Calls to deregulate the pharmacy industry in Australia have always had the ability to draw attention.

But while there has been some level of support from consumer groups, supermarket chains and other interest groups outside the industry, the argument for deregulation has never been taken to the next level. Until now that is.

The difference this time is that a number of prominent players within the industry itself are agitating for change, resulting in a shift in momentum and increasing the pressure on government to support the push for deregulation.

The Chemist Warehouse submission to the Competition Policy Review in May 2014 was the first time a pharmacy group has spoken out publically against the current industry regulations. This was followed by statements from Professional Pharmacists Australia and the Consumers Health Forum, also arguing against the existing restrictions on the ownership and location of pharmacy businesses.

A challenge to the status quo

Under the current rules, only a registered pharmacist can own a pharmacy business. The regulations also place limits on the number of stores each registered pharmacist can own or co-own, as well as imposing strict controls for approving the establishment of a new pharmacy and relocating an existing pharmacy. In combination, these rules have effectively protected the industry from external competition by increasing the barriers to entry.

The timing and intensity of these discussions is neither random nor surprising. The Fifth Community Pharmacy Agreement (CPA) is approaching its expiry date and the parties are preparing for negotiations for a new CPA. As expected, those without a seat at the negotiation table are using this window of opportunity to voice their concerns before the rules are locked in for another five years.

So what would be the impact if the industry was to be deregulated and these rules removed? As with any other real life scenario, there will be winners and losers, as well as those who will remain unaffected.

What deregulation might look like

The clear winners are likely to be the large supermarket chains as well as the established ‘banner’ groups, as deregulation will enable them to grow their business or sell existing networks at a significant premium. For consumers, removal of these rules might mean the local pharmacy is now next to the deli section in their nearest Coles or Woolworths supermarket. Chemist Warehouse stores may become as ubiquitous as the Seven Eleven chain and begin appearing on every other street corner.

The losers will be the sole proprietor businesses running a traditional community pharmacy model who are either just breaking even or find...
themselves within walking distance of a supermarket. The harsh reality is that customers will be unlikely to leave the supermarket to visit the chemist down the street when they can duck into a pharmacy without losing their spot in the deli queue.

The unaffected players will be those pharmacists who have adapted their model to a high service offering which cannot be delivered in the middle of a supermarket. Building up a loyal customer base through personalised, targeted service provision could mean the difference between staying in business and shutting up shop.

The other significant players likely to be affected if the government reneges on its election promise to extend the CPA for another five years are the major financiers to the sector. If the CPA is extended for only two years (or not extended at all as some are demanding) this could jeopardise the value of financiers' security.

**Conclusion**

The debate on deregulation has intensified in recent months and is not likely to diminish any time soon. The Pharmacy Guild of Australia will continue to defend the current position as long as it represents the view of the majority of its members. However, as consolidation in the industry intensifies and the banner groups acquire greater market share, the gap between the interests of the various pharmacy owners is likely to widen. The recent release of the draft report of the Competition Policy Review, which argues strongly for deregulation, will also be a contributing factor.

To save you from sitting on the edge of your seat for the next 10 months (when the sixth CPA will be signed), it is our view that the most likely outcome will be that these rules remain in place for now. However, it is only a matter of time before the balance of power between those arguing for deregulation and those supporting the current structure tilts in favour of deregulation. And judging by the speed with which the debate is spreading, we may be faced with a new pharmacy environment sooner than we think.