

# Competition Tribunal penalises face mask producer

A Pretoria company is in hot water after implementing excessive price hikes during the Covid-19 pandemic.



Photo by Anna Shvets from Pexels

In South Africa's first contested excessive pricing case in the context of Covid-19, the Competition Tribunal has found Babelegi Workwear and Industrial Supplies CC (Babelegi) guilty of excessive pricing.

"In its order and reasons issued today, the Tribunal has found that Babelegi contravened section 8(1)(a) of the Competition Act by charging excessive prices for face masks that it sold to customers between 31 January 2020 and 5 March 2020 (the complaint period). The contravention relates to the sale of face Dust Mask FFP1 Pioneer (FFP1 masks)," said the Tribunal on Monday.

The Tribunal alleges that a local manufacturer of medical facemasks earned a mark-up in excess of 500% between 31 January 2020 and 5 March 2020, by increasing the price of a box of facemasks from R41 to R500.

It is also alleged that the manufacturer had increased its price by at least 888% during the period 9 December 2019 to 5 March 2020.

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## Two major suppliers of face masks charged for price gouging

13 May 2020



In considering the matter, the Tribunal noted the Pretoria based company's successive and significant price increases for facemasks during the complaint period.

Babelegi effected several price increases before the actual increase in its supplier costs on 18 March 2020.

The Commission noted that the first significant price increase occurred on 31 January 2020, a day after the World Health Organisation declared Covid-19 a public health emergency of international concern.

Babelegi's price increases became progressively bolder in February 2020 and the company's mark-ups on the masks sold increased significantly with each successive price increase during this period.



## Caprichem charged for hiking prices of sanitiser

28 May 2020



"On 10 February 2020, Babelegi again significantly increased its price; and on 5 March 2020 when South Africa announced its first Covid-19 case, then again significantly raised its price; and the company's mark-ups on the masks sold increased significantly with each successive price increase during this period."

The Tribunal has since ordered the company to pay a fine of R76,040 for charging excessive prices for facemasks that it sold to customers between 31 January 2020 and 5 March 2020, the complaint period.

The Tribunal said the company has not put up a rational and valid explanation for its successive and massive price increases.

Further, the Tribunal concluded that the Competition Commission established a *prima facie* case of an abuse of dominance because the Pretoria-based company charged excessive prices for FFP1 masks during the complaint period in breach of section 8(1)(a) of the Act.

The Tribunal also found that the company prices were of an exploitative nature.



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Bobedi Seleke 24 Apr 2020



"Babelegi knew full well that there was a significant increase in demand for masks ... and took advantage of customers and consumers amid the international Covid-19 health crisis. This leads us to conclude that prices charged during the complaint period were to the detriment of consumers and customers."

"It would be wholly against the public interest if Babelegi were to financially benefit from its excessive pricing conduct. This means that the administrative penalty should exceed the excess profit made by Babelegi," said the Tribunal.

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