



MEDIA RELEASE

25 March 2020

CCCS Consults on the Proposed Acquisition by Fresenius Medical Care Pte. Ltd. of RenalTeam Pte. Ltd.

The Competition and Consumer Commission of Singapore (“**CCCS**”) is inviting public feedback on the proposed acquisition by Fresenius Medical Care Singapore Pte. Ltd. (“**FMC SG**”) of 100% of the issued share capital in RenalTeam Pte. Ltd. (“**RT**”) (collectively, the “**Parties**”) (the “**Proposed Transaction**”).

2. CCCS received an application from FMC SG on 17 March 2020 for a decision on the Proposed Transaction. CCCS is now assessing whether the Proposed Transaction would infringe section 54 of the Competition Act (Cap. 50B), which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

The Parties

FMC SG

3. FMC SG is part of the Fresenius Medical Care group of companies (“**FMC Group**”), which provides dialysis products and services worldwide.

4. The FMC Group uses the trading names, business names and brand names of “Fresenius Medical Care Singapore” and “Fresenius Kidney Care” in Singapore, and has the following subsidiaries and affiliated entities incorporated in Singapore: ARC Kidney Dialysis Pte Ltd; Asia Renal Care (Katong) Pte Ltd; Asia Renal Care Mt Elizabeth Pte Ltd; Asia Renal Care (SEA) Pte Ltd; and Kidney Therapy Centre Pte Ltd.

5. The FMC Group (including FMC SG, its wholly-owned subsidiaries and its affiliated entity ARC Kidney Dialysis Pte. Ltd.) provides haemodialysis (“**HD**”) and peritoneal dialysis (“**PD**”) services in Singapore to End Stage Renal Disease (“**ESRD**”) patients through clinics operated by the FMC Group, and provides HD services, on an outsourced basis, in clinics operated by third party service providers. Asia Renal Care (SEA) Pte Ltd, which is part of the FMC Group, also offers management services to dialysis centres.

6. Additionally, FMC SG is involved in the sale of dialysis products and consumables¹ in Singapore, which are used in the process of administering HD and/or PD treatments to ESRD patients.

RT

7. RT is primarily involved in the supply of HD services to ESRD patients in Singapore through clinics operated by RT, and provides HD services, on an outsourced basis, in clinics operated by third party service providers.

8. RT provides its products and services in Singapore primarily under the trading name, business name and brand name of “RenalTeam”.

The Proposed Transaction

9. FMC SG submits that the Parties primarily overlap in the supply of HD services to ESRD patients in Singapore.

10. FMC SG is of the view that the relevant product market is the provision of outpatient HD services to ESRD patients in Singapore by (i) private sector providers, (ii) restructured hospitals (including joint ventures between restructured hospitals and private operators), and (iii) Voluntary Welfare Organisations (“VWOs”).

11. FMC SG considers the relevant geographic market for the provision of HD services in dialysis centres is Singapore, taking into account that HD treatment must be conducted three times a week, with each session lasting four to five hours.

12. According to FMC SG, the Proposed Transaction will not give rise to anti-competitive effects as the Parties would neither gain the ability nor incentive to increase price or reduce the quality of HD services, given the following:

- (a) Presence of strong existing competition in the relevant market, from private sector providers, restructured hospitals and VWOs;

¹ Such products and consumables include: (a) dialysis machines, dialysers, filters, and disposables for chronic HD; (b) dialysis products for at-home HD and PD treatment; (c) acute dialysis products and disposables; (d) dialysis equipment (i.e. medical treatment chairs); (e) information technology solutions for dialysis treatment; (f) water treatment products and services for dialysis therapy; and (g) analysis systems for assessing the conditions of patients.

- (b) Low barriers to entry and expansion for new dialysis services providers looking to set up clinics in Singapore, and for existing dialysis service providers to expand the capacity² of their existing centres, as evidenced by the quick entry and expansion of providers in recent years;
- (c) Ability of patients to switch between dialysis centres without incurring significant switching costs; and
- (d) Presence of alternatives to HD services such as existing PD services.

13. FMC SG also submits that the Proposed Transaction is unlikely to lead to collusion in the relevant market, given the presence of a multitude and range of existing competitors, ease of switching by patients, and low barriers to entry and expansion in the relevant market which can destabilise any potential collusive behaviour by the incumbent providers.

14. FMC SG is a vertically integrated provider of both HD products and consumables, and HD services. However, FMC SG submits that the Proposed Transaction will not give rise to any significant vertical effects³ for the following reasons:

- (a) Customers for HD products and consumables comprise all categories of HD service providers (i.e., VWOs, private operators, and restructured hospitals). As such, RT would be considered a relatively small buyer of HD products and consumables in comparison to much larger HD service providers such as the National Kidney Foundation and the Kidney Dialysis Foundation Ltd. Accordingly, post-Proposed Transaction, FMC SG would not have the ability or incentive to foreclose competing suppliers of HD products and consumables from supplying to customers of HD products and consumables in Singapore; and
- (b) FMC SG would not have the ability or incentive to withhold supplies of HD products and consumables from competing HD service providers in Singapore post-Proposed Transaction, on the basis that there are multiple competing suppliers of HD products and consumables in Singapore that are alternatives to FMC SG.

² According to FMC SG, existing dialysis service providers can easily expand the capacity of their existing centres by adding new beds or chairs, increasing the number of treatment shifts, and extending treatment hours.

³ Vertical mergers can, in some circumstances, reduce the competitive constraints faced by the merged entity by foreclosing a substantial part of the market to competitors, or by increasing the likelihood of post-merger collusion.

Public Consultation

15. CCCS is inviting public feedback in relation to the Proposed Transaction from 26 March 2020 to 9 April 2020, 2:00 p.m.

16. More information on the public consultation can be accessed and downloaded from the CCCS website at www.cccs.gov.sg under the section Public Consultation. If the submission/correspondence contains confidential information, please also provide CCCS with a non-confidential version of the submission or correspondence.

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About the Competition and Consumer Commission of Singapore (CCCS)

CCCS is a statutory board established under the Competition Act (Chapter 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

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