

Competition Policy Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sirs and Madam,

**RE: Submission concerning Competition Policy Review – Draft Report (September 2014)
(ref: Part 2, Section 6.3 – Pharmacies, and Draft Recommendation 52)**

I am writing to make a submission on the Competition Policy Review Draft Report, released in September 2014. Specifically, this submission relates to Part 2, Section 6.3 (and the relevant Draft Recommendation 52) relating to pharmacies. I am writing to state my support of your findings relating to the pharmacy location and ownerships rules, and I agree with Panel's views expressed under Section 8.9 of your draft report. I agree that the rules are not in the best interest of communities, as they have the effect of restricting consumer choice, limiting competition and have been a cause of the restraint of trade in the pharmacy sector. I submit that these same rules have been deliberately abused to actively restrict competition and protect incumbent pharmacies. As such, I firmly support your recommendation that these rules need to be withdrawn from the Sixth Community Pharmacy Agreement, which is currently being negotiated.

Firstly I will explain why I am making this Submission to the Competition Review Panel. I am a 62 year old resident of Ingham, in north Queensland. Ingham is located 100km north of Townsville, and has a population of 4,700, and services a district of 12,000 people. I have no immediate family here except my 86 year old mother for whom I am the sole carer. I am also an active member of my community, being involved with the volunteer groups Meals on Wheels and Legacy. I am the Treasurer and Welfare Officer for the Herbert River Contact Group of Legacy which cares for the welfare of 48 local war widows (10 aged in their 90's) and 5 wards. I therefore witness, and am in a position to assess, the needs and welfare requirements of many aged people who reside in Ingham. The 2011 Census Data shows that Ingham has an aging population approximately twice the national average. This, combined with the geographic distance to the nearest major medical facilities in Townsville, means that the provision of affordable, locally available medical services in Ingham, particularly for the elderly, presents a growth market and business opportunities, which would also be of benefit to the welfare of local residents.

I now place before the Panel the situation that occurred recently in the Ingham, which relates specifically to the application of the pharmacy location rules and how they have been applied to limit competition, stifle innovation, and limit economic opportunities. With my close connections to elderly people in my local area, I have been following the developments of this issue, and felt it is a clear demonstration as to why the location rules for pharmacies need to be removed.

In January 2014, the Hinchinbrook Shire Council granted town planning approval for a medical centre, in which the anchor tenant was to be a discount pharmacy. The proposed development comprised of the following services and facilities: radiology, a CT scanner, dialysis, day surgery, pathology and rooms and training opportunities for visiting allied health and medical specialists. The applicant for this medical centre demonstrated to Council that the proposed development (i) would provide a level of service appropriate for the needs of the community; and, (ii) generally, when considering the demographics of the Hinchinbrook Shire and the size of the population, that the proposed development would be appropriate. The medical services being proposed would alleviate the need for the most vulnerable members of our community (including elderly and young families) having to regularly suffer the stress of traveling over 100km to Townsville to access these services.

This in itself leads me to support and welcome all the medical services that the proposed medical centre promises to bring to our community. Many medical centres all over Queensland have an in house pharmacy to service its patients' needs. Further, statistics shows Ingham has a comparatively low socio-economic level. A discount pharmacy would provide economic benefits by offering access for local residents to pharmaceutical products at a more reasonable and competitive cost than what is presently available in Ingham.

Also, Ingham and the surrounding district suffers from a lack of employment opportunities for the youth and the proposed pharmacy co-located with the proposed medical centre would enhance employment opportunities along with attracting other health practitioners to move to the district. The proposed medical centre would boost the economic growth of this region by offering medical services to patients from Cardwell and Tully who presently have to travel even longer, unreasonable, distances to Townsville or Innisfail to seek many of these services.

Despite this raft of social and economic benefits, and the granting of planning approval by the Hinchinbrook Shire Council, the development of the medical centre has been delayed and has not met its planned opening of November 2013, due to the application of the pharmacy location rules.

Ingham has three pharmacies, two of which were located on Lannercost Street which is locally considered the 'CBD', and is approximately 500 metres long. Two of these three pharmacies located in Ingham are co-owned by two people and thus, obviously do not compete on price locally. When news of this new proposed medical centre became public, it was subject to frivolous town planning objections, which were subsequently dropped due to a lack of merit. In the meantime, a pharmacy that had been located for 108 years on Lannercost Street, moved out of the CBD to a location within 500 metres of the proposed medical centre. There was no clear commercial reason for this move – other than to take advantage of the pharmacy location rules, which would then prevent the development of the discount pharmacy at the proposed medical centre. The pharmacy's new location was within 200 metres of its co-owner's pharmacy premises, and was well away from the recognised 'business district' of Ingham. It is clear the pharmacy location rules were applied to prevent competition.

As part of its formal registration process, the discount pharmacist, to be located at the new proposed medical centre, made its application to the Australian Community Pharmacy Authority for approval to supply products under the Pharmaceutical Benefits Scheme, which is an integral part of the viability of any Australian pharmacy. This application by the discount pharmacy was declined, with reference to the pharmacy location rules, and the proximity of another pharmacy.

The matter was referred to the Minister for Health, for the Minister to exercise his discretionary power under the section 90A(2) of the National Health Act 1953. On the 6th August 2014, in accordance with subsection 90B(4), the Minister decided not to consider the request. The Minister acknowledged that while the income of the proposed pharmacy is vital for the proposed medical

centre, those commercial interests could not be relevant considerations for the exercise of his discretionary powers. However, the Minister is limited by the aforesaid agreement to consider only access to after-hours services. I did note that the Minister in his 'Statement of Reasons' in relation to this application referred to information attained from Hinchinbrook Health Care (the opposition medical centre) and the three local pharmacies. There was no mention of community consultation in this instance.

The application of the pharmacy location rules in this instance has definitely not been in the interest of the wider Ingham and adjacent rural communities. The voice of the Ingham community has not been heard as indicated by the 5,000 plus signatures to the petition supporting the proposed inclusion of a pharmacy in the new medical centre development. Under the current rules, rural communities like Ingham that have a main CBD street that is less than one kilometre long are disadvantaged and deny the many employee pharmacists in this country the opportunity to open a pharmacy in their own right and compete in the market place to offer choice to that community. Also, due to the pharmacy location rules, with the recent move of one of the pharmacies out of the CBD, Ingham now has, and can only ever have, only one pharmacy in the Ingham CBD.

The current rules are designed to protect existing owner pharmacists in existing locations. These rules can then be used by pharmacists to move to a location which enables them to extinguish the opportunity of other pharmacies to establish. In this instance, it has seriously inhibited the development of a multidisciplinary health facility, encompassing a pharmacy as well as a whole host of other health services. I believe that the use of the pharmacy ownership and location rules, in this instance, was a **gross abuse of process**. Further, the Minister was prevented from considering the wider community benefits that the proposed medical centre development would have delivered to the Ingham community.

Also, I express my great concerns that the Pharmacy Guild promotes itself as the organisation most qualified to advise the Government on Community Pharmacy matters. I quote from the Pharmacy Guild webpage:

"If there is one issue that galvanizes the Pharmacy Guild it is pharmacy ownership. The Guild is pleased that both the Coalition and Labor have confirmed their support for the pharmacy ownership and location rules following the recent release of the draft recommendations of the Harper Competition Policy Review. At the same time, we are rolling out a multi-million advertising campaign to emphasize the value of community pharmacy."

The Pharmacy Guild's stated purpose is to represent the 3,000 owner pharmacists, while there are 24,000 employee pharmacists not represented by the Guild. With its very obvious commercial interests in protecting pharmacy owners, it is clear that the Guild is not the voice of the community, and does not represent the best options for community pharmacy.

When the social and economic benefits to a community can be undermined to the benefit of one small self-interested group and to the detriment of the wider community it is time to change the above mentioned rules which I believe to now to be "out of step and out of time" in this modern era of consumer choice.

In conclusion, I'd like to restate my support of your findings in Section 6.3 (Part 2) of your Draft Report, and I firmly support Draft Recommendation 52, to remove the pharmacy location and ownership rules from the next Community Pharmacy Agreement. I believe more appropriate rules can be implemented that would ensure the professionalism of pharmacies, while removing the current 'commercial protection' of existing pharmacies by opening pharmacies to the same market

forces as other members of the healthcare industry. This would be of benefit to consumers, and, as I've explained in this instance, to the benefit of entire regional communities.

Please don't hesitate to contact me if you'd like any further information regarding the case study I have presented above. I'd be happy to discuss with you my experiences in my local community with regards to the negative impacts of the pharmacy location rules.

Yours Sincerely

A handwritten signature in cursive script that reads "Sue Tack".

Sue Tack