

COMMERCE ACT 1986: BUSINESS ACQUISITION**SECTION 67: NOTICE SEEKING AUTHORISATION**

17 September 2018

The Registrar
Mergers and Authorisations
Commerce Commission
PO Box 2351
Wellington

Pursuant to section 67(1) of the Commerce Act 1986, notice is hereby given seeking authorisation of a proposed business acquisition.

EXECUTIVE SUMMARY

- 1 Tennex Capital Limited (*Tennex*) seeks authorisation to acquire up to 100 per cent of the waste collection and treatment assets in San-i-pak Limited (*SIP*) (*assets of SIP*) (the *proposed transaction*).
- 2 On 29 February 2016, the Commerce Commission (*Commission*) declined an application by Tennex to acquire certain of the assets of SIP (*Clearance Application*).¹ The Commission was not satisfied that the transaction would not result in a substantial lessening of competition.
- 3 In this application for authorisation, the parties do not seek to revisit the Commission's analysis in its determination on the Clearance Application (*Determination*). Each party accepts this analysis for the purpose of considering the competitive effects of the proposed transaction.
- 4 Tennex has provided additional information in relation to the intervening period between the Determination and now, as requested by the Commission. This is at Appendix 4.
- 5 The proposed transaction generates a substantial net benefit. The parties' avoided capital and operating costs are estimated as having a present value of approximately \$[] over 10 years. Tennex has also modelled the quantifiable detriments arising from the proposed transaction. Their maximum present value is approximately \$[]. As such, they are clearly outweighed by quantifiable benefits.
- 6 Non-quantifiable benefits also arise, including best practice treatment, a bio-filter treating facility emissions, reduced carbon emissions from collection efficiencies, and the ability of SIP's owner-operator to realise the value of his business.

¹ Refer [2016] NZCC 5 (the *Determination*). The public version of the Clearance Application is available at https://comcom.govt.nz/_data/assets/pdf_file/0035/76778/Tennex-and-San-i-pak-Notice-seeking-clearance-21-October-2015.pdf.

PART 1: APPLICANTS' DETAILS

Applicant for authorisation

- 7 This notice seeking authorisation is given by Tennex. An organisation chart for Tennex is attached at Appendix 5.

Postal address: PO Box 19059
Courtney Place
Wellington 6149
New Zealand

Physical address: Level 5, 40 Taranaki Street
Wellington 6011
New Zealand

Telephone: 021 727 665

Website: www.interwaste.co.nz

- 8 The contact person for Tennex is Lincoln Falconer.

Position: Managing Director
Phone: 021 727 665
Email: lincoln@interwaste.co.nz

- 9 All correspondence and notices in respect of this application should be directed in the first instance to:

| | |
|-----------------------------------|------------------------------------|
| Neil Anderson | Hilary Beattie |
| Partner | Solicitor |
| Chapman Tripp | Chapman Tripp |
| PO Box 993 | PO Box 993 |
| Wellington 6140 | Wellington 6140 |
| P: 04 498 6313 | P: 04 498 6370 |
| E: neil.anderson@chapmantripp.com | E: hilary.beattie@chapmantripp.com |

Other party

- 10 The other party to the transaction is San-i-pak Limited.

Postal address: PO Box 21043
Christchurch

Physical address: Cyrus Williams Quay
Naval Port
Lyttelton
Christchurch 8082

Telephone: 03 328 9430

Website: www.sanipakltd.co.nz

- 11 The contact person for SIP is Paul Whitehead.

Position: Managing Director
Phone: 03 328 9430
Email: []

- 12 All correspondence and notices in respect of this application should be directed in the first instance to:

Tess Wethey
 Partner
 Mitchell Mackersy Lawyers
 PO Box 2657
 Queenstown 9349
 P: 03 450 9538
 E: twethey@mitchellmackersy.co.nz

Proposed Transaction

- 13 Tennex seeks authorisation to acquire up to 100% of the assets of SIP.
- 14 Tennex and SIP have entered into a sale and purchase agreement in respect of these assets, dated 7 September 2018 (the *SPA*). A copy of the *SPA* is at Appendix 1.
- 15 The *SPA* is conditional on regulatory approval for the proposed transaction, and will otherwise terminate on 24 December 2018.² It provides for all of the assets of SIP to be acquired: a schedule of those assets is attached to that document.

Commercial Rationale

- 16 The rationale for the proposed transaction has not changed from that set out in the Clearance Application.³ At a high level:
- 16.1 there are opportunities to realise synergies due to the fact that both SIP and Interwaste (*IWL*), the operating company of Tennex, operate with excess capacity at their respective plants; and
- 16.2 The current owners wish to exit the business and have not (including in the period since the Determination) received any other satisfactory offers for the business.
- 17 This rationale is consistent with the Commission's analysis in *Medical Waste / San-i-pak*, where it was noted:⁴

"Incinerators and autoclaves appear to share two similar cost characteristics: both types of equipment benefit from economies of scale as the size of the unit is scaled up, and both experience substantial throughput economies with a given size of unit. The first means that at full-capacity working, the costs in cents per kilogram of treated waste falls sharply as the size of the unit is scaled up ... The throughput economies arise because of the large proportion of the operating costs that are fixed. Fixed costs are cost elements for which the total does not change as the throughput of waste is increased or decreased. As throughput is increased, the fixed cost is spread progressively more thinly, resulting in average cost falling significantly."

² See clause 28 of the *SPA*.

³ See the Clearance Application at [3.4] – [3.22].

⁴ *Medical Waste Group and San-i-pak (NZ) Ltd* (Commerce Commission Decision 386, 15 March 2000) (*Decision 386*) at [159] and [160].

PART 2: THE INDUSTRY

Parties' business activities

- 18 Tennex and SIP each collect, process and treat medical and quarantine waste.
- 19 The Commission will be familiar with the parties, and the industry generally, from the Clearance Application. The Commission's description of the industry in the Determination reads:⁵

"Medical and quarantine waste is classified as hazardous waste material and it is subject to strict regulatory and other requirements governing its containment, transportation, storage, treatment and disposal.

Medical waste includes anatomical waste, blood, body parts and infected animal carcasses; disposables, including hypodermic needles, scalpels and syringes; soiled dressings and swabs; laboratory waste; and pharmaceutical and chemical waste. It is generated by a wide range of parties including hospitals, laboratories, pharmacies, dentists, universities, medical centres, vets and tattoo parlours. District Health Boards (DHBs) account for a significant portion of all medical waste.

Quarantine waste comprises the refuse originating from overseas flights landing at international airports and from ships arriving from overseas ports, as well as items potentially representing a biosecurity risk to New Zealand such as waste within a fruit fly exclusion zone. Quarantine waste must be handled and disposed of in accordance with standards specified by the Ministry for Primary Industries (MPI)."

Trends and developments

- 20 Tennex does not consider there have been any material trends and developments in the industry since the Determination. In the broader waste industry, there is a continuing push for sustainability and recycling in recent years. This is also influencing the medical and quarantine niches, but is more difficult due to the nature of the wastes in question and the need to treat the waste to make it inert prior to considering any recycling or reuse.
- 21 As the Commission will be aware, there have been no acquisitions notified to the Commission since the Determination. The parties are not aware of any other acquisitions that have occurred in the intervening time period.

PART 3: MARKET DEFINITION

Relevant markets

- 22 The parties accept the markets adopted in the Determination. These were:⁶
- 22.1 the collection of medical and quarantine waste in the South Island (*collection market*); and
- 22.2 the treatment of medical and quarantine waste in the South Island (*treatment market*).

⁵ Determination at [21] – [23]. Refer also [6.1] – [6.40] of the Clearance Application.

⁶ The markets in the Determination were consistent with those in a previous medical and quarantine waste decision of the Commission: refer Decision 386.

PART 4: COUNTERFACTUAL

- 23 In its Determination, the Commission did not accept that SIP would exit the market even if it were not acquired by Tennex, resulting in no material difference in competition in the counterfactual.
- 24 Tennex accepts that conclusion for the purposes of this Application.

PART 5: COMPETITION ANALYSIS**Existing competitors**

- 25 The focus of the Determination was on the treatment market, and this Application proceeds on a similar basis. IWL and SIP are the only two suppliers in the treatment market.⁷
- 26 Having said that, the parties' services are integrated into both collection and treatment, meaning the data presented in this Application relates to both components.

Potential competition and the LET test

- 27 The Commission was not satisfied that entry by a new competitor was likely, would be of sufficient extent and would occur in a timely enough fashion to prevent a substantial lessening of competition. Among other things, it:
- 27.1 considered that securing a large customer contract is a key condition of entry into the market. Fixed costs of entry are high and firms are unwilling to incur them unless their volume of work will justify that investment (i.e. expected returns are positive);⁸
- 27.2 considered that prices would have to increase very significantly before entry became likely;⁹
- 27.3 was not satisfied that there would be anyone interested in entering the market and supplying a large customer (without whose sponsorship, entry would be unlikely) on terms at least as favourable as those offered by the merged entity after that entity raised its prices;¹⁰ and
- 27.4 found that neither Waste Management nor Envirowaste, the two companies active in adjacent waste markets, met the 'LET' test, and there were no other parties likely to enter the market or with plans to do so.¹¹

- 28 Tennex does not consider there have been industry changes that would alter these conclusions. So, for the purposes of this Application, Tennex accepts them.

Countervailing power

- 29 The Commission was not satisfied that the countervailing power of large customers (who generate around 60 per cent of waste in the upper South Island) would be

⁷ Clearance Application at [55].

⁸ Determination at [75].

⁹ Determination at [83].

¹⁰ Determination at [84].

¹¹ Determination at [89] – [91].

sufficient to offset the loss in competition from the acquisition, and from the subsequent shift in bargaining power towards the merged entity as the sole supplier.

- 30 The two largest customers in the upper South Island are Christchurch International Airport Limited (*CIAL*) and the Canterbury District Health Board (*CDHB*). [

].

- 31 Tennex has provided further information on customers in Appendix 4.

PART 6: OTHER FACTORS

- 32 The Commission has requested certain information to be provided together with this Application. A response from Tennex is attached as Appendix 4.

PART 7: PUBLIC BENEFITS AND DETRIMENTS

33 The public benefits generated by the proposed transaction mean it should be authorised notwithstanding a lessening of competition in the treatment and/or collection markets.

34 The Commission may quantify in more detail the benefits stated below, but Tennex has not sought to do so here. The parties are happy to provide further information as necessary.

BENEFITS - QUANTIFIABLE**Avoided costs**

35 **Attached** at Appendix 2 is a spreadsheet of avoided costs arising from the proposed transaction. These are:

35.1 capital costs that SIP would avoid paying, estimated as \$[]; and

35.2 operating costs that SIP would avoid paying **less** those additional operating costs incurred by Interwaste in implementing the proposed transaction, which are estimated at \$[] per year, on a recurring basis.

36 Tennex calculates the present value of these avoided costs as approximately \$[] over 10 years.¹²

Capital costs

37 [

].

38 Tennex estimates SIP's avoidable capital costs as approximately \$[]. Its estimated figures [

]. A Christchurch-based [] has confirmed that these numbers are reasonable in the Christchurch context.

39 [] any rental price would reflect the underlying cost of the land and building development.

Operating costs

40 As for net avoided operational costs, Tennex estimates these as \$[] per year, on a recurring basis. This assumes that []. Interwaste's additional costs include:

¹² Calculated with a lump-sum outlay of \$[] in year 2, and recurring operating expenditure of \$[] throughout years 1-10, discounted at 10 per cent.

- 40.1 for the premises: [], and plant repair and maintenance;
- 40.2 for staff: [];
- 40.3 for back office administration: slight increases in back office costs to reflect [] more employees, although absorption of back office functions by IWL's Christchurch branch or head office would lead to various efficiencies; and
- 40.4 for transportation and collection options: operating SIP's vehicles in addition to its own, although better utilisation of vehicles will lead to avoided costs for fuel, road user charges, and vehicle leasing (where vehicles can be retired).

Re-deployment of capacity

- 41 [] Interwaste will be able to use parts of SIP's plant to service its own operations.
- 42 Interwaste's current view is that [].
- 43 [].
- 44 [].¹³

BENEFITS – NON-QUANTIFIABLE

Superior risk management

- 45 SIP's waste will be treated more robustly following the proposed transaction.
- 46 New Zealand regulates the treatment of medical and quarantine waste. The Commission is familiar with the regulatory landscape from the Clearance Application.¹⁴ Regulation reflects that handling and treating this waste involves a range of hazards, and poses considerable risks to both human health and to the natural environment.
- 47 In relation to medical waste, these risks primarily relate to human health and safety, as improper handling and treatment can result in exposure to infectious pathogens. An effective framework needs to contain and safely dispose of products like needles and cytotoxics, along with provide for the management of national health epidemics (for example Ebola, SARS, or H5N1 bird flu).

¹³ [].

¹⁴ Refer [6.10] to [6.24] of the Clearance Application.

- 48 As for biosecurity waste, the effective containment and destruction of at-risk goods helps to “protect New Zealand’s economy, environment, human health, and a range of social and cultural values.”¹⁵ The costs of biosecurity events to government and to industry are extensive. MPI’s response to the presence of Queensland fruit flies in Auckland in 2015 cost the Government more than \$15.7 million.¹⁶ After spending \$9 million in 2017 to try and control the spread of myrtle rust, the Government announced in April 2018 that its efforts had been futile, and incurred further costs in compensating certain commercial operators.¹⁷
- 49 For both types of waste, effective containment, storage, treatment and disposal is imperative to minimise these risks. IWL’s risk management represents best industry practice. Its four facilities are securely designed, and are each enclosed such that all operations are undertaken inside the same closed building, to maximise containment and minimise the risk of harm. Conversely, at SIP’s facility, only the processing of waste is undertaken inside. The relevant risks increase as waste is moved, handled and stored elsewhere.
- 50 More generally, IWL has greater resources and processing capacity than SIP. That means it can invest more heavily in its plant and in training for its staff, and as a business is better able to respond to any biohazard incidents should they occur, including being able to co-ordinate a response. Its national scale would also be helpful in maintaining security of supply where the risks are geographically widespread or where volumes generated exceed processing capacity in one region and can be spread amongst Interwaste’s four processing facilities. A small owner-operator like SIP, with limited resources, is less well-placed to respond in such situations.

Bio-filter treating emissions

- 51 SIP’s current plant discharges directly to the atmosphere. Conversely, Interwaste Christchurch is designed to meet an air discharge consent requirement set by Environment Canterbury in 2014. A bio-filter extracts and treats all discharges to air from that facility, meaning that the proposed transaction will lead to fewer emissions (which in this context are largely odours).

Reduced carbon emissions from collection

- 52 As noted above, fewer vehicle trips will be needed to collect the same amount of waste across the upper South Island. These efficiencies of scale will lead to less traffic and reduced vehicle emissions.
- 53 SIP currently operates []. Interwaste Christchurch operates []. Interwaste is currently evaluating the practical opportunities to rationalise this capacity. Preliminary analysis indicates that:

- 53.1 both companies cover roughly the same geographical market and in terms of transport have excess capacity. []; and

¹⁵ <https://www.biosecurity.govt.nz/law-and-policy/legal-overviews/biosecurity/>

¹⁶ <https://www.newshub.co.nz/home/new-zealand/2016/04/fruit-fly-costs-taxpayers-millions.html>

¹⁷ <https://www.stuff.co.nz/environment/102898327/mpi-waves-white-flag-against-spreading-myrtle-rust>; <https://www.stuff.co.nz/auckland/103437105/mpi-gave-up-the-battle-against-myrtle-rust-but-how-much-did-it-cost-businesses>

53.2 by combining geographical runs and optimising route density, Interwaste will be able to []. Increasing run density by [] would effectively reduce Interwaste's transport costs by a similar amount.

Retention of value

- 54 SIP is a small owner-operator business. Its owner has been exploring sale to Tennex, the natural purchaser, [].
- 55 It is important that a mechanism exists for owner-operators like SIP to be able to realise the value of their business when they wish to retire. Otherwise, the inability to exit will operate as a barrier to entry for those considering challenging an incumbent.

DETRIMENTS - QUANTIFIABLE

- 56 **Attached** at Appendix 3 is a model illustrating the quantifiable detriments of the transaction. Inputs were:
- 56.1 a pre-merger price per unit. This is a Tennex estimate, calculated by estimating the average price across three bands for small, medium and large customers, and in turn taking the average of those prices. [].
- 56.2 the parties' aggregated pre-merger quantity, derived by dividing the parties' aggregate annual revenue (which for Interwaste Christchurch was an actual figure, and for SIP was a Tennex estimate) by the pre-merger price per unit.
- 56.3 the parties' pre-merger variable cost, which was the average of Interwaste Christchurch's actual variable costs and an estimate by Tennex of SIP's variable costs.
- 57 These inputs indicate (using a 10 year NPV):
- 57.1 allocative efficiency losses of between \$[];
- 57.2 productive efficiency losses of up to \$[];
- 57.3 dynamic efficiency losses of up to \$[]; and
- 57.4 no relevant wealth transfer, as IWL is 100% New Zealand-owned.
- 58 The maximum present value of these detriments, using a 10 year NPV, is approximately \$[]. This is a small number, and outweighed considerably by the benefits estimated above of \$[].

Conservative estimates

- 59 There is likely to be less revenue susceptible to a price rise than was used to calculate the figures in 56.2 above, because the two largest customers in the Christchurch area, CDHB and CIAL, are able to negotiate long-term agreements, and accordingly can protect themselves from price increases.
- 60 As set out at paragraph [] above, []

].

- 61 The spreadsheet attached at Appendix 3 also contains a separate calculation of the inefficiencies where []. Tennex submits this is more realistic, but considers the case for authorisation is not materially impacted [].

Elasticities

- 62 The range of possible detriments were calculated using demand elasticities of -0.2 and -0.6. These are relatively inelastic, but arguably still conservative. This is because the medical and quarantine waste industry is regulated, so there is no obvious cheaper alternative that is also lawful.
- 63 Most medical waste customers are vigilant to ensure that waste sent for treatment is genuine medical waste. There is limited opportunity for efforts to more stringently segregate waste to reduce volume and therefore costs (where these efforts would point towards a higher elasticity). Tennex is aware of larger contracted medical customers, including [], who have done this. However, it considers for the most part that medical customers currently sort waste as properly as they can, and (for reasons relating generally to the “precautionary principle”) are averse to making judgement calls on waste.
- 64 There is even less room for quarantine waste customers to reduce their waste volumes, because biosecurity regulations are much less flexible in how they define waste streams. There are also significant penalties for breaching the Biosecurity Act, so the calculus is different: the risks of minimising this waste are likely to outweigh the benefits.
- 65 Accordingly, Tennex submits that -0.2 and -0.6 are appropriate elasticities for the purposes of quantifying any detriments arising from the proposed transaction.

DETRIMENTS – NON-QUANTIFIABLE

Security of supply

- 66 There is arguably less resilience in the upper South Island if there is one treatment plant instead of two.
- 67 Tennex considers no material weight should be given to this factor, as it has three other treatment plants where waste could be transported if the Christchurch plant were unable to treat waste for a sustained period of time. Indeed, while its Christchurch facility was being established, Interwaste’s entire South Island operations were conducted by transporting waste down to Dunedin. As referenced above (at paragraph 51), Interwaste considers its national presence mitigates any such concerns.

PART 8: IDENTIFICATION OF INTERESTED PARTIES

68 **Table 1** sets out contact details for the main parties in the waste industry:

| PARTY | PHONE | EMAIL | CONTACT |
|---|--------------|--------------|----------------|
| Waste Management/ Medismart Limited | [] | [] | [] |
| Enviro Waste Services Limited | [] | [] | [] |
| WasteMINZ (Waste Management Industry Association) | [] | [] | [] |

69 **Table 2** sets out contact details for IWL's key Christchurch medical and quarantine waste customers []. Detailed volume, revenue and price information for these customers is set out in Appendix 4.

| CUSTOMER | PHONE | EMAIL | CONTACT |
|-----------------|--------------|--------------|----------------|
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |

PART 9: CONFIDENTIALITY

- 70 Confidentiality is requested for all the information contained in this version of the notice.
- 71 A “public version” of this notice will be provided subsequently that will specially identify all information that is commercially sensitive to the parties.
- 72 The parties request that they be notified if a request is made to the Commission for release of the information under the Official Information Act 1982.

DECLARATION BY TENNEX

I have prepared, or supervised the preparation of this notice seeking clearance.

To the best of my knowledge, I confirm that:

- All information specified by the Commission has been supplied;
- If information has not been supplied, reasons have been included as to why the information has not been supplied;
- All information known to me that is relevant to the consideration of this notice has been supplied; and
- All information supplied is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am a director/officer of the company and am duly authorised to submit this notice.

Name and title of person authorised to sign:

On behalf of Tennex Capital Limited

Sign: _____

Date: _____

APPENDICES

- 1 **SALE AND PURCHASE AGREEMENT**
- 2 **SPREADSHEET OF AVOIDED COSTS**
- 3 **DETRIMENTS MODEL**
- 4 **UPDATING AND ADDITIONAL INFORMATION REQUESTED – TENNEX**
- 5 **ORGANISATION CHART FOR TENNEX**

APPENDIX 1 – SALE AND PURCHASE AGREEMENT

Attached separately; confidential.

APPENDIX 2 – SPREADSHEET OF AVOIDED COSTS

Attached separately; confidential.

APPENDIX 3 – DETRIMENTS MODEL

Attached separately; confidential.

APPENDIX 4 – UPDATING AND ADDITIONAL INFORMATION FROM TENNEX

Attached separately.

Sales and Capacity Data

1. *Total volume of medical and quarantine waste collected by IWL in the South Island in each of the last 3 financial years (2016-2018).*

Volumes in tonnes per annum

| | 2016 | 2017 | 2018 |
|-----------------------|-------------|-------------|-------------|
| Medical | [] | [] | [] |
| Quarantine | [] | [] | [] |
| Total (tonnes) | [] | [] | [] |

2. *Volume of medical and quarantine waste collected by IWL in just Christchurch and Canterbury in each of the last 3 financial years (2016-2018).*

Volume in tonnes per annum

| | 2016 | 2017 | 2018 |
|-------------------|-------------|-------------|-------------|
| Medical | [] | [] | [] |
| Quarantine | [] | [] | [] |
| Total | [] | [] | [] |

3. Total volume of medical and quarantine waste treated by IWL in the South Island in each of the last 3 financial years (2016-2018)

All medical and quarantine waste collected by IWL in the South Island has been treated by IWL with the exception of cytotoxic wastes which need to be sent to Australia for incineration. These total approximately [] tonne per annum in each of the 3 years.

4. Volume of medical and quarantine waste treated by IWL in Christchurch in each of the last 3 financial years (2016-2018).

All medical and quarantine waste collected by IWL in Christchurch and Canterbury has been treated by IWL with the exception of cytotoxic wastes which need to be sent to Australia for incineration. Of the total volume of [] tonne per annum collected in the South Island approximately [] tonne per annum is collected in Christchurch/Canterbury.

5. IWL's medical and quarantine waste revenue in each of the last 3 financial years (2016-2018), in total and broken down by branch (ie, into Auckland, Wellington, Christchurch and Dunedin).

[].

We note that medical supply is for consumables such as bags, sharps containers and bins etc. These are competitive supplies and can be sourced nationally from a number of pharmaceutical and healthcare supply companies.

Cytotoxic waste disposal is sub contracted to Ace Waste in Australia. This is not an exclusive arrangement and there are several incinerators options available in Australia to the New Zealand companies.

The above table is also in sheet 2 of attachment 24 (management financials).

Customer Information

6. Breakdown of IWL's medical and quarantine waste revenue for its Christchurch branch by customer type for last 3 financial years (2016-2018).

| | 2016 | | 2017 | | 2018 | |
|-----------------------|---------|------------|---------|------------|---------|------------|
| | Medical | Quarantine | Medical | Quarantine | Medical | Quarantine |
| DHB [] | [] | [] | [] | [] | [] | [] |
| Contracted [] | [] | [] | [] | [] | [] | [] |
| Retail [] | [] | [] | [] | [] | [] | [] |

7. A full list of IWL's current Christchurch medical and quarantine waste customers, with information on each customer's annual waste volume and the revenue IWL earned from the customer in the last year.

Refer attachment 7.1.

- In terms of revenue we have included the top [] medical and quarantine waste customers in Christchurch which account for []% of turnover.
- In terms of volume we have included the top [] medical and quarantine customers which account for []% and []% respectively.

A full list of all customers can be provided in terms of annual revenue but weight figures need to be calculated manually and many small customers purchase products, ie sharps containers, rather than disposal by weight so beyond the top [] customers volume is not material.

8. Information on the prices IWL currently charges to medical and quarantine waste customers (per kg, bin or bag), specifically:

8.1 for each term contract currently held by IWL relating to medical and quarantine waste treated in South Island, the prices currently charged to that customer, information on how pricing has changed in the last 3 years (if at all) and when pricing may next be reviewed

| Company Name | Contract Expiry | Waste Type | Volume kg's/p.a. | Price/kg 2016 | Price/kg 2018 |
|---------------------|------------------------|-------------------|-----------------------------|--------------------------|--------------------------|
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] | [] |

8.2 a list of the customers that negotiate prices with IWL on a national basis;

[].

8.3 any standard price lists for other customers (ie, those not on term contracts) and information on how prices lists have changed in the last 3 years (if at all);

Full retail price lists are attached, but changes over the last 3 years are summarised below.

| | 2016 | 2017 | 2018 |
|-------------------------|------|------|------|
| CLINICAL WASTE | | | |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| [] | [] | [] | [] |
| | | | |
| QUARANTINE WASTE | | | |

| | | | | |
|-----|-----|-----|-----|-----|
| [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] |
| [] | [] | [] | [] | [] |

Retail prices for the 18/19 year are to be raised by []%.

Attachment 8.3 – National Retail Price lists 2015 (unchanged for 2016), 2017, 2018.

8.4 the proportion of customers (in volume, revenue and/or customer numbers terms) that are charged a price less than any standard or maximum list price, even if only indicative estimates;

[]:

| | Volume | Revenue | Customer Number |
|---------------------------------------|---------------|----------------|------------------------|
| % of customer priced less than retail | []% | []% | []% |

8.5 the prices charged by IWL to ten randomly selected medium sized medical and quarantine waste customers of each of IWL's branches (ie, Auckland, Wellington, Christchurch and Dunedin), along with the names of those customers;

Attachment 8.5

8.6 the prices charged by IWL to its ten smallest medical and quarantine waste customers of each of IWL's branches (ie, Auckland, Wellington, Christchurch and Dunedin), along with the names of those customers; and

[].

8.7 the greatest discount that a medical and quarantine waste customer of each of IWL's branches (ie, Auckland, Wellington, Christchurch and Dunedin) not on a term contract receives off any standard price lists, along with the names of those customers and the reasons(s) for each discount.

[].

| | |
|---|-----------------------------------|
| 9. A list of the medical and quarantine waste customers and/or contracts that IWL has won or lost in the South Island in the last 3 years. | |
| Customers Won – Medical | Customers Won - Quarantine |
| [] | [] |
| Customers Lost Medical | Customers Lost Quarantine |
| [] | [] |
| There are likely to be customers that have been lost but have not formally notified us. These are generally small retail customers and may still be on our system but are not using our services. | |
| 10. A list of medical and quarantine waste business or contracts that IWL has bid for in the South Island in the last 3 years, including details of pricing IWL offered in each case. | |
| None. | |
| 11. Schedule of term contracts currently held by IWL relating to medical and quarantine waste treated in South Island (detailing contract term, contract expiry, volume, type of waste and pricing provisions). | |
| See 8.1 above. | |
| 12. Information on any contract renewal, tender or price negotiations that IWL has participated in over the last 3 years in respect of medical and quarantine waste services for Christchurch International Airport Limited, the Canterbury District Health Board (DHB) and Lyttelton Port Company Limited. | |
| []. | |
| 13. Any new or revised contracts agreed in the last 3 years (since the Commission's 29 February 2016 decision to decline to give clearance for the acquisition) relating to IWL's collection of Canterbury DHB medical waste. | |

| |
|--|
| []. |
| 14. Information, separately for different types of customers (DHBs, airports, seaports and smaller customers), on: |
| 14.1 the alternative options that customers have to dispose of any medical and quarantine waste; and |
| <p>The options for disposing of medical and quarantine wastes have not changed since the information provided for the clearance application in 2016</p> <p>DHB's – manage their wastes in accordance with NZS4304:2002. This sets out acceptable treatment methods for all hazardous and non-hazardous wastes generated at medical facilities in New Zealand.</p> <p>For hazardous wastes acceptable methods include Sterilisation and Landfill, Incineration and Cremation. In the South Island at present the bulk of hazardous wastes are sterilised and landfilled. Cytotoxic wastes are sent to Australia for incineration and body parts are cremated.</p> <p>DHB's have sufficient volumes and market power to either self-supply (which they all have done in the past) or sponsor new entrants to manage their waste disposal if they were not satisfied with the services provided by IWL.</p> <p>Quarantine - the treatment and disposal of quarantine waste in New Zealand is governed by the Biosecurity Act 1993 which details a range of acceptable treatments for different quarantine products. See attached BNZ-STD-ABTRT. These include sterilisation, incineration, deep burial (landfill), fumigation (chemical treatment).</p> <p>In the South Island sterilisation and deep burial at Kate Valley Landfill are the two primary options for disposing of quarantine waste. Deep burial is restricted under BNZ-STD-ABTRT to specific items which are: Fibres for testing, residues from cleaning used equipment associated with terrestrial animals, fungi contaminated wood products.</p> <p>CIAL has sufficient volumes and market power to either self-supply (which they have done in the past) or sponsor new entrants to manage their waste disposal if they were not satisfied with services provided by IWL.</p> <p>[].</p> <p>Extracts from NZS4304:2002 and BNZ-STD-ABTRT are enclosed (attachment 14.1)</p> |
| 14.2 efforts, to IWL's knowledge, that customers have made to minimise or reduce their volumes of medical and quarantine waste |

| | | | | | | | |
|--|-----|-----|--|-----|-----|-----|-----|
| <p>Several of the larger contracted medical customers, ie [] have introduced controlled waste streams and are undertaking greater segregation of waste to minimise medical waste and reduce costs. Most large generators already segregate and manage their wastes to a high degree.</p> <p>What are quarantine wastes is determined by MPI and there is very little flexibility in definitions. The fines and consequences of breaching the Biosecurity Act mean that the risks generally outweigh the benefits in terms of reclassifying waste streams to try and reduce volumes.</p> | | | | | | | |
| <p>Treatment plants (including capacity and investment therein)</p> | | | | | | | |
| <p>15. Whether capacity of IWL's Christchurch treatment plant has changed materially in the last 3 years and, if so, how.</p> | | | | | | | |
| <p>[].</p> | | | | | | | |
| <p>16. Documents with respect to any decisions to invest or not invest in IWL's Christchurch treatment plant in the last 3 years.</p> | | | | | | | |
| <p>[].</p> | | | | | | | |
| <p>17. Information and/or documents on any planned or required investment in IWL's Christchurch plant in foreseeable future.</p> | | | | | | | |
| <p>[].</p> | | | | | | | |
| <p>18. Confirmation of whether IWL leases or owns the site on which its Christchurch plant (that was commissioned in January 2015) is located.</p> | | | | | | | |
| <p>18.1 If IWL owns the site, information on the capital expenditure that IWL incurred in to purchase the land, develop the land, obtain the necessary consents, construct buildings and set up its Christchurch plant on the site.</p> | | | | | | | |
| <p>[].</p> | | | | | | | |
| <p>18.2 If IWL leases the land and buildings, information on the capital expenditure that IWL incurred to establish its Christchurch plant on the site, and its ongoing lease costs.</p> | | | | | | | |
| <table border="1"> <tr> <td colspan="2">[]</td> </tr> <tr> <td>[]</td> <td>[]</td> </tr> <tr> <td>[]</td> <td>[]</td> </tr> </table> | | [] | | [] | [] | [] | [] |
| [] | | | | | | | |
| [] | [] | | | | | | |
| [] | [] | | | | | | |

| |
|---|
| []. |
| 21. Information and/or documents on any planned or required investment in IWL's Dunedin plant in foreseeable future. |
| []. |
| 22. [] : |
| []. |
| 22.1 []: |
| See attachment 22.1. |
| 22.2 the costs that IWL might incur to transport waste collected in [] to its existing treatment plants in the North and South Islands. |
| See attachment 22.1. |
| Financials |
| 23. IWL financial statements for the financial years 2016, 2017 and 2018. |
| See attachment 23. |
| 24. Management accounts for IWL's Christchurch branch for the financial years 2016, 2017 and 2018. |
| See attachment 24. |
| 25. So that comparative analysis can be undertaken, the management accounts for each of IWL's Auckland, Wellington and Dunedin branches for the last 3 financial years (2016-2018). |
| See attachment 24. |
| 26. Business plans or strategy documents regarding IWL's South Island medical and quarantine waste business created in the last 3 years. |
| []. |
| 27. Documents assessing financials, profitability or viability of IWL's Christchurch and Dunedin branches over the last 3 financial years |

| |
|--|
| []. |
| Acquisition of San-i-Pak |
| 28. Documents with respect to attempts by IWL to acquire San-i-pak in the last 3 years (since the Commission's 29 February 2016 decision to decline to give clearance for the acquisition). |
| []. |
| 29. Correspondence between IWL and San-i-pak with respect to attempts by IWL to acquire San-i-pak in the last 3 years (since the Commission's 29 February 2016 decision to decline to give clearance for the acquisition). |
| []. |
| Other |
| 30. Documents created in the last 3 years assessing competition in the South Island medical and quarantine waste market |
| []. |
| |

APPENDIX 5 – ORGANISATION CHART FOR TENNEX

Attached separately.

Entity Structure Chart—Tennex Group

