

Dis-Chem fined R1.2m for price inflation

The Competition Tribunal has slapped pharmacy group, Dis-Chem, with a R1.2 million fine for excessively overpricing surgical masks during the Covid-19 pandemic.



Photo by Polina Tankilevitch from [Pexels](#)

This comes after the company was found guilty following complaints registered by the public.

In its order and reasons, the Tribunal found that Dis-Chem contravened the Competition Act for charging excessive prices for three types of surgical face masks to the detriment of consumers during March 2020.

The Tribunal considered the background to the Covid-19 pandemic as the economic context in which Dis-Chem had increased its prices on three occasions. This included, among others, the fact that the virus was spreading globally and at an alarming rate.

According to the Tribunal, the Competition Commission (the Commission) has established that Dis-Chem exerted market power in its pricing of the face masks by increasing its prices to significant levels in the context of the Covid-19 pandemic. One such increase took place on the very day that South Africa's first Covid-19 case was announced.

“We find that in the context of a global health crisis, with excess demand of surgical masks considered to be essential in the fight against Covid-19, Dis-Chem has demonstrated that it enjoyed and exerted market power by materially increasing its prices, without a significant increase in costs, and significant increase in margins. But for the economic conditions brought about by the outbreak of Covid-19, it would not have been able to implement such material price increases in surgical masks,” said the Tribunal.

The Commission, said the Tribunal, has shown a prima facie case of excessive pricing in relation to the three types of face masks.

The Tribunal has found that Dis-chem failed to show that its price increases were reasonable.

“In our view, Dis-Chem’s massive price increases of surgical masks during the complaint period, which constitute an essential component of life saving first-line protection in a pandemic of seismic proportions, without any significant increases in costs, are utterly unreasonable and reprehensible.

“Accordingly, we find that Dis-Chem has failed to show that its price increases for SFM50 and SFM5 and Folio50 were reasonable in the circumstances of the Covid-19 pandemic.”

Detriment to consumers

The Tribunal has concluded that the Commission has shown that Dis-Chem has engaged in excessive pricing to the detriment of consumers.

Material price increases of the magnitude of 47%-261%, without corresponding increases in costs, of any goods in a country such as South Africa, with a long history of economic exclusion and deep inequality, would seriously affect the public interest adversely.

“Material price increases of surgical masks, without corresponding costs justifications, in the context of Covid-19, for which there is no discernible cure and where health services are skewed towards the wealthy, would seriously impact vulnerable and poorer consumers even more. Poorer customers would have been excluded from accessing the masks by such exorbitant increases, other customers would have spent more on these items as a percentage of their disposable income,” reads the statement.

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