHS contract for IT services: “Under the original 2003 contract, CSC was supposed to have delivered the Lorenzo electronic patients’ records system by 2005 to 166 different NHS bodies, yet by 2011 it had only made it to 10”. The company was paid a total of £2.2billion. The government “didn’t have a strong negotiating position because of the contracts”, and even [“handed CSC £2.9 million in legal fees since it started negotiations to kill the contract in 2010.”](#)
- CSC also failed badly on a contract for the USA government’s IRS: “CSC was one of three contractors hired by the Internal Revenue Service to modernize its tax-filing system. CSC told the IRS it would meet a January 2006 deadline, but failed to do so, leaving the IRS with [no system capable of detecting fraud](#). In 2006, House Ways and Means Committee Chairman Bill Thomas called for the Treasury secretary to review the IRS contract, saying that because of CSC’s inability [“to deliver a functional product to the government and its inability to provide accurate information to the IRS](#), it may be an appropriate time to re-examine the dependence of the IRS on CSC and determine whether the federal government is best served by this particular contractor”. CSC’s failure to meet the delivery deadline for developing an automated refund fraud detection system [cost the IRS between US \\$200 million and \\$300 million](#).
- In May 2013 the company was forced to pay US \$97.5 million as a result of a class-action lawsuit. Investors had [sued the company claiming it made false statements about its performance on a US \\$5.4 billion](#) electronic patient records contract with Britain’s National Health Service. CSC also has been under investigation by the Securities and Exchange Commission for accounting issues in that contract.

-
- In February 2011, the U.S. Securities and Exchange Commission (SEC) launched a fraud investigation into CSC's accounting practices in Denmark and Australian business. CSC's CFO Mike Mancuso confirmed that the alleged misconduct includes [US \\$19 million in both intentional accounting irregularities and unintentional accounting errors](#).
 - CSC was accused of breaching human rights by arranging several illegal rendition flights for the CIA between 2003 and 2006: "CSC organised rendition flights on behalf of the CIA to carry prisoners between a number of locations, including [Guantánamo Bay](#) and [notorious 'black sites'](#) in North Africa, South East Asia and Eastern Europe – [where they were held incommunicado and tortured](#)".

EDS:

Electronic Data Systems (EDS) was founded in 1960 by Ross Perot, who also ran as an independent presidential candidate against GW Bush and Clinton in 1992 and got 19% of the vote. EDS had disastrous IT outsourcing contracts from the UK government in the 1990s and 2000s:

- In December 2003, EDS lost a 10-year £3 billion contract to run Inland Revenue IT services after a series of serious delays in the payment of tax credits. EDS had operated systems for the Inland Revenue since 1994 but the performance of its system had been low, [causing late arrival of tax credit payments for hundreds of thousands of people](#). [EDS performed so badly that the contract was not only terminated, but EDS paid compensation to the UK](#): "Under the previous contract, EDS agreed to pay £71.25 million to settle the Department's claim for compensation for the Tax Credit computer problems. The settlement included cash payments by EDS and the offsetting of certain amounts which would otherwise have been due to HMRC."
- In 2004, EDS was criticized by the UK's National Audit Office for its work on IT systems for the UK's Child Support Agency (CSA), which ran seriously over budget causing problems which led to the resignation of the CSA's head, Doug Smith. The system's rollout had been two years late and following its introduction in March 2003 the CSA was obliged to write off £1 billion in claims, while £750 million in child support payments from absent parents remained uncollected. An internal EDS memo was leaked that admitted that the CSA's system was "badly designed, badly tested and badly implemented". In 2004 UK MPs described it as an ["appalling waste of public money"](#) and called for it to be scrapped.
- In 2006, EDS' Joint Personnel Administration (JPA) system for the RAF led to thousands of personnel not receiving correct pay due to "processing errors". EDS and MoD staff were reported to have ["no definitive explanations for the bodge"](#).
- In September 2007 [EDS paid US \\$500,000 to settle an action](#) by the U.S. Securities and Exchange Commission regarding charges related to

overstatement of its contract revenues in 2001–2003. At the time these caused a fall in share prices in 2002 which led to legal action against EDS from US shareholder groups.

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On 2007-10-16, British TV company BSkyB claimed £709m compensation from EDS, claiming that EDS' failure to meet its agreed service standards resulted [not just from incompetence, but from fraud and deceit in the way it pitched for the contract](#).

During the BSkyB case, it was shown that a Managing Director had [obtained a degree over the internet](#). Lawyers for Sky were able to demonstrate that the process for awarding the degree claimed would give a degree to a dog, and that the mark attained by the dog was higher than that of the HP executive, who was questioned on his expertise and integrity. HP [who then owned EDS] lost the case with a preliminary £200 million payment ordered, whilst they appealed over the [£700 million total](#).

C. Other Major Contracts

vii. Movianto

Movianto is a subsidiary of the USA private healthcare logistics company Owens and Minor which is listed on the NY stock exchange and has an annual turnover of [US\\$9.8 billion](#), with 6,400 employees in the USA and 9,000 [across the rest of the world](#).

[Owens and Minor bought Movianto in 2012](#) from the German company Celesio AG.

In January 2020 Owens and Minor [announced that it is selling Movianto to a French healthcare logistics company EHDH](#).

In July 2018 Movianto won the £55 million contract for running the Pandemic Influenza Preparedness Programme (PIPP), [set up to ensure an adequate stockpile of essential supplies in case of an epidemic](#).

viii. Clipper Logistics

Clipper Logistics has been sub-contracted by NHS Supply Chain logistics contractor Unipart to run an entirely separate supply channel for the provision of personal protective equipment (PPE) to NHS Trusts and community healthcare partners. [On the 1st of April 2020 it was awarded a new contract by Unipart specifically to supply PPE](#). Yet reports suggest that "the government's long-promised Amazon-style "Clipper" system to dispatch personal protective equipment [is still not up and running](#).

[nationally](#)”, with care homes not receiving the PPE they need nor the testing.

Clipper Logistics was founded by its current chairman Steve Parkin in 1992, and floated on the stock exchange in 2014. It gets a lot of business from the growth in online retailing. In November 2019 its share price leapt by 20% due to a planned takeover by a private equity firm Sun European Partners, which was backed by Parkin, but [the bid was abandoned in January 2020](#).

Its share price then fell dramatically in March alongside the FTSE 100, but then recovered nearly all its losses when the new NHS contract emerged at the end of March 2020.

The company’s chair has strong personal and financial links with the Conservative party.

- The company’s chairman Steve Parkin is [a major donor to the Conservative Party](#), a lifelong Tory and fan of Margaret Thatcher.
- “Over the last half-decade, Clipper’s founder and chairman Steven Parkin has [donated](#) a total of £725,000 to the Conservative Party, including the most recent donation of £25,000 on 12 December 2019 – when the General Election resulted in Boris Johnson returning as the UK’s Prime Minister. From 2018, Parkin [began attending](#) Conservative Party Leaders Group meals. The Leaders Group, as the Conservative Party website explains, is “the premier supporter Group of the Conservative Party. Members are invited to join the Leader and other senior figures from the Conservative Party at dinners, [post-PMQ lunches, drinks receptions, election result events and important campaign launches](#)”.
- Just days before being given the contract to handle the logistics of supplying PPE, Clipper was repeatedly criticised by its own workers for its cavalier attitude towards measures to protect against Covid-19:
 - Clipper Logistics told employees at one of its Northampton depots that [“it will not shut one of its Northampton sites, even if there is a confirmed case of COVID-19”](#), before being given the contract for PPE a few days later. The site handles Zara clothes.
 - Clipper was also under fire from its employees at the Ollerton depot for failing to shut down ‘non-essential’ activity such as handling clothes refunds and putting employees at risk with warehouse staff being [“crammed into corridors” with no hand sanitiser available “for weeks”](#).
 - “Concerns have been raised by warehouse workers who allege they could face disciplinary action if they stay home over coronavirus fears. Workers at the Clipper Logistics site at Wynyard Park near Billingham have been reportedly told that any ‘unpaid leave’ will be treated by the firm as ‘unauthorised absence.’...The Northern Echo

understands that workers have become increasingly worried over staff working closely together and the prospect of being dismissed. A site worker, who wishes to remain anonymous, said: "[There are people working on site who have a bad cough and have been coughing since last week but have remained at work.](#)" Management know of these people showing the symptoms, but are doing nothing about it. "All they are telling their staff is 'wash your hands' and use the hand sanitizer. It takes more than just that. "It seems Clipper Logistics has chosen to put money and profits before the public health and their own employees' health."

ix. Deloitte

Deloitte Touche are one the world's big 4 multinational accountancy/consultancy groups, along with PWC, E&Y, and KPMG. Deloitte have obtained a series of major contracts from the NHS in relation to NHS procurement.

The first was a £400k contract to [design the new centralisation](#) of the whole procurement system. [This could have been done in-house](#), according to the Health Care Supply Association, and is discussed above in section 4C.

An NHS official [involved in awarding the contract to Deloitte](#) then got himself a 'revolving doors' job with Deloitte, for whom he had worked previously.

The basic function of accountancy firms is to audit the accounts of companies. These audits are used to reassure investors and the public, but Deloitte (and the others) have shown themselves unable to provide advance warning to the public of impending disasters which subsequently prove very costly. Major failures include:

- Deloitte Touche was [responsible for delivering unqualified audits of major UK banks for the last set of accounts before they collapsed and were rescued at great public expense after the 2008 financial crisis](#), both in the UK (Royal Bank of Scotland, Alliance and Leicester, and Abbey National) and in the USA (Bear Stern, Fannie Mae) .
- Deloitte acted as internal auditor at construction and services giant Carillion before it went into liquidation in January 2018. The final report of the Parliamentary inquiry into Carillion's collapse criticised Deloitte for its involvement in the company's financial reporting practices: "Deloitte were responsible for advising Carillion's board on risk management and financial controls, failings in the business that proved terminal. Deloitte [were either unable to identify effectively to the board the risks associated with their business practices, unwilling to do so, or too readily ignored them.](#)" The select committee chairs (Frank Field and Rachel Reeves) [called for a complete overhaul of Britain's corporate governance regime](#), accusing the big four accounting firms of operating as a "cosy club". Deloitte said it was "disappointed" with the committees' conclusions regarding its role as internal auditors, but would take on

board any lessons that could be learned from Carillion's collapse.

- Following Autonomy's 2011 sale to Hewlett-Packard, the British software company was accused of accounting improprieties that contributed to an US [\\$8.8 billion write-down of Autonomy's value](#). In May 2018, the UK-Based Financial Reporting Council launched disciplinary action against Deloitte, Autonomy's auditor at the time of the sale. Deloitte Partners who led the audit were accused of [failing to correct false and misleading information filed with the FRRP](#), and otherwise failing to act with objectivity during the course of the audit. The FRC's action followed legal proceedings in the US that found former Autonomy executive Sushovan Hussain guilty of fraud earlier that month.

There are several other reports of cases where Deloitte have been incompetent or encouraged unethical behaviour by companies, including:

- In September 2017, *The Guardian* reported that Deloitte suffered a cyberattack that breached the confidentiality of its clients and 244,000 staff, allowing the attackers to access "usernames, passwords, IP addresses, architectural diagrams for businesses and health information". Reportedly, Deloitte had stored the affected data in Microsoft's Azure cloud hosting service, without two-step verification. The [attackers were thought to possibly have had access from as early as October 2016](#). Brian Krebs reported that the breach affected [all of Deloitte's email](#) and [administrative user accounts](#).
- In 2011, Deloitte was commissioned by the tobacco industry to compile a report on illicit tobacco. The Australian Customs and Border Protection Service officials called the report "[potentially misleading](#)", [and raised concerns about the "reliability and accuracy" of the data](#). When a second Deloitte report focusing on counterfeit cigarettes was released, Home Affairs Minister Brendan O'Connor described the second report as "[baseless and deceptive](#)" and "[bogus](#)". Public health officials [criticised Deloitte's decision to conduct the research](#), as it added credibility to the tobacco industry's [effort to undermine](#) the Australian Government's plain cigarette packaging legislation.
- Adelpia Communications: The Securities and Exchange Commission announced on 26 April 2005 that [Deloitte had agreed to pay US \\$50 million to settle charges](#) relating to Adelpia's 2000 financial statements. The settlement was later reported to be as [high as \\$455 million](#).
- In November 2013, the international development charity ActionAid [accused Deloitte of advising large businesses on how they could use Mauritius](#) to avoid potentially hundreds of millions of dollars of tax in some of the poorest countries in Africa
- Dr Elisabeth Rosenthal attributed to Deloitte a key role in counselling the adoption of "[strategic pricing](#)" as a way of increasing revenues from hospital business.

x. Serco

Serco is one of “[world’s leading outsourcing companies](#)”, employing over 50,000 people and listed on the [London Stock Exchange](#). In the UK, Serco operates in a number of sectors of public service provision, including health, transport, immigration and border control, defence and back-office services for local councils. Serco posted revenues of [£2,836.8 million for the 2018 financial year](#), and an underlying profit of £93.1 million. Its record is [dotted with failures](#) including the following:

- Most recently, people were waiting up to two hours at [their testing centres](#).
- Running a breast-cancer screening hotline services, where 450,000 women did not receive invitations to screenings, leading Jeremy Hunt to estimate that [270 lives may have been cut short](#) as a result. Women were being connected with call-handlers who had only had one hour’s worth of training.
- This same company was in the running “in pole position to win a deal to supply [15,000 call-handlers](#) for the government’s [tracking and tracing operation](#).”
- [According to the NHS Support Federation](#): ‘For the NHS, Serco’s clinical contracts were associated with cost-cutting, fraud, poor management and inadequate staffing levels, which in at least one contract contributed to the deaths of two children.’
- Serco [was forced to pull out of a contract](#) to provide out-of-hours GP services in Cornwall after it emerged that the company had been falsifying data and that it had a ‘bullying culture’ which discouraged whistleblowing in the interests of patients.
- However, this was not the only contract cut short. Serco closed a community hospital three months before the end of their contract, because they said not enough patients [were using the facility](#).
- With regards to prisons, one Serco prison in 2013 was among the three worst-performing jails in England and Wales, according to new [Ministry of Justice ratings](#). One of Serco’s persons was criticised after a report showed that inmates had been left without electricity and running water for two days.
- The company was previously fined [£68 million](#) after being accused of [overcharging the government](#) to monitor criminals who were dead or in jail. This was up from the £19.2 million originally estimated. The company had to repay another £2 million of ‘profits on a [separate prisoner escort contract](#) after it was found that its staff had been recording prisoners as delivered “ready for court” when they were not.

xi. Edenred

Edenred, formerly known as Accor Services, is a French company which makes money from persuading governments to [introduce luncheon voucher schemes](#) which [include tax relief.](#)

There have been recurrent problems of corruption with such schemes. For example, in Argentina “a representative of [Accor Service approached the deputy sponsoring the proposal in November 2007 with offers of bribes of up to US \\$20 million](#) if the deputy agreed to delay the proposal and change it so as to encourage, and even compel, more employers to purchase the vouchers. Recordings of telephone calls and meetings with the Accor representative were “used as evidence in a domestic legal case as well as the OECD Guidelines specific instance.”