

**REFERENCE RELATING TO THE COMPLETED ACQUISITION  
BY STERICYCLE INTERNATIONAL LLC OF  
STERILE TECHNOLOGIES GROUP LIMITED**

**Notice of provisional findings made under Rule 10.3  
of the Competition Commission Rules of Procedure**

1. On 28 June 2006, the Office of Fair Trading, in exercise of its duty under section 22(1) of the Enterprise Act 2002 (the Act) and its power under section 35(6) of the Act, referred to the Competition Commission (CC) the completed acquisition by Stericycle International LLC of Sterile Technologies Group Limited (STG) for investigation and report within a period ending on 12 December 2006.

**Provisional findings**

2. The CC inquiry group (the Group) appointed to consider this reference has made the following provisional findings on the statutory questions it has to decide pursuant to section 35(1) of the Act:
  - (a) a relevant merger situation has been created; and
  - (b) the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition in the market for healthcare risk waste requiring high temperature treatment in the geographical areas of northern England, the north Midlands, north Wales, the West Midlands and south-east Wales.
3. The Group's provisional findings on these questions, and its reasons, are set out in the provisional findings report, a summary of which is attached to this notice. A copy of the provisional findings report will be published on the CC website (see note (i) below).

**The next steps**

4. Anyone wishing to comment on the provisional findings is invited to provide the Group with their reasons in writing as to why these provisional findings should not become final (or, as the case may be, should be varied).
5. These reasons should be received by the Group no later than 10 November.
6. The Group will have regard to any such reasons in making its final decisions on the statutory questions and actions.
7. The Group is also sending to Stericycle International LLC and publishing a notice of the possible actions which it considers might be taken by the CC to remedy the SLC provisionally identified.



Diana Guy  
Group Chairman

19 October 2006

*Notes:*

- (i) A copy of this notice and the summary of the provisional findings report will be placed on the CC website on 20 October 2006. The CC proposes to publish the provisional findings report on its website by 24 October. The published version of the provisional findings report will not contain any information which the Group considers should be excluded from the report, having regard to the three considerations set out in section 244 of the Act.
- (ii) Comments should be made in writing to:

Tony Gooch  
Inquiry Secretary, Stericycle/STG  
Victoria House  
Southampton Row  
London  
WC1B 4AD

or by email to: [tony.gooch@cc.gsi.gov.uk](mailto:tony.gooch@cc.gsi.gov.uk)

## Summary of provisional findings

1. On 28 June 2006 the Office of Fair Trading (OFT) referred the completed acquisition of Sterile Technologies Group Limited (STG) by Stericycle International LLC (together with its subsidiaries Stericycle) to the Competition Commission (CC) for investigation and report. The reference was made under section 22 of the Enterprise Act (the Act). We are required to publish our final report by 12 December 2006.
2. Stericycle International Ltd provides healthcare risk waste services to a range of NHS and other customers in Great Britain. It is a wholly-owned subsidiary of Stericycle Inc, North America's largest provider of regulated medical waste services. STG also provides healthcare risk waste services to healthcare risk waste producers in the UK and Ireland. Prior to the merger, Stericycle and STG were the first and second largest suppliers of healthcare risk waste services by total revenue.
3. The healthcare risk waste services industry encompasses the provision of collection, transport, treatment and disposal services for healthcare risk waste. Healthcare waste is waste produced in healthcare and related settings. In general terms, this includes waste such as syringes (or 'sharps'), dressings, some pharmaceutical products, blood products and anatomical waste. It also includes low-level radioactive waste produced in the healthcare system. Healthcare waste may or may not require treatment prior to disposal. For the purposes of this report, the term healthcare risk waste is the term used to denote healthcare waste requiring treatment prior to disposal.
4. There are two basic types of treatment technology for healthcare risk waste: *high temperature* treatment and *alternative technology* treatment. Within each of these two treatment categories there are a number of different processes. Regulatory requirements specify the minimum level of treatment for healthcare risk waste. All

healthcare risk waste must, at a minimum, be subject to alternative technology treatment, while for some healthcare risk waste high temperature treatment, or incineration, is required. Healthcare risk waste that is identified as suitable for alternative technology treatment may also be treated at high temperature facilities.

5. Producers of healthcare risk waste include the constituent parts of the NHS (ie Acute (or hospital) Trusts, Primary Care Trusts, Community Trusts and so on), the private healthcare sector, public and private nursing homes, dentists, veterinary clinics, and pharmaceutical companies. Much smaller volumes of healthcare risk waste, along with other healthcare waste, may arise from first aid and wash rooms in a diverse range of other locations including work, retail, and hospitality premises.
6. Producers of healthcare risk waste purchase an integrated collection, treatment and disposal service together with any ancillary services, such as staff training, often at a single price that covers all of these services.
7. Suppliers of healthcare risk waste services can be differentiated in terms of the type of customers on which their business is focused and the extent to which they offer collection and treatment activities. There are currently around 25 significant suppliers of healthcare risk waste services in Great Britain. Common business models for the supply of healthcare risk waste services include:
  - integrated suppliers of collection and treatment services, which have both incineration and alternative technology treatment services;
  - integrated suppliers of collection and treatment services, whose treatment services are limited to alternative technology treatment plants;
  - suppliers of collection services that outsource their treatment activities; and
  - suppliers of treatment services that do not undertake any collection activities.

8. The existence of multiple customer types (eg waste producers, third party waste collectors) and multiple elements of service (eg collection and treatment) means that there are at least two ways to analyse the extent of the markets for healthcare risk waste services. The first approach is to focus on the integrated service that customers buy and suppliers provide. The second approach is to focus on the component parts of the service that are supplied to customers.
9. We have taken the second of these possible approaches as we consider it provides a clearer focus on the relevant competitive constraints for each of the component parts of this integrated service given the existence of potential substitute products and given that potential substitutable productive capacity differs between collection and treatment.
10. In relation to treatment services, we consider that there are separate product markets for healthcare risk waste requiring high-temperature treatment; and for healthcare risk waste that is suitable for alternative technology treatment, which may be treated at either high-temperature or alternative technology treatment plants. We estimate that approximately 26,450 tonnes of waste requiring high-temperature treatment and approximately 173,600 tonnes of waste suitable for alternative technology treatment is produced annually in Great Britain. We consider that the geographic market for each of these two product markets is best described as a series of customer-centred markets with a radius of around 100 miles.
11. In relation to collection services, we consider that there are separate product markets for the provision of healthcare risk waste collection services to small quantity generator (SQG) and large quantity generator (LQG) customers. We consider that the market for healthcare risk waste collection services to SQG customers also includes collection services for other healthcare (ie offensive) waste of SQG

customers. We consider that the market for healthcare risk waste collection services for LQG customers also includes collection services for other healthcare (ie offensive) waste of LQG customers as well as domestic or municipal waste of LQG customers.

12. We identified the areas, prior to the merger, in which Stericycle's and STG's treatment facilities competed for the same customers, based on 100-mile travel distances. We considered the extent of competition from other providers of high-temperature and alternative technology treatment services in these areas.
13. In relation to high-temperature treatment services, in some areas Stericycle and STG were the only competing providers while in other areas customers were within 100 miles of up to six competing suppliers of high-temperature treatment services. In relation to treatment services for waste suitable for alternative technology treatment, in almost the entire area where Stericycle and STG competed for customers there were at least two other potential competitors for alternative technology waste treatment services.
14. In a substantial proportion of northern England, the North Midlands and north Wales, the merger will result in the number of effective competitors for the provision of high temperature treatment services being reduced from two, Stericycle and STG, to one, the merged entity. We consider that the merger will give rise to a substantial lessening of competition in this area that may enable the merged entity to increase prices for high-temperature treatment services or give rise to other adverse effects.
15. In a further area, covering a further portion of North Wales, the West Midlands and south-east Wales, the merger will result in the number of constraining competitors declining from three to two. We concluded that two competitors would not be

sufficient to ensure a competitive outcome. As a result, we consider the merger will give also rise to an SLC in this area that may enable the merged entity to increase prices for high-temperature treatment services.

16. We provisionally conclude that the acquisition of STG by Stericycle constitutes a relevant merger situation. We also provisionally conclude that the acquisition of STG by Stericycle may be expected to result in an SLC in the market for healthcare risk waste requiring high-temperature treatment in the geographical areas of northern England, the north Midlands, North Wales, the West Midlands and south-east Wales.