

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

**Notice of possible remedies issued under Rule 11 of the
Competition Commission Rules of Procedure**

Introduction

1. On 28 June 2006, the Office of Fair Trading (OFT) referred to the Competition Commission (CC) for investigation and report under section 22(1) of the Enterprise Act 2002 (the Act) the completed acquisition by Stericycle International LLC (Stericycle) of Sterile Technologies Group Limited (STG) (the acquisition).
2. In its provisional findings on the reference notified to Stericycle on 19 October 2006, the CC inquiry group (the Group) concluded provisionally that the acquisition had resulted in the creation of a relevant merger situation; and that the creation of that situation has resulted or may be expected to result in a substantial lessening of competition (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 (the affected area).
3. This notice sets out the actions that the Group considers might be taken by the CC, including any recommendations it might make for action on the part of others, for the purpose of remedying the SLC and any resulting adverse effects identified in the provisional findings and invites comments on possible remedies (see note (i)).

Possible remedies on which views are sought

4. It is envisaged that, in any divestiture, it is the acquired rather than the acquiring business that would be divested unless the Group considers that the divestiture of the acquiring business would satisfactorily restore competition in the affected area. The Group invites views on whether divestiture of all or part of the STG business would be effective in addressing the SLC identified as expected to result from the acquisition. In particular the Group invites views on the scope of the divestiture package. Various packages are being considered by the Group including:
 - (a) Divestiture of the whole of the STG business to one or more buyers. The Group invites views on whether the divestiture of the whole of the acquired business would be necessary to address effectively the SLC or whether the divestment of certain assets of STG would be a feasible and effective remedy. The Group notes that the CC's guidance¹ states a preference for the divestment of an existing business that can compete effectively on a stand-alone basis where a divestiture remedy is employed.
 - (b) Divestiture of all of STG's incinerators. The Group invites views, in particular, on whether, and if so which, other assets, such as alternative technology treatment plants or customer contracts, would need to be included with the incineration plants to enable a new owner to compete effectively. It also invites views on whether any behavioural remedies, such as an obligation on Stericycle to

¹Application of divestiture remedies in merger inquiries, CC8, paragraph 3.3.

contract certain volumes of business with the new owners on a temporary basis, would need to accompany the divestiture in order to ensure its effectiveness.

- (c) Divestiture of those STG incinerators which service customers in the affected area and which are located in Salford, Wrexham and Redditch. Views are sought in particular on whether, and if so which, other assets, such as alternative technology treatment plants or customer contracts, would need to be included in the divestiture package to enable the new owner to compete effectively. It also invites views on whether any behavioural remedies, such as an obligation on Stericycle to contract certain volumes of business with the new owners on a temporary basis, would need to accompany the divestiture in order to ensure its effectiveness.
5. Views are also sought on possible suitable purchasers of the various divestiture packages.
 6. The Group has not, at this stage, identified any other remedies as appropriate, and as a result, is not proposing to discuss other remedy options. A behavioural remedy such as a price control, for example, is not considered appropriate and would be very difficult to design and monitor. However, the Group remains willing to consider any practical alternative remedies to divestiture that Stericycle or other persons would like to propose which they consider would remedy the SLC and the adverse effects identified.
 7. In addition, the Group is considering whether it should recommend that remedial action should be taken by others. In particular, it is considering whether to recommend that the UK Health Departments encourage trusts to frame contracts for waste management services in such a way that competition between healthcare waste service providers is facilitated.

Criteria

8. In choosing appropriate remedial action, the Group will have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to remedy the SLC and any adverse effects resulting from it. When deciding what is an appropriate remedy, the Group will consider the effectiveness of different possible remedies and their associated costs and will have regard to the principle of proportionality. Between two remedies which the Group considers equally effective, it will choose that which imposes the least cost or restriction.

Relevant customer benefits

9. The Group will also have regard to the effects of any remedial action on any relevant customer benefits within the meaning of Section 30 of the Act arising from the merger situation. Such benefits might comprise lower prices, higher quality or greater choice of goods or services or greater innovation in relation to such goods and services. The Group welcomes views on the nature, scale and likelihood of such benefits.

Next steps

10. Stericycle is requested to provide any views in writing, including any alternative remedies it wishes the Group to consider, by 10 November 2006 (see note (i)).

11. A copy of this notice will be posted on the CC website. Other interested parties are requested to provide any views in writing, including any alternative remedies they wish the Group to consider, by 10 November 2006 (see notes (i) and (ii)).



Diana Guy
Group Chairman
19 October 2006

Notes:

- (i) This Notice of possible actions to remedy the SLC and any resulting adverse effects is given having regard to the Group's provisional findings notified to Stericycle on 19 October 2006. Stericycle has until 10 November 2006 to respond to those provisional findings and comments are also welcomed by that date from other interested parties. In the light of any responses by Stericycle, or by other interested or affected third parties, the Group's findings may alter, in which case the Group may consider other possible remedies, if appropriate.
- (ii) As noted in the Administrative Timetable published on the CC website, the final deadline for all parties' submissions and responses is 10 November 2006.