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ACCC opposes Australian Clinical Labs' proposed acquisition of Healius

The ACCC has decided to oppose the proposed acquisition of Healius Limited (ASX:HLS) by Australian Clinical Labs Limited (ASX:ACL).

Following an in-depth investigation, the ACCC has concluded that the proposed acquisition is likely to result in a substantial lessening of competition in Australian pathology services markets.

The ACCC considers the proposed acquisition is likely to substantially lessen competition in the supply of out-patient pathology services, private hospital in-patient pathology services, and commercial pathology services.

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

"We consider that the proposed acquisition would be likely to result in a substantial lessening of competition as it would combine two of the three largest providers of pathology services in Australia, further consolidating already-concentrated markets," ACCC Commissioner Stephen Ridgeway said.

ACL and Healius compete closely in out-patient services, with widespread networks of collection centres, laboratories and couriers across Australia.

"A combined ACL and Healius would operate more than 50 per cent of approved pathology collection centres in Australia. In some regions, they are the only two pathology providers available to patients," Mr Ridgeway said.

"We're concerned that the proposed acquisition would impact patients and their referring doctors, potentially through longer turnaround times, shorter collection centre opening hours, reduced support for medical practitioners and increased prices for patients via increased private billing."

ACL and Healius are two of the three private pathology providers that typically compete for large private hospital contracts and referrals from specialists practising at private hospitals. Similarly, large commercial pathology customers typically have few potential suppliers, including the merger parties.

"We believe a combined ACL and Healius may be able to raise prices and reduce services for private hospital services and large commercial pathology customers, due to the limited competition it would face," Mr Ridgeway said.

The ACCC carefully considered the level of competition provided by other pathology providers, including Sonic, 4Cyte, and public sector providers. The ACCC considers it unlikely that a new or existing provider could enter or expand in a timely way and to a scale sufficient to address the loss of competition resulting from the proposed acquisition.

“New or existing providers face a range of barriers to entry and expansion. There are significant incumbency advantages in pathology services, including economies of scale in laboratory testing and courier networks, as well as relationships with healthcare practitioners,” Mr Ridgeway said.

During the review, ACL offered a court-enforceable undertaking to divest a package of collection centres across regional Victoria, Perth, and the Northern Territory.

“We concluded that the draft undertaking offered by ACL was not capable of addressing our concerns. To compete effectively and sustainably, rivals need to have scale, a strong reputation and expertise, and established relationships with doctors. The divestment package did not address the competition concerns,” Mr Ridgeway said.

More information is available on the ACCC’s public register: [Australian Clinical Labs Limited - Healius Limited](#).

Background

ACL and 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 human pathology services in every state and territory except 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 operates human pathology services through various brands across Australia – Lavery 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). Healius also operates diagnostic imaging services.

Media enquiries: 1300 138 917

Email: media@acc.gov.au

acc.gov.au/media