

## Chapter 2

### Proposed privatisation of Australian Hearing

#### Introduction

2.1 In 2006 the Access Economics report *Listen Hear! The Economic Impact and Cost of Hearing Loss in Australia* estimated that hearing loss affected one in six Australians. The report projected an increase to one in four Australian by 2050, with the ageing of the population.<sup>1</sup> In comparison, hearing loss in Aboriginal and Torres Strait Islander people is estimated to be four times the occurrence in the general population.<sup>2</sup>

2.2 In terms of children born with hearing loss, Ms Gina Mavrias, Operations Director, Australian Hearing, told the committee that:

...about one in every 1,000 children are born with a hearing loss, but that incidence actually increases, because children can acquire the hearing loss in their early years, so we find that it is somewhat closer to five in 1,000 births in terms of prevalence. Hearing loss has a very significant impact, obviously, in the child's development, ability to learn language, and also to realise their education and career goals, with regard to their contribution to society.<sup>3</sup>

2.3 Mr Steve Williamson, Chief Executive Officer of Deafness Forum Australia, told the committee that hearing loss has a 'significant and quantifiable economic cost and impact to Australia – one that far outweighs the current investments and expenditures'.<sup>4</sup> Mr Williams cited the Access Economics 2006 report as having identified that:

...the real financial cost and net economic impact of the loss of wellbeing, when taken together, is a debt to the nation in the order of \$23 billion every 12 months. Due to the high social and financial cost that hearing loss has on Australian society a coordinated strategy that encompasses prevention, treatment and management would achieve improved health outcomes for the large proportion of the Australian population that is and will be affected by hearing loss. Deafness Forum believes that this would be best achieved by making hearing health a national health priority.<sup>5</sup>

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1 Department of Health, *Submission 155*, p. 1.

2 Department of Health, *Submission 155*, p. 1.

3 Ms Gina Mavrias, Operations Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 1.

4 Mr Steve Williamson, Chief Executive Officer, Deafness Forum of Australia, *Committee Hansard*, 10 July 2015, p. 16.

5 Mr Steve Williamson, Chief Executive Officer, Deafness Forum of Australia, *Committee Hansard*, 10 July 2015, p. 16.

2.4 Australian Hearing was established in 1947 in order to provide hearing services for children whose hearing had been affected by a series of rubella epidemics, and to assist World War II veterans who had suffered hearing damage.<sup>6</sup> The Australian Hearing submission shows that in 2013-14 Australian Hearing:

- Provided 446,870 hearing health services to Australians.
- Visited 217 Outreach sites to support the hearing needs of Aboriginal and Torres Strait Islander communities.
- Fitted and followed up over 150,000 hearing devices.
- Total revenue was \$212 million.<sup>7</sup>

2.5 In February 2014 the National Commission of Audit (NOCA) recommended the privatisation of various bodies, including Australian Hearing.<sup>8</sup>

2.6 A scoping study was undertaken in 2014 by the Department of Finance into the possible privatisation of Australian Hearing. However in May 2015 the government stated that it would delay privatisation of Australian Hearing, pending further consultation with stakeholders.<sup>9</sup> These further consultations are discussed in Chapter 3. No subsequent government announcements have been made since 8 May 2015, including in relation to the further consultation process. The future of Australian Hearing remains uncertain, pending a government decision.

2.7 This chapter examines the proposed privatisation of Australia Hearing and the effect such an action could have on provision of hearing services in Australia. In doing so, this chapter considers:

- the role of Australian Hearing and its research arm, the National Acoustic Laboratories;
- the government's rationale for the proposed privatisation;
- the scoping study conducted in 2014; and
- the effects of privatisation, as described by groups and individuals who use the services of Australian Hearing.

## **Role of Australian Hearing and National Acoustic Laboratories**

### ***Australian Hearing***

2.8 Australian Hearing is a statutory authority constituted under the *Australian Hearing Services Act 1991*. It reports through a Board to the Minister for Human Services. The authority's activities centre on providing services to people who meet

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6 Australian Hearing website, section 'About Australian Hearing', 19 December 2013, [www.hearing.com.au/australian-hearing/](http://www.hearing.com.au/australian-hearing/) (accessed 7 September 2015).

7 Australian Hearing, *Submission 158*, p. 2.

8 National Commission of Audit, *Phase One Report*, paragraph 10.1.

9 Senator the Hon Mathias Cormann, Minister for Finance, media release, 'Further Consultation on Future Ownership Options for Australian Hearing', 8 May 2015.

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the eligibility criteria of the Australian Government Hearing Services program. Australian Hearing does not provide services to private clients.<sup>10</sup>

2.9 The Australian Government Hearing Services program has two streams: the Voucher Program and the Community Service Obligation (CSO) Program.<sup>11</sup> These programs are described in further detail below.

### ***Australian Government Hearing Services Program***

2.10 Australian Hearing has over 450 locations around Australia.<sup>12</sup> This broad national coverage, which includes rural and remote areas, allows Australian Hearing to deliver the Voucher Program and CSO Program across Australia. As Australian Hearing explained in its submission, it is able to maintain consistency of service across metro, rural, and remote locations:

Clinical standards, protocols and quality measures ensure consistency of service delivery and device provision. Australian Hearing has a broad coverage nationally, particularly in rural and remote areas. Consistency of access is supported by the ability to move staff between locations if there is a shortage of appropriately skilled audiologists in the district. Tele-audiology is being increasingly used to allow specialists in one location to provide remote support to regional centres. Audiologists who visit remote Aboriginal and Torres Strait Islander communities fly in from all parts of the country, so the service is not reliant purely upon local clinicians. This allows continuity of service provision.<sup>13</sup>

### ***Community Service Obligations Program***

2.11 The CSO Program provides hearing services to those who are:

- younger than 26 years
- an eligible adult with complex hearing needs
- an Aboriginal and Torres Strait Islander who is over 50 years
- an Aboriginal and Torres Strait Islander participant in the Remote Jobs and Community Program or a former Aboriginal and Torres Strait Islander participant in a Community Development Employment Projects Program, who received hearing services before 30 June 2013.<sup>14</sup>

2.12 In total, Australian Hearing provides hearing services to over 46 000 Australians. The Australian Hearing submission provides a profile of CSO clients, reproduced at Figure 1 below.

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10 Australian Hearing, *Submission 158*, p. 2.

11 Australian Hearing, *Submission 158*, p. 2.

12 Australian Hearing website, 'Find an Australian Hearing Centre or Visiting Site', <https://ahcentres.com.au/> (accessed 7 September 2015)

13 Australian Hearing, *Submission 158*, p. 4.

14 Australian Hearing, *Submission 158*, p. 2.

2.13 Australian Hearing is the sole provider to those eligible under the CSO. The program is funded through a Memorandum of Agreement with the Office of Hearing Services (Department of Health).<sup>15</sup>

**Figure 1—Profile of CSO Clients**<sup>16</sup>

<b>Client Category</b>	<b>Number of clients (as at 30 June 2014)</b>
Aided Young Australians (0–20 years)	18 896
Aided Young Adults (21–25 Years)	2 527
Complex Adults	22 346
Indigenous Eligibility	2 808
<b>Total CSO Clients</b>	<b>46 577</b>

2.14 Ms Mavrias from Australian Hearing explained that under the CSO Program there is no cost for parents for services provided by Australian Hearing, including all appointments and the devices for children under 26. Ms Mavrias also advised that the access to services provided across the country is the same.<sup>17</sup>

2.15 Australian Hearing representatives told the committee that there is significant evidence demonstrating the importance of early interventions for deaf and hearing impaired children. Ms Mavrias explained that early intervention improves language development, as well as social interaction. For young adults, a lack of early intervention can negatively impact on education and employment outcomes, as well as connectedness to society.<sup>18</sup>

### ***Voucher Program***

2.16 The Voucher Program provides services for those who meet the following eligibility criteria:

- a Pensioner Concession Card Holder
- receiving Sickness Allowance from Centrelink

15 Australian Hearing, *Submission 158*, p. 2.

16 Australian Hearing, *Submission 158*, p. 4.

17 Ms Gina Mavrias, Operations Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p.6.

18 Ms Gina Mavrias, Operations Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p.2.

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- the holder of a Department of Veterans' Affairs Gold Card issued for all conditions
  - the holder of a Department of Veterans' Affairs White Card issued for specific conditions that include hearing loss
  - a dependent of a person in one of the above categories
  - a member of the Australian Defence Force; or
  - part of the Australian Government funded Disability Employment Services (DES) – Disability Management Service and referred by their Disability Employment Services case manager.<sup>19</sup>

2.17 The Voucher Program is also administered by the Office of Hearing Services, but in contrast to the CSO Program, Australian Hearing competes with 250 other service providers to deliver services through the Voucher Program. The Australian Hearing submission noted that 'in 2013–14 services under the Voucher Program accounted for 70% of Australian Hearing's revenue'.<sup>20</sup>

2.18 Mr Bill Davidson, the Managing Director of Australian Hearing noted that with an ageing population, providing older Australians with accessible hearing services will be increasingly important and be a 'significant issue over the next 50 years'.<sup>21</sup> Mr Davidson advised the committee that the average age of Australian Hearing's current client base is 72, and that 'probably the average of those clients, when we fit them at the age of 72, would have had a need [for a hearing aid] for some years prior to that'.<sup>22</sup>

### ***National Acoustics Laboratories***

2.19 The National Acoustics Laboratories (NAL) is the research division of Australian Hearing. Its funding is provided through:

- A Funding Agreement with the Department of Health's Office of Hearing Services
- The HEARing Co-operative Research Centre (CRC)
- Research grants
- Other research contracts
- Commercialisation of some inventions.<sup>23</sup>

2.20 The Australian Hearing submission describes the NAL's work as providing:

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19 Australian Hearing, *Submission 158*, p. 2.

20 Australian Hearing, *Submission 158*, p. 2.

21 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 10.

22 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 10.

23 Australian Hearing, *Submission 158*, p. 3.

...leading research that is used worldwide. Assessment methods, prescription methods, evaluation methods, and signal processing software used within hearing aids developed at NAL, are used on a daily basis throughout the world.<sup>24</sup>

## 2.21 Some examples of NAL research include:

### Child Outcomes Study

The Longitudinal Outcomes of Children with Hearing Impairment (LOCHI) study has provided world-first evidence for the benefits of early intervention resulting from universal newborn hearing screening.

### Central Auditory Processing Disorder (CAPD)

NAL has led the world in developing diagnostic and remediation software of a type of CAPD – spatial processing disorder (SPD). Children who have SPD are disadvantaged at school because they find it difficult to hear in the classroom environment. NAL has developed both diagnostic software and remediation software that cures children of this condition.<sup>25</sup>

## **Rationale for privatisation**

### *National Commission of Audit*

2.22 The privatisation of Australian Hearing was first proposed by the NCOA in February 2014. In the section of its report 'Market based solutions',<sup>26</sup> the NCOA argued that 'the issue of privatisation has been largely dormant at a federal level' and that this had resulted in capital being 'locked up' in Commonwealth businesses and bodies.<sup>27</sup>

2.23 The NCOA identified a number of bodies which it deemed fit for privatisation and recommended a schedule ranging from short term (2014–2016) to long term (post-2018). Australian Hearing was marked as a short term privatisation:

Australian Hearing – as a regulator, funder and owner of Australian Hearing, the Commonwealth plays a significant role in the hearing services market. The Government could examine the potential to increase contestability in markets where Australian Hearing has a monopoly and allow, through privatisation, it to compete in markets where it is currently precluded.

In addition, a scoping study could examine the future of the National Acoustics Laboratory and the appropriate model of industry regulation to preserve the intent of existing community service obligations.<sup>28</sup>

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24 Australian Hearing, *Submission 158*, p. 3.

25 Australian Hearing, *Submission 158*, p. 3.

26 National Commission of Audit, *Phase One Report*, paragraph 10.1 and recommendation 57.

27 National Commission of Audit, *Phase One Report*, paragraph 10.1.

28 National Commission of Audit, *Phase One Report*, paragraph 10.1.

### *Scoping study*

2.24 The 2014-15 Budget allocated \$11.7 million for scoping studies into future ownership options for Australian Hearing, Defence Housing Australia Ltd, the Royal Australian Mint and the registry function of the Australian Securities and Investments Commission.<sup>29</sup> The scoping studies were 'to assess the likely sale environment for each business operation and seek to ascertain the optimal method and timing of sale'.<sup>30</sup>

2.25 On 5 August 2014, the Minister for Finance, Senator the Hon Mathias Cormann, announced the appointment of PricewaterhouseCoopers (PWC) as the business advisers for the scoping study into privatisation of Australian Hearing. The Minister stated that the objectives of the scoping study would be to:

- *maintain service and quality levels for customers and private investors including in regional and rural Australia;*
- ensure any recommended outcome/s treat Australian Hearing...employees in a fair manner, including through the preservation of accrued entitlements;
- minimise any residual risks and liabilities to the Government; and
- maximise the benefits to the Government.<sup>31</sup>

2.26 The Minister noted that the scoping study recommendations would be considered as part of the 2015-16 Budget process.<sup>32</sup>

2.27 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance told the committee that a scoping study is:

...an evidence based review: it looks at the industry; it looks at the business concerned; it looks at the market; it looks at all the policy issues around the entity being considered; and it looks at the possible options for taking it forward. As part of that process it talks to stakeholders, and that process would have completed around the end of 2014 with a report going to government at that point.<sup>33</sup>

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29 2014-15 Budget, Budget Paper No. 2, Budget Measure: Smaller Government — scoping studies for four operations of government, p. 117.

30 2014-15 Budget, Budget Paper No. 2, Budget Measure: Smaller Government — scoping studies for four operations of government, p. 117.

31 Senator the Hon Mathias Cormann, Minister for Finance, media release, 'Appointment of Advisers for Scoping Studies for Australian Hearing and Defence Housing Australia', 5 August 2014 (emphasis added).

32 Senator the Hon Mathias Cormann, Minister for Finance, media release, 'Appointment of Advisers for Scoping Studies for Australian Hearing and Defence Housing Australia', 5 August 2014.

33 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 71.

2.28 Mr Renwick advised the committee that the final report of the scoping study had been provided to government in December 2014.<sup>34</sup> Mr Renwick explained that the outcome of the scoping study was to have been considered by government in the 2015-16 Budget process, but that government deferred the decision.<sup>35</sup> The flow on actions from this decision are discussed below (at para 2.64).

### *Conduct of the scoping study*

2.29 At its hearing on 10 July 2015 and through submissions, the committee heard that many stakeholders were concerned about the conduct of the scoping study. Concerns raised included:

- a lack of clarity around which groups were consulted by PWC as part of the scoping study;
- while there was no formal submission process, many groups made submissions and the status of these in the scoping study is unknown; and
- the scoping study and its conclusions have not been released, even to groups who participated in the process, leading to uncertainty and confusion over what has been recommended to government.

2.30 On this last point, witnesses told the committee that whilst being told nothing about the outcome of the scoping study, they were now being invited to workshops by the Department of Human Services and the Department of Health about transition of Australian Hearing to the NDIS. This evidence, and its effect on stakeholders, is discussed further in Chapter 3.

### *Submissions*

2.31 The scoping study process did not seek submissions from stakeholders, nor did it advertise a process by which interested organisations and individuals could make submissions. Despite this, a number of organisations told the committee that they made submissions to PWC and the Department of Finance as they felt that it was important for their specialist knowledge to be included in the scoping study. For example Ms Margaret Dewberry, Adviser, Deafness Forum of Australia told the committee:

When the scoping study was first announced, Deafness Forum decided to put in a submission. There was no call for submissions that I was aware of, but we wanted those consultants to really understand about hearing loss and hearing services, so Deafness Forum and several other organisations put together some submissions to help inform on that. We consulted as part of

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34 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 73.

35 Senator the Hon Mathias Cormann, Minister for Finance, media release, 'Further Consultation on Future Ownership Options for Australian Hearing', 8 May 2015.



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that process, and it was very strong from families particularly that impartial, unbiased information was just so important.<sup>36</sup>

2.32 Other groups used whatever mechanisms they could to find out about the progress of the scoping study so that they could make a submission. Mr Mark Wyburn, Ordinary Committee Member and Regional Representative, Parents of Deaf Children (PODC) told the committee that PODC had watched for when the Department of Finance released tender documentation for the scoping study advisers as a means of keeping informed about the process. Mr Wyburn explained that as there had been no public information about participating in the scoping study, PODC had taken the initiative to make a submission to PWC and the Department of Finance after seeing the tender for scoping study advisers advertised:

There was no call for participation, so ourselves, Deafness Forum, Aussie Deaf Kids, and Canberra Deaf Children's Association all put submissions in so that we would have a hearing. That was the only opportunity we had.<sup>37</sup>

2.33 Several other groups were encouraged to make a submission by personal association. The Royal Institute for Deaf and Blind Children (RIDBC) were such a group, as Mr Christopher Rehn, Chief Executive explained:

**Mr Rehn:** Yes. We put a submission to the Commission of Audit and we then followed through, obviously, with the stakeholder discussions with PricewaterhouseCoopers.

**CHAIR:** Can you take me through the timing of that? When did you put your submission to the Commission of Audit? Were you sought as a participant or did you seek the opportunity yourself?

**Mr Rehn:** Through personal connections we were connected with the chair of the Commission of Audit and he asked the question whether there would likely be a response from the Royal Institute for Deaf and Blind Children in regard to the future of Australian Hearing, and we provided one.

**CHAIR:** Through a personal association you were invited?

**Mr Rehn:** That is right.<sup>38</sup>

#### *Scoping study consultation and issues*

2.34 The organisations the committee spoke to which had made submissions, had, apparently as a result of their submissions, been consulted by PWC as part of the scoping study. These organisations included:

- Aussie Deaf Kids;<sup>39</sup>

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36 Ms Margaret Dewberry, Adviser, Deafness Forum of Australia, *Committee Hansard*, 10 July 2015, p. 19.

37 Mr Mark Wyburn, Ordinary Committee Member and Regional Representative, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 27.

38 Mr Christopher Rehn, Chief Executive, Royal Institute for Deaf and Blind Children, *Committee Hansard*, 10 July 2015, p. 33.

- Parents of Deaf Children;<sup>40</sup> and
- Deafness Forum of Australia.<sup>41</sup>

2.35 Other witnesses indicated that they had been consulted by PWC due to personal association with another organisation or individual. These organisations included:

- Royal Institute for Deaf and Blind Children;<sup>42</sup> and
- The HEARing Cooperative Research Centre.<sup>43</sup>

2.36 Some organisations told the committee that they were not invited to participate in the scoping study consultations. These included:

- Deaf Australia;<sup>44</sup> and
- Independent Audiologists Australia.<sup>45</sup>

2.37 The limited consultations conducted by PWC appear to have lasted between one hour<sup>46</sup> and three hours<sup>47</sup> and were conducted either in person or over the phone.

2.38 In contrast to the ad hoc approach to contacting organisations described by witnesses, Mr Renwick told the committee that the PWC conduct of the scoping study had been organised around three levels of stakeholders:

- Australian Hearing itself;
- the government agencies with policy responsibility: Department of Human Services, Department of Health, and Department of Social Services; and
- key stakeholders within the hearing impaired community.<sup>48</sup>

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39 Mrs Ann Porter, Chief Executive Officer, Aussie Deaf Kids, *Committee Hansard*, 10 July 2015, p. 11.

40 Mr Mark Wyburn, Ordinary Committee Member and Regional Representative, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 26.

41 Ms Margaret Dewberry, Adviser, Deafness Forum of Australia, *Committee Hansard*, 10 July 2015, p. 11.

42 Mr Christopher Rehn, Chief Executive, Royal Institute for Deaf and Blind Children, *Committee Hansard*, 10 July 2015, p. 33.

43 Professor Robert Cowan, Chief Executive Officer, The HEARing Cooperative Research Centre Limited, *Committee Hansard*, 10 July 2015, p. 47.

44 Mr Kyle Miers, Chief Executive Officer, Deaf Australia Inc, *Committee Hansard*, 10 July 2015, p. 38.

45 Dr Louise Collingridge, Executive Officer, Independent Audiologists Australia, *Committee Hansard*, 10 July 2015, p. 50.

46 Professor Robert Cowan, Chief Executive Officer, The HEARing Cooperative Research Centre Limited, *Committee Hansard*, 10 July 2015, p. 47.

47 Mr Mark Wyburn, Ordinary Committee Member and Regional Representative, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 26.

2.39 This last group of stakeholders were identified for PWC and Department of Finance by departments with policy responsibility. Mr Renwick also explained that other groupings within the hearing impaired community were considered, such as the Parents of Deaf Children and the Deafness Forum.<sup>49</sup>

2.40 In response to questions about the process the departments used for developing a stakeholder consultation list for the scoping study, Mr Renwick advised that:

It was probably more iterative that we got together. We had a fairly broad list and people just added to that list. Rather than bits of paper flying around, there was more a discussion as to who would be the appropriate parties to approach... Essentially, we came together in a room and we started to put together a list based on people's knowledge of the industry and knowledge of the parties involved. We developed a list from there, which I think was then circulated.<sup>50</sup>

2.41 The Department of Finance was unable to provide a copy of the list of groups given to PWC to contact, and took the question on notice. The due date for answers to questions on notice was 4 September 2015 and by 16 September 2015, the Department of Finance has not provided its answers to the committee. Without this list, it is difficult to ascertain which groups were suggested by the departments for consultation and which groups were included in the PWC consultation because they made an unsolicited submission or because they had a connection to an related body, such as the NCOA.

2.42 It is not possible to ascertain the focus of the scoping study without access to its final report. However, witnesses described their experiences of the PWC consultation. This evidence asserted that the scoping study was focused more on the financial benefits of privatising Australian Hearing than on the potential impact on the hearing impaired community.

2.43 Mr Mark Wyburn, PODC, told the committee that the scoping study process had 'been very expedient and perhaps in our mind not engaging.' PODC had not been asked to provide a submission; they had 'had to put [their] foot in the door to make a submission so that [they] could get a hearing.'<sup>51</sup> PODC's hearing with PWC lasted three hours, and Mr Wyburn described the experience as:

In our mind that is not an extensive hearing. Also, they are looking at a business model. We are concerned about service delivery and client

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48 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 72.

49 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 72.

50 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 72.

51 Mr Mark Wyburn, Ordinary Committee Member and Regional Representative, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 26.

outcomes. I do not think the focus of that has been there, and we do not know the focus, because the scoping study has not been released, so we cannot even make an assessment of the level of academic or professional input they have had into what is best practice.<sup>52</sup>

2.44 By contrast, Mrs Ann Porter, Aussie Deaf Kids, told the committee that PWC had been more interested in issues around NDIS when they had spoken to her organisation:

I guess the pathways and really the interface with the NDIS: how Hearing Services would interface with the NDIS, which we have found difficult to conceptualise. The Office of Hearing Services seems to feel that parents do not understand the NDIS. We do actually understand the NDIS, but we do not understand how the NDIS and the Hearing Services Program will actually interface and how that will work.<sup>53</sup>

### ***Committee view***

2.45 The committee is concerned by the lack of clarity around how organisations were contacted for the scoping study and the apparent lack of rigour in the consultations with organisations. The committee considers it particularly disappointing that there was no public call for submissions to the scoping study, given the importance of ensuring that all groups were heard.

2.46 The committee heard evidence, discussed later in this chapter, of the ordeal which parents of deaf children struggle through when first presented with a diagnosis for their child. Similarly, the committee heard about the challenges faced by adults with deafness or hearing impairment and their need for effective access to services. These perspectives need to be recognised in any examination of the future services provided by Australian Hearing. The committee has not seen evidence that the scoping study was structured so as to take into account these important views and experiences.

2.47 The committee considers that Mrs Ann Porter, Aussie Deaf Kids, was correct when she said:

I also think parents are often the last people consulted. It seems to be that the providers and everybody else are the people who are often the first to know about anything. It must also be remembered that parent groups are largely run by volunteers. We have spent huge amounts of time trying to keep on top of this, and it has been hugely difficult for us. We all have other things that we do. Parents have really been on the back foot the whole time and trying to catch up along the way.<sup>54</sup>

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52 Mr Mark Wyburn, Ordinary Committee Member and Regional Representative, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 26.

53 Mrs Ann Porter, Chief Executive Officer, Aussie Deaf Kids, *Committee Hansard*, 10 July 2015, p. 12.

54 Mrs Ann Porter, Chief Executive Officer, Aussie Deaf Kids, *Committee Hansard*, 10 July 2015, p. 14.

2.48 The committee urges the government to have regard to the evidence it has received during its hearing on 10 July 2015 and through written submissions, before it makes any final decisions based on the PWC scoping study.

*Scoping study findings not released*

2.49 All witnesses the committee spoke to were keen to obtain a copy of the findings of the scoping study, particularly in order to better understand the future decisions the government may make regarding Australian Hearing's future.

2.50 With the scoping study not released, some groups such as PODC tried to obtain a copy through representations to their local members of Parliament and the Department of Finance. Ms Kate Kennedy, the Coordinator of PODC told the committee:

We made representation to John Alexander MP to ask through Senator Cormann, the Minister for Finance, whether we could [sight] at least some overview of the scoping study, or something from the scoping study. So we made that representation through him, and a letter from Minister Cormann was then sent to us in response to that. It took probably about a month. It said that we would not be able to sight it, because it was a cabinet in confidence document, I believe.<sup>55</sup>

2.51 When these representations failed, PODC tried to request the scoping study under Freedom of Information (FOI). Ms Kennedy and Mr Wyburn of PODC, told the committee that the exorbitant cost of the FOI request prevented their volunteer organisation from proceeding further:

**Ms Kennedy:** We thought we might try to get access through a freedom of information request, so we formally submitted one. We received notification back that we would need to pay quite a lot of money in order to get access to information about the scoping study, and that information would not be guaranteed.

**Mr Wyburn:** That money was to investigate whether they would release the document in the first place. So we may have spent the \$1,700 to ask the legal department of the Department of Finance whether we could have access, and then they could come back and say no, anyway.<sup>56</sup>

2.52 The PODC made an application to have the \$1700 fee waived on the grounds of financial hardship, but advised the committee that they had not received a response to their application.<sup>57</sup>

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55 Ms Kate Kennedy, Coordinator, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, pp 27–28.

56 Ms Kate Kennedy, Coordinator, Parents of Deaf Children, Mr Mark Wyburn, Ordinary Committee Member and Regional Representative, *Committee Hansard*, 10 July 2015, p. 28.

57 Ms Kate Kennedy, Coordinator, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 28.

2.53 Deafness Forum of Australia also wrote to the Minister for Finance requesting a copy of the scoping study and was told that it could not be released as the document was commercial-in-confidence.<sup>58</sup>

2.54 Even Australian Hearing has not seen the scoping study findings. As Mr Bill Davidson, the Managing Director of Australian Hearing told the committee:

We are currently not aware of the scoping study outcomes and recommendations. Government announced at the last budget that the decision regarding the future of Australian Hearing was to be deferred for further consultation to take place. I believe that is as a result of there being some confusion around the NDIS, and who is in and who is out, and the realisation by some parties that maybe there has not been adequate consultation with the various stakeholders. So the government has determined that they will do more effective consultation and come back with a recommendation, we believe, by the end of the year. Australian Hearing has registered to be involved in the next round of consultation, but we have yet to get a date for that consultation.<sup>59</sup>

2.55 Mr Renwick told the committee that in his experience scoping studies were not publicly released. He explained that none of the scoping studies completed at the same time as that for Australia Hearing had been published.<sup>60</sup>

2.56 The committee sought advice from the Finance Department regarding the status of the scoping study document:

**Senator McLUCAS:** You talked about [the scoping study having] cabinet-in-confidence and commercial-in-confidence considerations. Both of those terms have been used in the hearing today. Is the scoping study a cabinet document?

**Mr Renwick:** The scoping study will be considered by cabinet, so it will form a—

**Senator McLUCAS:** So, currently, it is not a cabinet document?

**Mr Renwick:** It will form a cabinet document. It has not been considered by government at this stage.

**Senator McLUCAS:** So, to this point in time, cabinet-in-confidence is not a consideration but commercial-in-confidence possibly will be a consideration?

**Mr Renwick:** There is information which could harm the commercial interest of the Commonwealth in terms of the commercial-in-confidence. It is yet to be considered by government. At this stage, it would be a report to

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58 Mr Stephen Williamson, Chief Executive, Deafness Forum of Australia, *Committee Hansard*, 10 July 2015, p. 17.

59 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 9.

60 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 73.

government. It would come under cabinet-in-confidence once it is considered by government.

**Senator McLUCAS:** But, at this point, it is not cabinet-in-confidence?

**Mr Renwick:** Not as such.<sup>61</sup>

2.57 The Department of Finance later clarified this advice, explaining that:

The *Freedom of Information Act 1982* and the *Cabinet Handbook 8<sup>th</sup> Edition* provide that material that has been created for the purpose of preparing a submission to the cabinet, but has not yet been considered by the cabinet, such as the Australian Hearing scoping study, would be considered cabinet-in-confidence.<sup>62</sup>

2.58 However, as part of the information sessions conducted in June 2015 by the Department of Health to inform stakeholders about the transition of Australian Hearing to the NDIS, some information was given about the issues arising from the scoping study. A document presented at the information sessions by the Department of Finance summarised the findings of the scoping study. These findings included:

- The Government has not yet considered the scoping study or made a decision on the future ownership options for Australian Hearing.
- The concerns raised by stakeholders during the scoping study process are closely related to issues being considered as part of the introduction of the NDIS. Regardless of the future ownership of Australian Hearing, these issues will need to be addressed as part of the NDIS transition planning.
- The Department of Health's Office of Hearing Services has responsibility for the Hearing Services Program. The Health policies that underpin the funding of hearing services in Australia, including Community Service Obligations, are not influenced by the ownership of Australian Hearing.
- Private providers already service the majority of hearing services clients in a competitive and mature market. The NDIS will introduce more choice and contestability, including for Community Service Obligation clients, meaning the market will continue to change.
- Unlike the current segmented approach to hearing service delivery, the NDIS will introduce greater flexibility, whole-of-life service and options for continuity of provider—which will be good for clients.

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61 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 74.

62 Letter re clarification of evidence from 10 July 2015 public hearings, from Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, 12 August 2015, p. 1.

- Australian Hearing, however, will not be able to compete on a level playing field in the future unless it can evolve to meet the changing market.
- For example, Government ownership locks Australian Hearing out of participating in the private market and limits its ability to offer clients other products and services.
- Australian Hearing needs to diversify and offer clients a greater breadth of services, like other providers. Maintaining the status quo and not responding to the changing hearing services market is unlikely to provide the best outcome for clients and is not an optimal model for Australian Hearing.
- A question to consider is how to best support Australian Hearing to successfully adapt to the new environment and continue to provide the best outcome for clients?
- The National Acoustic Laboratories is highly regarded, internationally renowned and its independent research can continue regardless of the ownership model for Australian Hearing.<sup>63</sup>

2.59 Deafness Forum of Australia, whose representatives attended the information sessions held by Department of Health and Department of Finance, also produced a summary of the sessions. This summary differed from that of the Department of Finance in that it provided more context to the sessions, including the options for the future of Australian Hearing:

- Keep the status quo. However, the NDIS will affect Australian Hearing regardless of future ownership;
- Investigate what can be done within Government which raises questions around competitive neutrality; or
- Private ownership.<sup>64</sup>

### ***Committee view***

2.60 The committee considers that despite scoping studies usually not being publicly released, the release of an overview of the Australian Hearing scoping study's findings would greatly assist stakeholders and alleviate the confusion and uncertainty around Australian Hearing's future.

2.61 The apparent lack of process in the conduct of the scoping study is a further argument for greater transparency. The committee notes that the Department of Finance had to take on notice the question of who exactly had been included in PWC's

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63 Document tabled by Ms Margaret Dewberry, Deafness Forum of Australia, titled 'NDIS Interface Information Sessions' authored by the Department of Health.

64 Deafness Forum of Australia, report on information released in June 2015 regarding the scoping study on privatisation of Australian Hearing, website [www.deafnessforum.org.au/index.php/issues](http://www.deafnessforum.org.au/index.php/issues) (accessed 7 September 2015)



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consultations. This raises the question of how the department can ensure that all relevant stakeholders have had input into the scoping study.

2.62 After having the report of the scoping study for almost six months, the government deferred any decision on the future of Australian Hearing, subject to further consultations. Such a decision is additional proof that the scoping study did not undertake effective consultation initially.

2.63 Despite the Government refusing to release the scoping study, either to those groups which participated in the process or publicly, the Department of Finance has made some of the scoping study findings public via the information sessions. This information has not been widely distributed, and the "findings" are inconclusive. In the committee's view, the result is further confusion for stakeholders as to the future of Australian Hearing and the Government's decision making process.

### **Decision to privatise Australian Hearing deferred**

2.64 The government decided to defer making a decision about the privatisation of Australian Hearing because it considered that 'further consultation with the hearing impaired community' was necessary.<sup>65</sup> A media release from the Minister for Finance on 8 May 2015 noted that consultation with the hearing community would centre on the 'implications of the introduction of the National Disability Insurance Scheme [NDIS] for government funded hearing services' as the full introduction of the NDIS in 2019-20 'will significantly change the way hearing services are delivered to Community Service Obligation client groups'.<sup>66</sup>

2.65 Mr Renwick advised that the government had decided on the need for further consultation based on two findings arising from the scoping study:

One was a lack of understanding by the people that we spoke to around the implementation of the NDIS. In fact, most of the people we spoke to did not understand that hearing services would come under the NDIS. There were a number of issues that still needed to be resolved under the NDIS, and therefore there was a need to go out and let people know what was happening and what the implications for hearing services were.

The second key finding in that regard related to the implications of the NDIS on Australian Hearing itself, and that goes to the contestability of community service obligations. Currently, Australian Hearing can compete in the voucher market and has the community service obligations. It is prevented under legislation, and because of broader constitutional issues, from competing more broadly in the open market.<sup>67</sup>

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65 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, p. 71.

66 Senator the Hon Mathias Cormann, Minister for Finance, media release, 'Further Consultation on Future Ownership Options for Australian Hearing', 8 May 2015.

67 Mr Robin Renwick, Acting First Assistant Secretary, Commercial Claims Division, Department of Finance, *Committee Hansard*, 10 July 2015, pp 71–72.

2.66 The government has advised publicly that consultations with the hearing community are to be concluded by the end of 2015 and a report will be provided to government at this time.<sup>68</sup> The consultations currently being conducted by Department of Health and Department of Finance regarding the transition of Australian Hearing to the NDIS are discussed in Chapter 3.

### **Impact of privatisation**

2.67 The Deafness Forum of Australia described the impact of privatisation on Australian Hearing's participation in the Voucher Program as minimal, as this is already a competitive program. The important caveat to this assessment is that any new owner of Australian Hearing may not continue services in rural and remote areas given the cost:

Australian Hearing operates in a competitive environment to deliver services under the Australian Government Hearing Services Voucher Program. The Contract under the Voucher Program represents approximately 75% of Australian Hearing's revenue. According to evidence provided by officers from Australian Hearing at the Senate Estimates session in June 2014, the organisation has 30% of the Voucher market. It is expected that the sale of the agency would have minimal impact on clients accessing services through the Voucher Program, except perhaps in relation to accessibility. There is the potential for a loss of coverage for the Voucher Program. Australian Hearing may be the only Provider in some rural and remote areas and some of these service locations may be closed under new ownership arrangements as they may not be profitable, or the Centres may not have the client demand to justify ongoing operations particularly if the arrangements for delivering the CSO Program change as part of the sale.<sup>69</sup>

2.68 In contrast, Australian Hearing is the sole provider of the CSO Program and receives government funding to deliver services to CSO clients. The Deafness Forum of Australian noted that:

Australian Hearing uses its buying power and infrastructure as a Voucher Program Provider to support the delivery of services under the CSO Program. In 2012-13 Australian Hearing also cross subsidised the CSO funding by approximately \$800,000 from its profit from the Voucher Program services. It is the CSO clients who would be most affected by any change to service delivery arrangements or the sale of the business.<sup>70</sup>

2.69 The Deafness Forum of Australia observed that funding for the CSO Program was originally calculated on an 'avoidable cost methodology based on the cost of service delivery' in the years prior to the introduction of the Voucher Program and the

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68 Senator the Hon Mathias Cormann, Minister for Finance, media release, 'Further Consultation on Future Ownership Options for Australian Hearing', 8 May 2015.

69 Deafness Forum of Australia, 'Submission in relation to the potential sale of Australian Hearing', August 2014, p. 6.

70 Deafness Forum of Australia, 'Submission in relation to the potential sale of Australian Hearing', August 2014, p. 6.

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possibility of cross-subsidy.<sup>71</sup> Currently, the benefits of the CSO Program being provided by Australian Hearing include:

- Volume purchasing arrangements and economies of scale in the maintenance of over 450 sites around Australia;
- A fixed funding amount which helps to drive efficiencies in program delivery; and
- Cross-subsidy from Australian Hearing's revenue through the Voucher Program.<sup>72</sup>

2.70 The Deafness Forum of Australia argued that because the provision of CSO Program services runs at an overall deficit, privatisation would mean:

...an increase in the cost of delivering the CSO Program as the payment arrangements would need to be determined on a commercial basis. This would also have a flow on effect to the cost of services provided to Deaf and hearing impaired people under the NDIS.<sup>73</sup>

2.71 The Deafness Forum of Australia also highlighted another possible economic impact of privatisation, by providing the following example from consultations with parents and other groups:

There was concern that changes to service delivery arrangements could change the focus of the Provider so that greater importance was placed on funding arrangements rather than the best outcome for the child. One family gave an example of accessing services under the *Better Start for Children with a Disability* initiative where they felt that the Providers were promoting programs in order to attract the funding rather than looking at the specific needs of the child and whether their program was the best one for the child. There was concern that this attitude may extend to hearing services if service delivery arrangements change.<sup>74</sup>

2.72 Although the decision on the proposed privatisation of Australian Hearing has been delayed, strong concerns remain about the impact privatisation would have on access to services for those who are deaf or hearing impaired. Through evidence at its public hearing on 10 July 2015 at the Australian Hearing Hub and through written submissions, the committee heard that concerns about the proposed privatisation of Australian Hearing relate to:

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71 Deafness Forum of Australia, 'Submission in relation to the potential sale of Australian Hearing', August 2014, p. 41.

72 Deafness Forum of Australia, 'Submission in relation to the potential sale of Australian Hearing', August 2014, p. 41.

73 Deafness Forum of Australia, 'Submission in relation to the potential sale of Australian Hearing', August 2014, p. 41.

74 Deafness Forum of Australia, 'Submission in relation to the potential sale of Australian Hearing', August 2014, p. 33.

- maintaining access to hearing services, particularly for parents of deaf children, very young children, and babies;
- maintaining standards of service in the CSO program if Australian Hearing were privatised, particularly to rural and remote areas and Aboriginal and Torres Strait Islander communities; and
- whether a competitive market would have any incentive to provide the types of services and ongoing research currently provided by Australian Hearing and the NAL.

2.73 Each of these issues is discussed below.

***Maintaining access to hearing services***

2.74 Through the CSO Program, Australian Hearing has an important role in providing access to hearing services for children who are born with or develop hearing impairment.

2.75 At its hearing on 10 July 2015, the committee heard of the experiences of parents who had accessed Australian Hearing services to help their children. Common to all these stories was the sense of relief parents felt when finding a service which they could trust would answer their questions and help their children. Ms Anna Messariti, President of the PODC told the committee:

My son Xavier, who is now six years old, failed his newborn hearing screening shortly after he was born. He was tested at two days of age and then again at six days of age. The second time he failed, we received a referral to the audiology department of Sydney Children's Hospital. At that stage, it had not even crossed my mind that he could be deaf. At 13 days of age he was tested again, this time more thoroughly by a senior audiologist at Sydney Children's Hospital in Randwick. It was a very long process. By the end of it, I went home with my baby, the diagnosis of a severely sloping sensorineural mild to moderately severe hearing loss, a Choices booklet, a couple of pamphlets about early intervention, referrals to Australian Hearing and a hospital service called Hearing Support, and a list of follow-up appointments. My partner was not even with me on that day, as we had not really comprehended the seriousness of our situation as a family.

At that point, I did not know what I was dealing with. After a few days of reading followed by comprehension, grief and fear, I slowly began to formulate many questions in my mind. There were too many to name. I had realised by then that interventions would be necessary and that I had to make critical decisions that would affect Xavier for the rest of his life. At the age of five weeks old, Xavier was fitted by Australian Hearing with his first set of hearing aids. He is now a thriving six-year-old and Australian Hearing is very much a part of our lives.<sup>75</sup>

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75 Ms Anna Messariti, President, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 24.

2.76 The committee heard much evidence regarding the importance of early diagnosis for children with hearing impairment. Ms Kate Kennedy, Coordinator of the PODC told the committee about her experiences of having a late diagnosis for her children and the impact this had:

Our experience with hearing loss is different from Anna [Messariti's] because my children are now in their late teens and early 20s. I have three children, and two of them are deaf. We did not have the benefit of newborn screening in those days. So I suppose my experience is perhaps a cautionary tale for where we maybe could go back to, because both my deaf children were diagnosed late, and I suppose what then took place was us really trying to catch up, because my daughter in particular had quite a language delay and, because she was nearing going into preschool, there was so much to do and so much to think about. I think finding Australian Hearing, for us, was when it all started to fall into place, but up until that time there were a lot of pieces of the puzzle that we were having trouble putting together. When we finally got a diagnosis, it was a relief, I suppose, but there was a lot of guilt attached to the fact that there was a late diagnosis, and what followed was that really we were playing catch-up for quite a long time.<sup>76</sup>

2.77 Ms Kennedy noted that her experiences in comparison to Ms Messariti's, shows how far newborn screening has developed and how much of a role Australian Hearing has played in helping parents to access this technology and the necessary assistance for their children to overcome hearing impairment. Ms Kennedy observed:

The pathway now is so quick and it is quite clear, and I reflect on our experience and how different it is, I suppose. That flags for me the concerns if we are unpacking this pathway, changing this pathway or moving services from this pathway—what the risks might be in terms of that story for a whole lot of other people. We are an engaged family. We are well resourced. It was a nightmare.<sup>77</sup>

2.78 Mr Christopher Rehn, CEO of RIDBC, advised the committee that thanks to Australian Hearing, Australia currently has a very high standard of detecting hearing impairment in newborns and young children. This would be at risk if Australian Hearing were to be privatised:

Importantly with Australian Hearing, the capture of children from newborn screening into service options that may be government or non-government provided has been really effective. We do not lose clients in Australia, in the main, through a gap between diagnosis and them finding their way into appropriate service provision. That is in the bilateral hearing loss category; I think it widens if you consider single-sided deafness issues. If Australian Hearing is not to exist or is to be fully privatised in a fully contestable

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76 Ms Kate Kennedy, Coordinator, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 24.

77 Ms Kate Kennedy, Coordinator, Parents of Deaf Children, *Committee Hansard*, 10 July 2015, p. 24.

marketplace, preserving our track record from diagnosis through to intervention becomes really important and begs the question of how it is achieved.<sup>78</sup>

2.79 The PODC's submission summed up the current situation regarding delivery of hearing services in Australia:

At the present time, high quality hearing services are delivered and made accessible to all eligible Australians, by expert practitioners. This high level of care must be maintained, so that the outcomes for deaf and hard-of-hearing children in Australia now and for future generations, can be maximized. Quality of care and outcomes must remain as the highest priorities. These should not be placed at risk by potentially short-sighted policies and practices that seek to explore “market forces” and “contestability” in the context of delivery models.<sup>79</sup>

***Services for rural, remote and Indigenous communities***

2.80 Australian Hearing is the sole provider of the CSO Program, which covers newborns through to age 26. As sole provider, Australian Hearing is able to ensure that services are delivered consistently throughout Australia, including to rural and remote communities and Indigenous communities. Australian Hearing's Managing Director told the committee that Australian Hearing provides services to over 212 communities on a fly in/fly out or drive in/drive out basis. Australian Hearing has a memorandum of understanding with the local community and provides culturally appropriate services with full support from the community.<sup>80</sup>

2.81 Mr Davidson explained that continuity of service was an important part of Australian Hearing's services in rural and remote communities:

We service [rural and remote communities] by drawing from about 98 clinicians, who volunteer to support communities, and they volunteer to support for two years. So, there is that commonality of clinicians going in so that the relationships remain strong. But it also means that the clinicians' skill standards go up and we have a good pool of clinicians to draw from. It is a complex and complicated service, in many ways, as servicing any community is. As you would imagine, apart from the cultural challenges there are the sheer physical challenges of going in there. Where possible we try to go in with other agencies so it is not a stand-alone visit and it can be a much more holistic service to the communities.<sup>81</sup>

2.82 Ms Gina Mavrias, the Operations Director of Australian Hearing, told the committee that cultural awareness training was standard for Australian Hearing

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78 Mr Christopher Rehn, Chief Executive, Royal Institute for Deaf and Blind Children, *Committee Hansard*, 10 July 2015, p. 31.

79 Parents of Deaf Children, *Submission 156*, p. 1.

80 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 4.

81 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 4.

audiologists who were to work with Indigenous communities. But cultural awareness was only one part of the training Australian Hearing provides to audiologists working in rural, remote, and Indigenous communities:

...because a lot of the work we do in those communities involves children, there is a very high incidence of chronic middle ear problems. So the audiologists who do this work have training specifically around providing services to children and awareness about middle ear conditions. Sometimes the solutions need to be different compared with if it was more permanent hearing loss. So there is specific training just on the audiology around that service.

There are also challenges in working within the communities, so additional training is provided for people who go to the outreach sites, because they need to have the skills for liaising at a community level within both the school and other health services... There is more education involved, and a lot of working with others—teachers and families—around prevention and listening strategies. So the training is around paediatric skills but also around culturally appropriate skills.<sup>82</sup>

2.83 The unique position of Australian Hearing as sole provider of the CSO Program means that it has the ability to provide these services to rural, remote, and Indigenous communities. Should Australian Hearing be privatised and the servicing of these communities left to a competitive market, it is doubtful that the services would be provided. In answer to a question on this point Mr Davidson observed:

**Senator McALLISTER:** ... It does not sound like an environment where, should we move to a different model or should Australian Hearing be privatised, there would be many competitors ready to provide a service of this kind, given the complexity of skill currently involved in delivering the service.

**Mr Davidson:** That is probably true. In fact, I think it is true at the present moment. If I were to put a commercial hat on, I would say that unless government was going to pay me excessive amounts I would be unlikely to put my hand up for that type of work [in rural, remote, and Indigenous communities]. I think that is another issue government has to consider with regard to the program going forward.<sup>83</sup>

### *Loss of expertise, research, and independent advice*

2.84 Australian Hearing's research arm, the NAL, has been responsible for significant advances in hearing technology and screening, particularly for newborns and young children. According to Mr Davidson, the relationship between Australian Hearing and the NAL is arguably unique in the world and creates advantages for Australians:

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82 Ms Gina Mavrias, Operations Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 4.

83 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 5.

With regard to the National Acoustic Laboratories and Australian Hearing, we are unique. I do not think there is another provider who is not a manufacturer who is so deeply embedded in research and research for public benefit. It is not research for commercial benefit at the present moment. All the NAL stuff goes into the public sphere to improve hearing solutions and to try to avoid hearing difficulties.

We work closely with NAL. They have access to some of our clients in order to do research and to collect data. We get no commercial benefit by having NAL in the family. It is really an arms-length, separately managed organisation doing great stuff. We bask in the afterglow, if you like, of having NAL in the family. I think they also benefit by having a larger parent so they can wrap their arms around them and support them on a needs basis. We do not support them financially and we get no commercial benefit.<sup>84</sup>

2.85 Mrs Ann Porter, CEO of Aussie Deaf Kids echoed Mr Davidson's views on the importance of the research and data gathering work done by the NAL:

I think one of the massive issues that is going to be a problem with this is that we still do not have a national database of newborn hearing screening. One area where we do actually know a lot about what is happening with children is through Australian Hearing. And to lose that in the face of the fact that we do not have a national database—the states all have databases; some are better than others—without Australian Hearing I just do not know how we will follow these kids up and know where they are going... And we just cannot conceptualise how in a fee situation people are going to take time to provide the family with the support and time they need to come to the decisions they need to make.<sup>85</sup>

2.86 In addition to the value of having the NAL partnered with Australian Hearing, witnesses also argued that the benefit of Australia Hearing lies in its independence and lack of a relationship to a manufacturer. In its submission, Deaf Australia observed:

The hearing industry is an unregulated business. Many hearing aid companies offer incentives to audiologists to promote their products. Australian Hearing is the only provider that is not wholly commercial and so is in a better position to offer unbiased advice on the best hearing products to suit individual need rather than advice based on making maximum profits.<sup>86</sup>

2.87 Mr Davidson noted that Australian Hearing is in a position to use its bulk purchasing power to ensure the most efficient use of funds for Australians with hearing impairment. Other major players in the Australian market have, or are,

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84 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 3.

85 Mrs Ann Porter, Chief Executive Officer, Aussie Deaf Kids, *Committee Hansard*, 10 July 2015, p. 14.

86 Deaf Australia, *Submission 159*, p. 2.



hearing aid manufacturers, and while they can access products at wholesale prices, the question is one of benefit to Australian health consumers:

...we are one of three or four major players in the Australian market. The other large players are international, multinational and multicountry providers. Some of them are actually hearing aid manufacturers and they would get the benefit of aids at wholesale rates that we only get because of the bulk purchasing that we have. So it depends on how government run future programs as to whether they would lose that benefit. Not having foresight into government decisions and government practices, I cannot comment, but it may well be that there is another way around that should there be privatisation.<sup>87</sup>

### *Committee view*

2.88 In its submission the Department of Health stated:

- hearing loss currently affects approximately one in six Australians, and this figure is predicted to increase;
- the incidence of ear disease and hearing loss in Aboriginal and Torres Strait Islander people is three times that of the general population; and
- the annual economic cost to Australia caused by hearing loss was estimated to be \$23 billion annually in 2005.<sup>88</sup>

2.89 By comparison, the cost of the CSO Program in 2013-14 was around \$31.2 million.<sup>89</sup>

2.90 The committee believes that the negative impacts of privatisation of Australian Hearing, far outweigh any possible benefits. In fact, with regards to benefits, the committee has heard no cogent arguments which support the privatisation of Australian Hearing for any purpose other than the NCOA's objective of reducing the number of government owned entities.

2.91 The evidence the committee has received has been overwhelmingly in support of maintaining Australian Hearing in its current form. Parents' groups told the committee that, given the choice of contestability and an open market, parents who are currently in the process of negotiating their way through providing the best opportunities for their children, oppose the notion of contestability because they understand it would not meet their children's needs.

2.92 A number of witnesses told the committee of their personal experiences accessing Australian Hearing services for either their children or themselves. These stories emphasise the vital role that Australian Hearing plays in providing trusted advice and an efficient and simple pathway to accessing services. The committee has documented some of these stories in its report. Appendix 4 includes an extract from

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87 Mr Bill Davidson, Managing Director, Australian Hearing, *Committee Hansard*, 10 July 2015, p. 3.

88 Department of Health, *Submission 155*, p. 2.

89 Department of Health, *Submission 155*, pp 4 and 7–8.

the submission of Parents of Deaf Children to the PWC scoping study, with has more examples of the immense difference Australian Hearing has made to children's lives.

2.93 Also of great concern is the risk to hearing services for rural, remote, and Indigenous communities, should Australian Hearing be privatised. These are some of the most vulnerable people in Australia, and to leave the provision of their services to the market is to effectively deny them adequate services and access to services.

2.94 The committee considers that Australian Hearing addresses the needs of clients of the CSO Program and the Voucher Program, and does so in a highly efficient way. The unique role of Australian Hearing and the NAL means that Australia is a world leader in hearing technology and access to that technology for hearing impaired children and adults. The personal stories of individuals who are able to be highly productive and contribute to Australian society are testimony to the success of Australian Hearing's services. The committee cannot see any need to privatise Australian Hearing. In fact, should privatisation occur, the evidence the committee has heard indicates that Australians would lose a vital service.

### **Recommendation 1**

**2.95 Based on the evidence and the concerns outlined by stakeholders, the committee recommends that Australian Hearing should not be privatised.**

2.96 Given the lack of clarity, and the apparent absence of a rigorous process around the scoping study conducted by PWC, the committee is greatly concerned that the government will not have all the necessary facts before it when making a decision about the future of Australian Hearing. Questions remain over the transition of Australian Hearing to the NDIS (examined in Chapter 3), and there is no transparency around any of the current round of consultations being conducted by the departments.