



# Public Accounts Committee

## Oral evidence: COVID 19 - PPE Suppliers, HC 172

Monday 24 May 2021

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Members present: Meg Hillier (Chair); Dan Carden; Sir Geoffrey Clifton-Brown; Peter Grant; Mr Richard Holden; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, Charles Nancarrow, Director, National Audit Office, Robert White, Director, National Audit Office, John Fellows, Director, National Audit Office, and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-123

### Witnesses

**I:** Thomas Martin, Chairman, ARCO, Chris Wakeman, Managing Director Cleaning & Safety Division, Bunzl Healthcare, Iain Liddell, Managing Director, Uniserve, Sarah Stoute, Chief Executive, Full Support Healthcare.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]



## Report by the Comptroller and Auditor General

### The supply of personal protective equipment (PPE) during the COVID-19 pandemic (HC 961)

#### Examination of witnesses

Witnesses: Iain Liddell, Thomas Martin, Sarah Stoute and Chris Wakeman.

**Chair:** Welcome to the Public Accounts Committee on Monday 24 May 2021. We are here today to continue looking at the subject of the supply of personal protective equipment during the pandemic, particularly in those early days 14 months ago when the country was in the grip of a crisis and we desperately needed this PPE. This Committee and the National Audit Office have raised concerns about some of the Government's handling of procurement of PPE, particularly around transparency and some rushed contracts. Of course, large amounts—many billions—of taxpayers' money were spent on this. We saw struggles on the frontline, and we have had some very moving testimony about the challenges of that frontline in receiving the right PPE in the right timeframe; the challenge for care homes in particular has been well documented.

Many companies won PPE contracts. Some had a track record of delivery, and some did not. Today we have four companies on our panel, all of which in the end did win Government PPE contracts, and we want to ask them about the process that they went through, their engagement with Government and what lessons should be learned for the future as we make sure that the country is prepared for any future pandemics or, indeed, escalations of the current pandemic.

I would like to welcome our witnesses today. We have Thomas Martin, the chair of Arco; Iain Liddell, the managing director of Uniserve; Sarah Stoute, the chief executive of Full Support Healthcare; and Chris Wakeman, the managing director of the cleaning and safety division of Bunzl Healthcare. Welcome to you all. I will ask Dan Carden to kick off.

Q1 **Dan Carden:** Can I begin by welcoming the witnesses and thanking them for appearing before the Committee? This is a question to all the witnesses. Before the pandemic, what was the main nature of the business you run? Can you tell us a little about the extent to which you were involved in procuring, transporting, storing or distributing PPE to the national health service and adult social care?

**Thomas Martin:** Good afternoon, and thank you for that question. We have a long history of working with the Government—a number of Government Departments—and we have worked on a number of



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framework agreements with the CCS. We have been supplying a number of NHS hospital trusts independently through the course of our normal times of business, and we have worked with the Government more recently in crises such as Ebola, bird flu and swine flu, so we are well experienced in the mechanics of the framework agreements. We have been doing this now for about 50 years, and I have personally invested 31 years in experts to get us to our pre-eminent position in the UK.

**Iain Liddell:** Good afternoon. I have worked in international trade, supply chain management and freight for over 40 years; 37 of those years have been working at Uniserve, and we would be the largest British supply chain operator in the world now. We move hundreds of thousands of containers, aeroplanes and trucks around the world. Our involvement mainly focused on getting urgent PPE from all parts of the world into the UK. The majority of PPE and test kits actually came from China. That is an area that we particularly specialise in, and have the capacity to move products from and into the UK. Our main involvement with the Government and the emergency PPE supply chain was to manage all the PPE that was procured and get it to the UK.

**Sarah Stoute:** I left the NHS in 1996 to educate on PPE—through the NHS, through the UK—and started the business in 2002. By 2004, we were on multiple frameworks for a large range of PPE, all of which we have supplied during the pandemic. We were the largest supplier of FFP3 respirator masks pre pandemic, right the way up to when supply chains were disrupted. We have gone through SARS, swine flu, Ebola, TB—and of course, every single winter we overstock to supply the NHS with all PPE just to get through the regular flu season. So, this was just a larger event for us than the normal that we are used to.

**Chris Wakeman:** Bunzl is one of the largest distributors of PPE in the world. We currently operate in 31 countries around the world. Unlike many suppliers and distributors, one of the benefits that Bunzl has is that we have a dedicated team based in Shanghai, where many of our people work locally within the regions, supporting our sourcing strategy and also ensuring that we procure goods of the right quality and with the right assurances. Prior to the pandemic, Bunzl had been supplying the NHS for many, many years. Pre pandemic, we were supplying hundreds of hospitals on a direct basis and we were also listed on many frameworks, both within NHS Supply Chain and on the Crown Commercial Service's framework agreement. We have been operating in this sector now for well over 30 years and we supply many other public sector bodies—for example, Her Majesty's Prison Service, in both Scotland and England.

Q2 **Dan Carden:** Thank you for those answers. Ahead of this Committee session, we were provided with figures and paperwork from the NAO, and I want to run through some headline figures for contracts and orders that each of you has been awarded. Could you give a quick summary of whether these figures are correct, as you see them, and could you tell us a little about what they entail? For Arco, it's a contract for £14.3 million. For Bunzl, it's £144 million through NHS Supply Chain and £22.6 million through the Department. For Uniserve, it is a £304-million PPE and a



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£573-million freight contract. For FSH, it is around £1.85 billion in orders, not contracts. Starting with you again, Mr Martin, could you tell us whether I am right with those figures and what they entail?

**Thomas Martin:** You are absolutely correct in terms of contracts awarded. They entail the provision of face-fit visors—they were secured and sourced in the UK, and produced in the UK—and also there were two contracts for some hand-sanitising cleaning fluids, which were also provided.

**Iain Liddell:** The bulk of our contracts were based around global supply chain management. We were responsible for organising all the collections from all the Chinese factories and the air freight, sea freight, rail freight and road freight to the UK. That included all the customs requirements, at both origin and destination. Then we provided a technology platform that gave visibility of all the milestones and all the movements. In addition, we provided professional services to actually manage, monitor and control all the vendors. We have been managing over 34 billion units of PPE. That is nearly 1,000 aircraft that we have moved, 17,000-plus containers and many more road and warehouse movements.

**Sarah Stoute:** Your figures are correct. For England, we have supplied type 5/6 coveralls, face visors, FFP3 respirator masks, isolation gowns, fit testing kits, type 2R masks, and powered air kit for those in the NHS with facial hair that cannot be fit tested with the normal products.

**Chris Wakeman:** Your numbers are correct. The orders were for facial masks, surgical drapes and gowns, a number of lines of eye protection, and gloves and sanitisers.

Q3 **Dan Carden:** We do have a big range in numbers—from around £14 million-worth of contracts at Arco to almost £2 billion with FSH.

Mr Martin, your company was founded in 1884. It had extensive experience providing health-grade PPE prior to the pandemic. It employs 1,600 people in the UK, has its own national distribution centre and 25,000 clients. It already distributes to the HSE, the MOJ, DEFRA and the Environment Agency. You helped out, as you said, during Ebola, swine flu, avian flu, and foot and mouth. Can you tell me why you were awarded only £14 million-worth of contracts over the last year during the pandemic?

**Thomas Martin:** I think that myself and my team were unaware of the protocols within a fast-lane application for offers of support for the Government. I want to stress that at this time this was a global scramble with an infinite demand for a finite quantum of resources. While we had very limited success in connecting via the portal and with DHSC colleagues, in the end we took matters into our own hands and we worked around the system you were trying to control. So, we responded directly to a number of approaches from NHS trusts, and I feel that the answer to your question is that we tried to access the portal. We were unaware of the fast-track principles. We then escalated through a number of Ministers, MPs and Cabinet Office, and were still unsuccessful. Perhaps the inference



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is that not all companies were able to offer the same proportionate support in terms of deploying their resources. I wrote to Lord Deighton citing precisely that and offering our resources, and I wish we could have done more. We had no response.

**Q4 Dan Carden:** Mr Martin, what support could you have provided had you been able to make contact with the Government?

**Thomas Martin:** We had approved, certified products sitting in our warehouses in the UK. We have a team in China who have been there for over 11 years and who run the quality assurance and ethical trading. They were on the ground, and we could even provide details and supply chains going forward for four or five months to Government colleagues. Unfortunately, the registration of a number of manufacturing plants was incomplete, and therefore those factories were not fed into the supply chain.

I do not really know what else I can say, apart from the fact that we really tried. If you have a chance to read my letter to Lord Deighton, you can see that we were frustrated and fearful because we could not deploy our sales force, our warehousing resource, our quality assurance and our technical expertise the length and breadth of the UK. In the end, I am very proud. We ignored the official line. We were unaware of the unofficial line, and we responded I think magnificently as we mobilised to support over 290 NHS trusts and hospitals.

**Chair:** Thank you, Mr Martin. I call Nick Smith MP.

**Q5 Nick Smith:** Mr Martin, you have a great British company, but you come over as being rather cross about the way your company was treated last spring. Did you have PPE stocks that could have been sent around the country at that time, but you could not get the contracts to the Department?

**Thomas Martin:** I apologise if I appeared to be cross. I was certainly frustrated in that I wanted to help. I was speaking to a number of chief medical officers and we actually supplied products directly to a number of hospitals. We had product and over £44 million-worth of stock already in the UK and supply chains, which we have been mobilising in the far east with our direct teams since the early '80s, so we know what we are doing, and the stock was ready to go.

**Q6 Nick Smith:** It sounds as though you were sitting on stock when hospitals and care homes around the country were crying out for it. What happened?

**Thomas Martin:** The first thing that happened was that our technical sales people started to take a huge amount of calls from existing contacts around the UK. Clearly, we are well known and the market leader in the provision of PPE, and there were obviously frustrations elsewhere in the supply chain due to the incredible demand. We took the calls on a direct basis and were happy to supply any hospital and NHS trust that approached us—in the end, over 290.



Q7 **Dan Carden:** Ms Stoute, my understanding is that you won orders, not contracts. Can you explain why you think that might be?

**Sarah Stoute:** We weren't aware of any contract process. We didn't apply for any contracts. We were contacted directly.

Q8 **Dan Carden:** So were you not aware of the VIP fast-track lane?

**Sarah Stoute:** No, we were too busy supplying the NHS on an everyday basis through the winter flu season, which is a common occurrence every year for us. All our UK stock was sold to the NHS through the central procurement function, as it should be, as a framework provider in December. Orders went through the roof in January and we implored them to release the Brexit stock, to help with the supply chain shortages that had started from January onwards.

Q9 **Dan Carden:** As a company, how did you manage to upscale so quickly and to win and deliver on orders worth almost £2 billion?

**Sarah Stoute:** We went into production in December and had staff on the ground in China and Taiwan. We were informed that something was occurring, that the Chinese were keeping that quiet, and that it looked like it was going to be another SARS-type episode. Word comes across very quickly—we have had this before. We have always proactively airfreighted containers of stock without a secured order knowing that, by the time the Government supply chain is up to speed with what is going on, we have stock in the UK.

We have done that for 15 years—every single winter a shortage is covered up by the fact that we over-order to fill the hole. When it happened this time on a larger scale, we risked everything as a company and went to mass production with no security at all. When everything came out in the press and the Government were aware of what was going on, we had already mobilised two to three months earlier, and we were told we were the only existing supplier that could supply before August.

Everything was ready to go on a plane by February-March. We waited for the orders and the airfreight started to take off in April. It was very frustrating not to be able to get the attention of the authorities. We tracked the stock running out on a daily basis. We rang on a daily basis. We asked how many weeks' supply of critical items there were, and it was dropping through the floor on a weekly basis. We knew that key items were going to run out.

Q10 **Dan Carden:** Who were you speaking to at the Department of Health or in Government?

**Sarah Stoute:** In terms of the stock level issue and making people aware that action needed to be taken, this was with the central procurement through SCCL as a framework provider.

In terms of the stock level issue and making people aware that action needed to be taken, this was with the central procurement through SCCL as a framework provider. We were dealing at inventory level, and asked



them to escalate this to get action on already existing stocked products that were going to run out that are key in any pandemic, whether it be swine flu, SARS or covid: items that were definitely going to be needed, and were going to run out.

- Q11 **Dan Carden:** You must be able to look back now and read about the enormous contracts that have been awarded to different companies during the pandemic—guaranteed payments and contracts that give companies security—but it seems like you did not have that. Your company was taking risks and was relying on future orders. How do you feel about that?

**Sarah Stoute:** At the time, bearing in mind we have 20 years of solid trading with no other shareholders or private equity or venture capitalist backing, and we are not part of a larger group, we risked everything and ordered way above our financial capability, because we knew that if we did not, there was going to be a problem. The Brexit stock, when it was released, only lasted two weeks: it was two weeks' worth of inventory by the time the figures started to pick up, and the hospitals were demanding urgent supplies and the Brexit stock was not being released. Once it was released, it lasted two weeks, so the airfreights that we mobilised were then ordered by the Government and landed in time.

- Q12 **Peter Grant:** Thank you, Mrs Stoute, for those answers. I wanted to follow up on some of the answers you have just given. I appreciate that there will be some information that is commercially sensitive, but you mentioned earlier that you would usually stock up very significantly at the start of the winter in anticipation of an outbreak of flu or something similar. How did the build-up of stock you did at the end of 2019 compare with your usual build-up of stock? Twice as big? A hundred times as big? A thousand times as big?

**Sarah Stoute:** Every winter, we receive notification of a forecast that the UK will require for the winter time, and we ignore it every winter, because generally the forecast is half of what we sold to the Government the year before. Through our own legacy of micromanaging the supply chain and looking at the figures, we know exactly what they are going to use. This spike obviously took everybody by surprise, but we had a complete clear-out of all of our stock for December and January. By January/February, all the Brexit stock and everything we had in the UK had been taken, and then of course from there, it took off in an unprecedented manner, but this is not a new occurrence: this happens every winter, and we take a risk every winter.

- Q13 **Peter Grant:** Are you able to tell us what the value of your sales is to the NHS in a typical year? We were given the value of the orders you were given directly related to covid. How does that compare numerically with what you would usually expect to be supplying, including for flu outbreaks and so on, over the winter?

**Sarah Stoute:** Our turnover pre pandemic was £10 million. We have had a turbulent 20 years, in which we have had some issues with Government initiatives on procurement: rather than growing naturally every year,



there have been initiatives on sole awards with overseas companies on 100% price criteria, which have actually taken a slug of existing revenue away and you end up having to build it back up again. Yes, it is a massive jump, from £10 million to nearly £2 billion.

- Q14 **Peter Grant:** Finally, within the framework contracts or agreements that you had previously, was there an indicative annual value that you would reasonably be expected to deliver, or was it simply open-ended—that the NHS would keep asking until you could no longer supply?

**Sarah Stoute:** Yes, the thing with the frameworks is that obviously, you have a multitude of suppliers on there. There is no contract value. The issue is that the NHS does not want to overstock and then have a financial problem. Central procurement do not want to hold too much stock—it is normally two to four weeks' worth—so the emphasis is on the supplier to fund anything else. Because we know how critical the products are and because you have to be tested on some of the products we supply, it is not a matter of back-filling it with another brand without causing disruption. So you have to make a decision as a supplier. If you want 100% service levels, you have to over-finance and see what happens.

Our clinicians in the company track flu pandemic trends from Australia because they often repeat themselves and follow on to the UK. So we are talking to microbiologists and looking at where the rest of the world is in its winter schedule to see what is coming to the UK. Then, finally, we have to take a punt on what we order. To be fair, over 20 years we have sustained those service levels and bailed out a number of suppliers through the winter by overstocking. Financially, there are not many companies that would have done that, because it is risky and there was no plan B. But it is imperative that those products stay on the shelf, which is why we did what we did.

**Peter Grant:** Thank you very much.

- Q15 **Nick Smith:** Mr Liddell, you had, I think, over £300 million of PPE contracts and over £1 billion of logistics support contracts. Can you describe how you achieved this and whether or not you approached contacts who were Ministers, MPs or senior officials? What was your direct line into the decision-makers? Can you tell us what your gross profit margin is, please, on both your PPE contracts and your logistics arm?

**Iain Liddell:** Sure. On the PPE, you are right—it is £303 million. On the logistics, it was actually £570 million, not a billion. Our position was that we were contacted by the DHSC on Mothering Sunday—22 March last year—initially to urgently move ventilators out of China into the UK. Prior to that, we had not spoken to the DHSC and we had not sold into Government. The guys who contacted us came from a commercial world and would have known Uniserve from that commercial world—we are fairly well recognised for our services and our strengths in places like China. From that first call, we were able to urgently move ventilators by air freight into the UK. That developed over a period of days and weeks into



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moving various different products and PPE from around the world throughout Europe. We were running vehicles to go and collect urgent PPE and then putting on scheduled charter flights from China to the UK.

So our initial contact with the DHSC was directly made by them to us. That led to them asking us if we could source for them some desperately required PPE, which was based on various different products and commodities. Initially, it was based on gowns and then gloves and masks. Right at the very beginning, we said to them, "We do not normally procure PPE, but we have a huge network of customers, vendors, manufacturers and factories throughout China that do"—we work in that sector and have done for a long time. We said that we would put the call out to them to try to locate the specific items that they were looking for. We worked around the clock and we were able to provide them with what they wanted, based on their specifications and the required standards. They were approved.

One of the big things was actually getting the delivery. It was 50% finding the product in a market which was absolutely chaotic. It was an absolute frenzy with every country around the world trying to buy PPE—I don't think anybody has ever seen anything like it before. Then actually moving the product was another thing because there was a limited amount of capacity—

**Q16 Nick Smith:** Thank you for that explanation. We do understand the context and are grateful for the provision of PPE, but, to come back to my question, did you approach Government for these contracts or did Government middlemen approach you? Could you please explain what your gross profit margins were on the PPE and on the logistical support that you supplied?

**Iain Liddell:** Absolutely, we did not approach the Government, and absolutely we were not approached by any Government middlemen. The call came directly from the DHSC, directly to us. With regards—

**Q17 Nick Smith:** Sorry to interrupt. Were they Government officials or middlemen who approached you, people you work with in the industry?

**Iain Liddell:** No, they were direct from the DHSC; they were Government officials.

**Q18 Nick Smith:** Thank you. What were your gross profit margins at the time?

**Iain Liddell:** If you look across all the services that we provide, we provide something like 130 different services, two of which would be the procurement of PPE. Our profit margins vary between 5% and 20%, depending on what actual service we are providing. Now—

**Q19 Nick Smith:** Sorry to interrupt, but may I ask you to be specific? On the PPE, what was your gross profit margin, please?

**Iain Liddell:** On our 2020 accounts, which I have just signed off and take us to the end of June, which is when our contracts were run for the procurement of PPE, our turnover was £560 million and our profit was



£46.5 million. That is what we made, including for the procurement of PPE.

**Q20 Nick Smith:** Sorry to push you, but we are specifically seeking an answer on PPE. You have given me the broad results for that sector, but it is the gross profit margins on the PPE that you were moving at that time, please—great work that it was. We just need to know.

**Iain Liddell:** Sure. Well, 8.2% is what that number works out to be.

**Q21 Nick Smith:** On the logistics side, what was your gross profit margin on the logistics side?

**Iain Liddell:** The logistics side would be included in that figure that I have just given you. That is the actual figure that we have made.

**Q22 Nick Smith:** To be clear for people watching, exactly how much money was that?

**Iain Liddell:** On a £560 million turnover, it is £46.5 million profit.

**Nick Smith:** Thank you for that, sir.

**Q23 Sir Geoffrey Clifton-Brown:** May I come back to you, Ms Stoute, because I am very concerned about some of the evidence that you have given? You tell us in your evidence that you were an existing NHS supply chain supplier for almost 20 years—you started in 2002—and yet, when the call went out for PPE, you say that you implored the inventory management team to escalate the situation with SCCL and that there were supposed to be regular meetings with them, which were cancelled. Given that you were an existing supplier and had successfully supplied the NHS not only with what they had asked for, but in excess of what they had asked for, in each winter's flu pandemic, when did the situation get back to normal for you supplying the NHS or DHSC?

**Sarah Stoute:** In terms of getting back to normal, what timeframe are you talking about, because it is not back to normal?

**Sir Geoffrey Clifton-Brown:** Within the pandemic, we were all locked down on 23 March and the call went out for PPE. When did normal communication with SCCL resume for your company?

**Sarah Stoute:** There wasn't any normal communication resumed. There was stagnation. In their defence, they are not trained or have approval to spend huge amounts of money; their job is to facilitate frameworks and contracts and to follow due process. When there was an unprecedented demand for products, I think there was a little bit of rabbit in the headlights and authorisation issues. It took senior officials in the Department of Health and Social Care to be put in place and to contact us to get the wheels moving. Prior to that, it was very slow, very low level and already running out. Weeks went by when nothing was happening and we could not get escalation.

**Q24 Sir Geoffrey Clifton-Brown:** How many weeks? That is my question: when did some form of normal communication with your company take



place?

**Sarah Stoute:** We started to talk to SCCL about stock issues in December 2019. All the hubs in the country that are run by—at the time—DHL SCCL were emptying. There was no stock and hospitals had started to call to say that they were in a panic. It took all of December and January to start to beg them to release the Brexit stock as a matter of emergency, while we went to full-scale production in the background and urged them to place orders for products that were running out 10 to the dozen.

There were three suppliers supplying a particular product, and all three factories were in Wuhan. I made a call to say, “You’re going to have a major problem on this, because nothing is coming out of Wuhan. You need to ring the other two suppliers. You need to buy everything you can get your hands on. I’ll give you their product codes: get it in. You are going to need a huge amount; it doesn’t matter where it comes from, just get the product.” The person I was speaking to in inventory tried to escalate that within the organisation and was ignored, and was in a very stressed state about it. That went on and on for weeks, until we started to go into production: we just ripped up the rulebook and risked everything to get as much on a plane as we could. We had already gone to production for things we could not afford to pay for, waiting for the Government to catch up.

Q25 **Sir Geoffrey Clifton-Brown:** When did you go into production?

**Sarah Stoute:** In December and January we started to buy raw materials and over-commit.

Q26 **Dan Carden:** Ms Stoute, who were you bidding against, and what was the competition like in the open market?

**Sarah Stoute:** Before the pandemic?

**Dan Carden:** During the pandemic.

**Sarah Stoute:** We were not bidding against anybody. There wasn’t a bidding process. We worked on our own, knowing the items that were required, through my nursing background and the expertise at the business. We mass-produced all the critical items that we knew were on the flu preparedness programme and extras, because we knew there was going to be a massive problem. We know where the factories are; we knew what was happening in China, and it was a leap of faith to go to production as quickly as possible, knowing that there was going to be a huge issue, and that is exactly what we did.

Q27 **Dan Carden:** Mr Liddell, in terms of the contract you had for PPE, what experience does your company have of sourcing PPE?

**Iain Liddell:** We work with a huge number of factories and vendors that specialise in PPE. We put out our specific requirements, backed with all the DHSC’s specifications and standards, and we managed to negotiate production time with them to be able to secure PPE. One of our strengths is in procurement and managing factories and production.



Q28 **Dan Carden:** Had you procured PPE before the pandemic?

**Iain Liddell:** We hadn't procured PPE before, no. We told the DHSC that at the beginning.

Q29 **Dan Carden:** I am just trying to get to the bottom of what sort of co-ordination was going on at the Department for Health. In this evidence session we have Mr Martin, who has a decade's worth of experience but who was not approached to procure PPE, yet other contractors were. In your conversations with the Government, was there any concern about your company's experience to do that?

**Iain Liddell:** No. We had already proven that we could do what we said we would do. From a logistics and supply chain point of view, there was no failure with any delivery. They knew and were well aware of all our capabilities and skills, especially in China, and asked us to provide products that they did not have. That is what we did.

Q30 **Dan Carden:** Were you bidding against others when you were trying to get hold of PPE?

**Iain Liddell:** The Chinese market was an absolute frenzy. Every country in the world was trying to procure the same PPE. The Americans and the Europeans were coming in and gazumping everybody, just trying to get production. You also had the Chinese, who were compulsorily purchasing a lot of PPE as well. Yes, it was a very chaotic and difficult market. Prices absolutely rocketed.

Q31 **Dan Carden:** Thank you, Mr Liddell. Mr Martin, can I come back to you? In your conversations with Government, did you get a sense that this procurement programme was co-ordinated in any way?

**Thomas Martin:** Regrettably, I cannot confirm that we felt it was co-ordinated. I think that they were dealing with an exponential wave of offers, with absolutely no filtering mechanism to be able to understand which was a bona fide offer backed up by expertise and which was a more speculative offer.

I can evidence what I say by suggesting that we were asked to comment on conversations that were confusing PPE items with medical-grade devices, so even the basic language wasn't fit for purpose, clearly. We know the safety game and it is sad when you see requests going out to the marketplace via some of the NHS trusts for the wrong type of equipment.

I can also add that on one particular product range, there were seven different guidelines issued on one particular item. Of course, when you understand the safety narrative, when your colleagues sit on the standards boards and when your own in-house team are writing the standards for the British Standards Institution, or the CEN standards, or the international standards, you realise that actually we are having the wrong debate, we are using the wrong language and, frankly, there was a fundamental breakdown of process, which could have been avoided. I regret to confirm that that is my view of what was going on.



**Q32 Dan Carden:** Finally, Mr Martin, there were numerous reports of companies—some brand-new companies with absolutely zero experience but links to the Government—that won enormous contracts. What would be the difficulties that a new company with no experience would face in the marketplace?

**Thomas Martin:** They would be moving very fast, they would have to understand the manufacturing source, they would have to understand the logistics of moving product from a completely new factory, running it through a quality assurance process and then running the logistics. All of those can be outsourced. But of course the biggest issue is financing this, and a small company would have to take a massive punt and basically commit a disproportionate amount of its resources, or maybe even go all in, to try to win some of this business.

It is a highly regulated world that became a feeding frenzy, and therefore it would be very difficult as a newcomer to steer an effective path through all of that and have fully compliant product landing within the UK. And of course with safety products, if you get it wrong, then you are compromising people's health. So it is a very difficult challenge, but actually a number of people managed to meet that challenge head-on, and thank goodness they did.

**Chair:** Thank you for now, Mr Carden. Now, over to Richard Holden MP.

**Q33 Mr Holden:** We have heard a huge amount of very interesting evidence today, but I just wanted to ask a little bit about making sufficient use of the current supplies. Ms Stoute, you said that there was a real problem with releasing some of the existing supplies that were in the system at the start of the pandemic. Is that something you think could have been easily avoidable, and what do you believe were the issues behind it?

**Sarah Stoute:** I think that there was a nervousness from SCCL to overcommit to spend without having direction above them, because the spend would have taken them way over anything they had done before, and because that wasn't in place in the beginning, they had perhaps not got permission to act on it.

There was a time lag where suppliers were ready to action and were not being taken up on their offers, so it was up to those companies to decide how much risk they took with buying raw materials and securing factory production space while they waited for any official orders, and I think that was the difference between action and non-action that gave us the head start on having product ready when they needed it.

However, I don't think it was a purposeful thing; it was a completely different way of working for them. We normally have tenders that are OJEU'd and framework agreements; it is very process-driven. It takes many weeks to follow the normal process. You cannot follow that process in a pandemic.

**Q34 Mr Holden:** According to when you were first aware of issues, Ms Stoute, when did you feel that the Department of Health and the NHS had finally



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got to grips with the procurement issues that you were facing with regard to releasing those supplies, then going out to get new ones from yourselves?

**Sarah Stoute:** In terms of the ball rolling and action being taken, we are talking the end of March to April, when senior figures in the Department of Health and Social Care arrived with permission to spend money on products that were required. That really unleashed activity. Before that, nothing much was happening.

Q35 **Mr Holden:** At the end of March and the beginning of April we were in the first peak at that point. It is rising rapidly, essentially.

**Sarah Stoute:** It is already distress zone. It is already tearful, distraught NHS workers ringing up trying to buy PPE on their own credit cards, begging for product, scared to go to work. Brexit stores were depleted. There was not much else to send out. Our shelves were bare. Product was coming over, but still not enough without permission from the Government to buy it, so there was a lag, definitely. From January to April there was a severe lag of activity.

Q36 **Mr Holden:** Mr Martin, we heard how you are involved in long-term procurement in this area. There was an issue we thought, and that we were looking at, with yourselves not potentially being involved at an earlier stage. Obviously, you were involved before. Is that normal process now coming back, obviously with higher levels, or are you still in that emergency situation, Mr Martin, from your experience?

**Thomas Martin:** I am very pleased to confirm that since probably last September/October there has been a different narrative. We have returned to conversations that were already under way with BEIS and OPSS in January 2020. The big narrative change was when we published our own findings and our own 10 recommendations in December. That has led to a flurry of activity. Personally, I remain entirely satisfied that the conversations in terms of what we are going to do next are on a completely different basis. It is much more structured. Clearly, there is no panic and there is a very decent strategy. It is pleasing to see so many elements of existing expertise being mobilised to get the right answers for the UK. It is a very different narrative.

Q37 **Mr Holden:** That is very interesting and quite reassuring. Ms Stoute, are you finding similarly—I will come to the other witnesses as well—that we are moving to a much stronger position now?

**Sarah Stoute:** No, I don't agree with that at all. I think there is an excess of stock, which has allowed a pause button on panic. We obviously do not know what is going to happen this summer and autumn—whether we are going to be seeing any other lockdowns. Hopefully not, but I think that the excess of stock in the UK has bought time. Obviously, there is a huge operational thing to sort out there with stock that can and cannot be used, where it is, and where the containers are. We certainly have many sea freight containers that need to be returned that haven't been.

In terms of going forward, we have been informed that the Government's focus is on UK production. There has been a very unsmooth path in that aspect. We were in the middle of moving production plants from China to the UK pre pandemic and made a decision to delay that, so that we did not waste any downtime. Now we are finding that the discussions on moving to the UK and setting up production are being hindered by a lack of discussion going forward. The existing framework and contract for these products is still live. It is not being utilised. We are still using Government push stock—the pandemic strategy of Government-sourced products. The contracts have been completely side-lined. On reverting to business as normal, there have been no discussions whatsoever. Those contracts are just in the side wings.

- Q38 **Mr Holden:** There is clearly a broader issue there of Government support for smaller manufacturers and suppliers like yourself, Ms Stoute, but you raised the issue of logistics. That is probably a good point at which to bring Mr Liddell in. Are you still seeing logistics issues with supplies of PPE, or are you more optimistic, Mr Liddell, at this stage?

**Iain Liddell:** The DHSC has definitely got a fit-for-purpose supply chain system, process and platform now. There is no doubt that, within the shipping and air freight industry, the capacity has been significantly reduced, and the costs are absolutely at the top of the market—definitely higher than I have ever seen them before. But saying that, the DHSC has a decent stock of PPE in the UK. I think that we can start to deal with things in a more rational way. Definitely, the way that the distribution has worked in the UK from the DCs that have been running into the NHS and the frontlines—there has been a bit of a bottleneck there. We have all experienced those volume issues—trying to get everything delivered as quickly as possible—but I would say that we are in a far better position now than we have been since the beginning of this.

- Q39 **Mr Holden:** Mr Liddell, obviously you have moved into the PPE supply chain, rather than just the logistics side, during the pandemic. Are you planning to stay in that side? Are you planning to start some of that manufacturing in the UK, as the UK Government is suggesting, or are you going to stick to your logistics business?

**Iain Liddell:** We are going to stick to the supply chain management and looking after all these companies that manufacture, but we will definitely be working alongside them, to make their supply chains as effective as possible.

- Q40 **Mr Holden:** Mr Wakeman, what is your experience of this in the later stages, after those initial issues with the pandemic?

**Chris Wakeman:** I agree with some of the other witnesses that we still have goods to be delivered into the existing infrastructure of the supply chain. I do not believe that conversations have returned to business as usual. It has very much been focused on satisfying the products that we still have to bring into the supply chain from orders that we received last year.



- Q41 Mr Holden:** So you are also seeing those backlogs of supply issues within the system. We have a rough idea, although a slightly different picture, of what is happening now. Ms Stoute, what is next for your business? Are you expecting to try to properly move into the UK supplying system, or are all things still a bit up in the air for you? What sort of support are you getting, in terms of that onshoring of supply and manufacture?

**Sarah Stoute:** Back in March/April, we did have discussions with Deloitte, with people asking us, on behalf of the Cabinet Office, whether we would manufacture in the UK. The middle of a pandemic is not the time to move a production line. The sensible thing to do is output as much stock as possible. Our plan going forward is to expand our facility in Northamptonshire to a centre of excellence—a very large innovation centre. We have recently, in January, acquired a company in Wales, Design Reality—a team of expert engineers who are behind the IP in many global respiratory market leaders, including products used by our MOD and SAS. They are absolute Einsteins, and the future of respiratory health is in their hands. We acquired their business; they needed funding. Everything we make with them is made in the UK—the tooling and the raw materials.

Looking at the environmental impact of the pandemic with single-use products, we are launching some reusable, high-end and innovative products that the world has not yet seen. We have just been given the CE mark. The plan is to create jobs and stay in the UK. I think that in the future, now that the pandemic has taken place, in the global supply chain everybody knows everybody. There is a finite window now for us to potentially reduce down or even exit some products, because it is obvious that in future the Government will go direct on the low-end, low-margin and high-volume products, and we will be concentrating on the innovation and the futuristic products for the fire market and health market.

- Q42 Mr Holden:** Finally, Mr Martin, you have obviously been involved in supplying things for a long time, and you seem to have a much more positive view of the way forward at the moment. Are you bringing more jobs to the UK as part of the Government's plan to try to have more products in this area made in the UK?

**Thomas Martin:** I can confirm that we have already set up three facilities for manufacturing face masks. We are working with colleagues who are producing hand sanitisers in another part of the country and also in respect of the visors that I mentioned earlier. We are also in the early investigation of investing in producing some other PPE facilities in the UK, and that could be 200 or 300 jobs. It is on the table. We are discussing it with the Cabinet Office. This kind of programme takes probably two to two and a half years to get into production. It is highly sensitive, and it is absolutely strategically vital for the UK, so I hope our conversations continue.

**Mr Holden:** Thank you very much. I will pass back to Sir Geoffrey.

**Chair:** Thank you, Mr Holden. We are actually going to Peter Grant MP.



- Q43 **Peter Grant:** Thank you, Chair, and apologies to Sir Geoffrey if I have gazumped him. Mr Liddell, I just want some clarification on the answers you gave earlier to Mr Smith about the value and gross profit margin on the PPE-related contracts. Is the gross profit that you quoted the impact overall of the Uniserve group, or did any of the expenses incurred in that contract essentially become income to other companies within the wider holdings?

**Iain Liddell:** I have not quite finalised all the Uniserve group turnover and profit, but it looks, from the figures at the moment, that we will have turned over about £900 million as a group, and our profit will be something in the region of £75 million.

- Q44 **Peter Grant:** Thank you very much. Ms Stoute, you indicated earlier that, as well as essentially going out on a limb in building up massive stocks last winter in anticipation of the covid pandemic, that was something you intended to do on a smaller scale most years. Did you at any time make representations to the Department of Health and Social Care, or anyone else, to tell them that this was not a particularly good way for your business to have to run? Did you ask if you could have any kind of certainty—for example, about being able to move on some of the supplies that you knew would be needed but did not have absolute certainty would be bought from you?

**Sarah Stoute:** For the past six to eight years pre pandemic, there were instances of contracts—tenders—being published and then withdrawn for the stocking of key pandemic items in the UK. Stock in the pandemic stockpile that was awarded in 2009 had expired, and then they had paid about half a million pounds to extend the shelf life of that product, which was not ours. We knew that it had expired on its second shelf life, and for six years it was on/off, on/off for that contract to come out.

We did have discussions about a different way of working, so that pandemic product would not be wasted. We had a meeting in August 2019 with the head of countermeasures supply and operations at Public Health England, at the Department of Health head office in Elephant and Castle, to discuss the issues with the 34 million respirator masks that had been bought in 2009. Because we did not have a pandemic, that stock was not utilised, so a considerable amount of money had been spent on landfilling that product.

They wanted a better way forward, and it was proposed to us that the better way forward was that the companies should be solution providers in going into production as soon as a pandemic was announced. That is not a sensible way of working, because we all know that in a global pandemic, the supply chain shrinks overnight, and you are fighting globally with other countries to secure production.

We proposed that the only way forward was to re-buy and sit on the stock in the UK; there was no other way of doing it. There were discussions about securing raw materials to speed up that process, but my feeling—and I verbalised this in the meeting—was that the only way to do it was to risk that money by having stock in the UK ready to go.



That was in August 2019. We were told that the programme that they were looking at was urgent. We did not hear anything else until January. We made it clear at that meeting that the products that had been bought previously were valved respirators and that things had moved on, and that it was clear from other clinical papers that had been written that valved masks were not good at dealing with a virus, because only the wearer, breathing in, is protected, not breathing out. We made it very clear that we supplied both, but we supplied valved masks to the construction industry.

In January 2020, I received a phone call to say, “We have listened to your advice and we will not be buying any valved masks for the NHS.” Then the pandemic hit, and millions of valved masks were bought from multiple suppliers. It wasn’t until later in the year that Public Health England released a paper telling the NHS that they should not be wearing valved masks, a little bit too late.

- Q45 **Peter Grant:** Thank you. A final question to you Ms Stoute, and I will ask the other witnesses to comment on it as well. Prior to autumn 2019, which was when we all began to see reports about a possible pandemic being on its way, had you been contacted by anyone in Government about specific contingency planning for the kind of things you have been speaking about just now? Had anyone asked you, at any point, to say, hypothetically, if in two years’ time that pandemic was coming, how quickly you could increase that area of production or your supplies? Was there any scenario planning of that kind that involved suppliers such as yourself, before we knew the likely date of the covid pandemic?

**Sarah Stoute:** Yes. On the tenders that we had to fill out that were then negated—they were pulled, for whatever reason—we had to give a real-time honest opinion of the timeframe it would take to deliver from order into the UK. Because we gave an honest answer on the timeframe, we were rejected from the tender as being too long.

My understanding is that the answer was required so that if it were actioned, it would be helpful to the NHS. There is no point trying to flower up an answer to win a contract if you cannot supply in a shorter timeframe. So we stood by our word and answered it honestly, and that basically kicked us off the tender, even though we were the market leader.

We are fully aware that you can speed things up through air freight, but nothing then happened with that tender. We then had other discussions about stock rotation, so that you could rotate the stock off the pandemic stockpile to reduce the risk of wasting money, feed it into the system on a daily basis and top it up, but we were told that the systems in the NHS or in the Government couldn’t handle that solution.

- Q46 **Peter Grant:** Thank you. Mr Martin, were you involved in any pre-pandemic discussions about scenario planning or “what if?” planning?

**Thomas Martin:** Thank you, Mr Grant. I can confirm that, to my knowledge, there was not a single syllable of discussion in the autumn of 2019, so I do not think we were involved whatsoever.



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Q47 **Peter Grant:** Thank you. Mr Liddell, given the major part your company plays in logistics and distribution, were you involved in any discussions prior to autumn 2019 as to the part you might play and the increased capacity you might need to be able to generate in response to a pandemic at some point?

**Iain Liddell:** I wish we had been, because it would have all been in the preparation to make the planning a lot easier. But no, we were contacted on 22 March and that was the first opportunity we had to start giving our advice.

Q48 **Peter Grant:** Thank you. Finally, Mr Wakeman, are you aware of anyone at Bunzl being asked to be involved in those kinds of discussions?

**Chris Wakeman:** When you were asking the question, I was trying to recall where we were in autumn 2019, but I cannot recall any specific conversations around pre-planning.

Q49 **Sir Geoffrey Clifton-Brown:** At our hearing on 10 December into Government procurement for covid, we heard from Dr McWhirter, who is a very senior retired nurse from the Royal College of Nursing, that on Easter Sunday, 12 April, in one of the care homes, she was about to run out of PPE. Were any of the four of you aware of how bad the situation was in the social care sector? If it was bad in the NHS, were you aware how bad it was in the social care sector?

**Chris Wakeman:** Bunzl operates a distribution business into the long-term care sector. It is called Care Shop, operates out of Manchester and services the independent and key accounts of the care home sector. We were getting lots of phone calls from care homes that were concerned about the provision of PPE.

Q50 **Sir Geoffrey Clifton-Brown:** Were any of the other three of you aware of how bad it was in the social care sector at that time?

**Thomas Martin:** If I can go on behalf of Arco, yes, we were. We had a number of calls. It was getting increasingly desperate and actually we supplied a fair quantity of product on a free-of-charge basis. We then met as a board to try to understand what this meant in respect of the breakdown of the various supply chains. So yes, we were aware.

Q51 **Sir Geoffrey Clifton-Brown:** The NAO Report on covid procurement on 25 November states that four months' supply was likely to be stockpiled by November 2020. Ms Stoute, you had some comments about the stockpile. Where do you think we are at the moment with a stockpile of PPE? How much do we have now?

**Sarah Stoute:** I would not have those figures nationally on a Government level, because we don't have access to that. On the basis that we are not being asked for anymore—I am speaking to my counterparts in other companies and everything has gone pretty quiet—I would say that there is sufficient. Things have slowed down and it is not hectic at all, but I would not have access to the exact numbers.



- Q52 Sir Geoffrey Clifton-Brown:** But you and Thomas Martin have given some fairly positive answers about scaling up your operations to produce in the UK. Surely you must be very interested to know when the normal procurement process is going to get back into place.

**Sarah Stoute:** We have asked that question and have been told there is sufficient product at the moment. We were disturbed by the Royal College of Nursing and British Medical Association writing in the press about a shortage of good PPE and RPE. We didn't understand that, because we have over £34 million-worth of respirators sitting in the UK and have had for months that were the market leader in the NHS the week before the pandemic.

There is no shortage of good PPE and RPE, but the strategy now, the pot that they needed to fill of the quota of product required, has come from a wide range of companies, some of which are from abroad and no one has ever heard of them. We know that some of that product in the NHS was not sufficient in protection. They may have ticked the box on volume, but it does not mean it has been ticked on quality.

- Q53 Sir Geoffrey Clifton-Brown:** We heard in that same hearing that some nearly £200 million-worth of stock had to be written off because it was out of date. Is there not a danger that, if they have sufficient stocks now, some of that too will become out of date?

**Sarah Stoute:** There is always a risk of that, but what are you better off with or without? At the end of the day, I can understand that having to put £34 million-worth of respirator masks in the ground and pay £4 million for landfill is not anybody's wish, but if you don't have it, the other side is many more deaths. It is a poisoned chalice to handle—it is a very difficult one.

- Q54 Sir Geoffrey Clifton-Brown:** But is there also a question about logistics management, making sure that you use the oldest stocks first and you know where the oldest stocks are, not hidden behind some newer stocks?

**Sarah Stoute:** Absolutely. I would assume that now people have more time to look at that, there would be a mass operation going on of checking all the stock, where it is, date logging everything and getting some sort of order.

There was an unprecedented amount of freight arriving by air and then in August, it started to arrive by sea. It took all the infrastructure in the UK completely unawares. I don't know whether the maths were not done, but I personally had stock at Heathrow that I had been requested to airfreight that then sat there for two weeks and could have gone on a boat. There was a huge volume of logistics and freight to manage and not enough infrastructure to manage where it was going to go. By the time the maths were done, it was absolutely not going into Clipper. We were sitting waiting for dates to log stock in, and now, container-wise, it has taken months to get it into the Government's system. It has been sitting at the port, and the cargo companies obviously want their containers back.



**Q55 Sir Geoffrey Clifton-Brown:** May I move you on to a different subject—very briefly, all four of you, because time is moving on—and the ethics of sourcing from China and Xinjiang in particular? What are your companies doing to really look at the ethics of where you are supplying from? After all, China is the world's third largest supplier of cotton, and 20% of that cotton comes from Xinjiang. Are you sure that you are ethically sourcing your supplies? I am happy to stick with Ms Stoute and then move on to Mr Liddell and the others.

**Sarah Stoute:** SCCL has a very robust programme for ethical trading as part of its framework and national contracts. We are audited on a yearly basis, and every factory that we work with is audited on a yearly basis. As a regular supplier to the NHS, all my counterparts are going through the same process, and have done for years. We are very satisfied with the long-term partners we have been working with.

**Q56 Sir Geoffrey Clifton-Brown:** Mr Liddell, how does your company supply ethically? Do you look at the ethics of where your supplies come from?

**Iain Liddell:** Absolutely. For the DHSC, if there are any concerns, we have carried out the human rights and ethical audits on their behalf. They have been employing us to go and audit factories, if there should be any concern about that at all.

**Q57 Sir Geoffrey Clifton-Brown:** Let's put it another way. Did you reject any of the supplies that you were offered for ethical reasons?

**Iain Liddell:** For the products that we supplied and procured, we would have done a full factory audit and quality check on everything before we actually placed any orders.

**Q58 Sir Geoffrey Clifton-Brown:** Mr Wakeman, what does Bunzl do to make sure that supplies are ethically sourced?

**Chris Wakeman:** I echo what Sarah Stoute said. The framework agreements with SCCL have very strict ethical trading standards. I mentioned in my opening sentence that we have a dedicated team based in Shanghai. During 2020, we conducted over 600 audits of the factories that we partner with in China to an agreed standard. We ensure that all the factories that we trade with are able to manufacture not only the products to the standard, but that ethically they meet the standards that we require.

**Thomas Martin:** This has been a serious topic for us for over a decade. We chair the manufacturing caucus of the ethical trading initiative. We have a team of 14 based in Xiamen whose only focus is modern-day slavery, ethical procurement and the quality of the products. It is all independently checked and verified. Then we back that up in terms of product testing at our own laboratory, which I think is a UK first, to make sure that the products come in. I can confirm that we rejected a number of offers of supply because they either did not meet the product conformity standards that we knew were not going to be met, or we could not see behind their ethical trading record, so we were not interested.



**Sir Geoffrey Clifton-Brown:** It is interesting that you rejected some products and the rest of the panel did not. Nevertheless, I will let that pass.

Q59 **Dan Carden:** May I briefly return to pandemic contracts with you, Mr Wakeman? I want to ask about the £22.6 million contract that Bunzl won. The Government have said that there was a VIP lane for contracts and that this allowed MPs, Ministers, lords and officials to put forward companies to win contracts. Is it your understanding that Bunzl's contract was won through the VIP lane?

**Chris Wakeman:** No. Our understanding is that Bunzl were not allocated to the VIP lane for the order in question.

Q60 **Dan Carden:** So can you answer a few questions on this? We were told that Bunzl had been removed from the approved suppliers list for PPE, but it was then put back on. This has also been reported in the press. Could you shed some light on that for us?

**Chris Wakeman:** Yes, by all means. I think it is an important note. I think there may be some confusion about Bunzl being removed from approved contracts, because Bunzl has not been removed from approved contracts. I believe that the issue at hand is that, back in 2018 when the Department of Health was looking at its future strategy around the supply chain at the end of its contract with DHL, SCCL were looking at ways they might be able to decouple the warehousing and logistics contract from the procurement of product and the category management exercise. At that stage, Bunzl Healthcare raised a number of concerns about the direction of travel that SCCL were going towards with actually procuring product and then separating out warehousing and logistics and support services and changing the manner in which that was funded by a reduction in the tariff. So Bunzl had various meetings with the Department of Health and Social Care and with SCCL, just raising our concerns about the impact that this would have in the marketplace. Ultimately, those discussions did come to an end and a number of our customers chose to move towards the central model of procurement via the new model that we are now talking about, through Unipart, but we were never removed from any contracts of supply. We continued to supply a number of NHS trusts direct, as we still do today, and we still continue to supply product on NHS frameworks. So we were not removed from any contracts to supply product.

Q61 **Dan Carden:** So are media reports that Lord Feldman intervened to have you put back on the approved list incorrect?

**Chris Wakeman:** Sorry, could you repeat the question?

**Dan Carden:** Are media reports that Lord Andrew Feldman intervened to have you put back on the approved list incorrect?

**Chris Wakeman:** They are incorrect, because, as I say, we were not removed from any agreements to supply product.

Q62 **Dan Carden:** Could you also tell the Committee what your relationship with his PR company is?



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**Chris Wakeman:** Yes, I can. Well, would you like me just to clarify Andrew Feldman's involvement with the discussion that took place on 22 March before I move on to that?

**Dan Carden:** Yes, please.

**Chris Wakeman:** Andrew Feldman contacted Bunzl back—I think it was the day before we went into lockdown—and informed us that he had been appointed by the Secretary of State for Health as an adviser with a special focus on sourcing. He contacted our chief executive, Frank van Zanten, who then put myself directly in touch with Andrew Feldman. Andrew Feldman and I had a discussion about the newly formed PPE taskforce that had been put in place within the Cabinet Office, and made an introduction to me to Andrew Wood, who was leading the procurement exercise on behalf of the Cabinet Office. And all my discussions from that moment onwards were between myself and the Cabinet Office officials. To answer your question around the involvement of Andrew Feldman with Bunzl, Bunzl use Tulchan. They provide financial communication advice to Bunzl plc, to my colleagues in London, and they have done now for 10 years or so.

Q63 **Dan Carden:** So would it be fair to say that your company has had interactions with Lord Feldman both as a client of his PR company and then later when he was an adviser to the Government in procurement?

**Chris Wakeman:** In terms of Andrew Feldman's direct relationship with Bunzl plc, he is not part of the advisory team that work with Bunzl and I don't believe he ever has been. That's my understanding of Andrew Feldman's relationship with Bunzl.

Q64 **Nick Smith:** Mr Martin, your company is a long-established UK company. Has it ever occurred to you to have a lobbying company to work on your behalf with the Department of Health and the procurement division there?

**Thomas Martin:** Not through the procurement division, but it has certainly occurred to me to create a company to help shape the UK's safety industry, so we work with a company called Interel, in terms of public affairs, and they have been instrumental in getting me access to Ministers at BEIS and the OPSS. We had conversations in January 2020 about what we would do in a post-Brexit world with respect to certification standards and product quality initiatives, and how should the UK's safety record be maintained through the correct funding of the Health and Safety Executive and the Office for Product Safety and Standards. So absolutely because, clearly, me knocking on doors was not effective enough.

Q65 **Nick Smith:** Thank you. Mr Wakeman, a similar question to you. What is Bunzl's gross profit from PPE?

**Chris Wakeman:** Could you clarify the question, please? Do you mean Bunzl as an entity?

Q66 **Nick Smith:** I know that Bunzl is a very big organisation, but I just want to talk about its provision of PPE during the pandemic, and I am trying to



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understand what the gross profit of your company was from its PPE provision.

**Chris Wakeman:** From a PPE perspective, you are quite right, we supplied somewhere in the region of about £2 billion-worth of products during the pandemic to a number of countries around the world. In terms of the UK, with great respect, I have Thomas Martin on screen, who we respect immensely, but we are competitors in the marketplace. In terms of releasing our gross profits, I do not think this would be the right environment for me to do that, but I would be very happy to work to provide you with that information separately.

Q67 **Nick Smith:** Okay, it is a shame you cannot tell us now, because one of your competitors has been transparent. I put it to you again. Can you tell us what the gross profit was on the PPE that you sold to the UK market, please?

**Chris Wakeman:** As I say, I do not have that specific number with me here today, to be able to tell you.

Q68 **Nick Smith:** Okay. On the topic of bonuses to directors: again, I appreciate you are a big global organisation, but I am interested in whether you can tell us the levels of bonuses paid to the directors of your company for the provision of PPE. Can you let us know that information is, please?

**Chris Wakeman:** Yes. Bonus payments to our senior executives throughout 2020 were in line with any other year. There would have been no exceptional payments because of the pandemic or the provision of PPE. All bonus schemes would have been honoured in line with what they would have been in previous years.

Q69 **Nick Smith:** Okay, thank you for that. Sarah Stoute, what bonuses were provided to the directors of your company?

**Sarah Stoute:** Our financial year is September, so I have no financial information at this stage.

Q70 **Nick Smith:** Okay. Mr Martin, are you able to tell us your bonuses for your company?

**Thomas Martin:** Our financial year ends on 30 June. There is nothing to add; there was no commentary at all on the accounts when they were published earlier this year.

**Nick Smith:** When you say you had no commentary—

**Thomas Martin:** I do not know what the boundaries are. I beg your pardon; I was not trying to be evasive.

Q71 **Nick Smith:** Will you let us know what the bonuses are, please?

**Thomas Martin:** Of course.

Q72 **Nick Smith:** Mr Liddell, are you able to tell us your bonuses for the directors responsible for your PPE provision and logistics provision?



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**Iain Liddell:** Within the group, we give staff and directors a 10% share of profits that we make. That will be distributed between them. We have given what we call exceptional service payment rewards to people who have gone above and beyond their duty. There has been quite a significant amount of those made to all the general staff. The directors are not eligible for an exceptional service payment reward, but all the staff who have been involved in the DHSC who have gone beyond have received them.

Q73 **Nick Smith:** It is great that the staff have benefited from their hard work in your PPE provision. Just to be clear, there were no extra bonuses paid to the directors of the divisions responsible for PPE and logistics in your company during this period.

**Iain Liddell:** No, none at all. I have not received any and they have not.

Q74 **Dan Carden:** I have one final question for Mr Wakeman on the contract that we were talking about. The publishing of the contract was delayed by up to a year. Is that something you were aware of?

**Chris Wakeman:** Yes, I am aware of that. Honestly, there was a mistake around the acknowledgement of the order that was received by the Cabinet Office. Back in November, we were asked about three specific purchase orders that we had received from other healthcare authorities, which we responded to. At the time, the management at Bunzl UK, Ireland and plc were not aware of the Cabinet Office order that had been received.

Q75 **Dan Carden:** In that situation, were you giving incorrect answers when you were asked about the contracts that you had?

**Chris Wakeman:** It was an honest mistake that was made, because they were not aware of the purchase order. Bunzl is a very decentralised organisation, and the purchase order from the Cabinet Office came into one of our specific entities. It was an honest mistake, which has subsequently been corrected.

Q76 **Dan Carden:** Thank you, Mr Wakeman. A final couple of questions from me on the quality of PPE, and what can be done to ensure high standards. Could I start by asking all the witnesses what more the Government could have done to ensure that the PPE that they bought was of the right quality and was used for the intended purposes? What lessons have we learned from the last year, starting with you, Ms Stoute?

**Sarah Stoute:** I think with any type of vast procurement processed at speed you are going to have mistakes, no matter what the product is. There is no dry run for something of this size, but there were mini events that could have been learned from. In terms of the mistakes, I would say that product knowledge within the Department needs to be greatly improved, and decision making of what is important and where the quality levels should be needs to be improved.

It has been like that for decades. We have had framework agreements where there has been a panel of clinicians and not one of them is relevant to the environment or product that you are pitching for. In terms of sitting



in front of the right people and speaking the right language, there has been a dismissive nature of the knowledge of healthcare companies in the UK and what they could do to improve the process. It is being talked at, rather than collaborated with, and when you do that you are missing out on a lot of market intelligence that could help the process, so that needs to stop. There needs to be more two-way respect, and that would help in itself.

Q77 **Dan Carden:** Mr Liddell, do you agree with that?

**Iain Liddell:** My advice right at the beginning when we got involved was to perform quality control at origin rather than at destination—so this is at the factory before it actually went into the supply chain. That did not get taken up until August, when we started to do quality control checks and reports on every shipment coming out of factories for the DHSC. I think a lesson that they should learn is to perform quality control before it leaves the factory rather than when it arrives in the UK.

Q78 **Dan Carden:** Thank you. Mr Martin?

**Thomas Martin:** Let's look forward. If we all agree that there might have been a different way of doing things, what would be important would be to set up the framework agreements in advance, and then, once you have those framework agreements, mobilise on them. The PPE regulations—so many guidelines have been introduced; as I said earlier, over 30 different guidelines have come out in the last 12 months—need to be tightened up because the UK has an outstanding safety record and we cannot afford to have that diluted.

I also mentioned the OPSS in our report. It should be properly funded. One thing to help to mobilise the entire safety industry, whichever part you play, is if you could have a list of category 2 and category 3 suppliers for those higher-risk PPE products. All of that in itself is going to take away so much of the drama. I am with colleagues in this, in acknowledging that this was an infinite demand for a finite set of resources, and I hope that is a constructive observation as to how we can look forward in terms of lessons learned.

Q79 **Dan Carden:** Mr Wakeman?

**Chris Wakeman:** Yes, I agree. I think there are lessons to be learned, and they were unprecedented times. Demand was huge, and I think everybody's priority was trying to get PPE to frontline doctors and nurses, but lessons can be learned. I would agree with Thomas Martin that having the Cabinet Office working closely with the industry, having a database of experts in PPE and understanding those businesses in greater detail and the expert and robust supply chains that are in place, is essential. They could also consider having a team that would oversee the issuing of emergency contracts.

Q80 **Chair:** Thank you for now, Mr Carden. I just wanted to go back: Mr Liddell, you talked about quality control and how it was important that they learned to check as it was coming out of the factory, but that only



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happened in August. I was not sure who you were referring to as “they” in that case. This was stuff that you were shipping from China to the UK, is that right?

**Iain Liddell:** These are the goods that the DHSC had procured. They had 313 vendors, and we were managing each and every one of those, so we were doing the quality control checks out of those vendors’ factories.

Q81 **Chair:** But just to be clear, you said that did not happen until August, and they could have done that quicker. Sorry, maybe I misunderstood you, but who should have done it quicker?

**Iain Liddell:** The DHSC were doing their quality control in the UK, so they were waiting for the goods to arrive in the UK before they did their QC.

Q82 **Chair:** Did they require of you at any point any quality checks before you took ownership of a container of goods in China to ship it to the UK?

**Iain Liddell:** Not at the factory, no they didn’t, until August.

Q83 **Chair:** But from what you are saying, you recommended that they do that, and they said “no”. I just want to know what the chain of interaction was.

**Iain Liddell:** Indeed. We recommended it. They did not say “no”: they were looking at the various different options, but they appointed us in August.

Q84 **Chair:** So you suggested this, they appointed you in August, and at that point, you are saying that you did it on behalf of DHSC.

**Iain Liddell:** Absolutely.

Q85 **Chair:** And prior to that, they were just directly dealing with these suppliers, who were shipping it direct to the UK.

**Iain Liddell:** Prior to that, the QC would only be physically done in the UK.

**Chair:** That is interesting, because there were some middlemen—middle people—who were making quite a lot of money from procuring this equipment before some of you were involved, when it was being deployed direct from China. I am now going to back to Nick Smith.

Q86 **Nick Smith:** Thank you, Chair. I was going to go on to the subject of excess supply, but I just wanted to double check on this issue of middlemen, because it has been controversial. Have any of you worked with middlemen—or women—in these past 15 months and were concerned about it?

**Chris Wakeman:** From a Bunzl perspective, no, we have not.

**Thomas Martin:** From an Arco perspective, we take total control and we manage the entire supply chain.



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**Sarah Stoute:** No. In the whole 20 years of trading, we have never worked with a middleman. We design, quality check, manufacture and hold the records for all of our products.

**Iain Liddell:** All of our contracts were directly with the factories and back to back with the DHSC contracts, so no.

Q87 **Nick Smith:** Thank you, all. On this issue of excess supply, Sarah Stoute, I think you talked earlier on about 34 million respirator masks. You have been through a whirlwind and extraordinary times, but is there an excess supply issue now? Are there ship containers full of material somewhere in warehouses in our country that could be wasted? Is it an issue, and if it is, how are you dealing with it?

**Sarah Stoute:** Anything we have sold to the Government has passed hands from us to the Government. We are not privy to where the containers are. They were handed over to the appointed companies for storage. In terms of the management of that stock, it has nothing to do with us now. We would not have any information about where it is, how much they have, what they are doing with it, or where they are moving it to. It has changed hands, and that is it. We do not get any feedback from that.

Q88 **Nick Smith:** Can I just push you a bit on that? You work within the industry, and you have years of experience. Your company has done a great job at providing this material. You say the Government has excess stock. What are your suspicions?

**Sarah Stoute:** I would say there is definitely excess stock, and the level of excess stock will depend on—I only know what they bought from us. I don't know what they bought of each product from other people, but I would hope they are using it in date order. Of course, if it all gets used up in a short space of time, it means we are going to have more problems as a country. Either we are going to have excess stock, or we are going to a worse covid situation. In terms of the volume, my feeling is that there is excess stock of multiple items, but I do not have any volumes or statistics.

**Nick Smith:** Thank you. Mr Liddell?

**Iain Liddell:** There is a significant amount of stock, both in warehouses around the country and in containers, which are in off-dock storage. How long that will last depends on demand, and we cannot forecast demand—that is something that the NHS and DHSC would do—but there is a significant amount of stock that is in store.

Q89 **Nick Smith:** Are they in your store? Are they in your warehouses and your ship containers?

**Iain Liddell:** The majority are in the DC, which are the distribution centres that are run by the DHSC, separately from us. They would be cartons on pallets in warehouses. The container storage units are in our facilities, because we had to take them off-quay to reduce the cost. We have quite a few containers in our off-quay storage facilities, yes.



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Q90 **Nick Smith:** What would be your estimate of that? What is your assessment?

**Iain Liddell:** I would say that there are around about 9,500 40-foot containers.

Q91 **Nick Smith:** Nearly 10,000 40-foot containers. What would be the amount of PPE in nearly 10,000 containers? A back-of-the-envelope number.

**Iain Liddell:** Pallet-wise, it is equivalent to 450,000 pallets.

Q92 **Nick Smith:** What do you think the value of all that PPE would be?

**Iain Liddell:** I would have to check, and I can let you know that at a later stage. Off the top of my head, I could not give you a real, true estimate.

**Nick Smith:** A back-of-the-envelope number?

**Iain Liddell:** It would be very difficult for me to do that, but I am quite happy to come back and give you the exact figures, because we have all those details within our supply chain platform systems.

Q93 **Nick Smith:** Okay. Thank you for that. Mr Wakeman, do you have an excess supply of material?

**Chris Wakeman:** We have a balance of products still to supply into Clipper. It is probably around 10% of the purchase orders that we had, and that has been called off by Clipper, on a weekly basis, into their supply chain.

Q94 **Nick Smith:** Do you think that is sufficient, or do you think the Government will need to order more through you for that particular product?

**Chris Wakeman:** I don't think the Government will be placing orders with us for the types of products that we were previously supplying. There is enough in the supply chain already, and we are also aware that the DHSC has agreed to extend the free provision of PPE within the social care market until March 2022.

Q95 **Nick Smith:** We are all grateful, certainly in south Wales, that PPE has been provided to the care sector. Mr Martin, I come to you last, because what we have heard from the three previous witnesses is really that there is a large amount of PPE, either in warehouses or in shipping containers, around the UK. Do you have a large supply of material in your warehouses? How is this going to affect your UK business?

**Thomas Martin:** No, we do not have excess stock in our warehouses. I think the biggest effect this will have on our business will be in terms of the conversations with the Cabinet Office as we want to reignite Make UK, because clearly you are not going to get excited about onshoring production facilities that are strategically important for the UK and creating UK jobs if the supply chain is already full. My next meeting on that is in just under two weeks' time and I am looking forward to it.



So, for us it will not really impact our business. We are, after all, mainly providers to industry, so what is of much more concern is how industry in the UK bounces back from the double whammy of Brexit and covid.

- Q96 Sir Geoffrey Clifton-Brown:** Mr Liddell, can I come back to you on your worrying but honest answer about the 10,000 containers you have in your warehouses? Are those containers being actively managed by the DHSC on the basis that none of those stocks will go out of date, and that there are proper inventories, everybody knows what the expiry dates are on all the contents of those containers, and the contents are being actively managed?

**Iain Liddell:** They are definitely being actively managed in regard to product quantities and where they are. As for expiry dates, we do not get involved in that issue; that is managed through the distribution centres. They know that what comes in first should go out first. That is somebody else's responsibility; it is our responsibility just to deliver the product to them in full and then it is for them to take it from there.

- Q97 Sir Geoffrey Clifton-Brown:** We shall obviously want to make some inquiries of them to make sure that they are doing that.

Can I move to a different subject? We know from evidence given to us by PHE that prior to the pandemic the Government were only stockpiling PPE suitable for an influenza pandemic, not a SARS-type pandemic—a covid pandemic. They obviously then had to adapt that, but we know from the NAO that they had given 30 different changes of guidelines as to what specification of PPE they wanted by 31 July. Are you all relatively satisfied that the Government are now on a fairly smooth course to order the type of PPE that they want for both covid and possibly for another flu pandemic?

**Thomas Martin:** Certainly, the dialogues that we have been having with a number of Government Departments suggest that they have been educated exponentially as to the type of product certification and product requirements that another zoonotic event would require. My team are on standby and we are having regular dialogues. So, yes, I have every confidence that should the worst happen again, they will get access to the right advice.

- Q98 Sir Geoffrey Clifton-Brown:** That is very helpful. I want to move on to all of you. The NAO, in their November Report on covid procurement, said that between February and July 2020 the Department spent £12.5 billion on 32 PPE items. That was in the inflated market at the time. However, had it been the same market environment as 2019, that £12.5 billion figure would have been only £2.5 billion. So, can I ask all of you, perhaps starting with Mr Liddell, where on that scale the PPE market is at the moment?

**Iain Liddell:** We were buying when it was at the absolute height of the market, which would have been back in March, April and May. I think it has gradually come down from then. We have not been buying PPE in the



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last four to five months, so I would not be able to tell you exactly where it has come down to, but it has certainly come down.

- Q99 **Sir Geoffrey Clifton-Brown:** Could any of the rest of the three of you tell us where, in relation to the more stable 2019 prices, the market is at the moment? Has anybody been buying PPE recently?

**Chris Wakeman:** Maybe I could share some of our experience. From a Bunzl perspective, we saw type IIR face masks go up by 500% to 600% within 48 hours, and they maintained a significantly high price for a period of three to four months. When we look to buy type IIR masks now, they have returned to where they were pre pandemic, when we were bringing them in from China; they have returned to normal levels. One of the products that continues to be affected via inflation is nitrile gloves. We saw nitrile gloves increase in value dramatically. There has been a shortage of raw material, and nitrile gloves remain at a relatively high price compared with where we were pre pandemic. But generally, we are starting to see other PPE return to some form of normality.

- Q100 **Sir Geoffrey Clifton-Brown:** Ms Stoute and Mr Martin, you are building UK facilities, which is excellent to hear, because you are creating UK jobs and investment. Obviously by having made that decision—and I would be interested in each of your opinions—you reckon that you will be able to supply PPE competitively at world market rates, otherwise you would not make the decision. Is that correct?

**Sarah Stoute:** We are not looking to produce low-margin, high-volume products in the UK that you would normally make in China because it does not economically make sense. What we are making in the UK are high-end, innovative products that change and create new markets and solve problems that have come out of the pandemic. We are not looking to make high-volume, single-use items here, because the labour costs far outweigh the finances. It would not make sense, and the market is flooded. We will be concentrating on high end, and we are working with various Governments around the world to solve problems in healthcare, but also in additional markets.

**Thomas Martin:** We are in a very similar position, and that was nicely articulated. We are finding that the PPE market has probably come down to about 20% on average of what it was in 2019, but of course the big impact that we are all facing, irrespective of whether it is a nitrile glove or a mask, is the container rates. If you think about the quantum of containers that are now sitting in the wrong places, the massive increase in carriage and freight rates is going to bring a certain amount of inflation through the PPE marketplace for some time to come.

- Q101 **Sir Geoffrey Clifton-Brown:** Can you quantify that “massive increase” in container rates? How much have they gone up since the stable market of, say, 2019?

**Thomas Martin:** Some of our rates were up by 70% or 80%. Colleagues with much more knowledge than me who are operating in many



international markets will be able to comment further, but we saw freight rates go up by 70% to 80% pretty much within a week.

**Q102 Sir Geoffrey Clifton-Brown:** Mr Liddell, you are in this market. Not only did you see huge inflation in the prices of PPE; you saw inflation in the container market as well. We have asked about prices. Is the container market going to revert to any sort of near-normal situation any time soon, or can you foresee high rates for some time to come?

**Iain Liddell:** We can still see rates going up, which we did not expect, but the grounding of the Ever Given in the Suez canal seems to have pushed the carriers into a further level of rate rises. We think that there is going to be a problem like this for 18 to 24 months. The rates are up at an unbelievable all-time high, but it is virtually impossible—especially for smaller buyers and users—to actually get on to ships, so it really is a seller's market.

**Q103 Sir Geoffrey Clifton-Brown:** Are we looking at inflation of PPE prices, particularly at the lower end—the mass market stuff—for some time to come?

**Iain Liddell:** I think we are looking at inflation generally—not just PPE, but all products that are coming from the far east and China.

**Q104 Chair:** Thank you, Sir Geoffrey. I have one other question for Sarah Stoute. You talked earlier about how you had to take a punt, basically, and take a risk by investing in what you believed was the necessary PPE, and, indeed, you were proved right. Your company had £10 million in its accounts at the end of your financial year this year, but you had a turnover of £1.8 billion in the last year. How did you guarantee to your suppliers and convince them that you were good for the money?

**Sarah Stoute:** Part of it was the legacy of 20-year relationships and the fact that they had worked with us before on extended terms for various other flare-ups—swine flu, SARS and Ebola—where we had had to ask them to extend terms. They knew that the majority of our revenue is into public sector, so they knew that we were not going to be left high and dry from a selling perspective. A lot of the partners we work with are vast companies overseas, so they have the finance to do that, but it was really leveraging a 20-year relationship.

**Q105 Chair:** So, basically, your company's reputation was on the line?

**Sarah Stoute:** Yes, very much so, and we protected that throughout the pandemic. There were times when we were asked to test that relationship and we declined, because, after the pandemic when the Government walk away and do not need any more, we are left with what we started with—the relationships. We felt responsible for those factories wherever they were in the world—it was not just China—to act honourably and make sure that they were paid for the work they had done. Initially, it all started on reputation and asking huge favours to go out on a limb across the whole network. After that, when things became out of control in terms of the orders coming in, we had to ask for pro forma payments.



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Q106 **Chair:** Did you go to your bank manager and ask for support? It is a lot of support—£1.8 billion.

**Sarah Stoute:** There isn't any bank in the UK that is going to give a company of that size a shred of support. We have a very good bank relationship but it was completely out of its realm to do that. That had to be a conversation directly with Government.

Q107 **Chair:** There are a lot of layers to that which we have not got time to go into. I want to go to all of you in order again: how did you know, or make sure, that you were not bidding against each other with some of the suppliers, particularly from the far east—they were pretty much all from the far east? We saw this inflation, a huge £10 billion extra spent on PPE for the equivalent quantity the year before.

**Thomas Martin:** It is not a perfect knowledge. You do not know, you always assume, that in a global crisis there will be a stampede to the few areas where you can get hold of product. I am going to reiterate a comment: you just don't know, but you want to make sure that you have as much of it as you can. You ask your shareholders to back you and you basically set your stall out to do as much as you can for the key workers throughout the NHS and British industry. It was as simple as that. We did not even think about it, we just got as much as we could.

**Sarah Stoute:** In terms of bidding for product, we did not really bid anything, we just offered a total inventory of what we could produce. I did find in some of the factories in China that we had American counterpart companies that were offering to pay more for devices. Once our products were made, it was a very similar product to theirs and we had factory phone calls to say: "Someone else is willing to pay more to go to America. We're going to put your label on it or theirs, what do you want to do?".

Being held to ransom like that when the product is urgently required only happened to us once. We then diversified and took what was a completely flatlined clothing industry in China and diversified a huge amount of factories, bought their machinery and went to the mills to control the raw materials so that the Americans could not get hold of it and ensure that we had volume of capacity outside the usual certified medical device factories that everybody uses. It meant literally starting again, so that we protected the volume of product that we were ordering.

Q108 **Chair:** Okay, so that was Americans bidding against you. Mr Liddell, how do you know when you are bidding against other UK suppliers as well as other overseas companies?

**Iain Liddell:** We have a procurement process which we followed. The factories that we work with all went through that. They all knew that we were representing the British Government and that we were buying PPE for them. I do not believe we had any UK competition; it was really the rest of the world. We had occasions where the Americans, Europeans and the Chinese were bidding against us. I do not believe it was British competition.



Q109 **Chair:** Mr Wakeman?

**Chris Wakeman:** I agree with what Sarah Stoute said. We were approached by our customers and made recommendations on product and priced at the market price at that time from prices that our factories were quoting us from the far east. There was a lot of competition out in the far east, but I also echo what Sarah said about relationships with factories. We have also been partnering with factories for many years and we were able to sustain a good market competitive rate and we passed that on to our customers.

Q110 **Chair:** Thank you. There is another layer of discussion there about long-term relationships versus newer arrivals to the market, which we will not be able to go into now.

One of the standard elements of a contract—I think, Mr Martin, you included in your evidence a letter to us, so thank you, and thanks to all of you, for those letters, outlining answers to the questions we had. One of the points raised there was that the Department's contracts—this is DHSC contracts—expected the supplier to take on unlimited liability. Obviously, there was a lot of discussion about that; that is a very big challenge.

I will start with you, Mr Martin, as it was your evidence. What is the impact of that on a company of your size and nature, and how did you negotiate with Government on that important issue?

**Thomas Martin:** There was going to be no impact, because I was not going to accept those terms. I discussed it with the board and politely declined to enter into any negotiation on that. We are a private family business. We were operating completely independently, so the impact was either we agree on terms that are more acceptable or we just do not go anywhere at all. And maybe that was why we did not benefit and interact to the extent that others were clearly able to, but that was our position.

Q111 **Chair:** Okay. Ms Stoute?

**Sarah Stoute:** I did not have any discussions of that kind with the Government at all. They came to us, they asked us to produce and we said to them, "These are our terms. This is what we would require". And they placed the orders.

Q112 **Chair:** Thank you. Mr Liddell?

**Iain Liddell:** On our logistics and global transport, we negotiated terms based around the British International Freight Association. But there are also various different conventions governing air freight and sea freight, so they would supersede whatever we had agreements with for our logistics contracts.

On the procurement contracts, we negotiated down on our liability, but yes, a lot of risk was on us to provide the right products.

Q113 **Chair:** But you were big enough, you think, to absorb that risk? Is that, presumably, why you went down that route?



**Iain Liddell:** Absolutely, and we insured those risks as well.

Q114 **Chair:** But did you have any calculation about what the potential risks were? I mean, unlimited liability—that could be years of court action for people who perhaps caught covid because allegedly, or in real terms, the equipment that you procured was not up to scratch. So what kind of conversations were you having inside the company about that?

**Iain Liddell:** We did not have unlimited liability. We were—with our negotiations—capped by the actual value of the sale that was made.

Q115 **Chair:** Okay. So you would not have gone down the unlimited liability route?

**Iain Liddell:** No.

Q116 **Chair:** Mr Wakeman?

**Chris Wakeman:** We also agreed terms and conditions, and they were pretty much in line with what we would expect for orders of this size. And again, we would not accept unlimited liabilities.

Q117 **Chair:** So was it was a surprise to you all that that is even somewhere in the Government contracting, because you were all pretty robust in your response, and you pretty much got what you asked for, from the sound of it? It seems like a bit of a useless element to a Government contract. Mr Wakeman, you are nodding.

**Chris Wakeman:** I suppose it is a position the Government took and as suppliers who are very experienced in this field we would not agree to unlimited liabilities, because we know the industry in which we operate and we know the potential risks that we would be exposing ourselves to. So I put it down as a starting position for the Government's negotiations with their suppliers, but we would not agree to unlimited liabilities.

Q118 **Chair:** Did it delay contracts particularly? Was that an element in delay?

**Chris Wakeman:** I think the terms and conditions of the orders that we agreed probably were turned around within 48 hours.

Q119 **Chair:** Okay. So not much of a delay then. I think the others are looking like they agree with you, so unless someone has something different to say I will move on.

The other thing is about the UK supply chain, which others have touched on. We have heard, for example, that raw materials is an issue and that it is not possible to manufacture, for example, gloves in the UK. Do you think that it is actually realistic of the Government to want to see a UK-based manufacturing base for PPE in future?

I will come to Ms Stoute first, because you obviously said that you are not going to do the high-volume, low-cost stuff, because it is not cost-effective. Do you think it is even realistic to think about it for companies of your type of size?



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**Sarah Stoute:** In terms of our size, we are no longer a £10 million company. There is a history of being asked, as companies, to create something, and then not getting the financial backing or the contract value to support the investment. We need to remember that, for the last 20 years, there has been a race to the bottom on price, with reverse auctions and sole awards 100% based on price. The issue with not getting stock in the UK is that we have created our own problem. We have pushed production overseas and then moaned that China has controlled everything and we have not been able to access it.

Anybody who is going to invest in the UK now needs to have a proper, sit-down conversation and understand what the investment is and what the Government's position is on that. For us, I cannot see a value in making mass production of single-digit profit margin, high-volume products, knowing that the stomach to pay the higher price for that will not sustain. Once everybody has recovered, and if we can control covid, people will forget what they have been through and they will want to go back to paying a low price, and it will go back overseas. We are just not set up in this country, with the labour rates as they are, to mass produce those products.

Q120 **Chair:** Very forthright views. Mr Martin, do you have anything to add to that?

**Thomas Martin:** I am looking for evidence that the Cabinet Office is taking this seriously. It would have to make a commitment for a significant number of years—five or six, certainly—to get anyone to make an investment, such as the tens of millions of pounds it would take to produce a nitrile glove factory. As well as making that commitment to support the venture for that amount of time, you want to have reassurance that they can actually control the supply chains, and can incentivise the trusts to purchase UK-made. I would also look for evidence in a conversation of how serious they are about the UK taking control of a strategically important part of our own supply chain, really committing to the value add piece. I would be listening out for any commentary about sustainability of supply chains and taking 8,000 miles out of it, but unless I heard a narrative on that basis, why would anybody be interested?

Q121 **Chair:** Thank you. Mr Liddell?

**Iain Liddell:** I think we certainly have the capabilities to manufacture in this country. Our manufacturing industry generally needs to be developed. Do I see that we can compete with China? I definitely do. I think there is a lot of automation that goes into these factories, so it is not all about just the human resource side of it. I do believe that we can compete with them on price.

Q122 **Chair:** An interesting difference of opinion there. Mr Wakeman?

**Chris Wakeman:** Yes, very interesting points of view. From our perspective, the commoditisation in this product category has been significant in some areas. Sarah Stoute just alluded to that through a lot of the category management and framework activity that has taken place



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over the past few years. I think there probably is a place for UK-made, but you have to choose the areas that you want to invest in very carefully. From a Bunzl perspective, we are not an organisation that looks to move into manufacturing. We like to partner with manufacturers. If UK-made has an option of alternative products for us, we would be very interested to look at that, in conjunction with our customers. I think people need to choose the areas and the product categories that they move into very carefully.

Q123 **Chair:** Thank you. That alone is very interesting food for thought. We, as a Committee, will obviously question Government on those plans, along with our sister Committees over time.

I thank our witnesses very much for their evidence today. There have been some jaw-dropping moments, frankly, as you have revealed how it was for you to procure, manufacture or ensure that your factories could manufacture. What has come across clearly to me is quite a disconnect between parts of Whitehall and industry in understanding what was needed and how to procure things effectively, even with the emergency.

This is not the end of our work on this. I will just alert you to the fact that the transcript will be available on the website uncorrected in the next couple of days. We will continue to work with you. Some of you have committed to write to us on some issues, so the Clerks will be in touch on that.