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Media release

New analysis confirms benefits of community pharmacy model

A new three-pronged analysis of the community pharmacy model in Australia has confirmed that it is delivering a high level of access, choice and equity for consumers.

The detailed assessment of how the model works and what benefits it delivers is contained in the Pharmacy Guild's submission in response to the Competition Policy Review draft report.

Rather than relying on rhetorical assertions about the community pharmacy model, the Guild engaged a number of leading consultants to undertake three streams of new research and analysis, namely:

- A 'geospatial analysis' of pharmacy location in Australia, relative to other vital services such as supermarkets, banking and medical centres
- A qualitative survey of consumer preferences for community pharmacy relative to alternative models of service delivery, and
- A 'willingness to pay' valuation of community pharmacy, again relative to alternative models of service delivery.

These three streams of analysis were fed into an overarching Cost Benefit Appraisal (CBA) of the Competition Policy Review Panel's draft recommendation to dismantle the community pharmacy model. The results of the CBA show a significant reduction in consumer welfare – measured by such factors as loss of trust or increased travel time - under a range of alternative scenarios where location and ownership rules are removed.

The Competition Policy Review Panel draft report released in September recommended that the regulations governing the location and ownership of community pharmacies be removed, on the basis that they allegedly restrict competition, limit consumer choice, result in poor health outcomes, and are costly for taxpayers. However, the Panel presented no actual evidence that this was the case.

In contrast, the empirical analyses undertaken on behalf of the Guild demonstrate that, far from limiting access and choice, the community pharmacy model provides near universal access, high quality service and choice for consumers.

The analysis found that pharmacies are in almost every case more accessible than the other three services studied (being supermarkets, banking and medical centres – sectors regarded as models of free market competition).

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For example, 87 per cent of Australians live within 2.5km of at least one pharmacy, and this rises to 95 per cent in our capital cities. This level of access to pharmacies is higher than for supermarkets, banks and medical centres in both our capital cities and in regional areas.

The results of the consumer survey conducted for this submission included:

- 89 per cent of consumers trust their local pharmacist either very highly or completely
- 64 per cent of consumers support the principle that health professionals should own the business they work in
- Community pharmacies have a clear advantage over supermarkets in terms of trust and quality of service.

The submission also shows that the ownership rules bring substantial benefits. By ensuring that the ownership of pharmacies remains widely spread, the major supermarket chains are prevented from securing the high degree of market dominance they have obtained in other areas, such as grocery retailing.

The National President of the Pharmacy Guild, George Tambassis, said: “These new pieces of evidence produced for our response to the Panel are a watershed in discussion of the community pharmacy model. This is the strongest evidence yet produced to validate the community pharmacy model which is so highly regarded by Australian consumers.

“Our submission provides ample evidence that the current framework yields significant public benefits in terms of efficiency and equity,” he said.

The Executive Director of the Guild, David Quilty, said: “This thorough analysis based on the strongest possible empirical evidence has demonstrated that the current community pharmacy model is clearly superior to the deregulated alternatives. It is time that this issue was put to bed once and for all, so that community pharmacies around Australia have the certainty they need to continue investing in their businesses, employing staff, and serving the needs of patients.”

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The full submission is available on the Guild website at:

<http://www.guild.org.au/docs/default-source/public-documents/news-and-events/media-releases/2014/pgoa-submission-to-competition-policy-review-draft-report-november-2014-fv.pdf?sfvrsn=2>

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