

The **Independent Community Pharmacy Association (ICPA)** has formally applied to the Competition Commission of South Africa for a **5-year exemption** under Section 10 of the Competition Act 89 of 1998.

The exemption aims to establish the **Independent Pharmacy Network (IP Network)**, allowing over 1,200 independent community pharmacies (ICPs) to engage in collective bargaining and joint procurement.

Key Motivations & Market Challenges

- **Competitive Disadvantage:** Independent pharmacies face severe pressure from large corporate pharmacy chains (e.g., Clicks, Dis-Chem, Medirite) that benefit from economies of scale, vertical integration (distributor/wholesaler margins), and centralized negotiation power.
- **Revenue Stream Constraints:**
 1. **Non-SEP (Unscheduled / Schedule 0) Medicines:** Corporate chains leverage volume buying to secure lower prices, forcing independent pharmacies to sell at razor-thin, unsustainable margins.
 2. **SEP (Schedule 1–6) Medicines:** Pricing is strictly regulated by the Single Exit Price (SEP), meaning profit relies entirely on dispensing fees. Medical schemes routinely push reimbursement rates below the regulated cap.
 3. **Designated Service Provider (DSP) Exclusion:** Schemes avoid individual negotiations with single ICPs, forcing them to accept low rates or face exclusion, which triggers severe patient co-payments (20%–100%) under Regulation 8(2) of the Medical Schemes Act.
 4. **Professional Services:** ICPs are unable to individually negotiate adequate scheme reimbursement for community screening and healthcare services.

Scope of the Requested Exemption

The application seeks legal protection under Section 10(3)(b)(ii) [SMME/HDP promotion] and Section 10(3)(b)(v) [efficiency/competitiveness gains] to conduct the following activities through the IP Network:

- **Joint Procurement:** Operating as a central buying group to negotiate prices, discounts, and terms for non-SEP medicines directly with manufacturers and suppliers.
- **Collective Fundings & Network Negotiations:** Negotiating directly with medical schemes and administrators for fair dispensing and professional fees, as well as securing DSP and Preferred Provider (PP) status.
- **Statutory Engagement:** Partnering with regulatory bodies to support pharmacy practice and sector sustainability.

Precedent, Safeguards & Next Steps

- **Legal Precedent:** ICPA cites the Competition Commission's 2018 conditional exemption granted to the National Hospital Network (NHN), which permitted similar collective bargaining for independent private hospitals.
- **Consumer Safeguards:** Participation in the IP Network will be voluntary ("opt-in") for ICP members. The exemption **will not** allow retail price-fixing among pharmacies, restriction of patient choice, or exchange of competitively sensitive clinical data.

- **Public Participation Window:** Published in **Government Gazette No. 55054 (Notice 7732)** on **20 July 2026**, the Competition Commission provided a **20-business-day window** for interested parties to submit written representations regarding case number **2026MAY0031**.