Dear Professor Harper

Thank you for the opportunity afforded to the Pharmacy Guild of Australia to meet with you and Mr. Patrick McClure in Canberra on 17 March 2009 as part of the Australian Fair Pay Commission’s consultations for the 2009 minimum wage review. Ann Dalton & Marion Whalan found the meeting most productive.

We appreciate the chance to provide details to the Commission on the unique nature of community pharmacy and to highlight the difficulties currently facing our industry due to the combination of the global financial crisis and the unfortunate timing of the Government’s award modernisation process and subsequent new Pharmacy Industry Award 2010.

The Guild cannot underestimate the impact these two factors will have on community pharmacy businesses in relation to increased wages cost, ongoing job retention and job creation within an industry that provides a crucial health care delivery service to all Australians.

Community pharmacies do not have the option of simply passing on higher costs to consumers. This is because a substantial amount, on average 70-80%, of community pharmacy income is derived from the Pharmaceutical Benefits System (PBS) which has fixed prices set by the Federal Government on the sale of subsidised medicines. The pharmacy proprietor is unable to alter the revenue generated from the sale of these pharmaceutical items which can only be sold by a registered pharmacist through an approved location.

With almost 5,000 community pharmacies in Australia, many of these small businesses will be forced to change the way they operate, especially on weekends and after hours, withdraw some services, and shed jobs in a time of worsening unemployment. The impact will be particularly felt by female employees in community pharmacy, whose access to flexible working hours will be curtailed by the Award.

To give you some examples:

1. In Western Australia, we reviewed the impact of the foreshadowed wage rates now contained in the new Pharmacy Industry Award 2010. We looked at a cross section of pharmacy operations including a 24-hour pharmacy, a medium size pharmacy and the most common Western Australia small size pharmacy.
<table>
<thead>
<tr>
<th>Pharmacy Size</th>
<th>No. FTE employees</th>
<th>Projected increase to per annum wage bill</th>
<th>Pattern of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 hour pharmacy</td>
<td>14.25</td>
<td>$121,544 pa</td>
<td>Open 24 hours/day every day of the year</td>
</tr>
<tr>
<td>Medium size pharmacy</td>
<td>11.5</td>
<td>$83,890 pa</td>
<td>7 day trading, including 8 public holidays</td>
</tr>
<tr>
<td>Small pharmacy</td>
<td>6.25</td>
<td>$23,267 pa</td>
<td>Open 8.30am to 7.00pm Mon to Fri, no public holidays</td>
</tr>
</tbody>
</table>

In just these three sample pharmacies, the combined wages bill will increase by $228,700 pa, which represents a 13.8% increase. The proprietors advised that this cost impact would force them to reduce their employee numbers, thus resulting in a loss of 3.9 full time equivalent jobs across these three pharmacies.

If these three pharmacies were considered to be a cross sectional representation of community pharmacy in Western Australia, and all proprietors seeking to maintain customer service levels then an extrapolated figure of 680 jobs would be lost across Western Australia in the community pharmacy industry.

2. In NSW a similar exercise was undertaken and the following results were calculated:

<table>
<thead>
<tr>
<th>Pharmacy Size</th>
<th>No. FTE employees</th>
<th>Projected increase to per annum wage bill</th>
<th>Pattern of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large pharmacy</td>
<td>25</td>
<td>$109,000 pa</td>
<td>Trading 7 days a week til 9.00pm each night</td>
</tr>
<tr>
<td>Medium pharmacy</td>
<td>19</td>
<td>$63,000 pa</td>
<td>Trading 7 days a week til midnight</td>
</tr>
<tr>
<td>Small pharmacy</td>
<td>10</td>
<td>$35,000 pa</td>
<td>Open 8.30am to 7.00pm Mon to Fri plus less hours on weekends</td>
</tr>
</tbody>
</table>

It is important to note that NSW has the largest proportion of community pharmacies, around 40%, of the total number of pharmacies nationally. Basing a state wide impact on the experience of this sample group, the potential result would be in the order of 1,390 jobs lost across NSW pharmacies.

All proprietors of the above pharmacy samples provided, believed that any wages cost increase would translate into reduced opening hours and therefore reduced staffing levels ultimately resulting in reduced access by the community to an essential health care service and advice, particularly outside regular trading and GP surgery opening hours.

3. The Guild undertook a national survey of members seeking costings on their weekly wage calculations based on the new Pharmacy Industry Award 2010 and if there were to be an increase from their current wages bill, what impact this may have on their staffing levels.

Whilst survey responses are still being received from our members, preliminary responses from the current sample indicate that 79% anticipate an increase in weekly wages as a result of the Pharmacy Industry Award 2010 and 21% do not anticipate an increase in their weekly wages.

In addition, respondents also indicated that 61% expect to change their staffing levels as a result of the new Pharmacy Industry Award 2010 and 39% did not expect any staffing level changes.

As expressed to you during the meeting, the Guild has viewed previous decisions by the Australian Fair Pay Commission as being fair and reasonable.

However, we consider the context and economic uncertainty surrounding the timing of the Commission’s final minimum wage review, as quite extraordinary. It is the uncertainty of the impact of the global financial
crisis coupled with the extremely ambiguous progression of industrial relations reform at this present time that creates much concern for the Guild. It is also strongly of the view that this is not the time to be flowing on a minimum wage decision to minimum award rates contained in the pay scales for community pharmacy employee classifications.

Once again, our sincere thanks for availing yourself to meet with the Guild this week. Should you require any further information or clarification of the matters raised, please do not hesitate to contact Ann Dalton, Director Government Relations and Policy or Marion Whalan, Divisional Manager, Workplace Relations and Small Business.

I look forward to seeing you at the Guild's APP National Conference in April.

Yours sincerely

[Signature]

Wendy Phillips
Executive Director