

## **A SUBMISSION**

**TO** : The Secretary  
National Competition Review  
of Pharmacy Legislation  
MDP 3  
GPO Box 9848  
CANBERRA ACT 2601

**DATE** : 21 July 1999

### **EXECUTIVE SUMMARY**

This submission argues that change in the regime of Australian pharmacy businesses has been evolving over time to meet changing circumstances and that such change should be allowed to continue to evolve rather than be forced. Forced change such as would be induced by deregulation would put at risk the accountability and community health care role of pharmacists and pharmacies and increase the potential for increased costs to consumers and a further diminution of pharmacy services particularly to rural and regional Australia.

This submission recommends that the current system of pharmacy regulation should not be changed and further that all elements of National Competition Policy, which have not been progressed as yet, should be halted until the findings of the Senate Select Committee on the Socio Economic Consequences of National Competition policy have been published and considered and no reform take place unless it can be established beyond doubt by an independent inquiry that the social and economic benefits substantially outweigh the disbenefits.

### **BACKGROUND**

In Australia the role and place of the pharmacy and the pharmacist in the community has been changing over time in an evolving way. The pharmacist dispensed prescriptions and prepared many 'in house' medicines and acted as the community health adviser. This health care advice role continues today but most of the prescriptions dispensed are filled by the proprietary products of the major pharmaceutical companies. These companies also provide and expeditious pharmaceuticals daily deliver service to some 5,000 pharmacies across the nation.

These pharmacies also provide the link in bringing the benefits of the Government's Pharmaceutical Benefits Scheme to the community.

### **COMMUNITY CONCERNS**

Members of a study group within the Council for the National Interest in Western Australia has expressed the following community concerns in relation to any proposal to deregulate pharmacies which might emerge from the current review.

1. Accountability. Should supermarket chains be permitted to own pharmacies the legal accountability, which derives from the fact that currently pharmacies can only be owned by registered, properly qualified pharmacists, would be placed at risk.

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2. Accessibility. Around 5,000 community pharmacies are spread right throughout Australia providing a high level of quality care and pharmaceuticals at a regulated and largely reasonable cost, irrespective of where they are located.

Between 1975 and 1988, just 13 years, the share of the retail trade by the three major supermarket chains, Coles, Woolworths and Franklins, has doubled from 40% to 80%. Independent stores are being driven out of business with consequent loss of amenity and employment. The danger is that this will happen to pharmacies if they are deregulated leading to less access, less pharmacies and less employment.

3. Safety and Healthcare Standards. Ownership of pharmacies by supermarket chains would shift the emphasis from a healthcare ethic to a commercial ethic. Supermarkets are driven by turnover and margins with a very largely junior workforce - not a proper environment for dispensing medicines or giving healthcare advice.
4. Price Affordability. The market dominance of supermarket chains could lead to subtle predatory pricing and thus ultimately to higher prices as competition forces other pharmacies to close.

### **NATIONAL COMPETITION POLICY FLAWED**

There is ample research to show that the estimated benefits of National Competition Policy are based on flawed assumptions and seriously overstate the likely benefits from the Hilmer and related reforms. In fact the benefits are argued to be negative when the flow on effects of unemployment are given due weight.

The negative effects have been so searing, economically and socially, to many Australians particularly those from rural and regional Australia, that a community backlash has manifested itself in a number of ways eg. Pauline Hanson's One National Party.

Furthermore the Australian Senate has established a Select Committee to enquire into the Socio - Economic Consequences of National Competition Policy.

It is only proper therefore that a halt should be called to Hilmer and related reforms which have not yet been implemented so that they can be considered in the light of the Senate Committee's findings when published. It is more than conceivable that Professor Hilmer himself did not intend that his philosophy of promoting reform of and competition for the Government Business Enterprises would extend to such community businesses as pharmacies and newsagencies, etc.

## **RECOMMENDATIONS**

It is RECOMMENDED that:

1. no action be taken to deregulate the current system of regulated pharmacies;
2. Hilmer and related reforms, not yet progressed, be halted until the findings of the Senate Select Committee on the Socio Economic Consequences of National Competition Policy are published and considered; and
3. no reform be undertaken unless a properly controlled independent study shows beyond doubt that there is substantial net social and economic benefit to the community.

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Denis J Whitely  
Executive Director  
21 July 1999

## **REFERENCES**

Industry Commission 1995a, "The Growth and Revenue Implications of Hilmer and Related Reforms", AGPS, Canberra.

Quiggin, J. (1997) "Estimating the benefits of Hilmer and related reforms", Australian Economic Review 30(3) pp256-72.

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