

STERICYCLE INTERNATIONAL LLC / STERILE TECHNOLOGIES GROUP LTD MERGER INQUIRY

Statement of issues

The reference

1. Our terms of reference require us to consider the acquisition of Sterile Technologies Group (STG) by Stericycle International LLC (Stericycle). The inquiry group (the Group) is required to determine:
 - (a) whether a relevant merger situation has been created; and
 - (b) if so, whether the creation of that situation has resulted or may be expected to result in a substantial lessening of competition within any market or markets in the UK.
2. The issues that the Group intends to consider are as follows.

Market definition

3. The appropriate definition of the economic markets affected by the merger (the relevant markets), and in particular, in relation to demand-side and supply-side substitution:
 - (a) whether healthcare risk waste collection and disposal for producers¹ of healthcare risk waste can be regarded as part of a wider market that includes non-healthcare risk waste collection and disposal;
 - (b) whether there are separate product markets at either the level of healthcare risk waste producers or of firms providing waste collection and transport services for (i) high temperature healthcare risk waste disposal or (ii) alternative technology healthcare risk waste disposal;
 - (c) whether there are separate product markets for the disposal for particular types of healthcare risk waste, such as radioactive waste or sharps;
 - (d) whether collection and/or transport services for healthcare risk waste can be regarded as part of a wider market that includes other waste collection and/or transport services; and
 - (e) the geographic extent of the relevant product market(s) and, in particular, whether each relevant geographic market is regional/local, Great Britain, the UK or wider.

Counterfactual

4. What may have been expected to occur in the short to medium term without the merger (the counterfactual), and, in particular, what is likely to have happened to the STG business had it not been acquired by Stericycle.

¹ A 'producer' is normally a supplier; in this case it is a customer.

Assessment of the competitive effects of the merger

Underlying factors

5. The competitive conditions in the relevant market(s), and in particular:
 - (a) the extent of competition between the merging parties prior to the merger;
 - (b) the potential for customer switching to alternative service providers, including the significance of any switching costs or relevant contractual provisions;
 - (c) the current level of capacity in the relevant market(s) and its utilization as well as any prospects for changes to these variables;
 - (d) barriers to entry to the market, including capital investment, planning and regulatory requirements and the likelihood and potential impact of market entry;
 - (e) the nature of competitive interaction between firms operating at different levels in the supply chain; in particular the nature of the business relationships between third party healthcare risk waste collectors and firms treating and disposing of healthcare risk waste;
 - (f) the extent of any countervailing buyer power in the relevant market(s);
 - (g) the foreseeable impact of regulatory or other changes on the extent of separation between healthcare risk waste and non-healthcare risk waste and between different types of healthcare risk waste;
 - (h) the foreseeable impact of any other discernible technological, regulatory or other trends; and
 - (i) the significance of recent mergers between providers or potential providers of healthcare risk waste collection and disposal services.

Competitive effects

6. Against this background, the possible competitive effects of the merger within each of the relevant markets identified, and, in particular:
 - (a) whether the merger may be expected to create or increase market power in any relevant market and lead to an increase in prices or a reduction in service for some or all customers or a reduction in innovation;
 - (b) whether the merger could lead to adverse effects in related markets, and in particular, whether the merger could lead to a foreclosure of competition in either waste collection and transport services or sharps disposal services; and
 - (c) whether, taking account of all of the above, the proposed merger may be expected to result in a substantial lessening of competition within any market or markets in the UK or a part of the UK.

Possible remedies

7. Should the Group conclude that the proposed merger may be expected to result in a substantial lessening of competition, it will consider whether and, if so, what remedies might be appropriate, and will issue a further statement at a later date.
8. If the Group considers that remedies are necessary, it will consider the effect of its chosen remedies on any Relevant Customer Benefits expected to arise from the merger. The Group would therefore like to explore whether any relevant customer benefits might be expected to arise as a result of the merger and, if so, what these benefits are likely to be and which customers would benefit. Customer benefits are benefits to customers at any point in the value chain and are not limited to benefits to end-consumers.