Pharmacy location rules are regarded by many as the ‘cornerstone of all Community Pharmacy Agreements’. They secure the vital ‘equity of access’ requirement that ensures community pharmacies are located where they are needed.

However, these same rules are likely to continue to retard community pharmacy’s innovation potential and ability to exercise and develop the way it responds to competition, particularly after the most recent changes to the location rules in October 2011.

Like previous alterations, some were well overdue given the difficulties they were causing in several different sections of the community and health system. But overall the changes have brought both pros and cons.

The biggest benefit for the community and pharmacy is that PBS approvals can now be established more easily in ‘appropriate facilities’ (eg. small and large shopping centres and large medical centres), in that new approvals can be offered under less stringent criteria than before. PBS approvals can be gained without the requirement of importing an existing PBS number from elsewhere, which left the possible consequence of a new unmet need at the original location.

Related to this benefit is the major easing of the financial risk of moving into one of these new ‘appropriate facilities’ by not having to fund the (approx.) $500,000 needed to acquire just the PBS number under old rules.

This hurdle was a major problem for working up a viable business plan to bring pharmacy into contemporary facilities like super-clinics.

There are other benefits contained in the changes, although I would suggest that the new rules are better described as ‘less complex’ rather than ‘simplified’, as claimed by both the Department and the Guild.

REGULATED RIGIDITY
But my biggest concern with the location rule changes arise from the consequences of the regulated rigidity that the rules generate by their very existence. By rigidity I mean the reduced ability for the community pharmacy ‘organisation’ to flow and dynamically integrate in a contemporary business environment that is the most challenging and dynamic in the history of the profession.

PBS number may have had to be purchased under the old rules, at least the entrepreneur had relative freedom to take his or her chances.

Under the new rules, the ‘long relocation rule’, which permitted the effective (if inefficient) ‘portability’ of PBS approval numbers, has been abolished. Now, existing pharmacies anywhere no longer need to worry about what new competitor might fly into their district and give them competitive discomfort. Now the only source of ‘competitive surprise’ is limited (more or less) to very short relocations of existing pharmacies (less than 1km), or the emergence of some ‘facility’ that permits a new approval number within its bounds. In the latter case, you can metaphorically see this coming from nine miles out—competition perhaps, but no surprise! Or perhaps an emerging facility will prove to be more an opportunity for incumbents, than a new competitive threat. You can understand why many existing pharmacy owners are breathing a huge sigh of relief.

The most recent changes have increased that ‘rigidity’ significantly by effectively preventing a major source of new inter-pharmacy competition. Under the old rules there was at least some mechanism for an entrepreneurial pharmacy owner to ‘turn up’ in an area with existing pharmacies, and thus generate the essential evolutionary force of competition. While the

HEALTHY COMPETITION
But is this regulated rigidity what community pharmacy needs as it tries to meet its future? Students of biology know that nature appears cruel, but at the same time understand that this ‘cruelty’ is what delivers fitness and diversity relevant to environment. Indeed, nature as an entity is ‘sustained’ by the evolutionary process but this sustenance requires the progressive demise and renewal of traits, individuals or even contained populations.

I am not an advocate of unconstrained competition—no holds barred. But I do believe there is such a thing as healthy competition, which sets the environment for the demise of some operating models in dynamic interaction with renewal, innovation and ‘new ways’. Once again in the greater pharmacy organisation I see the reinforcement of the inward myopic view, or what the literature calls ‘managerial autism”—the organisational characteristic of rigidity, a limited ambit of focus combined with a tendency towards a habitual, rote or repetitive response…’2 Defence is never a total strategy for survival.

Community pharmacy needs an operating environment that permits the creative juices contained within its ranks to be set free. What is now accentuated is the ‘location free zone”—the internet, where the idea of location is being bypassed by the reality of the ‘store in a handbag’ and an ever increasingly savvy and empowered customer base who are less concerned with location—of anything. Perhaps this is where current frustrated pharmacy entrepreneurs will turn their focus next. Their customer base is ready, but I suspect the majority of pharmacy competitors are not.