



# PRIME MINISTER

## PHARMACY AND NATIONAL COMPETITION POLICY

The Australian Government is committed to sensible competition reforms to pharmacy that are in the public interest.

The Pharmacy Guild has expressed concern over the uncertainty relating to the regulation of pharmacy, and the need for the situation to be resolved urgently.

After discussions with the Guild, I have written today to Mr Carr advising of the Government's approach to NCP payment penalties with respect to pharmacy.

Specifically, the Government has identified changes that move toward the reforms recommended in the Wilkinson review process. They require NSW to amend its legislation to:

- increase the maximum number of pharmacies that may be owned by an individual pharmacist from three to five; and
- permit friendly societies to own and operate up to six pharmacies.

These changes will permit greater competition within the pharmacy sector to the benefit of consumers while at the same time maintaining the Government's commitment to community pharmacy.

If NSW pursues these amendments to its pharmacy legislation, the pharmacy issue will not be an impediment to the release of competition policy payments, so long as it proceeds with the other reform items identified by the National Competition Council as soon as possible.

The Government appreciates that different pharmacy restrictions apply across the states and territories and that state specific arrangements may be warranted.

5 May 2004

The Hon R J Carr MP  
Premier of New South Wales  
GPO Box 5341  
SYDNEY NSW 2001

My dear Premier

Thank you for your letter of 16 April 2004 regarding National Competition Policy (NCP) and pharmacy legislation in New South Wales.

I understand that a bill proposing reforms to NSW's pharmacy legislation is currently before the NSW Parliament, and is scheduled to be debated in this sitting period. Given your concern with implementing the reforms proposed by this bill, I wrote to you on 5 April 2004 suggesting that the common sense approach would be for NSW to exhaust the public interest process prior to progressing legislation.

Your letter of 16 April 2004 seeks to set out a public interest case in support of the retention of pharmacy ownership restrictions, and further advises that the NSW Government will withdraw the proposed reforms if the Australian Government agrees to release payments currently suspended and undertakes not to penalise NSW in the future in relation to pharmacy legislation.

While I remain committed to sensible competition reforms that are in the public interest, I am reluctant to see the NCP process drawn out indefinitely providing uncertainty for pharmacists, governments and the community alike.

Following consultation with the Pharmacy Guild and with a view to identifying reforms that would move towards the reforms recommended in the Wilkinson review process, the Australian Government has decided that it will not impose penalties on NSW if it amends existing legislation to:

- increase the maximum number of pharmacies that may be owned by an individual pharmacist from three to five; and
- permit friendly societies to own and operate up to six pharmacies.

I consider that these changes will permit greater competition within the pharmacy sector to the benefit of consumers while at the same time maintaining some restrictions within the sector.

The Pharmacy Guild has expressed its support for this position.

Where the NSW Government progresses legislation consistent with this position, it will not attract competition payment deductions.

I am advised that, in considering 2004 recommendations in relation to the release of currently suspended payments, the NCC will as always have regard to NSW's overall progress in relation to the items identified in the suspension pool. The point I would make, however, is that pharmacy issues will not be an impediment to the release of the suspension payments once legislation of the type outlined above has been enacted. NSW will maximise the

likelihood of a favourable recommendation by ensuring it has progressed the other items identified by the NCC as soon as possible.

You would also be aware that the Productivity Commission is currently undertaking a review of National Competition Policy ahead of the COAG Review that will be completed by September 2005. The Commission's Issues Paper undertakes to assess how significant the gains would be from completing the current NCP agenda.

I have copied this letter to the Treasurer, the Hon Peter Costello MP.

Yours sincerely

(John Howard)