



We protect what matters.

26th April, 2022

Dear NHS Customer,

## NHS CLINICAL WASTE SERVICES - FUEL COSTS

The impact of inflation and supply chain disruption has had a significant impact on the clinical waste market in recent weeks. Fuel, energy, vehicles, containers – all have experienced cost inflation far in excess of the headline inflation figure. At the same time, average NHS clinical waste levels continue to exceed pre-COVID norms.

Stericycle has managed to mitigate many of these unexpected costs, but the unprecedented price of diesel is now a major issue, the costs and uncertainty of which we cannot continue to absorb. On 21<sup>st</sup> March 2022 the UK government's weekly fuel index<sup>1</sup> reported an average pump price of £1.77 per litre of diesel, the highest price ever recorded and an increase of 28.6p - almost 20% - since the turn of the year. The price has barely changed since, with the reported price on 18<sup>th</sup> April 2022 being almost £1.76 per litre. This is far beyond the normal and foreseeable costs of doing business.

As a result we are introducing a fuel surcharge across our customer base. We believe this is the fairest and least disruptive way of addressing the issue, and it will enable us to maintain services at current levels. We have shared our plans with the relevant senior representatives at NHS England before taking this step. Once fuel prices at the pump return to last year's prices then the surcharge will drop back to zero.

### Cost Per Collection surcharge

Stericycle typically uses over 4m litres of fuel each year in order to service its customers. By apportioning this usage across the number of stops made by our trucks at customer sites, we can calculate the average cost of fuel per collection, and therefore the increase in the cost per collection that is attributable to fuel inflation.

In order to use a fair baseline we have calculated the average fuel price for July to December 2021, so that it is representative of market norms prior to the recent shocks. That is £1.42 per litre. Using that baseline, we have calculated that an increase in the pump price of £0.01 equates to an increase in our costs of £0.05 per collection. That therefore is the basis for the surcharge.

By tracking the weekly pump price, using a published index, we can ensure that the surcharge is tied to actual costs. The average price per litre of the previous month will be used to calculate the charge applicable for the current month. Accordingly, no surcharge would be payable if the pump price is £1.42 per litre or less. As an example, at 1.60 per litre, the surcharge would be £0.90 per stop. In this example, a customer with a monthly collection frequency would pay £0.90 additional per site per month and a weekly collection frequency customer would pay £3.90 additional per site per month. The table in Annex 1 shows a fuller scale.

### Implementation of the surcharge

We request your agreement to the surcharge being added into your current contract, effective 1<sup>st</sup> June, by signing and returning the variation agreement. From this date, your invoice will include a fuel surcharge which is calculated by multiplying the number of collections undertaken for you by Stericycle in the billing period by the applicable surcharge rate, based on the then-current published pump price.

For clarity, a collection means a physical truck stop at which clinical waste is collected and a consignment note issued.

**Please download and complete the variation agreement form via the link below and return to [SupportUK@stericycle.com](mailto:SupportUK@stericycle.com)**

**Variation agreement Form: <https://www.stericycle.co.uk/fuel-surcharge>**

<sup>1</sup> See the Weekly Road Fuel Prices webpage, at <https://www.gov.uk/government/statistics/weekly-road-fuel-prices>



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### Duration of surcharge

As noted above, as and when pump prices return to 2021 levels the surcharge will be zero. Hopefully this is a temporary and exceptional set of circumstances which will relent in the near future. Furthermore, Stericycle is working globally to reduce our usage of fuel and implement ambitious plans to reduce carbon emissions and improve the efficiency of our operations. We are very grateful that you are helping us to get there, whilst protecting what matters.

If you have any further queries and for the contract variation form return, please direct them to [SupportUK@stericycle.com](mailto:SupportUK@stericycle.com)

Yours sincerely,

A handwritten signature in black ink that reads "Toby Black".

**Toby Black**  
Vice President UK & Ireland  
Stericycle



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## ANNEX 1

Customer Fuel Surcharge Table	
Fuel Price	Cost Per Stop
£1.42	£0.00
£1.43	£0.05
£1.44	£0.10
£1.45	£0.15
£1.46	£0.20
£1.47	£0.25
£1.48	£0.30
£1.49	£0.35
£1.50	£0.40
£1.51	£0.45
£1.52	£0.50
£1.53	£0.55
£1.54	£0.60
£1.55	£0.65
£1.56	£0.70
£1.57	£0.75
£1.58	£0.80
£1.59	£0.85
£1.60	£0.90
£1.61	£0.95
£1.62	£1.00
£1.63	£1.05
£1.64	£1.10
£1.65	£1.15
£1.66	£1.20
£1.67	£1.25
£1.68	£1.30
£1.69	£1.35
£1.70	£1.40
£1.71	£1.45
£1.72	£1.50
£1.73	£1.55
£1.74	£1.60
£1.75	£1.65
£1.76	£1.70
£1.77	£1.75
£1.78	£1.80
£1.79	£1.85
£1.80	£1.90
Continuing	Continuing