



competition commission
south africa

Media Release

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PATHCARE ALSO AGREES TO AN IMMEDIATE PRICE REDUCTION OF COVID-19 PCR TESTS

On Monday 13 December 2021, the Competition Commission (“the Commission”) and the third largest private laboratory, Dietrich, Voigt, MIA & Partners and Dr. Vermaak Incorporated (“Pathcare”) concluded a settlement agreement in terms of which Pathcare agreed to reduce its Covid-19 PCR test prices from about R850 to no more than R500 (VAT inclusive) per test with immediate effect. This settlement agreement is subject to the approval of the Competition Tribunal. The Pathcare settlement agreement comes at the back of an official announcement by the Competition Commission that two other major laboratories, Ampath and Lancet Laboratories, have agreed to substantially reduce the price of COVID-19 PCR tests with immediate effect.

The three laboratories also undertook to submit to the Commission, a compliance report that will include financial statements every three months, to monitor prices charged for PCR tests and any material changes in costs.

At the Commission’s media briefing held on Sunday 12 December, Competition Commissioner Mr. Tembinkosi Bonakele called on all pathology groups to follow suit and reduce their Covid-19 PCR Tests to R500. “We also call upon all labs conducting PCR tests to be sensitive to the plight of the public in this time, and use the settlement as a guidance,” he said.

“This a major victory for South Africans, particularly the vulnerable groups during the time of a devastating and resilient pandemic. This substantial reduction of PCR test prices will surely alleviate their plight of consumers and enhance greater access to COVID-19 PCR testing, which is a critical part of the initiatives to avoid the escalation of the pandemic. We hope that the pathology group that has not yet settled with the Commission will follow suit and reduce unjustifiable price of COVID-19 PCR test,” says Bonakele.

The price reduction shall remain in effect for a period of two years from the date of confirmation of the consent agreements as orders of the Competition Tribunal.

[ENDS]**Issued by:**

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BACKGROUND

The settlement agreements with Ampath, Lancet and Pathcare come while the Commission's investigation into excessive pricing of COVID -19 PCR tests was already underway and it is a culmination of active engagements between the Commission and three major laboratories.

On 8 October 2021, the Commission received a formal complaint from the Council for Medical Schemes (CMS) against private pathology laboratories alleging that the price for supplying PCR tests for COVID-19 is unfairly inflated, exorbitant and/or unjustifiable in contravention of section 8(1)(a) of the Competition Act.

Between September and October 2021, the Commission was also alerted through a number of meetings and telephonic discussions (including discussions with the Department of Health and healthcare funders) of possible pricing abuse for COVID-19 PCR tests, to the detriment of vulnerable consumers and customers. In the main, it was alleged that private pathology laboratories have experienced substantial cost reductions in conducting COVID-19 PCR tests and were processing significant volumes (especially during infection waves), yet the price charged by the private pathology laboratories for COVID-19 PCR tests remained persistently high and unchanged at R850. Even though in recent months there has been some negligible downward price adjustments, nonetheless the prices of COVID-19 PCR tests remained excessively high.

The Commission's investigation focused on the three largest private pathology laboratories as respondents, namely the Ampath Trust, as management agent to Du Buisson Kramer Swart Bouwer Incorporated (Amphat), Drs Mauff AC & Partners t/a Lancet Laboratories (Lancet Laboratories) and Drs. Dietrich, Voigt, Mia & Partners t/a PathCare.

The Commission's investigation revealed that costs for private laboratory firms have in fact reduced on average, thereby increasing their absolute margins. The Commission's investigation also revealed that the pathology groups have been earning significant profits since March 2020, especially in the current financial year to date. The Commission's view is that the failure to reduce prices in the context of material reductions in costs is the flip side of the Consumer Protection Regulations as it results in the same effect, namely an increase in the margin earned for an essential product or service. In this way, firms are still able to exploit consumers by earning excessive profits on essential products or services.