

3 October 2007

Ms. Isabelle Arnaud  
 Director, Adjudication  
 Australian Competition &  
 Consumer Commission  
 GPO Box 520  
 Melbourne Victoria 3001

Dear Ms. Arnaud,

**Re: Collective bargaining notification CB00004 lodged by the Australian Medical Association (Vic) Pty Ltd on 17 September 2007 – interested party consultation**

The VHIA has received your letter dated 2 October 2007 in relation to the AMA's response to the submissions.

We wish to again re-iterate that on the basis of the AMA's application itself, the ACCC should reject the notification. The notification and the details appended are inaccurate, vague, confusing and not applied to the Target.

The VHIA submission does not concede that there are efficiencies to be gained by collective bargaining. This remains to be seen, as the efficiency gains sighted by the AMA are mere assertions rather than based on fact. Indeed, as the VHIA submission indicates, savings are difficult to attain in any event since the price of medical services operates in a market whereby there are significant workforce issues.

Furthermore, General Practitioners and Specialists working on a fee for service basis are not "managed" in the traditional sense. Medical services are one of the last bastions of independent decision making, holding at bay management prerogative, based on the nature of the craft and its position in the market. Hence, savings and efficiencies are difficult to achieve in this area.

We further note the response by the AMA on "lack of commonality in the bargaining group." Although there is little doubt that **everyone** in a hospital environment is in the business of achieving best health outcomes for patients, the purpose of collective bargaining is to gain strength in order to gain the outcomes desired. Collective bargaining is not a virtual exercise. It is a real strategy in order to achieve a benefit.

As stated in our submission on behalf of LRH, the power balance, the "leverage" can change as a result of this exercise. This appears to be one of the concerns of DHS when discussing the disappearance of "competitive tensions."

The response by the AMA in regard to the issue raised by DHS in terms of substitution and the issue of collective contracts as opposed to individual contracts is mischievous. The reason being that the outcome can still be the same whether expressed in a collective or individual document. Different rates are unlikely to be the outcome.

The proposal that a Reference Group be established composed of different craft groups will not be of assistance in this matter. In addition, it is not just the CMBS that accounts for differentials in the price structure, but also the position of the craft group in the market when negotiating the percentage of the CMBS. It is the percentage of the CMBS, which is the crucial issue, not the CMBS itself.

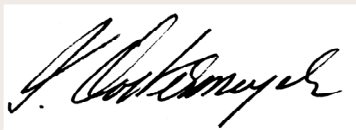
We are pleased to note the concession **and** acceptance by the AMA's that LRH's budget allocation is the "key factor in the negotiations" and in determining an outcome. Provided this is accepted in terms of outcomes, this application could proceed.

In conclusion, and on behalf of the target, we reject the allegations by the AMA of "intimidatory behaviour" by offering contracts and continuing to offer contracts to medical staff. The world does not stop because an application has been made. LRH is within its right to offer individual medical practitioners contracts for the delivery medical services, and will continue to do so. LRH is not aware that this application has been successful, and even if it were, this practice will continue particularly for those medical practitioners who have not provided the AMA with authority to lodge the application. Even in cases where such authority has been provided, LRH reserves the right to offer individual contracts to such medical practitioners. At the end of the day, a contract is an agreement between the parties, and the individual practitioners can decide for themselves whether to opt in or opt out of the process as asserted by the AMA.

These submissions and previous submissions are made on behalf of LRH. The undersigned can be contacted but will be away from his office for two weeks as from today. Mr. Alec Djoneff, Chief Executive Officer of the VHIA will be available if required, for this period.

Yours sincerely

**VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION**



M. Oostermeyer

10041L/J

cc: Latrobe RH/AHA/AMA