MEDIA RELEASE

AUSTRALIAN COMPETITION & CONSUMER COMMISSION

20 July 2023

ACL's proposed acquisition of Healius raises concerns

The ACCC has outlined significant preliminary competition concerns with Australian Clinical Labs Limited's (ASX:ACL) proposed acquisition of Healius Limited (ASX:HLS) in a Statement of Issues published today.

"The ACCC is concerned that the proposed acquisition would be likely to substantially lessen competition in Australian pathology services markets," ACCC Commissioner Stephen Ridgeway said.

ACL and Healius both supply pathology services to the community, private and public hospitals, and veterinary clinics. They compete closely with one another and offer services under well-known brands familiar to many in the community.

"The proposed acquisition would combine two of the top three providers of pathology services in Australia, significantly increasing concentration in already concentrated markets," Mr Ridgeway said.

The combined ACL and Healius would be the largest provider of community pathology services in every state and territory in which they both operate, owning more than 50 per cent of approved collection centres across Australia.

While competition in pathology services may be less readily apparent to patients, particularly if they are bulk billed, the extent of bulk billing offered by providers is one of the ways they compete.

"The ACCC is concerned that the significant reduction in competition could lead to adverse consequences for patients, including reduced levels of bulk billing, higher co-payments for privately billed services, collection centre closures, less frequent collection of samples, or longer turnaround times," Mr Ridgeway said.

"Market feedback has identified strong concerns about the impact of this acquisition on community pathology services, and there is the potential for even greater impacts in regional and remote areas."

In Victoria, where public hospital pathology is more commonly outsourced to private providers compared to other states, ACL and Healius are two of only three private providers of public in-patient services.

The ACCC's preliminary view is that the combined ACL and Healius may be able to increase prices or reduce service quality in bids for public hospital tenders, which would particularly affect Victoria.

Additionally, the proposed acquisition may lead to a substantial lessening of competition in veterinary pathology services.

"It would combine two important competitors in already concentrated markets for the supply of veterinary pathology services in Victoria and South Australia," Mr Ridgeway said.

The ACCC invites submissions in response to the Statement of Issues by 10 August 2023. More information is available on the ACCC's pubic register here: Australian Clinical Labs Limited - Healius Limited

Background

Australian Clinical Labs Limited (ACL) is seeking to acquire Healius Limited (Healius) Both provide human pathology services to out-patients, in-patients (of public and private hospitals), and commercial and government customers. ACL and Healius are both listed on the Australian Securities Exchange (ASX).

ACL operates its human pathology services in every state and territory except Tasmania.

Healius operates human pathology services through various brands across Australia – Laverty Pathology (NSW and ACT), Dorevitch Pathology (Victoria), QML Pathology (Queensland), Abbott Pathology (South Australia), Western Diagnostic Pathology (Western Australia and Northern Territory), and TML Pathology (Tasmania).

ACL also provides veterinary pathology services in South Australia and Victoria through its Gribbles Veterinary brand, while Healius supplies veterinary pathology services through its Vetnostics (NSW and ACT), Australian Specialised Animal Pathology Laboratory (South Australia and Victoria), QML Vetnostics (Queensland), Vetpath (Western Australia and Northern Territory), and TML Vetnostics (Tasmania) brands.

Healius also operates diagnostic imaging services.

Other pathology providers in the market include Sonic and 4Cyte, as well as not-for-profit and public pathology providers.

More information on the relevant market, including market share data, can be found in the Statement of Issues.

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