WASTE MANAGEMENT NZ' LTDS SUBMISSIONS IN RELATION TO THE TENNEX CAPITAL LTD-SAN-I-PAK LTD MERGER

Please note that all of WM's comments on the market are purely its opinions only, and not supported by any formal data or verification process

1. WM's view is that the medical waste market in NZ is split into DHBs (50%) and non DHB's (50%). The non-DHBs are small quantity generators such as small private hospitals, doctors' surgeries and vets and also includes the quarantine waste business.
2. Within the DHB market, there are 20 DHBs in New Zealand.
3. The DHB contracts are tendered, with the lowest price bidder winning the contract. In WM's view, quality of service is not taken into account. Health Benefits Ltd/Health Alliance/Health Partnerships was set up to tender out all of the medical waste services within NZ. Individual DHBs can sign up at any time and come under the terms of any arrangement agreed to by HBL or they can choose to stay on their own individually tendered contracts.
4. WM is not involved in the South Island market because it does not have a facility there and has not been able to win the DHB contracts in order to justify establishing a facility there. If it were to ever win that tender, it would then be able to justify establishing the necessary processing facility to support the business generated under that contract.
5. WM's view is that competition in the South Island market is limited because of this.
6. WM believes that there is only one market in South Island and not a separate market for collections and a separate one for treatment of quarantine waste. This is because it is not economic to do collections without having something to do with the product.
7. WM believes that little has changed in the contractual landscape.
8. WM does not believe that customers have special characteristics that would enable them to resist a price increase by the merged entity, with the exception of the DHBs which have purchasing power in the South Island market (approx. 60% of the South Is market being DHB's). Other customers will have no choice of where to go and will have no ability to resist a price increase. Transport costs are too high to go elsewhere.
9. WM does not agree with the benefits that have been identified by the applicants other than the benefit to Tennex's business. Tennex's acquisition of San-I-Pak will substantially reduce competition in the South Island market from two competitors to one. There will be some benefits of scale. However these are likely to accrue to Tennex as there will be no competitive driver to ensure that any cost saving are passed on to customers.