

Final Report

---

## Price Disparities for Disability Aids and Equipment

---

February 2014

We wish to acknowledge the contribution of the following staff to this report:

Kristy Bogaards, Richard Creagh, Ralph Donnet, John Fallon, Dan Kelley, Kian Nam Loke, Annette Seargent, Sid Shanks, Andrew Yung

© Queensland Competition Authority 2014

The Queensland Competition Authority supports and encourages the dissemination and exchange of information. However, copyright protects this document.

The Queensland Competition Authority has no objection to this material being reproduced, made available online or electronically but only if it is recognised as the owner of the copyright and this material remains unaltered.

---

## Table of Contents

---

KEY FINDINGS	IV
EXECUTIVE SUMMARY	VI
Price differences	vi
Potential explanations for price differences	vii
Market failure	vii
Potential policy responses to price disparities	ix
Price disparities versus funding levels	xii
RECOMMENDATIONS	XIII
THE ROLE OF THE QCA – TASK, TIMING AND CONTACTS	XV
1 INTRODUCTION	1
1.1 Background	1
1.2 The investigation	2
1.3 Outline of the report	2
2 FRAMEWORK FOR ANALYSING PRICE DISPARITIES	4
2.1 Measuring price differences	4
2.2 Explaining price differences	4
2.3 Rationale for government intervention	5
2.4 When should governments intervene in the aids and equipment market?	6
2.5 Price disparities versus funding levels	7
3 PRODUCT TYPES AND CHARACTERISTICS	8
3.1 Types of disability aids and equipment	8
3.2 Product characteristics	9
3.3 Market supply models	12
4 OVERVIEW OF THE MARKET	17
4.1 Disability aids and equipment customers	17
4.2 Disability aids and equipment expenditure	25
4.3 Supply of disability aids and equipment	29
4.4 Regulatory framework in Queensland	31
4.5 National Disability Insurance Scheme (NDIS)	32
5 PRICE COMPARISONS FOR DISABILITY AIDS AND EQUIPMENT	35
5.1 Factors to consider when comparing Australian and overseas prices	35
5.2 Ease of accessing comparative prices	39
5.3 A comparison of Australian and overseas online prices excluding delivery costs	40
5.4 Comparison of Australian and overseas prices including delivery costs	48

---

5.5	Comparison of online prices with MASS SOA prices	51
5.6	Stakeholder comments	54
5.7	Conclusion	55
6	THE COST OF DOING BUSINESS IN AUSTRALIA	57
6.1	Comparing prices and costs across countries	57
6.2	Translating high input costs into retail prices	59
6.3	Relative productivity levels	61
6.4	Conclusions	64
7	MARKET POWER	65
7.1	Measuring market power	65
7.2	Assessing market power in aids and equipment markets	66
7.3	Price discrimination and vertical restraints	67
8	INFORMATION ASYMMETRY	74
8.1	Information imbalances between consumers and producers	74
8.2	The Law of One Price and the value of information	75
8.3	Disability aids and equipment search costs	75
8.4	Information asymmetry issues for specialised products	77
8.5	Addressing information asymmetry in the aids and equipment market	78
9	GOVERNMENT PROGRAMS AND PRICE DISPARITIES	82
9.1	How bulk purchasing reduces prices for government programs	82
9.2	Queensland procurement programs have performed relatively well in terms of price impacts	85
9.3	Programs may have negative impacts on prices and competition	88
9.4	How should governments design programs for aids and equipment?	91
10	INCREASING PRODUCTIVITY THROUGH REGULATORY REFORM	94
10.1	Reducing the burden of regulation	94
10.2	Manufacturing	95
10.3	Retailing	95
10.4	Specific regulation of disability aids and equipment	100
	APPENDIX A : DIRECTION NOTICE	104
	APPENDIX B : SUBMISSIONS AND CONSULTATIONS	106
	APPENDIX C : PRICE COMPARISONS	109
	Delivery Costs	109
	Internet searches	112
	QCA online price sample	118
	APPENDIX D : INTERNATIONAL COMPARISONS	125
	New Zealand	125
	Canada	126
	United Kingdom	126

United States	126
Netherlands	126
Denmark	127
Norway	127
Sweden	128
The European Union	128
GLOSSARY	131
REFERENCES	133

---

## KEY FINDINGS

---

- (1) There are significant price differences for aids and equipment both within Australia and between Australia and overseas internet sources. Internet prices, excluding transport costs, are generally lower than Australian retail prices.
- (2) In some cases equipment can also be purchased overseas and transported to Australia with a delivered cost lower than the Australian price.
- (3) Explanations for price differences between Australia and overseas include:
  - (a) Australia is a high cost country — Purchasing Power Parity analysis shows that general price levels, expressed in Australian currency terms, are 20 per cent higher here than in relevant comparator countries. The difference in relation to the United States is around 30 per cent.
  - (b) For some equipment, Australian retail prices may reflect the cost of trained staff, pre-sales activity, trialling and repairs under warranty that do not apply to imported products.
  - (c) Australia is a small market compared to the United States or the United Kingdom, so fixed costs must be recovered from a smaller customer base.
  - (d) Disability aids and equipment are sold into ‘thin markets’, exacerbating the Australian cost disadvantage.
  - (e) Setting up and operating an import business (as opposed to one-off internet buying) is expensive.
  - (f) Internet retailing models are not well developed in Australia compared with other international markets.
  - (g) Red tape issues such as retail trading hour regulations and burdensome development approvals raise retailing costs and discourage investment.
  - (h) Meeting Australian Standards for aids and equipment, as well as TGA certification, can be expensive.

Taken together, these factors can explain a significant portion of the difference between Australian and overseas prices.

- (4) The investigation did not uncover significant market power problems in the pricing of disability aids and equipment:
  - (a) There are numerous international manufacturers of most types of disability aids and equipment.
  - (b) There are numerous wholesalers and retailers.
  - (c) There is no evidence that barriers to entry into most disability aids and equipment market segments lead to market power.

That said, some wholesalers or retailers may have a degree of market power for certain types of products or in some geographic locations, particularly in regional areas where multiple competitors cannot be sustained.

- (5) Exclusive dealing and price discrimination do not appear to be the source of significant price disparities:
  - (a) Exclusive dealing is a common practice, but likely has an economic efficiency basis.
  - (b) Price discrimination occurs within Australia and between Australia and other markets but is not necessarily illegal and is not a feature unique to disability aids and equipment.
  - (c) Some price discrimination occurs because consumers do not have adequate information or are unable or unwilling to incur search costs.
- (6) Government procurement programs such as MASS are able to purchase equipment at a discount to retail prices. Government program discounts reflect efficiencies from bulk buying.
- (7) In terms of price impacts, the MASS program seems to be working reasonably well and received support from stakeholders.
- (8) Even so, a number of criticisms are made of the MASS program and other government programs. There is scope to improve the efficiency and effectiveness of government programs for aids and equipment.
- (9) The presence of government programs may affect the viability of domestic suppliers that do not participate and thereby reduce product variety and competition.
- (10) The level of funding was frequently raised as a key concern for individuals with disabilities, their carers, therapists, NGOs and peak bodies.

---

## EXECUTIVE SUMMARY

---

Disability aids and equipment are essential for assisting people with disability with day-to-day living and participating in the community. Among the wide range of products covered by this inquiry are mobility devices (e.g. wheelchairs), self-care products (e.g. continence aids) and communication devices (e.g. hearing and speech aids).

The cost of disability aids consumes a significant portion of household and government budgets. State and Commonwealth governments are heavily involved in the purchase and distribution of disability aids and devices. However, a substantial portion of purchases are made directly by consumers without government financial support.

Consumers are concerned that the retail prices of aids and equipment are substantially higher in Australia than on overseas internet sites. In fact, consumers report that they can save money on some products even after paying for shipping.

The National Disability Insurance Scheme (NDIS), which is under development, will provide additional support to individuals with disability and will impact both consumers and suppliers (government and non-government) of disability aids and equipment.

In this context, the Queensland Government has asked the Queensland Competition Authority (QCA) to:

- document price disparities for disability aids and equipment sold in Queensland and overseas
- identify the causes of any price disparities found, including regulatory barriers, price discrimination and market power
- propose actions that could be taken by the government to address the negative impacts of any price disparities.

A copy of the Direction can be found at **Appendix A**.

The Direction for this review uses the term 'price disparities' rather than 'price differences'. The term 'price disparities' is interpreted as referring to price differences that cannot be reasonably explained by factors reflecting the operation of workably competitive markets.<sup>1</sup>

### Price differences

Price comparisons for a broad sample of disability aids and equipment products confirm that retail prices for many aids and equipment products are higher in Australia than overseas. However, it is important to note that simple price comparisons do not often tell the entire story. For example, internet sales do not reflect the costs of holding inventory for inspection and trial or other 'in-store' services provided to consumers.

Other factors to consider when comparing retail Australian prices with overseas prices are the differences between Australian and overseas warranties (or the complete inability to enforce a warranty from an overseas provider in Australia), the time and cost of returning unsuitable or defective equipment, availability of repair parts, and transportation costs and delays.

---

<sup>1</sup> A workably competitive market is one where firms have limited scope to influence market prices through their individual actions or acting collusively and they have effective incentives to reduce costs and to innovate.



Even after considering such factors, it is likely that consumers in the United States or the United Kingdom pay less at retail for many aids and equipment items than consumers in Australia. This can be illustrated with commodity-like products that require little or no after purchase adjustment or servicing such as some continence products or daily living aids such as shower chairs. Prices for more sophisticated products can be substantially less overseas. For example, a particular branded manual wheelchair advertised on Australian internet sites for \$2236 could be purchased from a United States internet site for \$1401 in Australian dollar terms. Substantial price differences such as these have led many Australian consumers of disability aids and equipment to take on the shipping costs and risks of purchasing overseas.

## Potential explanations for price differences

Price differences between overseas sources and Australia are not unique to disability aids and equipment. Significant price differences exist for a wide variety of products and have been the subject of a report by the Productivity Commission (PC) (2011b), which found a widening productivity gap between overseas and Australian retailing industries.

Factors that contribute to prices differing in large overseas markets and Australia include:

- Australian labour, rent and other input costs are relatively high.
- Australia has a small market compared to the United States or the United Kingdom. The fixed costs of retailing must be recovered from a smaller customer base, which raises costs per unit, and hence prices.
- Red tape issues such as retail trading hour regulations and burdensome development approvals raise retailing costs and discourage investment in more efficient retail models.
- Internet retailing models are not well developed in Australia compared with other international markets.

These issues carry even more weight in the market for disability aids and equipment, which is relatively small in the context of retail markets in Australia. Suppliers in a market this size have limited ability to realise economies of scale and scope.

Collectively, these factors are consistent with the view that Australia is a high-cost economic environment for many goods and services. Data from the Organisation for Economic Cooperation and Development (OECD) confirm that, on average, currency adjusted prices for most goods and services are some 28 per cent higher in Australia compared with the United States.

Developing and implementing policies that improve productivity across all sectors of the economy would have a positive impact on aids and equipment consumers. Specific regulation of disability aids and equipment may increase costs without producing corresponding benefits. For example, medical devices approved for use overseas must be certified for sale in Australia by the Therapeutic Goods Administration (TGA) at a fixed cost that may have to be recovered from a small number of eventual sales.

## Market failure

Price disparities can be caused by market failure. The main forms of market failure that are relevant for disability aids and equipment are the exercise of market power and information problems.

The Direction asked the QCA to inquire into the exercise of market power in aids and equipment markets. Market power enables a firm to charge prices that include unreasonably high profits. Exclusive dealing and price discrimination facilitated by internet 'geo-blocking' — the practice of foreign equipment manufacturers protecting their Australian distributors by not allowing direct sales of their product from overseas to Australia — have been suggested as mechanisms used by suppliers to exercise market power.

Market failure can also occur when consumers do not have all the information they need to make good choices. Imperfect information can result in consumers not selecting the most cost-effective equipment or aid for their particular situation, which can in turn create a perception of price disparity or otherwise reduce consumer welfare.

### Market power

Market power means that firms have the ability to raise and maintain prices above a competitive level. Competitive prices reflect efficient costs and a reasonable return on capital invested in the business. Prices that exceed efficient costs reduce economic welfare, in part because some consumers who are willing to purchase a product for what it costs society to produce are unable to do so because the supplier is charging excessive prices.

A firm with market power can raise prices above the level that would prevail in a competitive market. Market power can be exercised when there are a small number of firms but is dependent on the nature of rivalry in the market and barriers to entry or expansion. Each firm knows that price competition will hurt all of the competitors, and in markets where there are few competitors and high barriers to entry, firms may adopt strategies that limit price competition.

Identifying the exercise of substantial market power is technically difficult, particularly in markets where products compete in terms of their non-price characteristics as well as price. Price differences in themselves do not necessarily indicate a market power problem. Barriers to new firms or products entering a market are highly relevant for identifying market power. Very high profit levels can also be caused by the exercise of market power. However, by themselves these factors do not necessarily mean that market power exists or has been used in a way that breaches competition laws.

In general, the investigation has not identified substantial barriers to entry, the existence of excessive profits or clear evidence of the abuse of market power in disability aids and equipment markets.

Even so, there may be some market segments that are more susceptible to the exercise of market power. For instance, in some cases consumers in regional areas, and particularly those outside of cities, may not have the choice of suppliers, products or the associated services available in south east Queensland. Similarly, products that require customisation or repair services are afforded some protection from overseas internet retailers.

Market power resulting from intellectual property is also a potential issue. For example, a patent holder may have a monopoly for a particular device required by a person with disability. In this case society through its government has determined that the benefits of rewarding innovation with a monopoly exceed the costs of higher consumer prices. However, it is important that this policy not be abused. This issue is more likely to arise for technologically sophisticated products such as communications devices.

### Exclusive dealing

Exclusive dealing refers to a situation where a distributor has the exclusive marketing rights for a product or service. The submissions to this inquiry confirm that exclusive dealing is a common practice in the disability aids and equipment business in Australia.

Some stakeholders have suggested that exclusive dealing is used to preserve market power and is, in effect, a barrier to entry for other firms that could distribute a particular product. However, where customer service and customisation is a significant component of the purchase, exclusive dealing arrangements may enhance economic efficiency. This can be illustrated by looking at an example where a dealer has not been granted exclusivity by a manufacturer, importer or wholesaler. Such a dealer may be

reluctant to carry inventory, provide a showroom and a trained workforce, or offer equipment trials because other dealers may 'free ride' on those services and undercut prices.

Free riding occurs when customers are able to take advantage of a dealer's showroom and staff expertise to shop for a product and then purchase from an online or no-frills dealer. Moreover, the costs of carrying inventory and training staff in the use of products may lead a manufacturer or distributor to deal with a single retail provider in any given geographic area. This is more likely to be the case in smaller markets. For example, the Magic Mobility submission explains that there is a single distributor of its products for Queensland because it would not make economic sense for two distributors to carry the necessary inventory for display and trials given the low volume of sales for its products in the state.

### Price discrimination

Price discrimination occurs when a firm charges different prices to different consumers for an identical good or service, for reasons not associated with costs. The ability to engage in price discrimination requires some degree of market power. Absent market power, competitors will take away the customers that are charged higher price-cost margins.

Some providers of disability aids and equipment may have a degree of market power, and the associated ability to price discriminate, because the small size of the Australian market cannot sustain more competitors. However, it is unlikely that direct regulation or application of competition policy would provide net benefits. Direct price regulation would impose costs on both government and the industry that must eventually be recovered from consumers and could introduce market distortions at least as great as those caused by the limited exercise of market power. For example, if regulated prices are set too low, firms will not invest and will eventually exit the market, reducing consumer choice and potentially restricting innovation.

### Geo-blocking

Consumers have raised concerns about geo-blocking. The Australian Government likely lacks jurisdiction over foreign geo-blocking practices. In some cases geo-blocking can be circumvented. For example, purchases ordered from an overseas website can be shipped to an overseas address and then forwarded to Australia. These 'work-arounds' come at a cost and may not be negotiable by all persons with disability or their carers.

### Information asymmetry

Efficient markets require that both buyers and sellers have all the information they need to make informed choices. Medical markets are particularly prone to asymmetric information where one party to a transaction lacks information that the other party has access to. In the current case, the consumer — a person with disability or their carer — must often rely on the supplier or a prescriber for help with deciding which product to purchase.

The generic problem caused by insufficient information is that the consumer may not be aware of better price options or may not be able to perform an adequate search to find a better price. Information asymmetry may also lead to the prescriber erring on the side of ordering an aid or device more sophisticated (and more expensive) than the individual requires, with extra features and functions that are not needed to address the particular disability issue.

### Potential policy responses to price disparities

Specific measures to increase productivity within disability aids markets could provide a degree of direct relief from high prices for consumers with disabilities. In addition, reducing red tape and encouraging more retail competition generally could provide benefits for disability aids and devices consumers.

## Improving existing programs

Bulk purchasing of medical services and products to reduce prices is a common practice throughout the world. Insurance companies negotiate with suppliers to create networks that provide discounts to members. Affinity groups also may negotiate discounts on behalf of members.

A primary driver of these discounts is the reduction in supplier costs from bulk purchases. Even highly competitive firms are willing to provide negotiated discounts for bulk purchases because they realise various types of efficiencies from doing so. Furthermore, if suppliers do have market power, the countervailing power of a large buyer can bring prices closer to competitive levels.

Government purchasing and distribution programs designed to negotiate discounts are common for disability aids and equipment in developed countries. MASS is the largest such program in Queensland. MASS receives discounts with suppliers for a range of disability aids and equipment through its tender and purchasing arrangements. MASS then arranges for distribution of the aids and equipment to eligible consumers at a substantial discount or at no cost. It is important to note that the process of procuring discounts from equipment suppliers, and arranging to subsidise the supply of equipment provided to consumers, are separate activities.

In terms of price impacts, the MASS program seems to be working well and received support in many of the submissions. A review of the commercial-in-confidence prices paid by MASS to suppliers shows that they are generally lower than retail prices in Australia, and in many cases are lower than United States retail internet prices. This demonstrates the benefits of bulk purchasing. However, some suppliers are concerned that smaller firms are unable to compete for MASS business and some consumers believe that the presence of MASS in the market restricts choice.

The benefits of aggregating purchases inevitably come at a cost and governments must make trade-offs between the benefits of expanded consumer choice and the benefits of bulk procurement. It should also be noted that MASS operates under Queensland Government procurement rules that impose requirements on all bidders.

There are anecdotal criticisms of the quality of MASS performance. Some submissions highlighted burdensome paperwork and lengthy waiting times. For instance, the MASS policy requiring equipment prescribers to certify that the equipment chosen is appropriate may impose delay. MASS responds that, in most cases, its standing order offer arrangements result in immediate delivery of equipment to individuals that qualify. In addition, other parts of the equipment supply chain (prescribers and suppliers) can be the source of delay. MASS notes that it 'is working in conjunction with the Department of Health and Department of Communities, Child Safety and Disability Services (DCCSDS) to improve, to streamline and to simplify access to government subsidised aids and equipment'.

This review has identified eight State and four Commonwealth equipment programs in operation in Queensland. In addition, non-governmental organisations (NGOs) provide support for equipment purchases, sometimes with government support. Prior studies suggest that there are more than 100 government programs for aids and equipment Australia-wide. Consolidation and rationalisation of the programs may further reduce total operational costs, enhance efficiency and improve access to the benefits of bulk purchasing for individuals with disability. Too much consolidation may prevent not only innovative local solutions to problems, but also useful performance comparisons among programs.

## Design of future programs

The introduction of the NDIS will require state governments to determine whether existing programs are the most efficient and effective way to meet their objectives, both for those covered by the NDIS (people with disability under 65 years of age) and those who are not (people with disability over 65 years old).

While one 'right' program design is unlikely, there are some key features that governments should consider:

- *Clearly define rationale and objectives.* Programs should have clearly defined objectives that focus on outcomes and not means, and provide a basis for the community to judge program success.
- *Leverage buying power.* Governments should ensure that they do not impose unnecessary barriers to non-government entities pursuing bulk purchasing. Where it can be determined that governments are best placed to undertake procurement, they should consolidate their buying power rather than operate large numbers of programs.
- *Choice.* Choice is important, even recognising the limits faced by consumers from information asymmetries. Consumer-orientated programs tend to produce better outcomes for people with disability, and can increase competition and achieve lower prices.
- *Accessibility.* Programs should be as simple and accessible as possible.
- *Competition.* Programs should avoid unintentional adverse impacts on competition.

### Improving consumer information

There may be a role for the government, consumer groups or peak bodies in alleviating information asymmetry problems. The government can support education programs designed to provide information that consumers require. For example, the Department of Communities, Child Safety and Disability Services has a web page advising consumers of the potential risks associated with internet purchases. Another example is the CHOICE website, which educates consumers about the features and functions of hearing aids so that vendor efforts to upsell can be evaluated.

In some cases, it might be necessary to directly address the conflict of interest that exists when the supplier is also the medical professional that the person with disability relies on for relevant information. The supplier has an economic incentive to sell the consumer more than is needed. One solution to this potential problem is to separate the business of being a medical professional from the business of supplying aids and equipment.

A less regulatory response would be to encourage voluntary or mandatory codes of conduct. For example, Assistive Technology Suppliers Australasia (ATSA, 2012) has a voluntary Code of Practice intended to safeguard the interests of all stakeholders by ensuring consistent provision of equipment and services to consumers with disabilities and older people. Consumers could be encouraged by physicians and prescribers to deal with firms that have subscribed to a relevant code.

### Reducing regulation

Excessive government red tape regulation does not appear to be a substantial problem in leading to price disparities in the disability aids and equipment business. However, there are some areas reforms could be considered. Suppliers are often required to meet multiple product safety and quality assurance requirements. For example, although Australian Standards are continuing to align with International Standards Organisation (ISO) standards, submissions suggest that further acceptance of overseas certification for a product rather than re-testing in Australia could reduce costs without putting people with disabilities at risk.

Some suppliers suggest that MASS bidding requirements, such as complying with quality assurance standards, are costly and reduce participation. MASS operates under Queensland Government procurement rules designed to ensure value for money. However, if these rules were reformed to provide necessary support for people with disabilities with less red tape, consumers would benefit because the lower costs would likely translate into lower prices.

### Enhancing retail productivity

A basic premise of the NDIS is that consumers with disability should be given more choice and control in decisions regarding their support needs. With or without the NDIS it is likely that a substantial portion of individuals with disabilities will be looking to retail outlets for disability aids and devices. The PC 2011 Report on retail pricing recommends a number of reforms for enhancing efficiency in retail markets, including reforms to the regulation of planning and zoning, retail trading hours and workplace relations. The steps recommended by the PC to enhance general retail productivity, as well as other regulatory reforms relating to pharmacies and taxi licensing, would likely enhance the welfare of individuals who purchase aids and equipment.

### Price disparities versus funding levels

In the course of consultation, the QCA has heard concerns from individuals with disability and their advocacy groups about inadequate levels of funding for aids and equipment. The level of government funding is not part of the Direction given to the QCA. However, any steps that may be taken to reduce price disparities or improve productivity will extend the benefits from funding programs and increase economic welfare of individuals with disability generally. It is important, particularly with the introduction of the NDIS, that increases in funding are managed to promote an increase in the supply of disability aids and equipment without significant price rises.

---

## RECOMMENDATIONS

---

The recommendations made in Chapters 8–10 are provided below.

### Information asymmetry

- 8.1 The Department of Health and Department of Communities, Child Safety and Disability Services should investigate opportunities to make:
- (a) product and price information more readily available to consumers
  - (b) prescribers more accessible to consumers.
- 8.2 The Department of Health and Department of Communities, Child Safety and Disability Services should review:
- (a) the role of prescribers as part of Queensland's planning for the implementation of the NDIS
  - (b) the independence of prescriber functions from commercial interests.

### Government programs and price disparities

- 9.1 To improve existing programs, the Queensland Government, in its reviews of government procurement and the MASS program, should give consideration to:
- (a) efficient design of public procurement programs to encourage competitive bidding
  - (b) consolidating current government bulk procurement, but not so much as to eliminate benchmarking and innovation
  - (c) opportunities to secure lower prices through, for example, direct purchase from overseas suppliers
  - (d) separate funding of state-wide travel and trialling costs for regional and remote areas
  - (e) reducing the paperwork required for SOA tenders
  - (f) reducing and streamlining the application process for MASS equipment.
- 9.2 Governments should consider the following features when designing programs for aids and equipment:
- (a) *Clearly define rationale and objectives.* Programs should have clearly defined objectives that focus on outcomes and not means.
  - (b) *Leverage buying power.* Governments should ensure that they do not impose unnecessary barriers to non-government entities pursuing bulk purchasing. Where it can be determined that governments are best placed to undertake procurement, they should consolidate their buying power rather than operate a large number of programs.
  - (c) *Choice.* Choice is important. Consumer-orientated programs tend to produce better outcomes for people with disability, and can increase competition and achieve lower prices. However, the limits faced by consumers due to information asymmetries should be considered.
  - (d) *Accessibility.* Programs should be as simple and accessible as possible.
  - (e) *Competition.* Programs should avoid unintentional adverse impacts on competition.

### Increasing productivity through regulatory reform

- 10.1 In so far as they apply to Queensland, the Queensland Government should implement the Productivity Commission Retail Price Inquiry recommendations to liberalise planning and zoning requirements to facilitate entry by all retail formats.
- 10.2 The Queensland Government should consider deregulation of retail trading hours to improve customer access to disability aids and equipment, promote competition and stimulate productivity growth in the retail sector.
- 10.3 The Queensland Government should investigate ways to increase the supply and thereby reduce the cost of taxi transportation.
- 10.4 The Queensland Government should investigate deregulation of pharmacy entry legislation and regulations.
- 10.5 The Queensland Government should support the Council of Australian Government (COAG) and Commonwealth efforts to reduce the burden of regulation on all manufacturing and retail businesses.
- 10.6 The Queensland Government should review product safety requirements in its procurement and program guidelines to ensure they are the minimum necessary to meet product safety objectives. The Queensland Government should also support any national efforts to recognise appropriate international standards and conformity assessment.



---

## THE ROLE OF THE QCA – TASK, TIMING AND CONTACTS

---

The Queensland Competition Authority (QCA) is an independent statutory authority to promote competition as the basis for enhancing efficiency and growth in the Queensland economy.

The QCA's primary role is to ensure that monopoly businesses operating in Queensland, particularly in the provision of key infrastructure, do not abuse their market power through unfair pricing or restrictive access arrangements.

In 2012, that role was expanded to allow the QCA to be directed to investigate, and report on, any matter relating to competition, industry, productivity or best practice regulation; and review and report on existing legislation.

### Key dates

Receipt of terms of reference:	8 July 2013
Release of Issues Paper:	26 August 2013
Due date for submissions:	30 September 2013
Release of draft report:	25 November 2013
Submissions in response to the draft report:	13 January 2014
Final report for government:	28 February 2014

### Contact

Queensland Competition Authority

Level 27, 145 Ann Street

GPO Box 2257

Brisbane, QLD 4001

T: (07) 3222 0555

Fax: (07) 3222 0599

Website: [www.qca.org.au](http://www.qca.org.au)

---

# 1 INTRODUCTION

---

*The Queensland Competition Authority (QCA) has been directed by the Queensland Government to:*

- (a) Document price disparities in the price of disability aids and equipment sold in Australia and particularly in Queensland, and sold overseas*
- (b) Identify the causes of any price disparities found, including regulatory barriers, price discrimination and market power*
- (c) Propose actions that could be taken by government to address the negative impacts of any price disparities.*

## 1.1 Background

Disability aids and equipment are essential in assisting Queenslanders with disability with the requirements of day-to-day living and participating in the community. Individuals with disability may require access to a variety of aids and equipment ranging from high-cost, sophisticated motorised wheelchairs to lower cost items such as walking sticks or kitchen aids. Some items may be lower cost for a single purchase but amount to a large expense over the course of a year – continence aids and oxygen supplies, for example.

Consumers access disability aids and equipment through a range of sources, including Commonwealth and state government programs, the healthcare system, non-governmental organisations (NGOs) and the general retail market. An example of a government program is the Queensland Medical Aids Subsidy Scheme (MASS) which provides a broad range of aids and equipment to consumers. Despite the variety of programs on offer, the proportion of aids and equipment purchased directly from retail sources by individuals with disability or their carers without a subsidy is significant.

The demand for disability aids and equipment is increasing as the population ages. Demand will grow further as the National Disability Insurance Scheme (NDIS) is implemented. Therefore, the cost of aids and equipment will consume an increasing portion of both household and Queensland Government budgets.

Consumers of disability aids and equipment are concerned that prices charged in Australia are in many cases substantially higher than prices available overseas from online sources, even after taking into account shipping charges on the overseas items. People with disability generally incur additional costs in meeting their support needs, which government funding does not always fully compensate for. It is important to document price disparities, identify the reasons for the disparities and consider various means for redressing the disparities or ameliorating their impact.

## 1.2 The investigation

In preparing this report, the QCA sought input from a wide range of stakeholders. The QCA released an Issues Paper in August 2013. The Issues Paper invited all interested parties to provide submissions addressing a series of questions posed by the QCA. Stakeholders were not limited to commenting on the specific questions and were encouraged to provide additional comments or analyses relevant to the Direction.

On 25 November 2013, the QCA released a Draft Report *Medical and Disability Aids and Equipment Price Disparities* and sought submissions on its preliminary findings and draft recommendations.

### Submissions

Submissions were received from 40 parties including individual suppliers, peak bodies, individual consumers, consumer groups and government departments. A list of the submissions received is at **Appendix B**. The submissions are posted on the QCA's website at:

[www.qca.org.au/Investigations/MedicalAids/](http://www.qca.org.au/Investigations/MedicalAids/)

The QCA also received email correspondence addressing various aspects of the investigation from a number of individuals and groups. All submissions have been considered in the preparation of the Final Report.

### Consultation

QCA staff have met with, or made presentations to, a range of stakeholders including Queensland Government departments, the Medical Aids Subsidy Scheme (MASS), Queenslanders with Disability Network (QDN), Assistive Technology Suppliers Australasia (ATSA) and equipment suppliers.

QCA staff also met with the Department of Communities, Child Safety and Disability Services, the Disability Services Partnership Forum and the Disability Advisory Council. With the assistance of the Department, a series of meetings with carers, people with disability, prescribers and non-government organisations were held in the Department's North Coast Region.

To gain a national and international perspective on aids and equipment programs, as well as a broad understanding of the NDIS, QCA staff held discussions with the ACCC, Enable New Zealand, Enable NSW and the National Disability Insurance Agency.

In December 2013, QCA held a roundtable discussion with more than 20 interested parties in Brisbane to elicit feedback and comment on the Draft Report.

More detail on consultations can be found at **Appendix B**.

The QCA wishes to thank all organisations and individuals who contributed to this inquiry.

## 1.3 Outline of the report

**Chapter 2** sets out a framework for analysing price disparities which is applied in the rest of the report.

**Chapter 3** describes product characteristics for disability aids and equipment.

**Chapter 4** provides an overview of the market for disability aids and equipment.

**Chapter 5** presents the results of an internet survey of Australian and international prices for a representative range of disability aids and equipment. A number of factors that could reasonably explain the differences in prices when comparisons are made on a like-with-like basis are discussed.

**Chapter 6** examines the extent to which price differences between Australian and overseas suppliers of disability aids and equipment largely reflect the fact that Australia is a high-cost economy.

**Chapter 7** examines the extent to which market power may exist in the supply of disability aids and equipment and lead to price disparities.

**Chapter 8** examines information problems that consumers face in purchasing disability aids and equipment and the likelihood of price disparities arising from information problems.

**Chapter 9** examines government procurement programs and their impacts on consumers.

**Chapter 10** examines the extent to which various policy reforms could improve productivity in the supply of disability aids and equipment.

Recommendations for government action are discussed in the relevant chapters.

Additional supporting analysis is contained in appendices to the report.

---

## 2 FRAMEWORK FOR ANALYSING PRICE DISPARITIES

---

*This chapter describes the approach the QCA will use to: a) identify price differences in disability aids and equipment markets, b) evaluate the explanations for any differences found, and c) assess the costs and benefits of possible actions governments might take to address disparities.*

*Prices are central to the effective operation of the economy. Prices coordinate the interactions of consumers and firms, providing signals to facilitate the production of goods and services that people value. Prices ration supply amongst consumers according to willingness to pay and indicate the opportunity cost of resources used in the production of goods and services. However, prices that do not reflect the opportunity costs of resources distort the workings of the market and can reduce both consumer and producer welfare.*

*For purposes of this investigation the QCA distinguishes between price differences and price disparities. Price differences may reflect legitimate differences in the costs of doing business in Australia. Transitory higher prices may signal a need for market entry, but are not a problem for the economy in the long run.*

*The term 'price disparities' will be applied to price differences that cannot be explained by the workings of normal competitive market forces. Price disparities may result when there are market failures. If there are market failures, governments may have a case to intervene to attempt to correct economic inefficiencies. Even so, any intervention should be based on careful assessment to determine whether the benefits will outweigh the costs.*

### 2.1 Measuring price differences

This report compares overseas prices with prices paid in Australia for a sample of disability aids and equipment products (see Chapter 5). Valid price comparisons require consideration of factors such as technical specifications, exchange rates and warranties. An Australian considering a purchase from an overseas retail 'bricks and mortar' outlet or an overseas internet outlet must consider shipping and insurance costs in addition to exchange rates.

Direct comparisons are often difficult when products are bundled with services. When post-sale services are required to achieve the full functionality or utility of a product, an individual making price comparisons must consider the full life cycle costs.

### 2.2 Explaining price differences

There can be numerous explanations for differences in prices between, and within, markets. If price differences can be explained by the operation of normal market forces, they are not referred to as price disparities. Price disparities occur when the market fails to provide an efficient outcome.

As discussed in Chapter 3, most categories of aids and equipment are manufactured abroad and imported into Australia. Even products manufactured in Australia typically use a significant number of imported parts or components. The price of a product manufactured outside of Australia and sold by an Australian firm will reflect the costs of wholesaling, retailing and Australian transport. Differences in the price for an item sold here and the price in the country of manufacture, that can be explained by the costs of importing and other Australian costs, are not disparities. They simply reflect the costs of doing business in Australia compared with other countries.

A price disparity might result because, for whatever reasons, the overseas market is more competitive than the market in Australia. As required in the Direction, the investigation is looking into competition in Australia and this report discusses ways in which market power might be exercised through tactics such as price discrimination.

There are cases where consumers may end up paying excessive prices for disability aids and equipment because they lack the capability to make an informed choice. Such problems are common in health care markets (Arrow 1963). Information problems can lead to market failure and price disparities.

## 2.3 Rationale for government intervention

The investigation considers steps that can be taken by the government to address price disparities. Government intervention falls into two main categories:

- to improve economic performance when market transactions do not produce the best outcome for society. For example, intervention may be considered when companies that do not face adequate competition charge excessive prices or when consumers do not have access to the information they need to make the best decision.
- to improve social equity, by redistributing resources to support people in being able to participate in the economy and community.

Ideally, a competitive market for aids and equipment would deliver the goods and services consumers value at the lowest cost, thereby producing an efficient outcome and maximising economic welfare. An efficient outcome is obtained where no feasible changes in prices, production or consumption can benefit society as a whole. However, the necessary conditions that must be satisfied if markets are to achieve this result are strict. Key characteristics of a competitive market include a large number of buyers and sellers, costless entry and exit for firms, perfect information, homogeneous goods, no transactions costs, and the ability to manage risk efficiently (QCA 2013, p. 9).

Few markets, if any, conform to this competitive ideal, and market failures and associated economic inefficiencies arise for several reasons:

**Information asymmetry** arises where one party possesses more information about the transaction than the other. This in turn can affect the nature, pricing and volume of purchases of goods and services.

**Lack of effective competition** may arise in the presence of market characteristics such as natural monopoly, or when the market has a small number of firms that are able to restrict output and maintain prices above optimal levels.

**Externalities** occur when the private benefits or costs of an activity do not reflect the social benefits or costs. The classic example is pollution, whereby the costs of producing a good do not include the full cost in terms of environmental damage.

**Public goods** are goods where consumption is non-rivalrous (consumption by one person does not affect the amount available to others) and non-excludable (people cannot be prevented from consuming the good). Producers and consumers cannot capture the full benefits of provision and payments for provision cannot be enforced. As a result, public goods are likely to be under-provided by the private sector. Examples of public goods are the defence and police forces.

For the aids and equipment market, the most relevant market failures are information asymmetry and lack of effective competition, with the latter most important for pricing. However, it is important to recognise that the existence of a market failure does not necessarily mean that the government should intervene — government action to correct a market failure entails costs and may not be very effective. What needs to be considered is whether government intervention is likely to lead to a net overall benefit.

Similarly, in relation to government action to address social equity concerns, it is important to develop and implement the best means of addressing that concern.

## 2.4 When should governments intervene in the aids and equipment market?

The central issue for this inquiry is what actions, if any, governments can take to address price disparities. Government intervention in the aids and equipment market may be warranted in the presence of market failures. However, as noted, establishing that there is a market failure does not, in itself, establish the case for government intervention. First, private individuals and organisations themselves may find solutions to market failures, such as sourcing information to overcome the information imbalances identified above. Second, the test of whether governments should intervene is not the existence of price disparities or market failures, but whether the benefits of intervention will exceed the costs.

Many markets operate with some firms having a degree of market power. Where market power is not significant, entry and exit by firms are not impeded, or substitutes exist or are likely to become available, the cost of government intervention is likely to outweigh the benefits. Intervention may fail to achieve the intended results and also carries administration costs. When government programs do not achieve their intended results this is sometimes referred to as 'government failure'.

For example, price regulation may prevent higher prices, but may also suppress the price signal for new entrants. If the price signal — the increase in price and profitability — is repressed, so too is the desirable investment and production, and thereby the lack of competition is entrenched.

As a result, direct price regulation is typically reserved for a small number of markets with natural monopoly characteristics and no close substitutes, such as parts of the utilities sector in telecommunications, electricity and water. The generally preferred option for dealing with monopolistic pricing is to increase competitive pressures within the market, as noted in the Hilmer Report:

*Regulated solutions can never be as dynamic as market competition, and poorly designed or overly intrusive approaches can reduce incentives for investment and efforts to improve productivity. There are costs involved in administering and complying with pricing policies. ... from a Government's perspective, resort to price control might be seen as an easy and popular way of dealing with what is in reality a more fundamental problem of lack of competition in an area. Since price control never solves the underlying problem it should be seen as a 'last resort'. ... the 'first best' solution is to address the underlying cause of monopoly pricing by increasing the contestability of the market. (Hilmer Report 1993, pp. 271-272)*

Governments also undertake actions to achieve social equity. That is the case with disability aids and equipment. Of primary concern for governments and the community is the impact that potentially excessive prices for aids and equipment may have on people with disability.

There is a necessary role for governments to redress the disadvantages that may be experienced by people with disability, by improving social inclusion and access to education,

employment and income opportunities. However, equity objectives, and income redistribution more generally, are normally better achieved through the taxation and welfare system rather than market intervention, as this can directly target those in need without unduly introducing inefficiencies in the market. In the case of disability aids and equipment, governments have determined that individuals with disability that meet eligibility requirements should have low-cost or free access to a variety of disability aids and equipment through government-operated subsidy programs such as MASS.

That said, any government action to improve the efficiency of the aids and equipment market that results in downward pressure on prices will be compatible with achieving these equity objectives.

## 2.5 Price disparities versus funding levels

In the course of consultation, the QCA has heard concerns from individuals with disability and their advocacy groups about inadequate levels of funding for aids and equipment. The level of government funding is not part of the Direction given to the QCA. That said, any steps that may be taken to reduce price disparities or improve productivity will generally extend the benefits from funding programs and increase economic welfare of individuals with disability.



---

## 3 PRODUCT TYPES AND CHARACTERISTICS

---

*Disability aids and equipment vary in design and functionality, with many products being customised to serve a specific purpose. Product characteristics will vary in terms of technological sophistication and product specialisation. The diverse product range has resulted in a number of different business supply models servicing the disability aids and equipment market.*

*Complex aids and equipment products are often more service intensive to ensure that the product provides the appropriate functionality for the customer. As product complexity increases, the price generally rises, as does the risk of the product not being suitable for the customer's precise requirement. Less specialised aids and equipment products are generally consumed in greater volumes than more specialised products.*

*For complex aids and equipment, the prescriber will often be involved in the assessment, fitting and trialling stages of the selection process. Providing services to rural and remote communities presents particular challenges, given the degree of specialised services required to allocate appropriate aids and equipment for consumers in their environment.*

### 3.1 Types of disability aids and equipment

Disability aids and equipment are essential for assisting people with disability with the requirements of day-to-day living and participating in the community. For purposes of this investigation the Direction defines medical and disability aids and equipment<sup>2</sup> as:

*products that assist people with disability (and their carers) to increase or improve their capabilities and functions, increase their participation in society and/or improve their quality of life. It does not include modifications to vehicles or buildings.*

Products used as part of, or as a result of, a medical procedure are excluded from the scope of this investigation. Thus, the pricing of prosthetics, pacemakers, artificial joints and more is not part of this review.

The term 'assistive technology' (AT) is commonly used to describe disability aids and equipment. This term is recognised internationally by organisations such as the World Health Organisation. The QCA recognises that relevant AT included within the definition of aids and equipment outlined above falls within the scope of this investigation.

A large range of aids and equipment are available in Australia for mobility, self-care and communication purposes. These specialised products are often categorised into the following product-type segments:

- personal care aids
- communication aids
- mobility aids.

Aids and equipment products vary in design and functionality, with many products being customised or custom-made for a particular purpose. The aids and equipment market covers a large number of heterogeneous products. Seating Dynamics (sub. 21) notes that this market is

---

<sup>2</sup> Any reference to aids and equipment throughout this report is to medical and disability aids and equipment, as defined in the Ministerial Direction.

very broad. ATSA (sub. 4) submits that small differences within and between products can make a tremendous difference to their suitability, safety and value for a particular individual, and the variety in the marketplace is vast. Physical Disability Australia (sub. 19) considers that summarising the product types can be dangerous, as it can limit the perceived diversity and vastness of what aids and equipment include.

The QCA has not attempted to provide a comprehensive list of products relevant to this investigation. A list of aids and equipment examples for each product type relevant for this investigation is presented in Table 1.

**Table 1 Examples of disability aids and equipment**

<i>Segment</i>	<i>Product-type</i>	<i>Product examples</i>
Personal care aids	Incontinence aids	<ul style="list-style-type: none"> <li>• Disposable/reusable pants and pads</li> <li>• Catheters and drainage bags</li> </ul>
	Bathing and toileting aids	<ul style="list-style-type: none"> <li>• Bath boards and commodes</li> <li>• Bathroom transfer benches</li> </ul>
	Postural support equipment and pressure management equipment	<ul style="list-style-type: none"> <li>• Pressure redistribution mattresses</li> <li>• Positioning sleep system</li> </ul>
	Visual aids	<ul style="list-style-type: none"> <li>• Spectacles</li> </ul>
	Oxygen	<ul style="list-style-type: none"> <li>• Oxygen concentrators and cylinders</li> </ul>
	Orthoses aids	<ul style="list-style-type: none"> <li>• Hip/knee/ankle/foot orthoses</li> </ul>
Communication aids	Hearing aids	<ul style="list-style-type: none"> <li>• Electro-acoustic devices</li> </ul>
	Speech aids	<ul style="list-style-type: none"> <li>• Artificial larynges</li> <li>• Speech generating devices</li> <li>• Voice amplification devices</li> </ul>
Mobility aids	Walking aids	<ul style="list-style-type: none"> <li>• Walking frames</li> <li>• Wheeled walking aids</li> </ul>
	Wheelchairs and accessories	<ul style="list-style-type: none"> <li>• Manual and power wheelchairs</li> <li>• Tilt in space manual wheelchairs</li> </ul>
	Hoists and slings	<ul style="list-style-type: none"> <li>• Mobile hoists with sling seats</li> <li>• Standing mobile hoists</li> </ul>

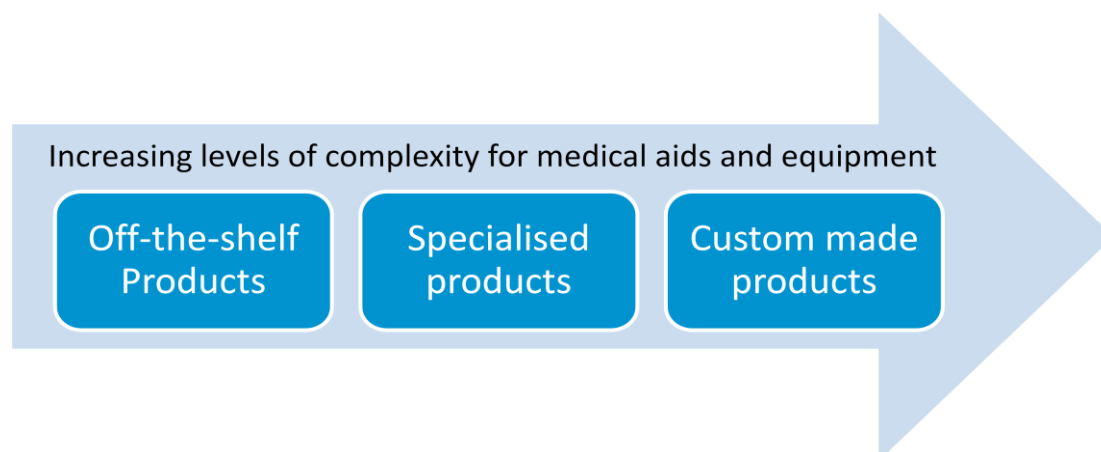
### 3.2 Product characteristics

Aids and equipment can be categorised in terms of technological sophistication. The Australian Institute of Health and Welfare (AIHW) (2003) categorises disability aids and equipment as either low-tech, medium-tech or high-tech products. The AIHW defines low-tech aids as products that are simple in construction and/or use. Medium-tech aids are more complicated and tend to be mechanically based. High-tech aids incorporate sophisticated electronics or computers. Table 2 provides examples of products with varying levels of technological complexity.

**Table 2 Examples of products with varying levels of technological complexity**

<i>Technological sophistication</i>	<i>Examples of aids and equipment</i>
High-tech products	<ul style="list-style-type: none"> <li>• Electro-acoustic device (hearing aid)</li> <li>• Speech generating device</li> </ul>
Medium-tech products	<ul style="list-style-type: none"> <li>• Wheelchair</li> <li>• Mobile hoist</li> </ul>
Low-tech products	<ul style="list-style-type: none"> <li>• Walking frame</li> <li>• Commode</li> <li>• Disposable pads (continence aid)</li> </ul>

Disability aids and equipment also vary in terms of product specialisation. Products range from homogenous commodity-like products that can be purchased off-the-shelf, to products that are custom-made to achieve a specific function for the consumer. Figure 1 illustrates the correlation between the complexity of the aids and equipment and the varying degree of product specialisation.

**Figure 1 Categories of products according to specialisation and levels of complexity**

Specialised products are designed to provide a person with disability with a specific function in order to fulfil a precise requirement. Physical Disability Australia (sub. 19) notes that consumers will often undergo a rigorous research process prior to the purchase of these products. Highly specialised products often require additional product support assistance in order to ensure that the product provides the appropriate functionality for the customer.

Product support services may include:

- consulting with health care professionals
- conducting an assessment and/or trial of the product
- customising the product for the users' particular specifications
- educating the customer on how to use the product.

An example of a highly specialised product that requires additional customer assistance is a voice amplification device. Customers requiring a voice amplification device often need assessments with speech language pathologists to ensure that the device is suitable, as well as assistance with tasks such as customising and programming the device.

In certain cases, products must be custom-made for the individual user. For instance, specialised wheelchairs and medical grade footwear are often specifically designed and manufactured for the user.

### Product market segments

The disability aids and equipment market has evolved into various segments, influenced by the varying characteristics of the products being sold. Jenny Pearson and Associates (2013) characterises the aids and equipment market segments in Australia as ranging from:

- (a) *high volume, low cost, lower complexity aids and equipment; to*
- (b) *low volume, high cost, higher complexity, often customised aids and equipment.*

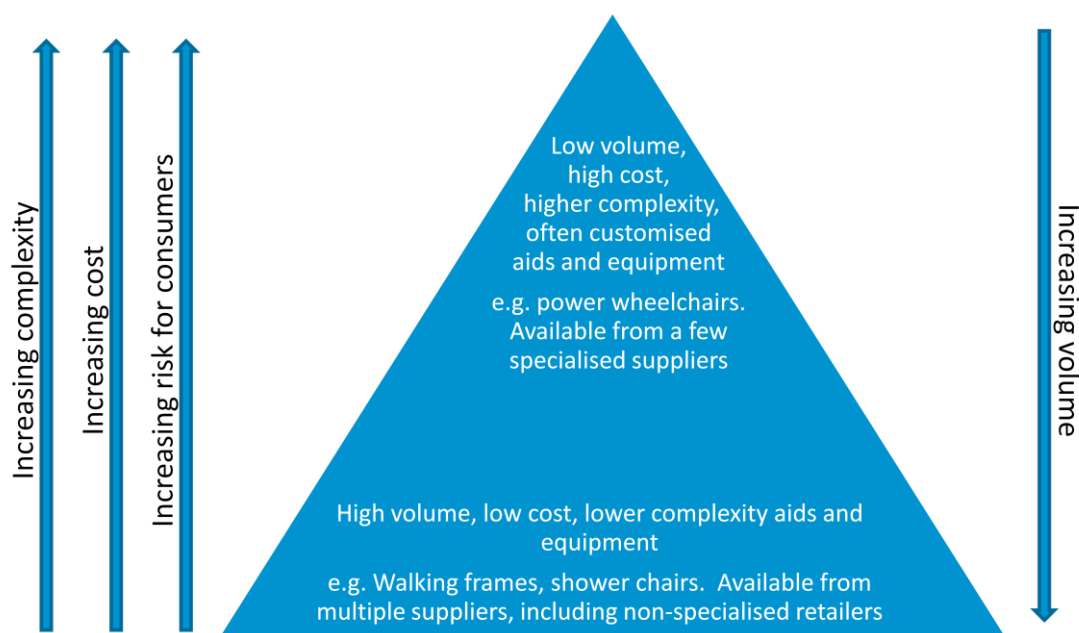
As a product-type increases in complexity, so does the risk of the product not being suitable for fulfilling the customer's precise requirements.

*As the complexity of the AT increases, so does the degree of skill and knowledge required to properly specify, customise, combine products, setup/install and train users and care givers.  
(ATSA sub. 4, p. 30)*

Furthermore, as a product-type increases in complexity, it generally becomes more expensive. ATSA (sub. 4) considers that this is driven in part by the sophistication and manufacturing costs of the device, and also by the levels of service required to ensure the device is suitable for the user. As noted by National Disability Services Queensland (sub. 16), getting the prescription right for the consumer adds significant costs to the provision of customised aids and equipment.

Less specialised aids and equipment products are generally consumed in greater volumes than more specialised products. Homogenous, or off-the-shelf, products are suitable for a larger customer base than those products specifically designed for a consumer. Furthermore, consumable products, which are generally characterised by low product specialisation, have a shorter lifespan than durable products. For instance, certain continence aids are disposable or have to be replaced after a short period of time (i.e. three to six months). Although consumable products are often less expensive on an itemised basis, they may be consumed in significant quantities by an individual over time, resulting in a large expense.

Figure 2 illustrates the spectrum of the aids and equipment product market segments.

**Figure 2 The aids and equipment product market segments**

Sources: Jenny Pearson and Associates 2013; ATSA 2012.

Although durable products do not need to be purchased as frequently as consumable products, such products often have ongoing maintenance costs. For example, voice amplification devices require routine repairs and maintenance in accordance with the supplier's recommendations. Ongoing maintenance costs can often be significant for the consumer.

As a result of varying product characteristics, the total lifetime costs associated with aids and equipment will also differ significantly between different product types. Total lifetime costs may include:

- an assessment and/or trial of the equipment
- further fitting and/or customisation of the equipment
- user training for consumers and providers
- ongoing repairs and maintenance costs
- future upgrades and/or modifications to the equipment.

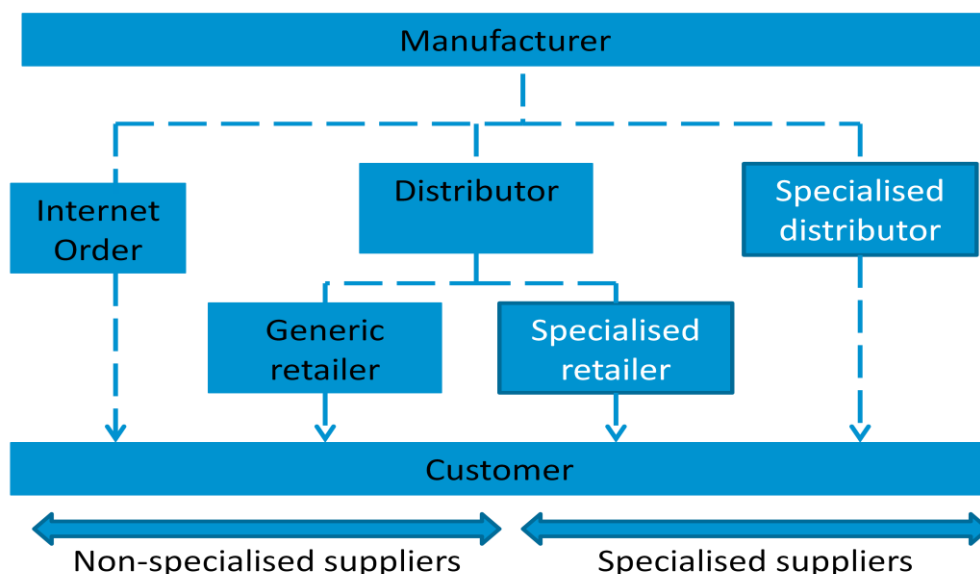
### 3.3 Market supply models

The diverse product range has resulted in a number of different business supply models servicing the disability aids and equipment industry. For instance, off-the-shelf products are able to be purchased in bulk with no product specification requirements. There is also less risk that the consumer will obtain an unsuitable product, making these products less service intensive. They may be supplied to customers through generic or online retail outlets.

As discussed above, complex aids and equipment products are often more service intensive in order to ensure that the product provides the appropriate functionality for the customer. Aidacare (sub. 3) notes that these products often involve an equipment item and a service bundled together. As a result, these products are generally provided by specialised suppliers. Figure 3 presents a number of ways in which customers can purchase disability aids and

equipment from suppliers. It is noted that this is not a comprehensive list, and that other supply arrangements may exist.

**Figure 3 Disability aids and equipment supply arrangements**



As acknowledged by a number of stakeholders, aids and equipment are also provided by the manufacturer to the consumer directly through internet retailers. ATSA notes that this supply model is very simple and therefore low cost:

*It is common for internet retailers to never interact directly with the consumer or physically handle the products that have been ordered... The internet retailer simply checks that payment has been received and then forwards the order to the manufacturer to drop-ship the product when available. (ATSA sub. 4, p. 20)*

### Services provided by specialised suppliers

Many of the suppliers submit that they provide supplementary services in addition to the disability aids and equipment supplied, and consider that customer service is a focus for their business model:

*...the nature of what we do, high end rehab, customisation and specialty product, nothing we sell is delivered in a box, it is hand delivered, set up and education provided for the end user or family and carer support. (Dejay Medical and Scientific P/L sub. 8, p. 1)*

Disability aids and equipment service delivery may involve multiple stages, both before and after the purchase of the products.

ARATA EA (sub. 5) submits that research shows that as product complexity increases, so does the need for 'soft technologies' provided throughout the service delivery process. Soft technology includes all the skilled input into essential elements of product support systems. ARATA EA (sub. 5) considers that at the higher end of product complexity, this can account for 15–30 per cent of the overall product costs.

In addition to assembling and delivering the products, the services provided by suppliers include:

- assessment and fitting

- trialling of the equipment
- education and training
- quality assurance
- repairs and maintenance support
- modifications.

An initial assessment assists the client with identifying the type of equipment that best supports the client's needs. ARATA EA (sub. 5) submits that assessment involves evaluating the user's abilities, needs and goals, the assistance and support provided by family and carers, the environments in which the product will be used, the product itself, and integration with other aids and equipment used by the client.

Trialling of the equipment allows the users to test the equipment before purchasing and may involve individualised fitting, set-up and support for each trial as required. Cerebral Palsy League (sub. 6) submits that trialling equipment is the only way most end-consumers can be confident that the aid or piece of equipment will deliver the outcomes they are looking for. MASS (sub. 14) notes that several visits may be required to trial equipment before a final selection and specification can be determined.

A number of suppliers offer education and training to the user, their family, and carers. These services are delivered by qualified practitioners and deal with both the range of equipment available and its optimal use. Suppliers may also provide information and training on the function and detailed specification of aids and equipment for therapists and retailers. MASS (sub. 14) notes that suppliers need specialised knowledge and skills in the selection and set-up of more complex equipment. ATSA (sub. 4) considers that prescribers and consumers both rely on the expertise provided by suppliers. For more specialised products, suppliers and therapists may work together to develop a product in order to fulfil a precise requirement for the consumer.

Additional quality assurance services provided by suppliers may include providing warranties, standards testing and regulatory compliance, product recalls and the assembly of equipment. Tech4Life (sub. DR8) notes that quality assurance services are also provided by suppliers other than specialised suppliers.

Preventative maintenance and repairs support services are often required to address any malfunctions and ensure that the equipment remains operational. Repairs and maintenance support services vary between suppliers in terms of capability (availability of skilled staff and spare parts) and support systems offered to clients. Tech4Life (sub. 28) notes that systems to facilitate the repair of a consumer's equipment may include freight arrangements and sometimes loan items.

Modifications to the equipment include initial customisation of the product and short- and long-term evaluation of the equipment to ensure that it is suitable for the consumer and performs effectively to achieve the desired outcomes for the consumer.

A number of submissions note that these additional services are often crucial to the person living with a disability. Specialised Wheelchair Company (sub. 24) considers that clients with complex needs require high service levels to ensure that the aids and equipment are assessed, configured, delivered, supported and serviced correctly, and in a timely manner to enable clients to maintain their independence, health, mobility and self-esteem. MASS (sub. 14)

acknowledges that inappropriate selection and/or use of these products can result in early failure or reduced lifespan of the equipment, or health and lifestyle impacts for the consumer:

*Appropriate provision of access to aids and equipment will improve accessibility, inclusion, independence, short and long-term health outcomes and afford people the ability to participate in employment. (MS Australia - QLD sub. 15, p.4)*

Various suppliers note that they upskill their staff and employ qualified therapists and product advisors to assist with this process.

*Much of the detailed knowledge, required especially for complex AT, resides with the therapists within the supplier network... The supplier employs product specialists, usually therapists or other competent people highly trained in the set-up and use of such equipment. (Otto Bock sub. 18, p.2)*

### Role of prescribers

Prescribers, or health care professionals, play a key role in the delivery of aids and equipment to people with disability. A number of stakeholders stressed the importance of prescribers to ensure disability aids and equipment meet the needs of individuals. Sunrise Medical (sub. 25) notes that clients who have very specific requirements need a therapist to evaluate their medical and functional needs.

For complex aids and equipment, the prescriber will often be involved in the assessment, fitting and trialling stages of the selection process. The prescriber will then make a recommendation for a product, or selection of products, that they deem suitable for the user. Walk on Wheels (sub. 30, p.7) notes that 'clinicians assess the user and make a recommendation based on successful trialling of equipment'.

Invacare (sub. 12) considers that occupational or physical therapists are the most responsible party for determining the medical needs of customers, and they apply clinical reasoning at every stage of the intervention.

Prescribers may be employed through government programs, charitable organisations, or companies supplying aids and equipment, or provide advice operating through a private practice. Ability in Motion (sub. 1) submits that health professionals recommending aids and equipment to consumers are mostly employed by the government or charitable organisations. However, as noted above, many suppliers employ qualified health care professionals together with product specialists to help advise which products are most suitable for the user.

In relation to providing advice on the most suitable type of equipment to support a person's needs, Otto Bock (sub. 18) submits that much of the detailed knowledge resides with the therapists and specialists within the supplier network. However, a number of suppliers note that the value of this advice largely depends on the expertise of the individual health care professional. Furthermore, a number of stakeholders, including Queensland Disability Network, consider that there is a shortage of adequately skilled health professionals to help with this process: 'It is often very difficult for a person with disability to find an Allied Health professional with the required skills and expertise'.

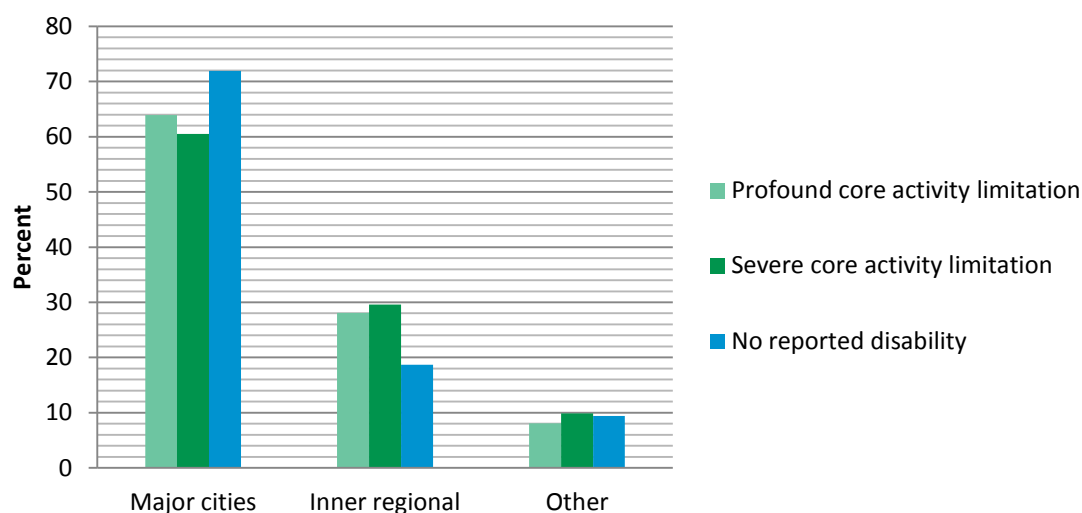
### Regional and remote areas

Australia, and Queensland in particular, faces a geographical challenge when it comes to providing specialised services. ATSA (sub. 4) notes that rural and remote communities present particular challenges given the degree of services required to allocate appropriate aids and equipment for consumers in their environment:



A significant contributor to service costs is that much of this activity takes place in the consumer's home, which substantially increases costs for travel, staff and technicians, as well as multiple delivery and pick-up costs for equipment that is trialled, delivery of purchased items, pick up and return of these items for adjustments, modifications, maintenance and repairs when required (ATSA sub. 4, p. 15). These challenges are compounded by the fact that the proportion of individuals with disability compared with people with no reported disability is higher outside major cities (Figure 4).

**Figure 4 Australian population living in major cities and regional areas**



Source: ABS 2010

Cerebral Palsy League (sub. 6) considers that regional areas are often underserved and customers are expected to wait inordinate times for any standard of service. With regard to providing these services to regional areas:

*Health contracts do not allow for freight loading to cover the considerable extra costs associated with supplying a product to Broome or Cairns compared to central Sydney or Melbourne. These costs have to be averaged out over the total business. (Seating Dynamics sub. 21, p. 4)*

## 4 OVERVIEW OF THE MARKET

*A substantial amount of aids and equipment is purchased directly by individuals at retail prices. Given that people living with disability are among the most financially disadvantaged groups in Australia, this may place a significant burden on household budgets.*

*There are more than 100 different government-funded aids and equipment programs in Australia. MASS, the primary government program in Queensland, supplied disability aids and equipment valued at \$31 million to more than 34 000 people (66 000 occasions of service) during the 2012–13 financial year.<sup>3</sup> Hospitals and physicians issue disability aids and equipment to patients and not-for-profit organisations also have a prominent role in providing aids and appliances to those who need them.*

*Consumers acquire aids and equipment from a variety of sources. There are thousands of suppliers of aids and equipment, with retail chemists and some other generic retailers now selling basic equipment. The majority of aids and equipment in Australia is manufactured overseas and imported into Australia. There are at least 300 companies importing aids and equipment into Australia, with fewer than 40 of these companies responsible for the majority of imports.*

*The supply of aids and equipment is influenced by specific product regulation, which establishes minimum requirements for product safety and performance for consumers. In Australia, aids and equipment that are classified as medical devices are primarily regulated by the Therapeutic Goods Administration (TGA).*

*From July 2016, the NDIS will be progressively rolled out in Queensland, with all eligible Queensland residents covered by July 2019. Arrangements will evolve as the NDIS is trialled and rolled out across the country. However, expenditures on aids and equipment are expected to grow over time as NDIS is phased in and the number of people with disability accessing aids and equipment grows.*

### 4.1 Disability aids and equipment customers

#### Consumers

According to the results of the Survey of Disability, Ageing and Carers (ABS 2010) four million people in Australia, or 18.5 per cent of the total population, reported having a disability in 2009. Of these people, 1.26 million have a profound or severe limitation<sup>4</sup>, which equates to 5.8 per cent of the total population. In Queensland, around 243 000 people reported living with a profound or severe disability. Around two million people, or 49 per cent of the people in

<sup>3</sup> The expenditure and client figures do not include the Spectacle Supply Scheme or the Queensland Artificial Limb Service. If these programs are included, MASS supplied \$43 million in equipment to over 100 000 people (149 000 occasions of service) in 2012-13. MASS also administers the Spinal Cord Injuries Response and Cystic Fibrosis Program which are not included in the \$43 million expenditure figure.

<sup>4</sup> A person living with a profound limitation is unable to do, or always needs help with, a core activity task, where a core activities are communication, mobility and self-care. A person living with a severe limitation: sometimes needs help with a core activity task; has difficulty understanding or being understood by family or friends; can communicate more easily using sign language or other non-spoken forms of communication (ABS, 2010).

Australia who reported living with disability, reported using self-care, mobility and communication aids (ABS 2010).

Disability aids and equipment are essential to assist people living with disability with day-to-day living and participating in the community. Many stakeholders have stressed the importance of disability aids and equipment and the dependency that consumers have on these products. Tech4Life (sub. 28) notes that aids and equipment are often critical to the health and wellbeing of people living with disability, and their ability to participate in society. Queensland Advocacy Incorporated (sub. DR5) considers that access to equipment is essential to the employment, education and health of people with disability, and to breaking down the isolation experienced by many of these people.

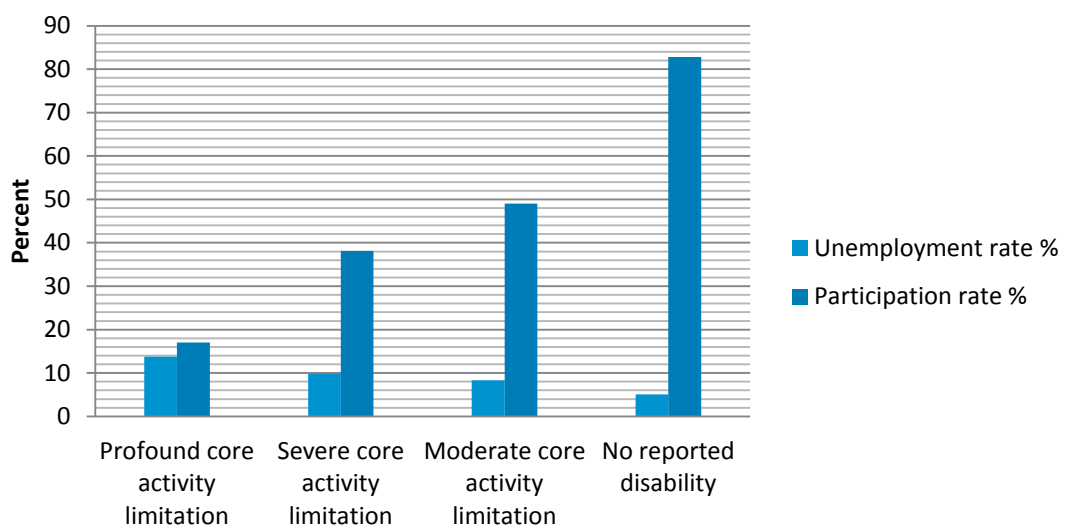
*When a boy is diagnosed with Duchenne muscular dystrophy he will lose the ability to walk somewhere between the ages of 7 and 13 years and is usually dependant on a wheel chair by 12. Arm strength is gradually lost, making simple everyday activities we take for granted such as cleaning teeth, turning pages of a book and giving a loved one a hug, impossible. As the disease progresses to the heart and breathing muscles, the boys cannot breathe unaided and their heart loses the ability to pump effectively. (Duchenne Foundation sub. 10, p.2)*

Physical Disability Australia (sub. 19) considers equipment and aids are fundamental in realising fundamental human rights, the right to dignity, self-determinism and full participation in everyday life. The Department of Communities, Child Safety and Disability Services has a similar perspective:

*For many people with disability, their families, and carers, aids and equipment are essential items which help to maintain independence, improve function, increase community participation and enhance quality of life. (Department of Communities, Child Safety and Disability Services sub. 9, p. 1)*

People living with disability in Australia are more likely to experience significant financial hardship. Results from the Survey of Disability, Ageing and Carers (ABS 2010) show that people with disability are less likely to participate in the labour force than people with no disability. The unemployment rate for people with disability is higher than the general population. Figure 5 shows the labour participation rate and unemployment rate for people living with disability in contrast to those who did not report living with disability.

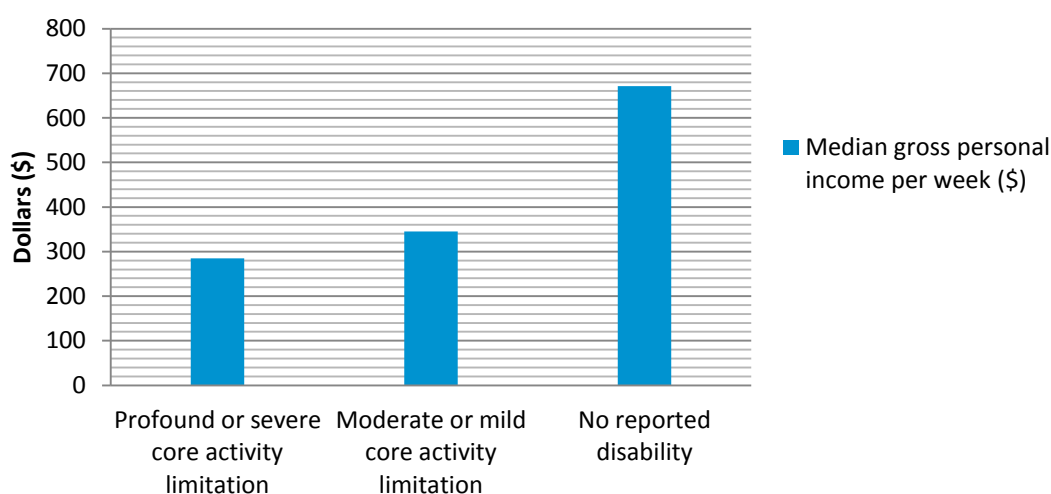
**Figure 5 Labour participation rates and unemployment rates**



Source: ABS 2010

The Productivity Commission (PC) (2011c) reports that people living with disability are among the most financially disadvantaged groups in Australia. PWC (2011) reports that two-thirds of people with disability earn less than \$320 per week compared with one-third of the general population. Youngcare (sub. DR7) notes that the incomes of family members devoting time to care for loved ones with high care needs are often also adversely affected. PWC (2011) reports that primary carers are likely to be in the poorest two-fifths of all households and 55 per cent receive income support as their main source of cash income (PWC 2011). Figure 6 compares the median gross personal income for people living with disability to that of people who did not report having a disability. A number of stakeholders made the point that providing people with suitable aids and equipment will allow more people with disability to participate in the work force and help address the income disparity issue.

**Figure 6 Median gross personal income per week for people between the age of 15 and 64**

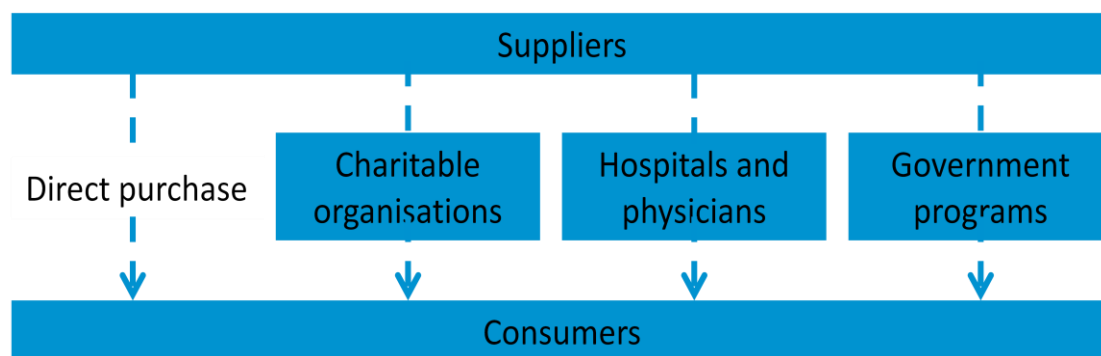


Source: ABS 2010

The financial challenges faced by people with disability and their families greatly affect their ability to afford necessary aids and equipment. A number of stakeholders support this view. Queenslanders with Disability Network (sub. 20) submits that many people with disability are not economically empowered, which results either in great financial strain to acquire the equipment required, or people being unable to purchase the aids and equipment that they require. Stakeholders submit that families are often reliant on funding for equipment.

Many submissions acknowledge the importance of funding in helping people living with a disability to obtain necessary equipment, but argue that the level of funding available to consumers was insufficient. Stakeholders also noted that providing funding for aids and equipment can avoid significantly greater costs in health, disability and aged care services. Youngcare (sub. 31) indicate that frequently the amount offered by subsidy schemes is below the retail cost of aids and equipment, and in many cases, this shortfall may be prohibitive. MS Queensland (sub. 15) notes that the lack of appropriate funds prevents people with disability to function and interact appropriately. As noted in Section 2.5, issues relating to the level of funding provided by government programs are not within the scope of this investigation.

Consumers acquire disability aids and equipment through either government funding programs, hospitals and physicians, charitable organisations, or directly from suppliers (Figure 7).

**Figure 7 Sources available to consumers for acquiring aids and equipment**

A substantial amount of aids and equipment is purchased directly by consumers and their carers. Individuals not eligible for government programs are required to purchase aids at retail prices, and this may place a significant burden on household budgets. Carers Queensland (sub DR1, p. 4) notes:

*Carers often pay for, or contribute to the cost of aids and equipment required by the people they care for and support. By way of example, in a recent survey of carers who care for and support a person with continence problems 78.8% indicated that they spent up to \$50.00 per week purchasing incontinence wear and appliances and 53.5% indicated that they limited spending in other areas to afford to purchase incontinence wear.*

The burden on customers is exacerbated by the fact that many individuals with disability are in the lower income categories, as discussed above.

These issues highlight the importance of disability aids and equipment prices for consumers. COTA (sub. 7) notes that 'the cost of purchasing or maintaining aids and equipment is a significant factor in financial exclusion and hardship for many people with a disability and their families.'

### Government programs

There are more than 100 different government-funded aids and equipment programs in Australia (Jenny Pearson and Associates 2013). Although these programs vary in target and scope, they share features that are common to most assistance programs, such as eligibility criteria and assessment to determine eligibility. Cerebral Palsy League (sub. 6) notes the large overlay of government and insurance agencies, and submits that government and insurance agencies constitute the largest purchasing block in the market.

The various programs differ in terms of funding focus, available budgets and procurement processes in place to acquire the products. Each state or territory has a primary program to help fund the purchase of disability aids and equipment. The primary state government programs are listed in Table 3.

**Table 3 Primary state-government-funded aid and equipment programs**

<i>Program</i>	<i>Jurisdiction</i>	<i>Procurement Model</i>
ACT Equipment Scheme (ACTES)	Australian Capital Territory	Competitive tendering for 2 categories of equipment, a contracted panel of suppliers for the artificial limb scheme and non-tendered purchase for other items.
Statewide Equipment Program (SWEP)	Victoria	Ballarat Health services successfully tendered to run SWEP. SWEP uses a competitive tendering process
Community Aids and Equipment Program (CAEP)	Western Australia	WA Disability Services Commission has agreements with CAEP service providers to assess, prescribe and purchase equipment for consumers. Some CAEP providers use Department of Health contracts, supplier panel contracts and individual supplier contracts.
Community Equipment Scheme (CES)	Tasmania	Contracts with state-wide NGO to purchase aids. The NGO purchases from a number of commercial suppliers.
Department for Communities and Social Inclusion Equipment Program	South Australia	Centralised procurement and warehousing system, supplier panel for wheelchairs and scooters, direct purchase for other aids.
Disability Equipment Program (DEP)	Northern Territory	Non-tendered purchase.
EnableNSW	New South Wales	Uses existing NSW Health contracts plus direct purchasing.
Medical Aids Subsidy Scheme (MASS)	Queensland	Competitive tendering for six categories of equipment and repairs and maintenance of these products.

Source: Jenny Pearson and Associates, 2013

Given the scope of this investigation, the following section focuses on the main government programs relevant to Queensland consumers.

Queenslanders living with disability are able to access a number of Commonwealth programs, including:

- Australian Government Hearing Services Program
- Rehabilitation Appliances Program
- Continence Aids Payment Scheme
- Employment Assistance Fund.

Queensland consumers have access to a number of primary and secondary programs provided by the Queensland Government. The Medical Aids Subsidy Scheme (MASS) is the primary aids and equipment funding program for Queensland. The Community Aids, Equipment and Assistive Technologies Initiative (CAEATI), established by the Department of Communities, Child Safety and Disability Services, also provides subsidies for aids and equipment to help people access the community.

In addition to these primary state programs, various other secondary aids and equipment programs are provided by the Queensland Government. These include:

- Vehicle Options Subsidy Scheme
- Health Service Districts
- Sleep Disorders Program
- Rehabilitation Engineering Centre
- Younger People in Residential Aged Care
- Specialised Equipment.

The two primary Queensland Government programs, MASS and CAEATI, are discussed below.

#### Medical Aids Subsidy Scheme

Queensland's MASS provides access to subsidy funding for the provision of a range of endorsed aids and equipment to eligible Queensland residents with permanent and stabilised conditions or disabilities. During the 2012–13 financial year, MASS had a total expenditure of \$51 million and supplied aids and equipment valued at \$31 million to more than 34 000 people with disabilities<sup>5</sup>.

MASS procures disability aids and equipment through the Queensland Government Procurement system. To facilitate efficient procurement of relevant products, MASS uses a competitive tender process to establish Standing Offer Arrangements (SOAs) with suppliers.

The SOAs are formal agreements entered into with winning bidders (commercial equipment suppliers) to supply specified products at specified prices for an agreed period of time. MASS has SOAs for the supply of wheelchairs and wheeled walking aids, patient lifting devices (hoists and slings), non-mobile commodes and bath transfer benches, oxygen, continence aids, and spectacles (Queensland Health 2010).

*SOAs are in place for the exclusive right to supply these products to MASS and must be used by MASS, regardless of the expenditure value of individual purchases or the cost that the product might be able to be obtained from alternative suppliers. (Queensland Health 2010)*

MASS (sub. 14) submits that the SOA tender is evaluated by a professional multidisciplinary panel with consideration of various factors including clinical efficacy and technical performance of the aids and equipment offered by the commercial market. The SOAs are based on an agreed quality product at an agreed purchase price for an understood volume. Product quality is based on Australian standards or an equivalent, and where necessary, suppliers are required to provide a broad range of services as part of the product service delivery process. MASS SOAs require a uniform delivery price across Queensland (excluding freight) in order to provide access to specialised services across the state.

*MASS, as part of the SOA process, has commercial arrangements with suppliers of equipment to not only ensure that the purchase cost of the equipment is competitive, but to ensure suppliers have a commitment to provide equipment for home trial and an acceptable level of 'after sales'*

---

<sup>5</sup> From financial data provided to QCA by MASS. The expenditure and client figures do not include the Spectacle Supply Scheme or the Queensland Artificial Limb Service. If these programs are included, MASS supplied \$43 million in equipment to over 100 000 people (149 000 occasions of service) in 2012-13. MASS also administers the Spinal Cord Injuries Response and Cystic Fibrosis Program which are not included in the \$43 million expenditure figure.

*service . . . . The level of service provided by each company is a significant factor in determining success throughout the procurement process. (MASS sub. 14, pp. 10-11)*

ARATA EA (sub. 5) submits that these services reflect 'current best practices' in service delivery internationally and may include:

- (a) providing products for trial, in the user's home, within specified timeframes
- (b) transport and delivery of purchased products across large geographic distances
- (c) providing suitably qualified practitioners for individualised assessment, fitting and set up
- (d) initial training on use of products for the user, their family, and carers
- (e) capacity to provide repairs and routine maintenance during the warranty period and beyond.

MASS (sub. 14) submits that this generally results in an increased number of agents available across the state able to meet the terms of the SOA. ARATA EA (sub. 5) agrees that this is necessary to provide the broad range of services required as part of the service delivery process. ARATA EA (sub. 5) notes that the recent MASS SOA for wheelchairs was awarded to 10 suppliers, which distribute the products through a large number of local agents<sup>6</sup>.

*The MASS mobility SOA is well supported and supplier statistics from 2012 show that there were 10 manufacturers of products with 50 different agents throughout Queensland who supplied the SOA wheelchairs to MASS clients. (MASS sub. 14, p. 11)*

ARATA EA (sub. 5) notes that while MASS does have SOA arrangements for a number of products, these still allow significant customisation and custom-manufacturing for consumers. If the aids and equipment required are not available through the SOAs, MASS may arrange the purchase of new aids and equipment from commercial suppliers according to prescribed consumer needs. The applicant may be required to make a non-refundable co-payment towards the cost of new items (Queensland Health 2008).

The disability aids and equipment procured by MASS are subsidy funded either on a permanent loan basis, private ownership or through the purchase of consumables (Queensland Health 2008). Consumable products are provided to the client. Lower cost durable assets (e.g. wheeled walking aids, backup manual wheelchairs, bath boards, bathroom transfer benches and non-mobile commodes) are deemed to be owned by the client, who is responsible for ongoing maintenance and repairs, modifications and accessories. For higher cost durable assets, MASS retains ownership of aids and equipment when MASS has contributed more than fifty per cent towards the cost of the item (Queensland Health 2009).

As well as acquiring aids and equipment from commercial suppliers, MASS reissues aids and equipment where possible. Otto Bock (sub. 18) submits that whilst there are some advantages associated with reissuing reusable aids and equipment, they must be weighed up against consumer concerns regarding the cleanliness, safety and fit of reissued products. Inappropriate selection and/or use of aids and equipment can result in reduced life span of the equipment, or health and lifestyle impacts for the consumer (MASS sub. 14).

MASS operates through a prescriber model, where a customer requires clinical justification by a designated MASS prescriber before being allowed to acquire products through the scheme. Clinical eligibility is determined by the MASS Clinical Advisor based on information provided by the prescriber.

---

<sup>6</sup> [www.health.qld.gov.au/mass/docs/mobility/mobilitysuppliers.pdf](http://www.health.qld.gov.au/mass/docs/mobility/mobilitysuppliers.pdf)



A range of health care professionals are selected to be prescribers for each category of aids and equipment. The prescribers select suitable aids and equipment from the MASS SOA where one is available for the category of aid prescribed. MASS (sub. 14) notes that it is mandatory to have a relevant health care professional involved in the selection process to receive subsidy funding. This is to help ensure that individuals obtain suitable aids and equipment for their needs.

#### Communities Aids Equipment and Assistance Technologies Initiative (CAEATI)

In 2013, the Queensland Government introduced the Communities Aids Equipment and Assistance Technologies Initiative (CAEATI). This program provides subsidy funding to eligible clients for aids and assistive technologies to support community access, independence and improved quality of life. Funding is capped at \$10 000 per client for a period of three years (Queensland Government 2013a).

The aids and equipment categories funded by CAEATI include:

- communication support (communication books, applications and software)
- community mobility (power assist wheels)
- active participation (recreational wheelchairs, sports wheelchairs)
- postural support (standers, supportive seating).

To be entitled to receive funding from the CAEATI, consumers must be assessed as eligible for specialised disability services.

#### Hospitals and physicians

Hospitals and physicians issue disability aids and equipment to patients who are recovering from illness or injury, living with disability, or seniors. Hospitals also provide aids and equipment to patients to enable them to be discharged from hospital.

Consumable products, such as continence aids, are provided to patients as required. Durable assets are also provided for patient use, and in certain cases are also made available for patients to hire. For instance, patients that are admitted to a public hospital and require aids and equipment are often eligible to hire or loan equipment after being discharged from the hospital (Queensland Government 2013b).

The Health Services Purchasing and Logistics (HSPL) branch has whole-of-health responsibility for procurement policy, planning and contract arrangements for a range of commodities and services, covering medical consumables, health technology equipment and specialised health services provided by non-government organisations on behalf of Queensland Health.

#### Charitable organisations

Not-for-profit organisations currently have a prominent role in the community as disability service providers. This includes organisations that provide aids and appliances to those who need them. For example:

- Youngcare At Home Grants provides micro-grants designed specifically to assist young people to get the aids and equipment that are required for them to live at home and participate in the community.
- Spinal Injuries Association provides an equipment hire service that includes manual wheelchairs, pressure cushions, shower chairs, hoists and slings.

Tech4Life (sub. 28) submits that many consumers draw on charitable funds to help cover gap payments or purchase products that are not covered by state programs.

## 4.2 Disability aids and equipment expenditure

### Aids and equipment expenditure in Australia

Accurately estimating the relevant expenditure (on aids and equipment products) in Australia is difficult due to the large number of consumers and products, multiple sources and types of supply, and differing definitions of disability aids and equipment. Tech4Life (sub. 28) acknowledges that expenditure has been a matter for ongoing debate due to the plethora of funding programs.

*Some estimates cover the entire medical device sector, others base their data on the spending from government programs, and some have tried to present data from estimates across the sector. (Tech4Life sub. 28, p. 2)*

The AIHW (2012) estimates that \$3.6 billion<sup>7</sup> was spent on health aids and appliances in 2010–11. This accounts for 2.7 per cent of total expenditure on health in Australia, which was estimated by the AIHW to be \$130.3 billion in 2010–11. Total health expenditure accounted for 8.8 per cent of GDP in 2010–11 (AIHW 2012).

However, the AIHW estimates only account for Commonwealth Government funding, health insurance funds and individuals' out-of-pocket expenditure. The estimate does not include expenditures by state programs such as MASS, or expenditure by non-government organisations (Jenny Pearson and Associates 2013). Therefore, this estimate should be interpreted with caution. ATSA (sub. 4) considers philanthropic and non-government expenditure to be one of the largest unknown areas of expenditure. An alternative estimate by the Aids and Equipment Action Alliance (2011) of national expenditure on aids and equipment comes to \$4.5 billion.

The AIHW (2012) estimates that annual expenditure on health aids and appliances has been increasing at a faster rate than total health expenditure in Australia since 2008–09. Expenditure on health aids and appliances has increased substantially since 2008–09 (Table 4).

**Table 4 Health aids and appliances – annual expenditure and annual rates of change (2010–11 prices)**

<i>Year</i>	<i>Amount (\$ million) (2010–11 prices)</i>	<i>Change from previous year (%) (real growth)</i>
2008–09	2,938	-
2009–10	3,306	12.5%
2010–11	3,632	9.9%

Source: AIHW 2012

Health expenditure is sourced from different levels of government and non-government entities. Non-government health expenditure is sourced from entities such as private health insurers and individuals. Government sources of health expenditure relate to all funds given to, or for, providers of health goods and services and include the funds provided by the Australian Government to states and territories as well as the funds provided by the states and territories

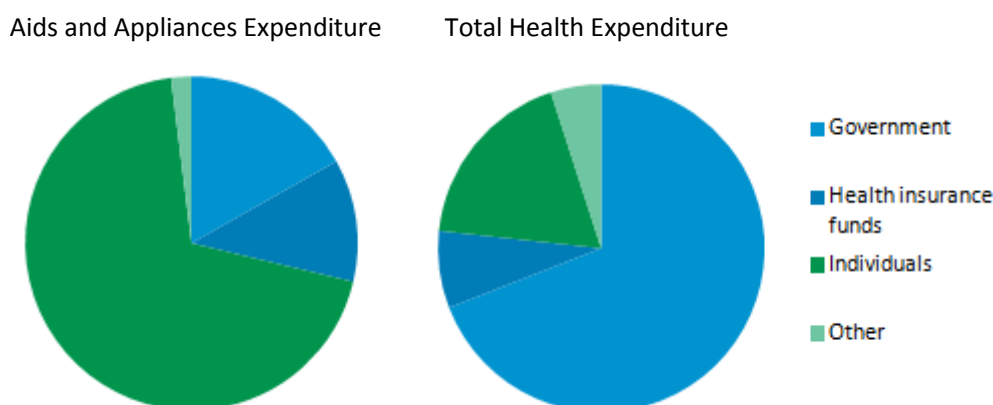
<sup>7</sup> All figures presented in 2010–11 prices

to providers (AIHW 2012). Australian governments' expenditure on disability aids and equipment is provided to various categories:

- the hospital, aged care and education system
- procurement programs, such as the state and territory primary aid and equipment programs that use government purchasing to supply consumers with products
- direct subsidies to consumers, such as the Commonwealth funded Continence Aids Payment Scheme (CAPS), which provides a direct payment through Medicare for consumers to purchase continence products.

Non-government sources, particularly individuals, provide a higher share of funding for aids and appliances compared with the contributions to total health expenditure. Of the \$3.6 billion spent on health aids and appliances in 2010–11, a high proportion was sourced from individuals' out-of-pocket expenditure (AIHW 2012). So while a relatively small proportion of total expenditure (2.7 per cent) is spent on health aids and appliances, it is heavily reliant on individuals' expenditure. In contrast, the AIHW (2012) estimates that, in 2010–11, 69.1 per cent of all health expenditure in Australia was funded by government sources, with the remaining 30.9 per cent coming from non-government sources. Figure 8 shows the respective proportions of 'aids and appliances' and 'total health' expenditure from different funding sources.

**Figure 8 Sources of expenditure on Aids and Appliances and Total Health**



Source: AIHW 2012

Table 5 shows 'aids and appliances' and 'total health' expenditure by funding source.

**Table 5 Australia-wide aids and appliances expenditure in 2010–11 by source of funds (\$million, 2010–11 prices)**

	<i>Australian Government</i>				<i>Non-government</i>				<i>Total</i>
	<i>DVA</i>	<i>DOHA and other #</i>	<i>Premium rebates *</i>	<i>Total</i>	<i>Health insurance funds</i>	<i>Individuals</i>	<i>Other (a)</i>	<i>Total</i>	
Expenditure \$m	2	399	204	606	433	2,536	57	3026	3632
Proportion of expenditure	0 %	11 %	6 %	17 %	12 %	70 %	2 %	83 %	100 %

Source: AIHW 2012 (Note: that numbers may not add up due to rounding.)

These estimates do not include expenditure by state programs which are reported as hospital costs. As Jenny Pearson and Associates (2013) states, precise government expenditure on aids and equipment can be difficult to estimate:

*Even estimating the total government expenditure on aids and equipment provision is complex given the current changing profile of primary government programs, the large number of secondary government providers and the inability of many programs to provide accurate data on aids and equipment expenditure. (Jenny Pearson and associates 2013, p. 47)*

Despite these limitations, the data indicate that individuals incur a significant proportion of aids and equipment expenditure in Australia.

The AIHW (2012) estimates that aids and appliances expenditure in Queensland was \$717 million in 2010–11. Expenditure on aids and appliances is a relatively small component of total state expenditures on health care, making up around 2.7 per cent of the \$26.6 billion in total health funding (AIHW, 2012). Once again, this figure does not include expenditures by MASS, which is reported as hospital costs.

Similar to the national estimates, the majority of aids and appliances expenditure (83 per cent) in Queensland was funded by non-government sources (AIHW 2012) (See Table 6.). The AIHW (2012) estimates suggest that Queensland's expenditure on health aids and appliances is also heavily reliant on individuals' non-subsidised expenditure.

**Table 6 Queensland aids and appliances expenditure in 2010–11 by source of funds (\$million, 2010–11 prices)**

	<i>Australian Government</i>				<i>Non-government</i>				<i>Total</i>
	<i>DVA</i>	<i>DOHA and other #</i>	<i>Premium rebates *</i>	<i>Total</i>	<i>Health insurance funds</i>	<i>Individuals</i>	<i>Other (a)</i>	<i>Total</i>	
Expenditure	-	79	41	120	88	501	7	596	717
Proportion of expenditure	- %	11 %	6 %	17 %	12 %	70 %	1 %	83 %	100 %

Source: AIHW 2012

### Aids and equipment programs

The primary procurement programs in Australian states and territories have a total annual expenditure of approximately \$163 million (2010–11 dollars).

Table 7 sets out the expenditure by the primary procurement programs in Australian states and territories.

**Table 7 Government-funded aid and equipment programs by state and territory 2010–11**

<i>Scheme</i>	<i>Consumers</i>	<i>Expenditure (\$m)</i>
ACT Equipment Scheme (ACTES)	764	\$1.22
EnableNSW	44 712	\$54.11
NT Disability Equipment Program	3 146	\$2.56
QLD Medical Aids Subsidy Scheme (MASS)	31 783	\$34.69
SA Department for Communities and Social Inclusion Equipment Program	10 158	\$18.69
Tas Community Equipment Scheme	13 569 <sup>(a)</sup>	\$4.26 <sup>(a)</sup>
Vic Aids and Equipment Program	31 950	\$34.20
WA Community Aids and Equipment Program (CAEP)	7618	\$13.22

*(a) 2008–09**Source: Jenny Pearson and Associates 2013*

The expenditure from Commonwealth-funded aid and equipment programs was approximately \$440 million in 2010–11 (Table 8). This is in addition to the primary Australian state and territory procurement programs.

**Table 8 Total Annual Expenditure by primary Commonwealth-funded aids and equipment programs**

<i>Commonwealth-funded Programs</i>	<i>Annual Budget/Expenditure (\$M, 2010-11)</i>
DoHA AGHSP	\$258.0
DVA RAP	\$126.6
DoHA CAPS	\$39.6
DEEWR EAF	\$15.4
Total for Commonwealth-funded Primary Programs	\$439.6

*Source: Jenny Pearson and Associates 2013*

As Jenny Pearson and Associates (2013) notes, the primary program expenditure does not represent total aids and equipment expenditure due to the number and variety of secondary programs receiving state or territory government funding.

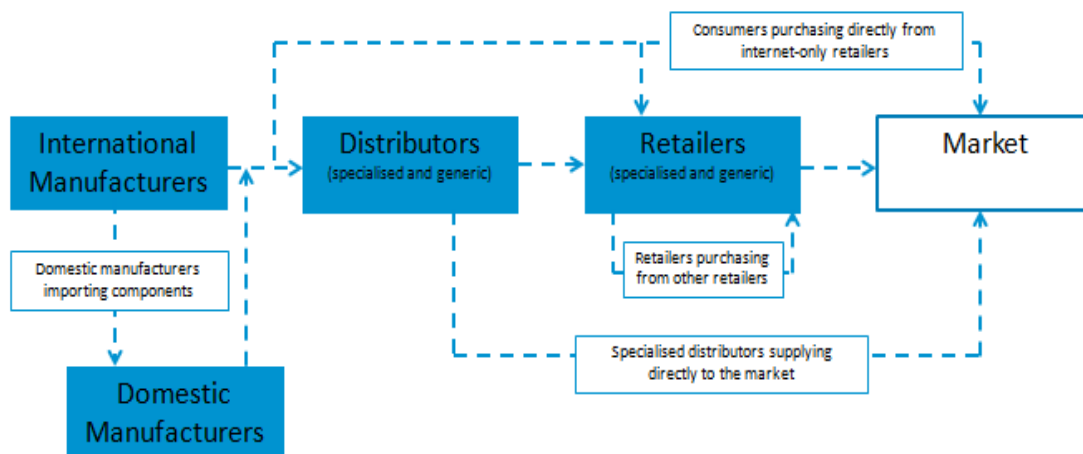
Various aids and equipment product types are well funded through government programs. Different programs target different outcomes, and thus have different expenditure breakdowns for different types of equipment.

Even inexpensive consumable items, such as some continence products, represent a significant portion of funding budgets. For instance, continence aids make up a significant proportion of MASS's expenditure, and the Commonwealth funded CAPS contributes a further \$39.6 million to continence aids expenditure nationally (Jenny Pearson and Associates, 2013).

### 4.3 Supply of disability aids and equipment

This section explores the manufacturing, distribution and retailing of disability aids and equipment in Australia. Consumers rely on multiple sources of supply of aids and equipment manufactured and distributed in a global market. The aids and equipment supply chain in Australia is outlined in Figure 9.

**Figure 9 The aids and equipment supply chain in Australia**



#### Manufacturing

The majority of aids and equipment in Australia is manufactured overseas and imported into Australia. Manufacturing of aids and equipment in Australia has declined significantly over the last decade:

*There are few manufacturers of aids and equipment remaining in Australia. Most of the remaining manufacturers specialise in higher cost items e.g. power wheelchairs or adjustable beds. Reports from various government and non-government stakeholders indicated that there are currently six wheelchair manufacturers in Australia: three in Queensland (making manual wheelchairs on a small scale, niche, custom-made basis), one in Victoria and two in Western Australia. (Jenny Pearson and Associates 2013, p. 53)*

Department of Communities, Child Safety and Disability Services (sub. 9) submits that there is a low manufacturing base for aids and equipment due to Australia's relatively low market and population base. Cerebral Palsy League (sub. 6) submits that there are relatively few manufacturers of aids and equipment still operating in Australia, estimating that only five per cent of the equipment they deal with is manufactured locally.

Australian manufacturers also import components of products, or outsource part of the production process to other countries. Department of Communities, Child Safety and Disability Services (sub. 9) notes that most parts for the manufacturing of aids and equipment are imported from overseas.

*We carry out support and design work ourselves in Australia but production and manufacture is carried out in China, this is not just the cost of wages but also limited supply of skills and more importantly it is faster for us to work overseas than having to follow rules and regulations that are anticompetitive or even stupid and requiring regulation changes. (Find Me Technologies/Carers Watch sub. 11, p. 4)*

A number of stakeholders note that complex products made by international manufacturers are often designed and made for larger international markets in the northern hemisphere. Otto

Bock (sub. 18) submits that most complex AT products it manufacturers are produced in Europe or the United States, much of which are scripted and manufactured to individual client requirements. Even so, ATSA (sub. 4) submits that international manufacturers recognise the need to support a local distributor to maximise their penetration, particularly for complex and moderately complex products. Seating Dynamics (sub. 21) considers that most overseas manufacturers prefer to partner with local businesses that have market expertise, market knowledge and market contacts.

Jenny Pearson and Associates (2013) cites a number of reasons for Australia's decline in the manufacturing of aids and equipment:

- (a) *not cost-effective – mainly due to comparatively higher labour costs*
- (b) *better design and innovation available from other countries and it is more cost-effective for global companies to do design work in one location*
- (c) *manufacturing facilities in Australia described as inferior to those available overseas with a lack of funds to upgrade Australian factories*
- (d) *costs and processes associated with manufacture e.g. Therapeutic Goods Administration (TGA) and Australian Standards compliance requirements. (Jenny Pearson and Associates 2013, p. 53)*

## Distribution

Jenny Pearson and Associates (2013) reports that suppliers estimate at least 300 companies import aids and equipment into Australia, with fewer than 40 of these companies responsible for the majority of imports.

Specialised retailers often source their products through a range of importers and distributors. Special Needs Solutions (sub. 23) notes that working with several different importers enables them to offer the latest innovative products to meet the market demands. Jenny Pearson and Associates (2013) notes that only the largest retailers import directly, with most retailers relying on distributors:

*Retailers consider that importing carries too much risk (e.g. risks in managing foreign exchange rates) and other administrative costs and burdens (e.g. customs charges, duties, paperwork and the importer may have to pay for Australian Standards compliance). Smaller suppliers also said they had less access to finance and buying power than the larger companies that import. Even major government purchasers of aids and equipment avoid direct importation. (Jenny Pearson and Associates 2013, p. 54)*

Importing into Australia is either by ship or air, with air freight being the more expensive, but quicker mode of transport. Jenny Pearson and Associates (2013) reports that most aids and equipment arrive by air freight (60–80 per cent) with the remainder freighted by sea (20–40 per cent), with large, bulky items such as beds, generally sea freighted.

## Retail

There are thousands of suppliers of aids and equipment (even if supermarkets are excluded), with retail chemists and some other generic retailers now selling basic equipment including continence, mobility and self-care products (Jenny Pearson and Associates 2013). For instance, the Pharmacy Guild notes that pharmacies provide an array of aids and equipment, including:

- *mobility aids, such as walking frames, crutches, walking sticks, wheel chairs and scooters*
- *bathroom and toilet aids*
- *continence products, including bed sheets and seat covers*

- *medical aids such as CPAP machines, catheter supplies, oxygen concentrators, tube feeding equipment, blood glucose monitoring machines, blood pressure machines and nebulisers*
- *pressure garments, bandages, braces and support products*
- *orthosis and specialised footwear. (Pharmacy Guild sub. 29, pp. 2-3)*

From the thousands of retailers selling aids and equipment products in Australia, there are between 300 and 500 retailers that specialise in providing aids and equipment (Jenny Pearson and Associates 2013).

ATSA (sub. 4) submits that the penetration of major retail chains into the high-volume, low-cost end of the aids and equipment market has served to cannibalise the marketplace and make specialised retailers less profitable. Jenny Pearson and Associates (2013) also reports that there are increasing generic entrants at the high-volume, low-cost end of the aids and equipment market:

*Specialist aids and equipment suppliers report that infiltration of the high-volume base of the market by generic retailers is eroding this profitable end of the market for the specialist suppliers and leaving them with the high-cost, high-complexity, low-volume items. As this segment of the market requires more intensive and higher cost resourcing by suppliers, profitability is said to be eroded. Some suppliers suggested that this trend is unsustainable and the financial viability of the specialised aids and equipment market is threatened. (Jenny Pearson and Associates 2013, p. 50)*

There are also challenges for retailers operating in regional and remote communities where there are relatively few suppliers:

*The range of inventory for both equipment and spares, and the depth and variety of skills required to ensure the consumer gets the right product, and that it is configured and customised appropriately, along with the problems of distance and travel times and costs, are major challenges when population densities are low. (ATSA 2012)*

Some retailers purchase their stock from other retailers, for example, smaller retailers who cannot arrange a direct supply contract with an importer or distributor (Jenny Pearson and Associates, 2013).

#### 4.4 Regulatory framework in Queensland

The supply of aids and equipment is influenced by government policy and regulation. The supply of many types of disability aids and equipment is governed by specific product regulation, establishing minimum requirements for product safety and performance to ensure safety for consumers.

In Australia, aids and equipment that are classified as medical devices are primarily regulated by the Therapeutic Goods Administration (TGA) under the *Therapeutic Goods Act 1989* and the Therapeutic Goods (Medical Devices) Regulations 2002. The TGA issues supporting documentation in the form of guidelines to industry and regulates the overall supply of therapeutic goods through three main processes:

- pre-market evaluation
- licensing of manufacturers
- post-market surveillance (PC 2005a).



Before a medical device can be sold in Australia, suppliers must provide appropriate evidence to the TGA that the product is safe and effective to use and must, unless exempt, be included in the Australian Register of Therapeutic Goods (ARTG) prior to supply in Australia.

A conformity assessment is the key mechanism for assuring that a medical device is safe and performs as intended (TGA 2013). The conformity assessment procedures are more stringent for higher classification devices than for lower classification devices, reflecting the risks associated with the medical device.

Tech4Life (sub. DR8) notes that the majority of disability aids and equipment are classified as Class 1 — non-sterile and non-measuring (the lowest classification). For this class of medical devices, the conformity assessment evidence does not need to be registered with the TGA, or submitted to the TGA prior to inclusion in the ARTG. However, this documentation must be provided to the TGA if requested.

The TGA also licenses Australian manufacturers of therapeutic goods to ensure that their manufacturing processes comply with principles of good manufacturing practice. Once technologies are approved, the TGA conducts post-market surveillance and testing of products, and also investigates any reported problems, to ensure compliance with legislation (PC 2005a).

With regards to imported goods, ATSA notes that businesses importing therapeutic goods can only do so if they are registered as a 'Sponsor' with the TGA.

*This requires them to verify their appointment as the authorised importer by the overseas manufacturer and guarantee that the manufacturing processes comply with the TGA's quality standards. Sponsors also have an obligation to administer product safety recalls, and maintain adequate records to enable this. Importantly, in private capacity individuals can lawfully import any items of AT without any reference to the TGA. (ATSA sub. 4, p. 17)*

The manufacturer, or sponsor, is required to demonstrate that the medical device conforms to the TGA's Essential Principles (TGA 2011).

The Australian regulatory framework is similar to the European framework, and as a result conformity assessment certificates issued by European notified bodies are generally accepted as evidence of conformity assessment sufficient for inclusion in the ARTG (TGA 2013). However, Otto Bock (sub. 18) submits that compliance with the TGA's therapeutic goods advertising code is expensive and that the code is significantly more stringent on claims than other countries' codes.

In addition to the TGA framework, there are product standards for most aids and equipment. Many government programs and purchasing arrangements, including MASS and CAEATI in Queensland, require products to comply with Australian standards. MASS (sub. 14) notes that it requires Australian standards on some higher risk categories of equipment including wheeled walking aids, wheelchairs, hoists and slings. In addition, the Queensland Government Procurement Policy also requires suppliers to meet quality assurance standards.

## 4.5 National Disability Insurance Scheme (NDIS)

The number of people with severe or profound disability is estimated to increase from 1.271 million to almost 2.3 million by 2030 (AIHW 2009). The demand for disability aids and equipment is increasing along with total public and private expenditure on disability, health and aged care. Tech4Life (sub. 28) submits that demand is rising primarily due to the ageing population, and the ability to rehabilitate those impacted by acute trauma or severe impairment.

On 1 July 2013, the NDIS was launched in New South Wales, Victoria, Tasmania and South Australia. Further trials will begin in the Australian Capital Territory, Northern Territory and Western Australia from 1 July 2014. The NDIS is being rolled out in stages across Australia and will support people with permanent and significant disability, their families and carers. The scheme is a new way of funding individualised support for people with disability that involves more choice and control and a lifetime approach to a person's support needs.

One of the primary features of the NDIS is the direct provision of funding to individuals for disability supports (including services and disability equipment) based on their individual needs. Under the NDIS, planners within the National Disability Insurance Agency (NDIA) will meet with the person (and carers, families and advocates where necessary) and work with the person to identify the person's goals and aspirations; strengths and abilities; and current life circumstances and supports. Planners can also request that specialist assessments be undertaken. A statement of participant supports is prepared including the reasonable and necessary supports that will be funded by the NDIA. The NDIA has published operational guidelines on determining reasonable and necessary supports (NDIA, 2014).

Under this scheme, recipients have more control over how, when and where they receive support. They will be able to choose their own providers and determine how the funding in their plan is managed. This could be by the participant; someone acting on behalf of their behalf (a plan nominee) a registered plan management provider; the NDIA; or a combination of these options.

This arrangement allows for supports to be tailored to individual needs. As the Productivity Commission (PC) notes, this suits individual circumstances: 'People receive the reasonable and necessary supports they need to pursue their goals, be more independent, and participate' (PC 2011c). Cerebral Palsy League (sub. DR6) submits that while individual consumers currently have little influence on market prices prevailing in Australia, this may change with the implementation of the NDIS, as consumers are provided with direct purchasing power.

Whilst the exact level of funding provided by the NDIS is not known, increased funding was a key feature of the PC's recommended scheme. The PC (2011c) estimates that the amount needed to provide people with the necessary supports would be about double current spending. Therefore, expenditures on aids and equipment are expected to grow over time as NDIS is rolled out and the number of people with disability who require aids and equipment grows.

As the NDIS trials have only been operating for six months, the impact of the NDIS on the demand for products, the market participants and structure, and ultimately the prices of aids and equipment products are not yet clear. As the NDIS is trialled and rolled out across the country, it is expected that NDIS arrangements may change. The National Institute of Labour Studies at Flinders University has been engaged to undertake an evaluation of the NDIS trials, to be completed by June 2016.

From July 2016, the NDIS will be progressively rolled out in Queensland, with all eligible Queensland residents covered by July 2019. Department of Communities, Child Safety and Disability Services (sub. 9) submits that this transition will see the number of people in Queensland eligible for specialist disability supports increase to 97,000 people by 2019.

As the NDIS is progressively rolled out in Queensland, MASS is working in conjunction with the Department of Health and Department of Communities, Child Safety and Disability Services to continue to streamline and simplify access to government subsidised aids and equipment in a

way that will align with the NDIS (MASS sub. 14). Any changes to Queensland policy will need to be cognisant of the shift to the NDIS.

---

## 5 PRICE COMPARISONS FOR DISABILITY AIDS AND EQUIPMENT

---

*This chapter presents price comparisons for disability aids and equipment for a representative sample of products sold in Australia and overseas. The price comparisons take account of a number of factors to help ensure meaningful comparison.*

*Where possible, identical (same brand and model) products were compared. However, where this was not possible, products having similar characteristics were selected. Only four of the 35 product price comparisons involved products that were not identical.*

*As a first step in identifying whether there are price disparities between suppliers, Australian prices from Australian suppliers, excluding delivery charges, are compared. Excluding delivery costs is relevant for understanding the extent to which the local market is efficient and competitive in each jurisdiction. Where there are substantial differences in prices excluding transport costs across markets, this can reflect a degree of 'natural' protection of suppliers as result of transport costs.*

*Comparisons of Australian and overseas prices, excluding and including delivery charges, were also made, together with an analysis of the likely impact of further downward or upward movements in the exchange rate. This comparison provided a basis for assessing whether price disparities were present.*

*Finally, an assessment of the cost-effectiveness of the MASS SOA arrangements was made by comparing current SOA prices with Australian and overseas online prices.*

### 5.1 Factors to consider when comparing Australian and overseas prices

Price comparisons were made for a range of continence, daily living and mobility aids products. The 35 products that were investigated represent a broad range of the daily living, mobility and continence aids discussed in Chapter 3.

Price comparisons should be based on a like-with-like basis where possible. In some cases, it may be necessary to consider technical specifications and make adjustments to take account of various factors such as:

- differences in product specifications
- differences in supplier services
- exchange rates
- customs duty and taxes
- delivery charges, including handling and insurance
- warranties
- transaction costs
- discounts and special offers
- other factors such as convenience and timeliness.

Adjustments were made for these factors where feasible and likely impacts were noted where adjustments were not feasible.

For purposes of comparison it is useful to disaggregate prices for products that do not have additional life cycle costs, and products that could have additional life cycle costs. This disaggregation gives a better indication of where significant price differences are more likely to occur.

#### Differences in product specification

A valid price comparison should be based on the purchase of an identical product (e.g. model, brand, size and/or capacity). When products are not identical, consideration must be given to the possible differences in performance, and hence relative value, of each product when comparing prices.

Australian and overseas products may not always be directly comparable. Features, functions, or the quality or durability of materials may differ between products sold in Australia and products available from overseas sources. Also, care must be taken in making comparisons as there may be differences in the number of products included in packets, packs, boxes and cartons.

#### Differences in supplier services

For complex products such as wheelchairs, it is often possible to arrange for pre-purchase trials, fittings, ongoing maintenance servicing, and access to spare parts for locally purchased products.

ATSA (sub. 4) submits that considerable time is invested in consumer consultation, provision of information and advice, assessment and development of specifications for assistive technology solutions, preparing quotes, holding of extensive stock for display and trials, and configuring and adjusting devices for home trials prior to securing a sale and without any certainty of a sale.

Submissions from Magic Mobility (sub. 13), Specialised Wheelchair Company (sub. 24) and Seating Dynamics (sub. 21) note that the provision of comprehensive personalised services was a reason for their prices being different to those of online retailers. ATSA (sub. 4) notes that internet retailers provide products only and that there is no provision of immediate or ongoing support for services in relation to fitness for purpose, the assembly, installation, set-up and adjustment, training, maintenance and repairs, and spare parts. ATSA considers that this is the reason that internet retailers are able to sell at 40–50 per cent lower than full-service retailers. Special Needs Solutions submitted that the service they provide is clearly different to simply purchasing a product online from overseas.

*We have invested \$250,000 in demonstration stock; we own all our demonstration equipment. By owning our equipment, this ensures trials can be completed in a short space and waiting times are minimised. (Special Needs Solutions sub. 24, p. 2)*

#### Exchange rates

The credit card of an online purchaser is typically charged in the currency of the foreign country, after which the total is converted to Australian dollars and a transaction charge is added. However, exchange rates applicable to individual credit card purchases and to wholesale exchange rates available to commercial importers may differ materially – thus complicating price comparisons.

HRSC (2013) also notes that price comparisons can vary according to the methods adopted for converting prices to a common currency.

Furthermore, bulk procurement of overseas products may entail exchange rate cost savings that are not available for individuals purchasing directly from overseas or Australian suppliers. Comparisons in the same currency are needed for meaningful price comparisons, yet currency

conversions are likely to deliver varying results from one day to the next. Exchange rates fluctuate continuously, and may produce marked swings over time.<sup>8</sup>

Table 9 illustrates this variability by showing the variation in USD/AUD and GBP/AUD exchange rates during different periods over the last year.

Since 25 October 2013, the date at which exchange rates used in the Draft Report were observed, the value of the Australian dollar has declined relative to the major currencies. As at 20 January 2014, the US dollar was 8.8 per cent more expensive than at 25 October 2013, while the GBP was 10.2 per cent more expensive.

**Table 9 Comparison of United States and United Kingdom exchange rates against the Australian dollar**

<i>Exchange Rate<sup>9</sup></i>	<i>US Dollar Exchange Rate</i>	<i>Australian Dollar Equivalent per US\$100</i>	<i>GBP<sup>10</sup> Exchange Rate</i>	<i>Australian Dollar Equivalent per GBP100</i>
Rate as at 20 January 2014	0.8776	113.94	0.53426	187.17
Rate as at 25 October 2013	0.9624	103.91	0.5947	168.16
Average Daily Rate for September 2013	0.9253	108.07	0.5841	171.20
Average Rate for 3 Months (1 July – 30 September 2013)	0.9151	109.28	0.5905	169.35
Average Rate for 12 Months (1 July 2012 to 30 June 2013)	1.0269	97.38	0.6546	152.77
Rate as at 25 October 2012	1.0316	96.94	0.6452	154.99

Source: Oanda currency converter

### Customs duty and taxes

Generally, where the value of overseas purchases is less than AUD\$1000, customs duty and GST are not applicable. Also, most disability aids are customs-duty-free<sup>11</sup>.

Where the value of an overseas purchase is over \$1000, customers are required to submit an Import Declaration statement (refer to [www.customs.gov.au/site/page4288.asp](http://www.customs.gov.au/site/page4288.asp)), which is used by Customs and Border Protection to assess any liability for duty and GST, in addition to

<sup>8</sup> Daily exchange rates may vary between sites on any one day depending on the financial institution, type and value of the currency transaction. For example, the rate published by the Reserve Bank of Australia reflects observations of mid-points of buying and selling rates quoted around the same time. The RBA rate for the US dollar is based on the WM/Reuters Australian Dollar Fix at 4.00 pm (Sydney) on the day concerned. The RBA rates are indications of market value only and may differ from those quoted by foreign exchange dealers and other market sources. In addition, while rates quoted by banks reflect the 'official' exchange rate, they include commissions according to the type and size of transactions. For smaller retail transactions, banks typically charge a commission of about 3% OANDA, using OANDA Rates Currency for Conversion

<sup>9</sup> Exchange rates sourced from OANDA: [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/)

<sup>10</sup> Great Britain Pound (GBP)

<sup>11</sup> The Customs Tariff Act 1995 provides the tariff classifications, duty rates, interpretive rules and information on preference schemes, other concessions and exemptions that may apply to your goods. More information is available on the [www.customs.gov.au//tariff/tariff2012.asp](http://www.customs.gov.au//tariff/tariff2012.asp).

standard fees and charges<sup>12</sup>. It is difficult for an online purchaser of overseas disability aids to determine customs duty liability as there is no single classification or listing of relevant products. Having access to a user-friendly online customs duty assessment tool (which requires input of key words only) would help to address this information gap for the customer.

Typically, Australian prices include GST, unless otherwise stated. However, disability aids and appliances are GST-free if they satisfy the all three of the following conditions:

- listed in Schedule 3 to the GST Act 1999 or in Schedule 3 to the GST regulations
- specifically designed for people with an illness or disability
- not widely used by people without an illness or disability<sup>13</sup>.

It should be noted that most product prices listed online in Australia include GST, as this is a legal requirement.

Under GST law, a supplier and recipient can agree to treat the sale as taxable. It may be administratively easier for a wholesale supplier and a retailer purchaser to treat all of the supplies on an invoice as taxable rather than distinguish between those individual products that are GST-free and those that are not. If the recipient is registered or required to be registered for GST, a GST credit may be claimable for the GST paid. However, the sale by the retailer to the customer will still be GST-free.

#### Delivery charges

There is a range of delivery options for online purchases within Australia, including Australia Post, and national and local couriers. For online Australian purchases, there will generally be packaging and/or delivery charges, with options for standard mail, express or courier delivery, unless the price includes free delivery or a flat rate cost as applied by the supplier.

Delivery charges vary according to size, weight and destination and charges are readily available from online websites. Appendix Tables C1 to C4 provide details on delivery charges for Australia, the United Kingdom and United States.

Customers may also purchase insurance to avoid risks associated with loss or damage during delivery from their Australian or overseas supplier. Where insurance is an extra cost, it should be included when comparing prices.

#### Warranties

Products procured overseas may not carry a warranty, or may have warranties that are less stringent to those available for products sold by Australian retailers. Even if the warranty is the same, it may be more costly in terms of time, effort and shipping costs to exercise the warranty. Moreover, if a product is defective or otherwise unsuitable and must be returned or replaced, the consumer will be without the benefit of using the product for the time it takes to resolve the problem. The price may be lower, but the consumer takes on additional risk when purchasing overseas.

---

<sup>12</sup> Refer to [www.customs.gov.au/webdata/resources/notices/ACN0621.pdf](http://www.customs.gov.au/webdata/resources/notices/ACN0621.pdf)

<sup>13</sup> For information, refer to <http://ato.gov.au/Business/Bus/GST-and-medical-aids-and-appliances/> or [www.health.qld.gov.au/qhpolicy/docs/pcd/qh-pcd-267-2-51.pdf](http://www.health.qld.gov.au/qhpolicy/docs/pcd/qh-pcd-267-2-51.pdf)

### Transaction and search costs

There can be wide variation in the listed prices of online outlets for the same product. In addition, listed prices may not always reflect the true price that will be paid by a consumer. For example, some sites may offer promotional prices or quantity discounts.

Finding a product on the internet may require time to be spent on research and completing the transaction. Sourcing a product from a bricks and mortar store may require significant travel cost and time.

While these costs are not reflected in the purchase price, the cost of time spent can be significant for the person with disability or the carer.

### Discounts and special offers

Any price comparisons are valid at a point in time only. Significant changes in prices may occur over time as a result of periodic special discounts (such as specific brand and seasonal promotions) and re-pricing strategies applied by suppliers. Such 'specials' may involve substantial price reductions for a specified period of time and result in a shift in cost-ranking from a high position to the lowest position for the term of the discount.

Also, some suppliers offer free delivery, or free delivery conditional on a minimum value of purchases. While the impact of the former can be reflected in the price comparisons (including delivery charges) the impact of the latter cannot be reflected in simple comparisons without a detailed understanding of customers' purchasing habits.

### Other factors

The House of Representatives Standing Committee on Infrastructure and Communications (HRSC) (2013) notes that drawing conclusions on the basis of simple price comparisons can be problematic because they may fail to capture many aspects of the product- and retailer-specific considerations that are valued by customers, including convenience, timeliness of delivery, and the ability to negotiate lower final prices in-store (often using online prices as leverage).

## 5.2 Ease of accessing comparative prices

Based on a simple analysis of a general Google search for 'medical and disability aids', it would appear that Australian suppliers do not have highly developed websites. Of the 21 web addresses displayed on the first page of the Google search, only five Australian suppliers with direct links to priced products are displayed (see Figure C1 and Table C5 at Appendix C).<sup>14</sup>

A further product-specific Google search, based on 'Wheelchairs for Sale Brisbane', which displayed 21 web addresses, showed eight Australian suppliers – but only three of these provided prices for their products. Details of the type and number of listings on the first page of Google are shown at Appendix C, Table C6.

The review of Australian and overseas online prices for the sample of disability aids, presented in this report, has identified that for many higher value products, such as wheelchairs, prices are not advertised and customers must submit their personal details to obtain a price. This contrasts with overseas online sites which tend to be more user-friendly and contain full pricing details.

---

<sup>14</sup> Searches using alternative terminology such as Assistive Technology or Assistive Aids produced similar results.



Some Australian suppliers, such as Austech<sup>15</sup> have well-developed web pages but have a combination of priced and non-priced (Price on Application (POA)) products (See Figure C3 at Appendix C).

While there are a large number of Australian suppliers of disability aids, only a few are readily identifiable by simple web searches.

### 5.3 A comparison of Australian and overseas online prices excluding delivery costs

This section presents the results of a limited comparison of Australian and overseas prices for disability aids and equipment. A key finding is that there are wide differences in prices, both for suppliers within Australia, and between Australian and overseas suppliers, for a wide range of products.

The comparison of Australian and overseas online prices presented here is based on a sample of 35 products and price observations as at 20 January 2014. A selection of continence, daily living and mobility aids supplied by MASS or identified by stakeholders were included in the sample. The QCA attempted to obtain online prices from a minimum of three Australian and overseas suppliers, but this was not always possible. For example, no Australian online prices were available for 11 (predominantly wheelchairs) from the selected products. Details of the number of prices included for comparison are shown in Tables C7 and C8 at Appendix C.

Details of products sampled and their prices are shown in Table C7 at Appendix C.

The price comparisons identify:

- differences in prices between Australian online retailers
- the lowest of the Australian and overseas prices
- the difference between the lowest overseas price and lowest Australian prices.

Prices paid by MASS are not included in these comparisons. See Section 5.5 for analysis of MASS prices.

#### Australian online prices

Table 10 shows a comparison of differences in Australian online prices for 16 of the sampled products where at least two prices were available. Prices shown are exclusive of delivery charges and represent the price 'on offer' in Australia as at 20 January 2014.

All of the 16 products are generic 'off-the-shelf' products where customisation costs are non-existent or small. However, several of the products (wheelchairs, hoists and air-pump mattresses) would require further expenditure on a life cycle basis. That is, additional costs would need to be incurred over the life of the product to maintain its functionality.

Delivery costs are relevant for a consumer comparing a purchase of the same product. However, excluding delivery costs is relevant for understanding the extent to which the local market is efficient and competitive in each jurisdiction. Where there are substantial differences in prices, excluding transport costs across markets, this can reflect a degree of 'natural' protection of suppliers as result of transport costs.

---

<sup>15</sup> [www.austechmedical.com/display-cat.php?bec=83d3KypQVMurSrYuyEu39QoNCooMCPULcwULpWXkg0Sj\\_Bw9\\_CIB&v=50407905](http://www.austechmedical.com/display-cat.php?bec=83d3KypQVMurSrYuyEu39QoNCooMCPULcwULpWXkg0Sj_Bw9_CIB&v=50407905)

**Table 10 Comparison of differences in sampled Australian online prices (excluding delivery costs) as at 20 January 2014**

<i>Product</i>	<i>Lowest Australian Price</i>	<i>Highest Australian Price</i>	<i>Difference between Highest and Lowest Australian Price</i>	<i>Difference between Highest and Lowest Australian Price as % of Lowest Price</i>
Hoist A	\$2360	\$2899	\$539	23%
Hoist B	\$2345	\$2995	\$650	28%
Hoist C	\$2845	\$2995	\$150	5%
Bath transfer bench	\$152	\$153	\$1	1%
Bedside commode	\$168	\$225	\$57	34%
Mobile shower chair	\$1080	\$1145	\$65	6%
Speech generator	\$6750	\$6850	\$100	1%
Pressure cushion	\$750	\$795	\$45	6%
Continence aid A	\$20	\$28	\$8	44%
Continence aid B	\$16	\$23	\$7	42%
Continence aid C	\$26	\$36	\$10	41%
Continence aid D	\$12	\$14	\$2	16%
Continence aid E	\$25	\$30	\$5	18%
Catheter	\$13	\$14	\$1	11%
Night bag	\$4	\$6	\$2	54%
Leg bag	\$10	\$11	\$1	14%

Source: QCA internet search, 20 January 2014

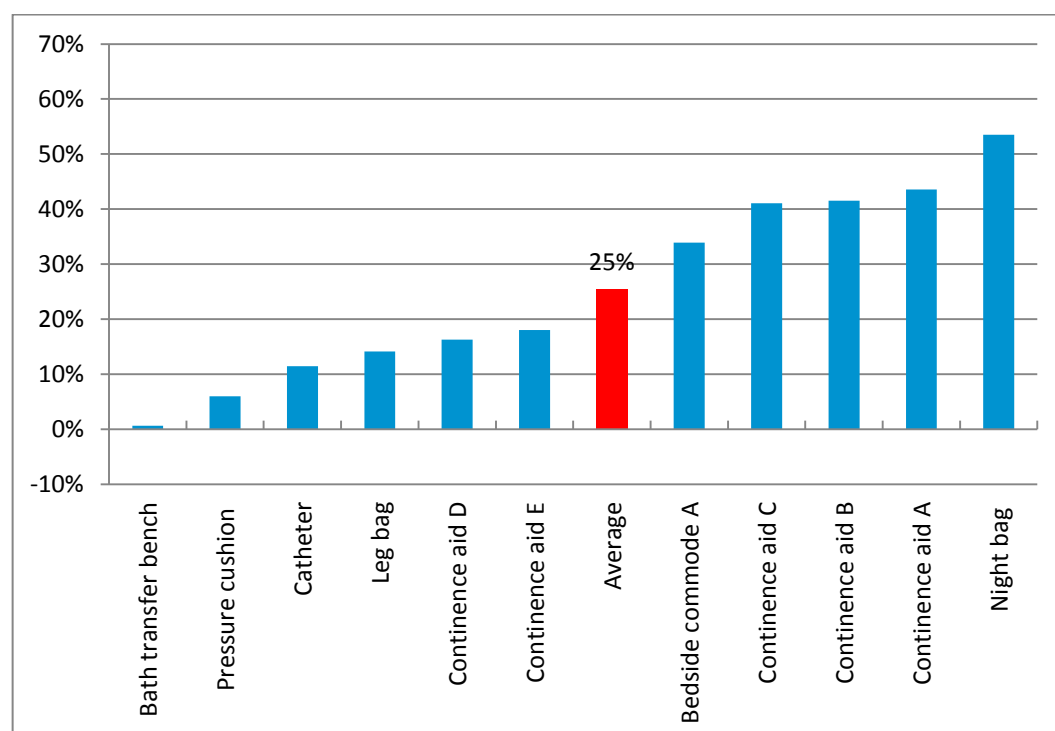
Note: All dollar prices are rounded. The percentage changes are calculated from the unrounded values.

The information in Table 10 highlights that there is a significant difference in online prices within Australia. Prices for individual products range from 1 per cent to 54 per cent above the lowest priced supplier, with eight of the 16 products (50 per cent) having differences of between 18 per cent and 54 per cent. The average difference over all products was 21 per cent.

It is useful to disaggregate the information shown in Table 10 into products that do not have additional life cycle costs, and products that could have additional life cycle costs. Such a categorisation can highlight areas of significant price difference.

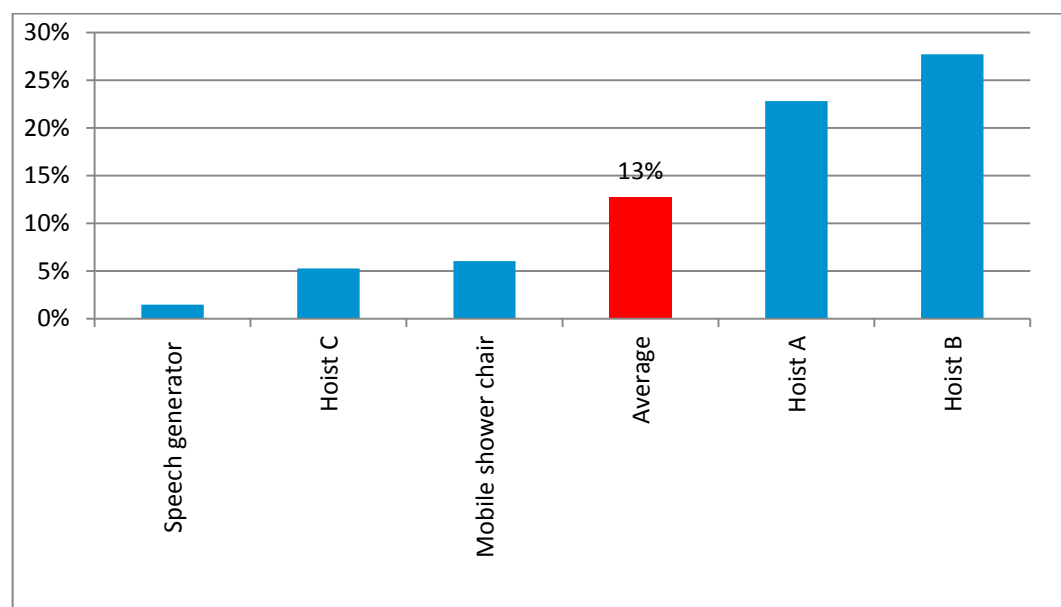
The percentage differences between the lowest and highest Australian prices for products that do not have life cycle costs and those likely to have life cycle costs are shown in Figure 10 and Figure 11 respectively. Note that products with life cycle costs are likely to require more customisation costs and other costs which are not captured by these price comparisons.

**Figure 10 Percentage differences between lowest and highest Australian prices for 11 products that do not have life cycle costs (as a percentage of lowest price)**



Source: QCA internet search, 20 January 2014

**Figure 11 Percentage differences between lowest and highest Australian prices for 5 individual products that could have life cycle costs (as a percentage of lowest price)**



Source: QCA internet search, 20 January 2014

Figure 10 shows that for the 11 products which do not have life cycle costs, the difference between the lowest and highest Australian prices ranges from 1 per cent to 54 per cent, with an average of 25 per cent, as a percentage of the lowest price. Five products had a difference of more than 30 per cent. A difference of this size is unlikely to arise in an effectively competitive market. (However, some price dispersion is common even in effectively competitive markets – see Chapter 8.)

Figure 11 shows that for the five products which could have additional life cycle costs, the difference between the lowest and highest Australian prices ranged from 1 per cent to 28 per cent, with an average of 13 per cent, as a percentage of the lowest price. That is, the differences between the lowest and highest prices for these products are considerably less than those identified for products without additional life cycle costs. Price differences by themselves do not raise concerns about market power for these products.

It could be expected that over time, with improved access to online shopping and with increased experience and skills in online shopping, more customers would search for the best price for a product, creating pressures for price differences to be reduced.

### Australian and overseas online prices

As a first step in identifying whether there are price disparities between suppliers, Australian prices are compared with overseas prices excluding delivery charges. Excluding delivery costs is relevant for understanding the extent to which the local market is efficient and competitive in each jurisdiction. Where there are substantial differences in prices, excluding transport costs across markets, this can reflect a degree of 'natural' protection of suppliers as result of transport costs.

Australian and overseas online prices were identified for 24 of the 35 products in the sample. Table 11 lists prices, together with details of the lowest price and percentage differences between Australian and overseas prices. Prices are exclusive of delivery charges, customs charges and GST<sup>16</sup> and converted to Australian prices as at 20 January 2014. The next section presents comparisons inclusive of these additional costs.

Of the 24 products 19 were less expensive overseas. On average the difference between the lowest Australian price and the lowest overseas price was 38 per cent (as a percentage of the lowest price).

**Table 11 Comparison of differences in Australian and overseas online prices (excluding delivery charges) as at 20 January 2014**

<i>Product</i>	<i>Lowest Australian Price</i>	<i>Lowest Overseas Price<sup>17</sup></i>	<i>Country with Lowest Price</i>	<i>Difference between Lowest Australian Price and Lowest Overseas Price</i>	<i>Difference between Lowest Australian Price and Lowest Overseas Price as % of Lowest Price</i>
Hoist A	\$2360	\$2237	UK	\$123	6%
Hoist B	\$2345	\$1301	UK	\$1044	80%
Hoist C	\$2845	\$1396	UK	\$1449	104%
Shower chair	\$289	\$108	US	\$181	167%
Bath transfer bench	\$152	\$116	US	\$36	31%
Air mattress overlay	\$1435	\$1469	Australia	(\$34)	(2%)
Air mattress	\$2750	\$2985	Australia	(\$235)	(9%)

<sup>16</sup> Most medical aids and appliances are exempt from customs duty and GST. Refer to Schedule 3 of the GST Act (subsections 38 to 45(1)) and Schedule 3 to the GST Regulations.

<sup>17</sup> Exchange rate based on Oanda currency converter exchange rate as at 20 January 2014.

<b>Product</b>	<b>Lowest Australian Price</b>	<b>Lowest Overseas Price <sup>17</sup></b>	<b>Country with Lowest Price</b>	<b>Difference between Lowest Australian Price and Lowest Overseas Price</b>	<b>Difference between Lowest Australian Price and Lowest Overseas Price as % of Lowest Price</b>
Bedding system	\$3500	\$2822	US	\$678	24%
Speech generator	\$6750	\$5990	UK	\$760	13%
Bedside commode	\$168	\$172	Australia	(\$4)	(3%)
Mobile shower chair	\$1080	\$874	UK	\$206	24%
Pressure cushion	\$750	\$545	US	\$205	38%
Manual wheelchair A <sup>18</sup>	\$2236	\$1401	US	\$835	60%
Manual wheelchair B <sup>18</sup>	\$3326	\$2518	US	\$808	32%
Powered wheelchair D <sup>18</sup>	\$5800	\$3650	UK	\$2150	59%
Powered wheelchair E <sup>18</sup>	\$12995	\$8886	US	\$4109	46%
Continence aid A	\$20	\$21	Australia	(\$1)	(6%)
Continence aid B	\$16	\$16	US	\$0	2%
Continence aid C	\$26	\$20	UK	\$6	28%
Continence aid D	\$12	\$6	UK	\$6	97%
Continence aid E	\$25	\$18	UK	\$7	38%
Catheter	\$13	\$14	Australia	(\$1)	(13%)
Night bag	\$4	\$3	UK	\$1	14%
Leg bag	\$10	\$6	US	\$4	72%

Source: QCA internet search, 20 January 2014.

Note: Australian dollar prices were calculated as of 20 January 2014 but with no allowance for commission for currency conversion. All dollar prices are rounded. The percentage changes are calculated from the unrounded values.

The percentage differences between the lowest Australian and lowest overseas prices for products that do not have additional life cycle costs and those likely to require additional life cycle costs are shown in Figure 12 and Figure 13.

Figure 12 shows that, for products that do not have life cycle costs, Australian prices were, on average, 39 per cent higher. Australian prices were lowest for only three of the 12 products (between 3 per cent and 13 per cent lower than overseas prices for these products). For the other nine products Australian prices were higher than overseas prices, with the price difference ranging from 2 per cent to 167 per cent.

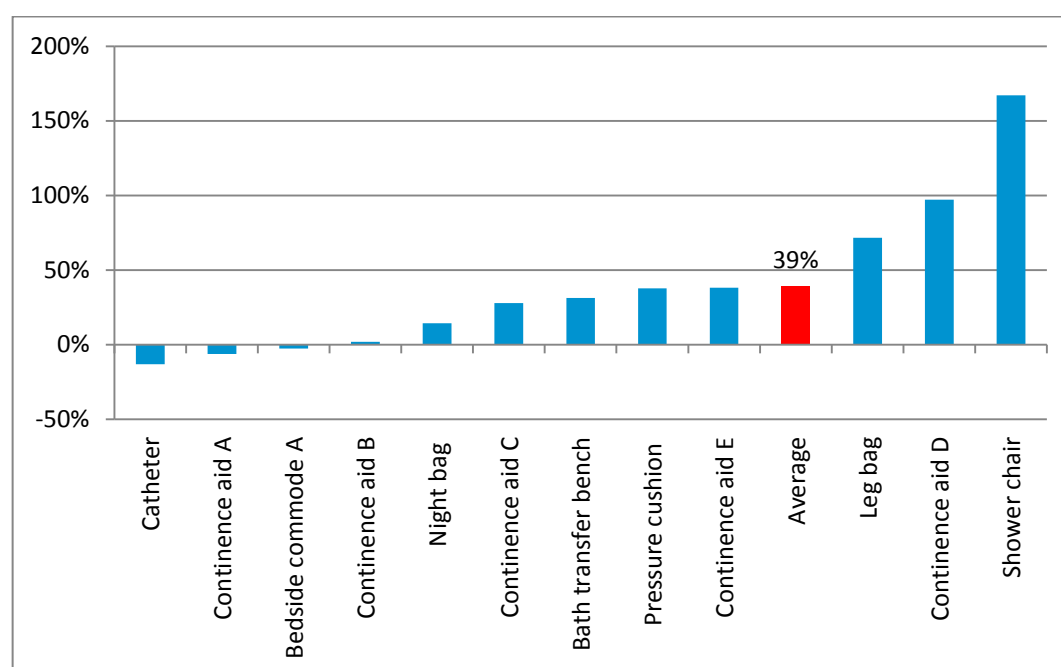
Figure 13 shows that Australian prices are higher than overseas prices for 10 of the 12 products that could require additional life cycle costs. Only two Australian prices were lower than overseas prices by 2 per cent and 9 per cent. All other Australian prices were 6 per cent to 104 per cent higher than overseas prices. Four Australian prices were between 6 per cent and 24

<sup>18</sup> Only one Australian price available on the internet. All other suppliers require POA.

per cent higher, a further four were between 32 per cent and 60 per cent higher, while the remaining two were between 80 per cent and 104 per cent higher. The overall average difference for all of these products was 36 per cent.

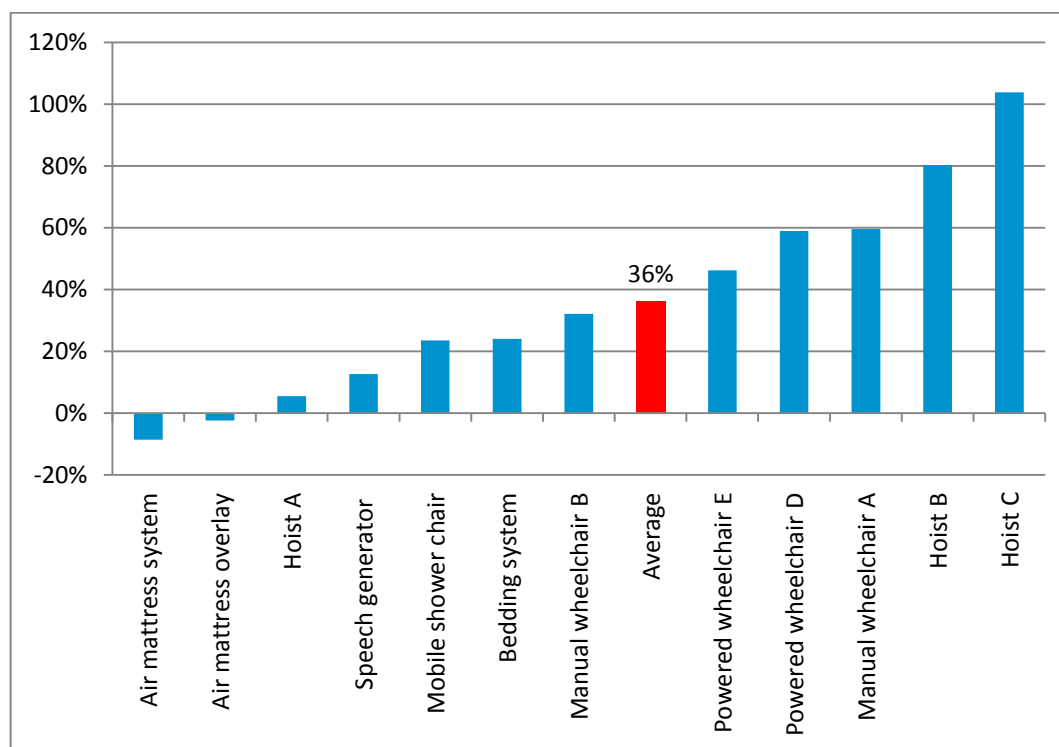
The higher Australian prices for products that could have life cycle costs may be due to suppliers providing pre-purchase advice, products for trialling, set-up and initial training, warranties and provision of post-delivery servicing, including holding spare parts for these products, which are typically non-recoverable costs for a supplier. These costs would not apply for overseas online suppliers. In addition, Australian supply costs may also be higher due to the higher costs of doing business in Australia, as considered in Chapter 6. In particular, higher costs may be the result of the limited size of the market and the need to recover fixed product certification costs and administration and promotional costs over a smaller volume of products.

**Figure 12 Percentage differences between lowest Australian and lowest overseas prices (excluding delivery costs) for products that do not have life cycle costs (as a percentage of lowest price)**



Source: QCA internet search, 20 January 2014

**Figure 13 Percentage differences between lowest Australian and lowest overseas prices (excluding delivery costs) for individual products that could have life cycle costs (as a percentage of lowest price)**



Source: QCA internet search, 20 January 2014

Note life cycle costs are not included

Key observations from the price comparisons for Australian and overseas online prices excluding delivery costs are:

- Of the 24 products, 19 had lower overseas prices (excluding delivery charges). Only one Australian product was significantly less expensive (13 per cent) than the lowest overseas prices. On average Australian prices were 38 per cent more expensive than overseas prices.
- For products that do not have life cycle costs, Australian prices were between 2 per cent and 38 per cent higher than overseas prices for six products and between 72 per cent and 167 per cent higher for the remaining three products. On average Australian prices were 39 per cent dearer than overseas prices for these products.
- For products that could have life cycle costs, the differences between the lowest Australian and lowest overseas prices tended to be greater than for those products not requiring additional life cycle costs. For products that could have life cycle costs, Australian prices were between 6 per cent and 46 per cent higher than overseas prices for six products and between 59 per cent and 104 per cent higher for four products. On average Australian prices were 36 per cent more expensive than overseas prices for these products.

These observations are consistent with the observations in Chapter 6 that show Australian prices for consumer goods in general, after adjusting for exchange rates, are substantially higher than those in the United States and the United Kingdom.

#### Impact of exchange rate movements

As noted in Section 5.1, movements in the exchange rate will change the differences in prices between Australian and overseas. Since 25 October 2013, the date at which exchange rates

used in the Draft report were observed, and 20 January 2014, the value of the Australian dollar has declined relative to the major currencies. For example, as at 20 January 2014, the US dollar was 8.8 per cent more expensive than at 25 October 2013.

From the price comparison completed for the Draft report, the difference between the lowest Australian and lowest overseas prices, excluding delivery costs, has fallen by 10 percentage points. Almost all of the change is attributable to exchange rates, as changes in prices for a small number of products were generally not material. Details of prices, excluding delivery costs, observed as at 25 October 2013 and 20 January 2014 are shown in Tables C7 and C8 at Appendix C.

Since 25 October 2013, the difference between Australian and overseas prices for products that could require additional life cycle costs, has fallen, on average, by 18 percentage points, with 17 per cent of these products now cheaper in Australia, whereas previously none were cheaper in Australia.

For products that do not require additional life cycle costs, the difference between Australian and overseas prices has fallen, on average, by only 2 percentage points with an extra 8 per cent of these products now cheaper in Australia. However, the average impact of the reduction in the exchange rate has been strongly moderated by the material reduction in the overseas price for one product (continence aid D). If that product is excluded from the calculation the average decrease in price differences is 11 percentage points.

To further examine the impact of movements in the exchange rate, a comparison was made of the number of products for which Australian prices, excluding delivery costs, are lowest, expressed as a percentage of the 24 products in the sample, assuming various increases and decreases in the exchange rate relative to the exchange rate of 20 January 2014. Results of the comparison are shown in Figure 14.<sup>19</sup>

---

<sup>19</sup> This analysis examines the sensitivity of the price comparison results to exchange rate fluctuations, all else held constant. It does not represent a price comparison under different exchange rates. Australian prices would also adjust in the medium to longer term in response to exchange rate movements.



**Figure 14 Impact of changes in the exchange rate on the percentage of products for which Australian prices (excluding delivery costs) are lowest**

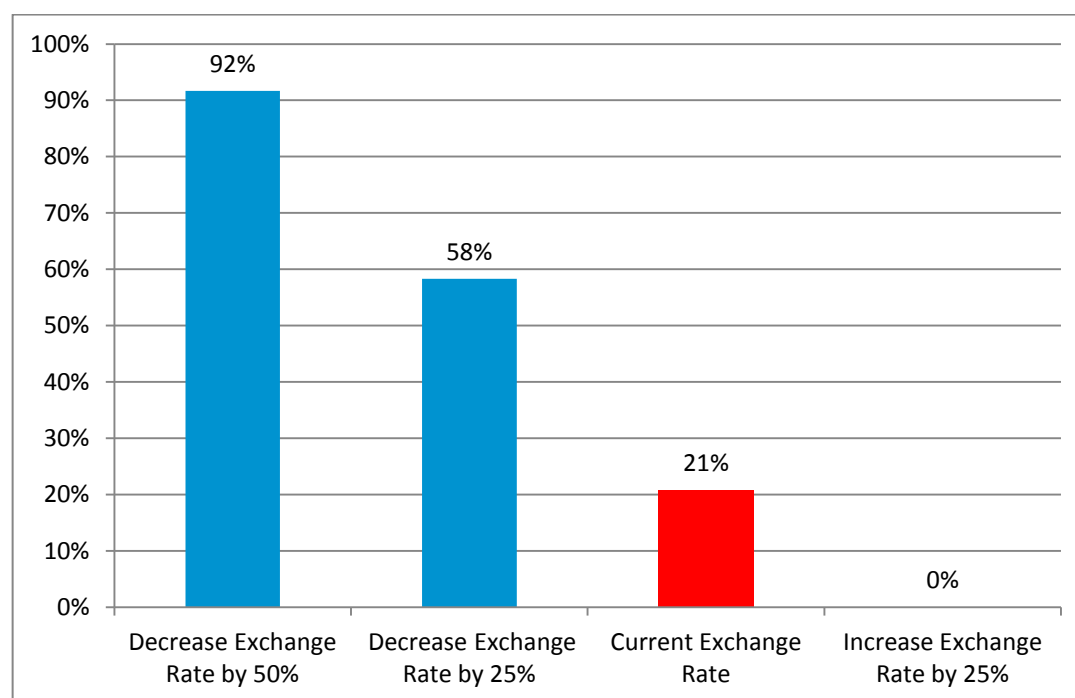


Figure 14 shows that at the current exchange rate, Australian prices, excluding delivery costs, are lowest for 21 per cent of the products sampled. If the value of the Australian dollar fell by 25 per cent (from the current rate of US\$0.88 US per Australian dollar to US\$0.66), the number of products having lowest Australian prices would increase to 58 per cent of the sample. If the Australian dollar fell by 50 per cent, the percentage of products having the lowest Australian price would increase to 92 per cent of the sample.

Conversely, if the Australian dollar increased in value by 25 per cent (to US\$1.10 per Australian dollar), no Australian products would be cheaper than overseas.

#### 5.4 Comparison of Australian and overseas prices including delivery costs

This section compares Australian and overseas prices for the sample of disability aids and equipment when delivery costs are included. Details of prices including delivery costs are shown in Table C8 at Appendix C.

For the purpose of this comparison, delivery charges have been estimated using the cheapest parcel post rate available. The estimated charges do not necessarily reflect what a consumer would pay an internet retailer for delivery. Individual customers may have a preference or requirement to use a different mode of delivery, or be able to bundle the delivery of more than one product, and as a result have a quite different cost of delivery for an individual product.

Table 12 summarises the lowest Australian and overseas prices, including delivery costs, for 24 products for which Australian online prices were available as at 20 January 2014.

Table 12 shows that Australian prices were lowest for 13 (54 per cent) of the 24 items sampled. On average Australian prices were 24 per cent lower than overseas prices (as a percentage of the lowest price). This result is largely driven by the delivered price for continence products, because there is a relatively high cost for transporting a single item (or pack) of continence products internationally (for example, the \$3 night bag cost \$13 to transport from the United

States). Delivered prices are likely to be significantly different if consumers purchase and transport in bulk.

**Table 12 Comparison of Australian and overseas prices including delivery costs as at 20 January 2014**

<i>Product</i>	<i>Lowest Australian Price (AUD)</i>	<i>Lowest Overseas Price (AUD)</i>	<i>Country with Lowest Price</i>	<i>Difference between Lowest Australian and Lowest Overseas Price (AUD)</i>	<i>Difference between Lowest Australian and Lowest Overseas Price (AUD) as % Lowest Price</i>
Hoist A	\$2427	\$2615	Australia	(\$187)	(8%)
Hoist B	\$2393	\$1895	UK	\$499	26%
Hoist C	\$2908	\$2166	UK	\$742	34%
Shower Chair	\$315	\$131	US	\$183	140%
Bath transfer bench	\$194	\$482	Australia	(\$288)	(148%)
Mattress overlay	\$1444	\$1613	Australia	(\$169)	(12%)
Air mattress system	\$2759	\$3299	Australia	(\$540)	(20%)
Bedding system	\$3516	\$2914	US	\$602	21%
Speech generator	\$6767	\$6014	UK	\$752	13%
Bedside commode	\$198	\$316	Australia	(\$118)	(59%)
Mobile shower chair	\$1080	\$1436	Australia	(\$356)	(33%)
Pressure cushion	\$759	\$605	US	\$154	25%
Manual wheelchair A <sup>20</sup>	\$2339	\$1773	US	\$566	32%
Manual wheelchair B <sup>20</sup>	\$3338	\$2960	US	\$378	13%
Powered wheelchair D <sup>20</sup>	\$5833	\$4315	UK	\$1517	35%
Powered wheelchair E <sup>20</sup>	\$13155	\$9570	US	\$3585	37%
Continence aid A	\$26	\$29	Australia	(\$3)	(10%)
Continence aid B	\$16	\$29	Australia	(\$13)	(78%)
Continence aid C	\$27	\$40	Australia	(\$13)	(47%)
Continence aid D	\$12	\$30	Australia	(\$18)	(142%)
Continence aid E	\$27	\$43	Australia	(\$16)	(60%)
Catheter	\$20	\$29	Australia	(\$9)	(47%)
Night bag	\$4	\$18	Australia	(\$14)	(321%)
Leg bag	\$17	\$12	US	\$5	42%

Source: QCA internet search, 20 January 2014

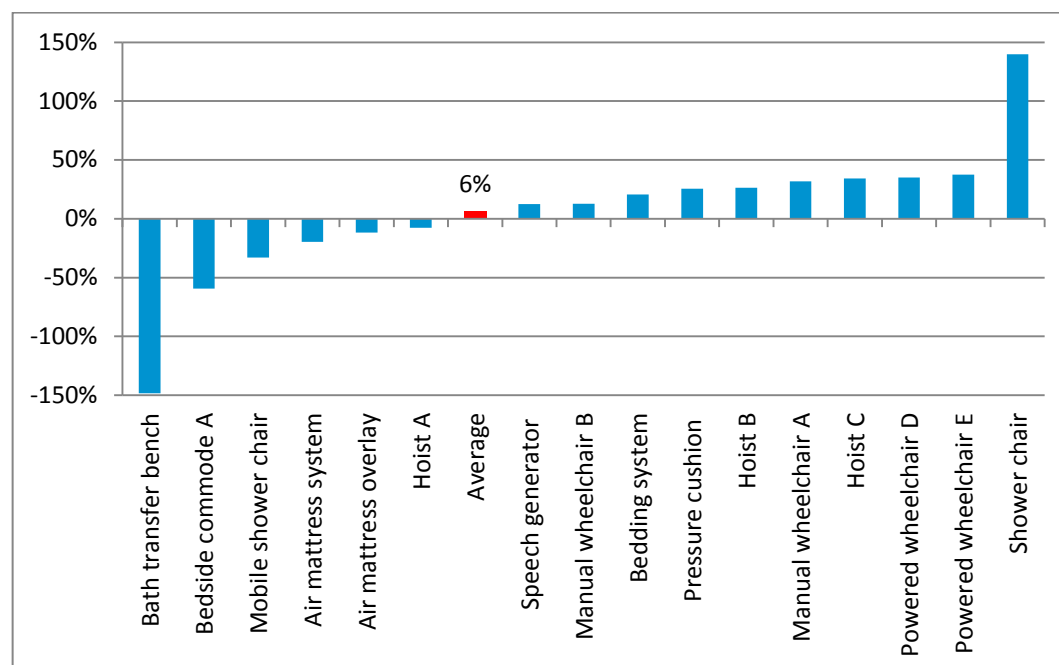
Note: Australian dollar prices were calculated as at 20 January 2014 but with no allowance for commission for currency conversion. All dollar prices are rounded. The percentage changes are calculated from the unrounded values.

As there is a significant difference in unit prices for continence products compared to other products in the comparison, price differences for daily living aids (excluding continence

<sup>20</sup> Only one Australian price available on the internet. All other suppliers advertise POA.

products) and wheelchairs are shown in Figure 15. Australian prices were more expensive for 63 per cent of the daily living aid and wheelchair products, with price differences ranging from 13 per cent to 37 per cent for 9 of the 10 products.

**Figure 15 Percentage differences between lowest Australian and lowest overseas prices (including delivery costs) for daily living aids and wheelchairs (a percentage of lowest price)**



Source: QCA internet search, 20 January 2014

Key observations from the price comparisons for Australian and overseas online prices including delivery costs are:

- Australian prices were less expensive for 13 (54 per cent) of the 24 products sampled.
- For continence products, Australian prices were, on average, 83 per cent less expensive than overseas prices. This reflects the relatively high freight cost of transporting a single, low cost item (or packet) of continence products.
- Excluding continence products, Australian prices were, on average, 6 per cent more expensive than overseas prices. Australian prices were more expensive for 10 (63 per cent) of the 16 products sampled.

#### Impact of exchange rate movements

As noted previously, the value of the Australian dollar has declined relative to the major currencies since the Draft Report. On average, the difference between the lowest Australian and lowest overseas prices, including delivery costs, has reduced by 15 percentage points between 25 October 2013 and 20 January 2014. The majority of this change is attributable to the change in exchange rates, as changes in prices for a small number of products were generally not material. Details of prices, including delivery costs, observed as at 25 October 2013 and 20 January 2014 are shown in Tables C7 and C8 at Appendix C.

Similar to the analysis for prices excluding delivery costs, the impact of movements in the exchange rate is analysed for differences in prices, including delivery costs. Results of the comparison are shown in Figure 16.

**Figure 16 Impact of changes in the exchange rate on the percentage of products for which Australian prices (including delivery costs) are lowest**

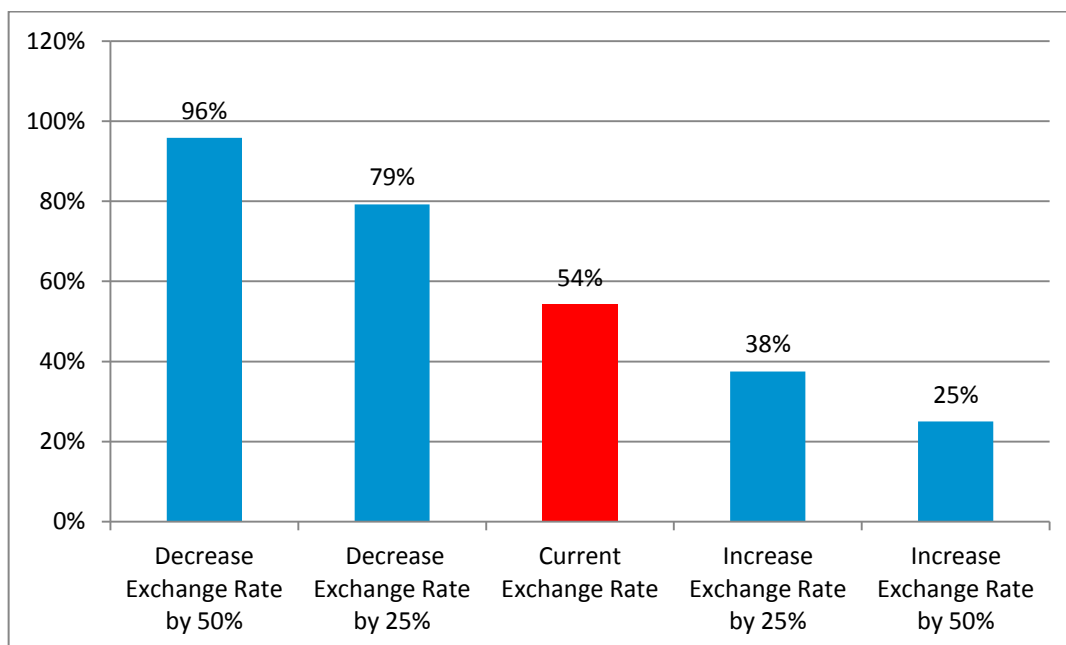


Figure 16 shows that at the current exchange rate, Australian prices, including delivery costs, are lowest for 54 per cent of the products sampled. If the value of the Australian dollar fell by 25 per cent (from the current rate of US\$0.88 per Australian dollar to US\$0.66) the number of products having lowest Australian prices would increase to 79% of the sample. If the Australian dollar fell by 50 per cent, the percentage of products having the lowest Australian price would increase to 96 per cent of the sample.

Conversely, if the Australian dollar increased in value by 25 per cent (to US\$1.10 per Australian dollar), only 38 per cent of product prices would be cheaper in Australia.

## 5.5 Comparison of online prices with MASS SOA prices

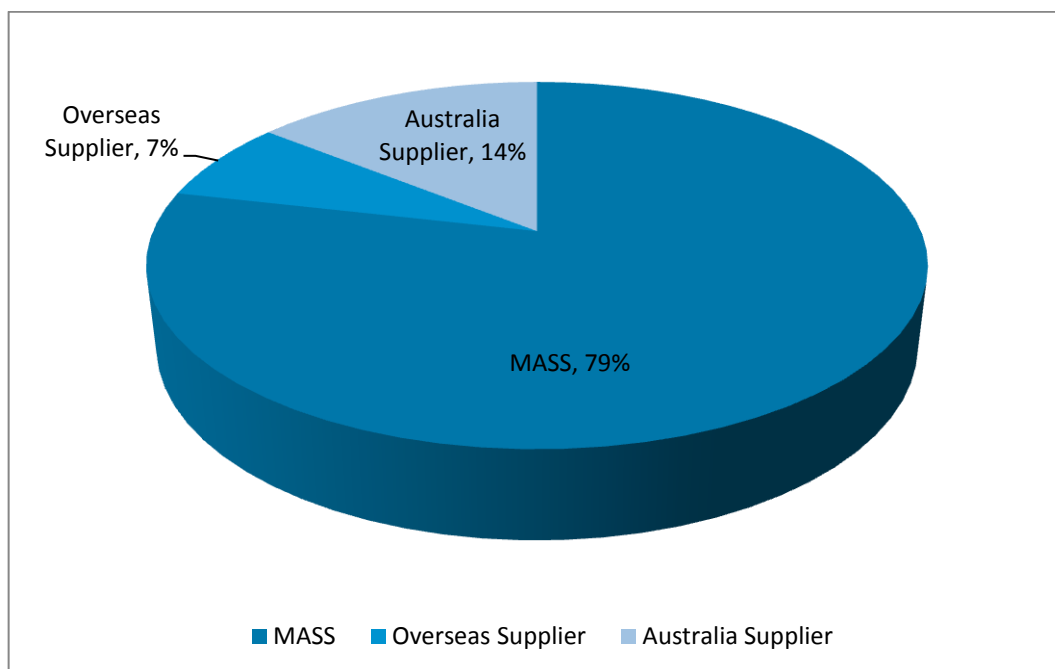
Queensland's Medical Aids Subsidy Scheme (MASS) provides access to subsidy funding to eligible Queensland residents for the provision of a range of endorsed aids and equipment. As noted in Chapter 4, MASS supplies disability aids and equipment to people with disability. This includes communication, continence, daily living, footwear, mobility, oxygen, spectacles, and cystic fibrosis aids.

To assess the cost-effectiveness of the MASS SOA arrangements, current SOA prices were compared with Australian and overseas online prices. To ensure all prices were comparable, the MASS SOA prices for continence aids, daily living aids and mobility aids were increased by 10 per cent, 6 per cent and 3 per cent, respectively, to reflect delivery costs, based on information provided by MASS. The Australian and overseas prices also included adjustments for delivery costs. In addition, the MASS SOA price was increased by an additional 5 per cent to reflect the costs associated with contract management and procurement, based on information provided by MASS.

It should be noted that the MASS prices include an allowance for pre-trialling, set-up and initial training for more technical products and commitment to ongoing servicing, including the holding of spare parts. This is reflected in the bid prices in the tenders which require various associated services to be provided by suppliers for more technical products.

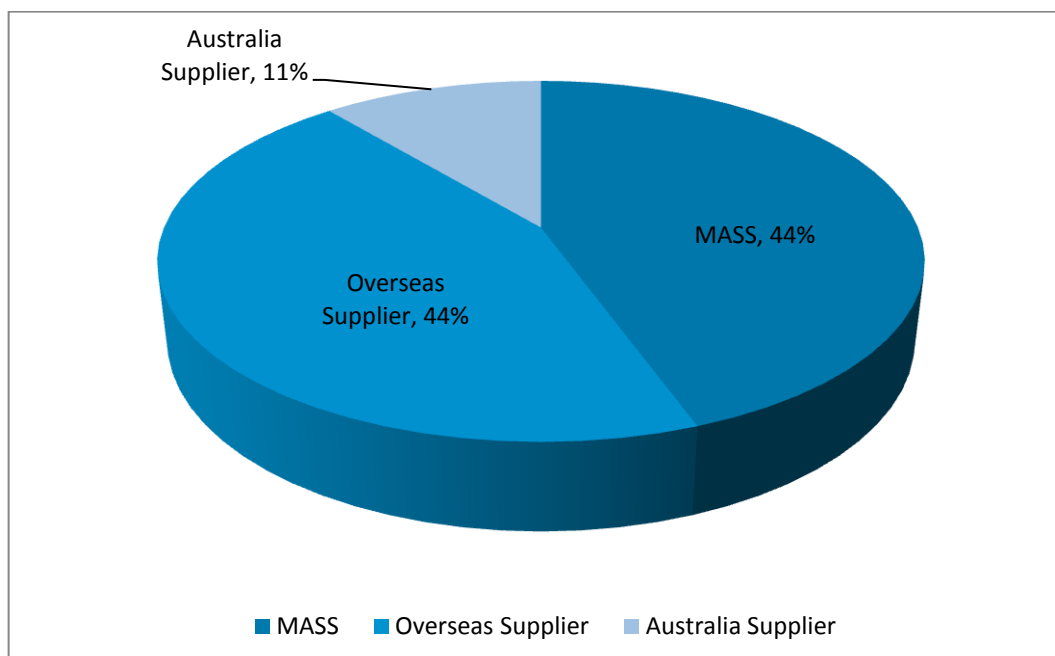
Results of the comparison of lowest prices are shown in Figure 17 and Figure 18. Exact prices and differences are not presented for confidentiality reasons.

**Figure 17 Lowest price supplier for sample products that do not have life cycle costs, as at 20 January 2014**



Source: QCA estimates, 20 January 2014

**Figure 18 Lowest price supplier for sample products that could have life cycle costs, as at 20 January 2014**



Source: QCA estimates, 20 January 2014

Note life cycle costs are not included

Figure 17 shows the respective shares, in terms of lowest price supplier, of products that do not have life cycle servicing costs (e.g. continence aids and non-mechanical daily living aids) for

which MASS, Australian suppliers and overseas suppliers had the lowest price. Figure 18 shows the respective shares of products that require additional life cycle costs (e.g. hoists, wheelchairs and air mattresses) for which MASS, Australian suppliers and overseas suppliers had the lowest price. As explained earlier, the price differences do not take account of life cycle costs which need to be considered in making a comparison over the life of a product.

Figure 18 shows that for the products that do not have additional life cycle costs, MASS prices were the lowest for 79 per cent of the products. Other Australian or overseas suppliers had the lowest prices for 14 per cent and 7 per cent of the products, respectively. The higher proportion for other Australian prices probably reflects the inclusion of international transport costs for the products from overseas suppliers.

For products that could require additional life cycle servicing costs, MASS prices were the lowest for 44 per cent of the products. Other Australian and overseas suppliers had the lowest prices for 11 per cent and 44 per cent of the products, respectively. However, the Australian results need to be treated cautiously as Australian prices were not available for all of the products.

Overall, MASS prices were the lowest for 59 per cent of the products. Australian and overseas suppliers had the lowest prices for the other remaining products. MASS and overseas prices were available for all of the products compared.

Most of the products for which MASS was not the most price-competitive were higher value technical products that require additional life cycle costs. Although full life cycle costs were not included, the MASS SOA requires suppliers for certain products to include various allowances in the price for their tender. Allowances can cover requirements for personalised trialling, set-up and initial training and commitment to ongoing servicing, including the holding of spare parts. Such allowances may explain some of the price differences for higher value products.

It is also the case that some overseas prices were advertised as representing significant discounts off regular prices, so they may be valid only for a limited time. However, for most cases it was confirmed by internet search that discounts that were originally advertised in mid-July 2013 were still being advertised in late October 2013.

As explained, a number of issues make price comparisons difficult. For example, prices for many Australian products are not publicly available and can only be sourced on application to the supplier. Australian prices were not available for 31 per cent of the products included in the sample.

The fact that many Australian suppliers do not publicly display prices and advise price on application (POA) may reflect the need to understand the customer's specific circumstances prior to being given a price. However, the prevalence of this practice makes it difficult to identify price disparities and assess value for money.

When the sensitivity of overall outcomes for MASS is tested in relation to a 25 per cent fall in value of the Australian dollar (from the current rate of US\$0.88 per Australian dollar to US\$0.66 cents), the percentage of products for which MASS would have the lowest cost of supply would increase from 59 per cent to 69 per cent as overseas prices would be significantly higher than at present.

Conversely, if the Australian dollar increased in value by 25 per cent (to US\$1.10 per Australian dollar), MASS's cost of supply would be lowest for only 31 per cent of products, as overseas prices would be significantly lower than at present.

## 5.6 Stakeholder comments

In its submission, MASS (sub. 14) notes the complexities involved in the provision of aids and equipment in the current market. MASS submits that when comparing internet and overseas prices with local vendor prices it is important to acknowledge the following:

- Suppliers visit customers to advise and provide trial equipment before a final selection and specification can be determined.
- More complex equipment often requires the supplier to personally deliver and set up the equipment with the consumer. This can become complex and problematic in remote areas. Phone support for the prescriber and consumer can also add to the overheads.
- Suppliers and/or distributors must keep in stock sufficient replacement parts to maintain a fleet of models in current use.
- Suppliers need specialised knowledge and skills in the selection and set up of more complex equipment.
- For some areas of product sales, a large investment may be required for a fleet of demonstration/trial product.
- Suppliers often need to stock a wide range of sizes and options to provide versatility and variability of products.
- The supplier and/or distributor must be registered with the Therapeutic Goods Administration (TGA).
- MASS requires Australian Standards on some higher risk categories of equipment including wheeled walking aids, wheelchairs, hoists and slings.
- To have a successful tender with MASS, the company must be a Quality Assured Supplier.

The Department of Communities, Child Safety and Disability Services submits that high cost specialist items that require an assessment and prescription by a health professional carry significantly greater risks for purchasers including:

- (a) *products are not at recognised standards*
- (b) *products may not be suitable for the individual or fit for purpose*
- (c) *there is no local training or technical support available for use of the equipment*
- (d) *difficulty obtaining spare parts*
- (e) *difficulty organising repairs and maintenance*
- (f) *lack of post-sales and warranty support*
- (g) *difficulty in enforcing consumer rights. (Department of Communities, Child Safety and Disability Services sub. 9, p. 4)*

In its submission ATSA (sub. 4) also noted that, for overseas internet purchases, the customer carries all of the responsibility and risk associated with ensuring that the product is suitable, safe and the best solution for the user over the long term.

With respect to the impact on prices of the small size of the Australian market, ATSA notes that Australia, with a population of 23 million, is about half the size of California, which has a population of 40 million. As a result, there are only a handful of international companies operating in Australia through fully-owned Australian subsidiaries.

The Specialised Wheelchair Company (sub. 24) notes that the cost of working capital is an issue as Australian retailers are obliged to provide credit to various government funders for 60 days or more whereas the United States-based websites require payment in full when the order is placed and are therefore cash-flow positive.

ShopRider (sub. 22) submits that while the cost of freight to Australia has not increased dramatically during the last five years, the cost of port charges has. Port charges are now a considerable impost and almost outweigh the cost of freight. Tech4Life (sub. 28) also submits that the cost of import clearance charges can be significant.

ATSA (sub. 4) conducted a comparison of Australian retail bricks and mortar prices for mobility (manual and powered wheelchairs and scooters) and related seating and postural support products (cushions) with prices in six OECD countries. ATSA's comparison identified that Australian prices are 14 per cent lower in comparison to the average retail prices the OECD countries, as at 27 September 2013. Comparator countries for retail supply comparison were the United States, Canada United Kingdom, Germany, Japan and New Zealand. For 9 of 12 products compared by ATSA, Australian prices were between 13 and 37 per cent cheaper, while for three products Australia was between 1 and 9 per cent more expensive. Overall, Australia was 14 per cent cheaper.

This analysis is not directly comparable to that presented in this chapter, where the focus was on the lowest online prices in Australia and overseas. The ATSA comparison is based on a comparison of average prices for bricks and mortar retail prices across several countries, and not necessarily the lowest prices in those countries.

ATSA also compared Australian prices and online prices from the United States. ATSA concluded that United States online prices were between 40 per cent and 50 per cent lower than Australian retail prices for similar reasons outlined in this chapter and in Chapter 4. ATSA stressed that the online price delivered a product only, and did not include any of the full range of supportive services provided by the Australian retailer.

The ATSA comparison of Australian and United States online prices is consistent with the findings in this chapter that Australian prices for wheelchairs are between 45 per cent and 75 per cent higher than United States prices, before delivery cost.

## 5.7 Conclusion

The price comparisons presented in this chapter show that there are significant differences in prices for disability aid products both within Australia and between Australian and overseas countries.

The main findings in relation to price differences are:

- (a) for Australian and overseas online prices excluding delivery costs:
  - (i) Of 24 products compared, 19 had lower overseas prices; Australian prices were, on average, 38 per cent more expensive than overseas prices.
  - (ii) For products that do not have life cycle costs, Australian prices were, on average, 39 per cent more expensive than overseas prices.
  - (iii) For products that could have additional life cycle costs, Australian prices were, on average, 36 per cent more expensive than overseas prices.



- (iv) The decline in the value of the Australian dollar from 25 October 2013 (Draft Report) to 20 January 2014 has reduced the average difference between Australian and overseas prices by 10 percentage points.
  - (v) A 25 per cent devaluation of the Australian dollar from the current rate of US\$0.88 per Australian dollar to US\$0.66 cents would result in Australia having the lowest prices for 58 per cent of the sampled products, as compared with 21 per cent at the current exchange rate.
- (b) for Australian and overseas online prices including delivery costs:
- (i) Australian prices were less expensive for 54 per cent of products sampled.
  - (ii) For continence products, Australian prices were, on average, 83 per cent less expensive than overseas prices. This reflects the relatively high cost of international transport for a single low cost item or packet of continence products.
  - (iii) Excluding continence products, Australian prices were, on average, 6 per cent more expensive than overseas prices. Australian prices were more expensive for 63 per cent of the daily living aid and wheelchairs products sampled.
  - (iv) The decline in the value of the Australian dollar from 25 October 2013 (Draft Report) to 20 January 2014 has reduced the average difference between Australian and overseas prices by 15 percentage points.
  - (v) A 25 per cent devaluation of the Australian dollar from the current rate of US\$0.88 per Australian dollar to US\$0.66 cents would result in Australia having the lowest prices for 79 per cent of products compared to the current 54 per cent, whereas a 25 per cent increase in the value of the Australian dollar would result in Australia having the lowest price for only 38 per cent of the sampled products.
- (c) for the comparison of MASS prices with online Australian and overseas prices including delivery costs:
- (i) MASS prices were the lowest for 59 per cent of products sampled.
  - (ii) Most of the products for which MASS was not the most price-competitive were higher value technical products that require additional life cycle costs (not included in the prices) and may include allowances for add-on services (may be included in the prices)
  - (iii) A 25 per cent fall in value of the Australian dollar would result in MASS having the lowest cost of supply for 69 per cent of products, in comparison with the current 59 per cent of sampled products. However, with a 25 per cent increase in the value of the Australian dollar, the number of products for which MASS has the lowest cost of supply would reduce to 31 per cent of the sampled products.

The presence of price differences for a wide range of identical goods, both for suppliers within Australia and between Australian and overseas suppliers, is not a new phenomenon nor unique to disability aids and equipment. Chapter 6 provides information that suggests that 20–30 percentage points of the price differences for products on average can be explained by the high cost Australian economic environment.

## 6 THE COST OF DOING BUSINESS IN AUSTRALIA

*This chapter addresses the question of the extent to which general cost level factors such as wage rates and other input costs can explain price differences between Australia and other countries. Other potential explanations for cost differences, including regulations and government programs are addressed in Chapters 9 and 10.*

### 6.1 Comparing prices and costs across countries

The price comparisons in Chapter 5 were designed to identify price differences from the perspective of an Australian buyer considering an overseas purchase of disability aids or equipment. In this case, the actual exchange rate on the date of the potential purchase is relevant. However, another perspective entails comparing the purchasing power of a currency in different countries. This perspective is relevant for comparing general cost or price levels across countries in a common currency at a point in time. If Australian costs and general price levels are high relative to relevant comparator countries this could be a primary reason for price differences for disability aids and equipment.

There has recently been significant interest in the relatively high cost of living in Australia. For example, The Age newspaper recently reported that:

*In the past 11 years Australia has become one of the most expensive places to live, costlier than New York, London, Frankfurt and Singapore on everything from five-star hotels, car rentals, public transport, a pint of beer, cigarettes, jeans and an iPhone. (The Age, 23 April 2013)*

The high cost of living can be explained by a number of factors – high wages, expensive land and housing in urban areas, tax rates, a small market, domestic transport costs over large distances, high domestic manufacturing costs, and high international transport costs for imported goods.

These cost factors contribute to the differences in price for disability aids and equipment between Australia and other developed countries. One way to quantify these differences is to consider the purchasing power of consumers in two countries. For example, consider how far \$100 Australian goes on a shopping trip in Brisbane compared to how far \$100 Australian converted to U.S. dollars goes in Los Angeles. Exchange rates referred to as purchasing power parities (PPPs) have been estimated for these purposes.<sup>21</sup>

PPPs are the rates of currency conversion that equalise the purchasing power of different currencies across the same basket of goods between countries. If it costs \$100 Australian dollars (AUD) to buy a basket of grocery items in Australia and \$80 United States dollars (USD) to buy the same basket of grocery items in the United States, then the PPP exchange rate for the basket of goods is 1.25 ((1/0.8) AUD/USD). The PPP exchange rate shows that it would cost either \$AUD 100 or \$USD 80 to buy the same basket of goods in both countries. When the PPP exchange rate is divided by the actual exchange rate (expressed as AUD per USD) the result is the ratio of the price level in Australia relative to the price level in the United States, both in Australian currency terms.<sup>22</sup>

<sup>21</sup> For additional information on PPPs refer to: <http://www.oecd.org/std/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm>

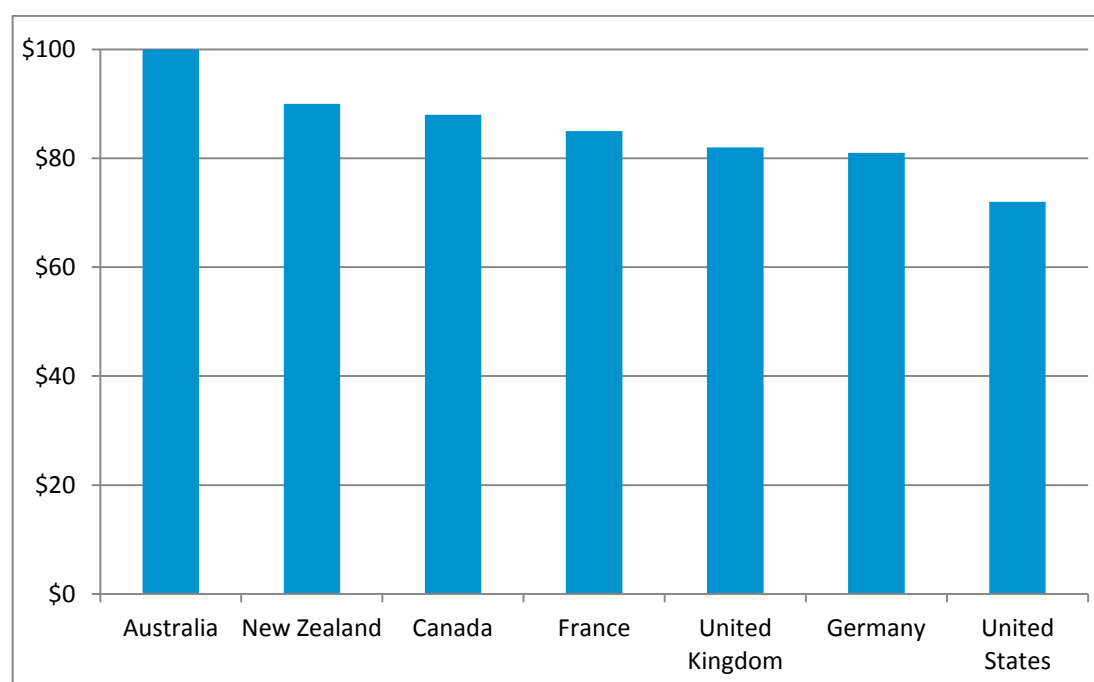
<sup>22</sup> This follows as: Australian price in Australian dollars/(US price in US dollars times AUD/USD actual exchange rate) = Australian price in Australian dollars/US price in Australian dollars.

Comparative price levels can be calculated in this way for Australia relative to any country where PPP exchange rates are available.

Figure 19 shows comparative price levels relative to Australia for Canada, France, Germany, New Zealand, the United Kingdom and the United States for August 2013.<sup>23</sup> It illustrates that it costs 100 Australian dollars to purchase a specified basket of consumption goods and services in Australia, but it only costs 72 Australian dollars to buy the same basket in the United States and around 80 Australian dollars in Germany.

Clearly Australia has a relatively high cost of living in the sense that the same amount of Australian dollars can purchase more in comparator countries than in Australia.

**Figure 19 Comparative price levels, August 2013**



*Comparative Price Levels (CPL) are defined as the ratios of PPPs for private final consumption expenditure to exchange rates.*

*Source: OECD.Stat (<http://stats.oecd.org/Index.aspx?DataSetCode=CPL>)*

The high cost of living in Australia reflects the high cost of manufacturing, importing and selling most goods and services that Australians buy, including disability aids and equipment.

### Other international price level comparisons

The Age article quoted above was based on a Deutsche Bank survey that compiled prices and price indices collected from the internet. The survey shows that Australia and Japan are two of the most expensive countries in the developed world to live in, while the United States is one of the least expensive. For example, 'according to the survey, Sydney remains the most expensive place for a weekend away, almost double the cost of a weekend holiday in New York'. (The Age, 23 April 2013).

<sup>23</sup> PPPs are calculated based on quantity comparisons for all OECD countries every three years, but are updated twice a year in June and in December using implicit price deflators. Comparative price levels are available by year and for the latest month.

Similar international price comparison information is regularly provided by private providers (e.g. Mercer, Economist Intelligence Unit, and Numbeo). Numbeo's data are compiled based primarily on user contributed information. On average, buying the basket of goods and services represented in Numbeo's Consumer Price Index (excluding Rent) is 40 per cent less expensive in the United States than Australia.<sup>24</sup> If Rent is included, the basket is 43 per cent less expensive in the United States as a whole compared with Australia.

Of the 102 countries included in the comparisons, Australia has the third highest cost of living (behind Norway and Switzerland) on the basis of Numbeo's Consumer Price Index (including or excluding Rent). Compared with the 398 cities included in Numbeo's data, Darwin, Sydney, Perth, Melbourne, Brisbane and Canberra were all in the 25 most expensive cities to live in based on the Consumer Price plus Rent index.

### Other price comparison investigations

Two recent investigations have compared Australian retail prices to prices paid in other countries. The House of Representatives Standing Committee on Infrastructure and Communications (HRSC) (2013) conducted an inquiry into the differences between IT prices in Australia and overseas and reported that consumers are clearly perplexed, frustrated and angered by the experience of paying prices for IT products of 50 to 100 per cent more than consumers in comparable countries.

The Productivity Commission (PC) (2011b) conducted price comparisons on a select range of retail goods, including books, cosmetics, toys and games, and apparel across Australian bricks and mortar retailers, and online retailers (including shipping and delivery), and international online retailers (including shipping and delivery).

The PC's comparisons show that for the majority of goods examined, the least expensive price offerings were from online retailers rather than from Australian bricks and mortar stores (even after accounting for the shipping and delivery fees), with the majority of the lowest prices from international online retailers. Some Australian prices were up to 150 per cent higher than the lowest international online price.

The PC (2011b) sample did not include any goods that could be classified as being equivalent to disability aids. However the differences reported in Chapter 5 between the lowest and highest Australian online prices for disability aids are broadly consistent with the PC (2011b) observations for other products.

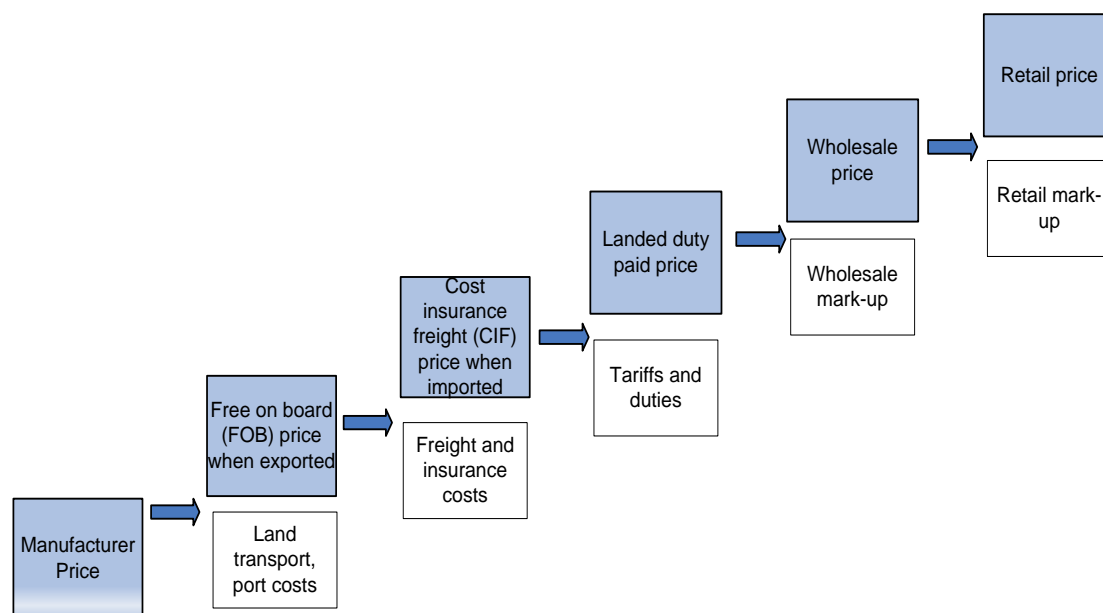
## 6.2 Translating high input costs into retail prices

### Cost of importing

Products are manufactured and supplied through a series of stages: the manufacturer produces goods which are moved to the export port; handled in the export port; moved internationally by water, air, or road; handled in the import port; cleared through customs, paying any applicable duties; distributed by wholesalers to retailers; and sold by retailers to consumers (Figure 20). At each stage in the process the price of the good increases as additional costs are incurred (Ferrantino 2012).

---

<sup>24</sup> Data extracted 6 November 2013, [www.numbeo.com/cost-of-living/rankings\\_by\\_country.jsp](http://www.numbeo.com/cost-of-living/rankings_by_country.jsp)

**Figure 20 Manufacturing, distribution and retail supply chain**

While some of the costs associated with international supply to Australia are unavoidable, such as transport costs, others may be associated with regulation, or possibly market power, in parts of the supply chain. For example, regulatory distortions in the international shipping market may affect the difference between the free on board (FOB) and cost insurance freight (CIF) prices, import customs procedures may affect the difference between the CIF price and the landed duty-paid price, and restrictions on the size or hours of retail operations in the importing country may affect the difference between the wholesale and retail price (Ferrantino 2012, p. 5).

Most aids and equipment purchased in Australia are imported, and those that are manufactured locally rely on at least some imported inputs. Therefore, international supply chain, mark-up and trade costs have a significant impact on the prices consumers pay. The available evidence suggests that mark-ups can be substantial:

*Anderson and Wincoop (2004) estimate that among developed countries, the typical cost increase from the factory in an exporting country to the retailer in the importing country amounts to 170%, consisting of 21% transportation costs, 44% border related trade barriers, and 55% retail and wholesale margins ( $1.21 \times 1.44 \times 1.55 = 2.7$ ;  $2.7 - 1 = 1.7$ , for a mark-up of 170 percent). The 44% mark-up may include tariffs, Non Tariff Measures and “natural” barriers, such as different languages, information costs, and the transaction costs associated with using different currencies. (Ferrantino 2012, pp.6-7)*

International transport costs for Australia were roughly double that of most other OECD countries as at 2005 (Golub and Tomasik (2008). ShopRider (sub. 22) submits that while the cost of freight to Australia has not increased dramatically during the last five years, port charges have. Port charges are now a considerable impost and almost outweigh the cost of freight. Tech4Life (sub. 28) submits that the cost of import clearance charges can be significant.

Ability in Motion (sub. 1) notes the ‘weight breaks’ associated with shipping, with the greater the weight of the products being shipped, the cheaper the freight charge rate. Otto Bock (2013) notes that to fill a container to Australia usually requires a mix of products to one location, from where it is then transported to customers nationally. Otto Bock (sub. 18) notes that larger

markets, such as the United States, can purchase full container loads more often and ship directly to one distributor, reducing the overall distribution costs.

Ability in Motion (sub. 1) submits that sea freight can take between six and eight weeks, and is not a viable alternative for the company. Otto Bock (sub. 18) submits that products, especially those that are individually manufactured, are usually air freighted to meet delivery time requirements: costs vary but on average the cost of air freight to Australia is 60 per cent higher than to other similar markets.

## Margins for wholesale and retail trade

### The size of margins

Distributors' gross margins as a percentage of final sale prices include all the costs of conducting a distribution business (labour plus other costs) plus a net or profit margin, less the cost of the goods themselves. The combined gross margin for wholesale and retail trade in Australia in 2007–08 was estimated by a RBA study (D'Arcy et al. 2012) at 48 per cent.

The RBA study found that distributors' cost structures and margins were relatively stable over the decade to 2007–08, in contrast to the underlying trends in input costs and the final prices received by retailers. The prices of goods entering the distribution chain, and the costs of labour and other inputs used in distribution, have risen faster than the final prices distributors receive from consumers.

## 6.3 Relative productivity levels

The following sections focus on the productivity performance of the manufacturing, wholesale trade and retail trade industries in Australia. Improved productivity can help reduce upward pressure on final consumer prices.

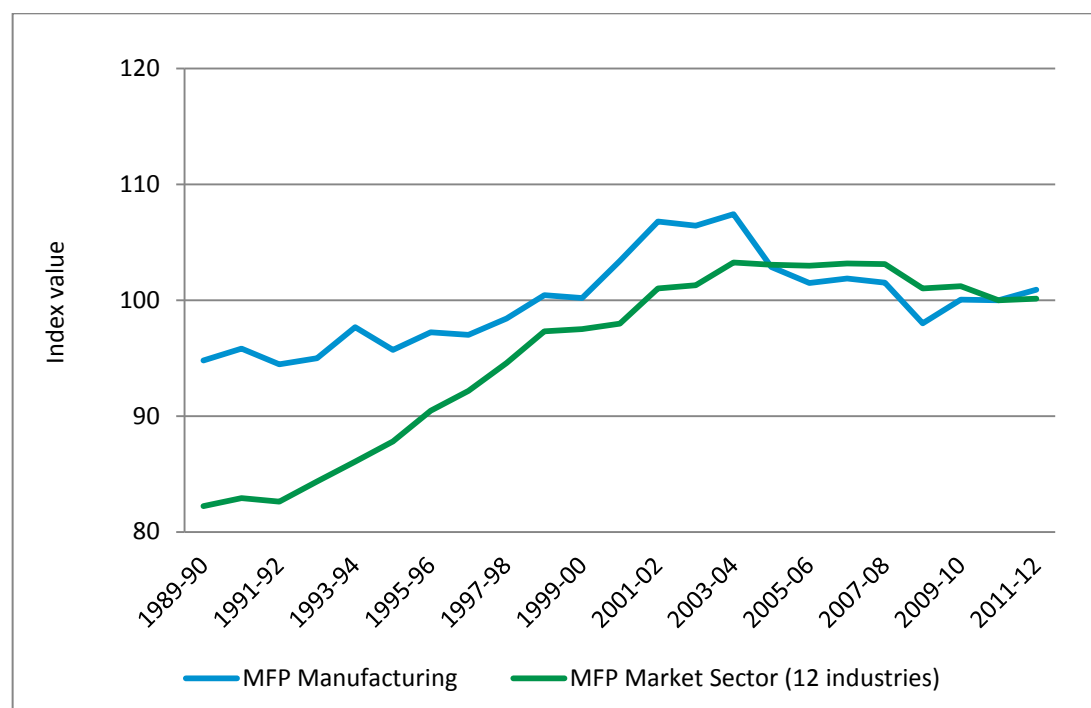
### Manufacturing

Multi-Factor Productivity (MFP) is measured as output (value added in volume terms) per combined units of capital and labour in volume terms.<sup>25</sup> MFP is frequently interpreted as a measure of the level of technology or technological progress, but it is also influenced by other sources of growth in productivity, such as scale economies. Trends in MFP can be used to show how an economy is performing. If, for example, wage rates are rising but productivity is increasing at a higher rate, prices will decline. Thus, low MFP growth means that prices are likely to be under pressure from rising costs. High MFP growth means that the economy can absorb cost pressures while maintaining or even improving the standard of living.

As shown in Figure 21, manufacturing MFP in Australia grew strongly for much of the 1990s, with growth in the broader market sector even stronger. However, for the last eight years MFP growth in manufacturing has been negative, and weak to declining for the market sector. Possible causes of negative MFP growth include: technological regress, a reduction in scale efficiencies, poor investment and other decisions by businesses, and large capital investment programs which are slow to ramp up capacity utilisation (Barnes 2012). More generally, any influences that reduce the ability of businesses to combine capital, labour and other inputs to efficiently produce output, can show up as a reduction in MFP.

---

<sup>25</sup> An alternative formulation is the KLEM MFP measure. It uses gross output as its output measure and includes inputs of: capital (K); labour (L); Energy (E); and (M) Materials.

**Figure 21 MFP growth for manufacturing and the market sector**

*MFP based on gross value added and hours worked basis.*

*Source: ABS (Cat. No. 5260.0.55.002 Estimates of Industry Multifactor Productivity, Australia: Detailed Productivity Estimates, 2011-12).*

Aids and equipment manufacturing is likely to face many of the same issues affecting the business environment for manufacturing as a whole. Preliminary findings from Barnes (2012) for the sub-industry which would include aids and manufacturing equipment (but covers a broader range of manufactured items) indicates that the sub-industry contributed strongly to the negative growth rate in MFP over the period 2003–04 to 2007–08, following a small positive contribution in the period 1998–99 to 2003–04.

Jenny Pearson & Associates (2013) reports on developments in the aids and equipment business that may reflect these productivity trends (p. 52):

- there are relatively few domestic aids and equipment manufacturers
- domestic manufacturers specialise in higher cost items (e.g. power wheelchairs)
- there appears to be increasing use of imported components that are then assembled in Australia
- some aids and equipment companies have shifted their manufacturing operations offshore to lower labour cost countries.

The reasons cited as the main drivers of these changes include high relative labour and regulatory compliance costs, inadequate access to financing for facility upgrades, and better design and innovation available from other countries.

Magic Mobility (sub. 13) submits that Australian labour costs were higher than the United States, quoting that an Australian engineer costs \$80 000 plus superannuation (9.5 per cent) and payroll tax, compared with \$35 000 plus healthcare (\$10 000) in the United States. Specialised Wheelchair Company (sub. 24) also notes that Australia has higher costs than the

United States, quoting that a technician's wage is \$65 000 plus superannuation in Australia compared with \$26 000 in the United States.

### Wholesale and retail trade

Both wholesale and retail trade have performed better than manufacturing on an MFP growth basis reflecting the overall growth of the Australian economy (Johnston et al. 2000). However, the PC (2011b) in its inquiry into the retail industry noted the following issues:

- intensified competitive pressures included those from online retailing and the entry of global retailers into domestic markets
- while good for consumers, the intensified competition posed significant challenges for the industry which, in general, has lower productivity levels compared to many overseas countries
- the development of online retailing in Australia appears to lag a number of comparable countries, but will likely grow in importance
- several regulatory regimes were seen to be restrictive reducing the ability of retailers to compete and be innovative (impacts from planning and zoning regulations, workplace relations regulations and trading hours regulations were highlighted).

The PC confirmed that Australia lags the United States significantly on retail productivity measures. It identified that Australian regulatory regimes, such as planning and zoning regulations, trading hour regulations and workplace relations regulations were restricting competitiveness and innovation in retailing (See Chapter 10).

Morgan Stanley (2011) also found that both the United States and United Kingdom online retail markets were far more developed than in Australia. From 2005 to 2011, online retailing in the United States and United Kingdom had accounted for between 10 per cent and 30 per cent of total growth in retailing, whereas in Australia growth in online retailing had accounted for only 9 per cent of total growth.

Chapter 10 discusses ways to address this productivity gap.

### Economies of scale and scope

The size of the Australian market for aids and equipment is small compared with many overseas markets, reflecting Australia's relatively small population. In 2010, around 38.3 million Americans were classified as having a severe disability. This compares with around 1.3 million in Australia.

If there are significant scale or scope economies, then the relatively small size of the Australian market could be a contributing factor to high final prices of aids and equipment. **Economies of scale** exist if a business achieves unit cost savings as it increases the production of a good or service. **Economies of scope** exist if a business achieves unit cost savings as it increases the variety of goods and services it produces.

An example of exploiting economies of scale and scope in distribution was the introduction of 'big box' retailers into Australia in the early 1990s. These retailers exploited economies of scale by achieving higher volumes, leading to lower unit costs and prices (PC 2011b, p. 15). In contrast, automotive manufacturers, who are sensitive to scale efficiencies as there are large costs in development, tooling and plant and equipment, have been unable to manufacture the 200 000 to 300 000 vehicles needed annually for an assembly plant to be cost competitive (PC 2014, p. 6).



As part of its investigation into the economic impacts of migration and population growth, the PC found that the empirical evidence on the aggregate impact of scale economies is inconclusive (PC 2006a, p. 108). This is not to say that sizeable scale economies do not exist in Australia, or in aids and equipment manufacture, distribution and retailing, but they are difficult to confirm empirically.

#### Aids and equipment market

In relation to transporting products domestically, Walk on Wheels (sub. 30) considers that Australia's large land mass and low population density make internal distribution costs higher than in larger markets such as the United States.

*The manufacturer is in Perth, we are in Brisbane. Road freight on one wheelchair is between 8-10% of its cost. Our business is small and many freight companies will not deal with us as there is usually a minimum monthly spend so we pay not much less than any private person will pay. (Ability in Motion sub. 1, p.5)*

Similarly, ATSA (sub. 4) considers that the size of the Australian market, with a population of 23 million compared with California with 40 million, impacts on the structure of the Australian market with only a handful of international companies operating through fully-owned Australian subsidiaries. A significant amount of assistive technology is imported through smaller, private businesses, each of which handles a number of different international brands.

Magic Mobility (sub. 13) notes that its overheads are high as it manufactures and sells about 300 units per year compared with major United States manufacturers who sell between 500 and 1,000 units per week.

Occupational Therapy Australia (sub. 17) notes that 'mainstreaming' supply via normal retail and supermarket outlets has dramatically reduced the costs of some simple aids that were previously only available from specialist medical suppliers.

## 6.4 Conclusions

The presence of price differences for a wide range of identical goods, both within Australia and between Australia and overseas countries, is not a new phenomenon nor unique to disability aids and equipment. Price disparities across geographic markets may reflect a range of factors.

Differences in costs at each step of the supply chain will lead to price differences. International transport costs for importing a product to Australia are relatively high. In addition, Australia's relatively small population means that domestic manufacturing and the distribution and retailing of aids and equipment are likely to achieve lower economies of scale than in countries such as the United States.

Relatively low productivity levels and growth, together with relatively high rates for wages and other inputs in Australia, are in turn reflected in relatively high prices for most products sold in Australia compared with prices in other comparator countries.

Price level comparisons in a common currency confirm that Australia in general is an expensive country. This is well illustrated by noting that a specified basket of consumer goods and services that is sold for 100 Australian dollars in Australia costs only 72 Australian dollars in the United States and around 80 Australian dollars in some major European countries.

## 7 MARKET POWER

*In a reasonably competitive market, a rise in price above long-run efficient cost, including a provision for a normal commercial profit, signals the opportunity for profitable investment. This attracts increased supply which, in turn, competes away any above-normal profits. However, in markets that are highly concentrated, with significant barriers to entry, firms may be able to use market power to profitably sustain prices above the efficient cost of supply for a sustained period of time. The degree of market power, and the extent to which it can persist, depends largely on barriers to entry and exit, and the availability to consumers of reasonably close substitutes.*

*Aids and equipment markets may not be as competitive in Australia as in some of its trading partners because the population of people with disability may not be sufficiently large to sustain large numbers of distributors and retailers. This could be a particular problem in regional areas. That said, in general it is unlikely that the necessary conditions exist for a firm (or firms) to exercise substantial market power over a sustained period of time in most aid and equipment markets.*

*Some stakeholders indicate that price discrimination and exclusive distribution agreements are used by some suppliers to restrict competition and charge excessive mark-ups. Price discrimination occurs within Australia and between Australia and other markets but is not necessarily illegal and not a feature unique to disability aids and equipment. Exclusive dealing is also a common practice, but likely has an economic efficiency basis.*

### 7.1 Measuring market power

Market power is the ability to raise and maintain prices above competitive levels. The first step in a market power assessment is ordinarily to define relevant product and geographic markets. As described in Chapter 2, there are hundreds of disability aids and equipment products and many product categories. Therefore, there are likely to be many relevant product markets. Rather than attempting to define and analyse a large number of individual markets, a high-level assessment of competitive conditions in markets generally can be undertaken.

There is no single 'test' to determine whether firms are misusing market power. An assessment of market power generally involves considering a range of evidence on market scope and structure, entry conditions, the behaviour of firms and their financial performance (United Kingdom OFT 2003, p. 4). Some factors that can be considered in assessing market power are outlined below.

#### Entry conditions

For firms to exercise substantial market power and maintain prices above competitive levels for a sustained period, barriers to entry must be high enough to prevent or discourage new firms from entering the market.

There is considerable debate over what constitutes a barrier to entry. Some define a barrier to entry as anything that allows incumbent firms to earn above-normal profits without attracting entry. Others take a different view and define a barrier to entry as costs that are borne by entrants but not incumbents. However, a precise definition is unlikely to be as important as the assessment of whether, when and to what extent entry could conceivably occur (OECD 2006, p. 9).

Barriers to entry may include:

- structural or technological barriers such as large sunk costs (committed capital that cannot be withdrawn without significant loss)
- legal or regulatory barriers such as licensing conditions, tariffs, foreign investment rules, explicit restrictions on the number of market participants and intellectual property rights
- strategic barriers such as using exclusive dealing arrangements to foreclose the market to other firms (ACCC 2008a, p. 40).

### Market concentration

Generally, market power is more likely where few firms enjoy a large share of the market and less likely where many firms hold a small market share. However, a small number of participants in the market alone is not evidence of the exercise of market power. For those markets with a small number of market players, the threat of new entrants is often sufficient to limit market power.

### Availability of substitutes

A market has both product and geographical dimensions to it. Assessing the scope for market power may consider the substitution possibilities for products, as well as between suppliers. For example, while there may be hundreds of suppliers for disability aids, and a reasonable number of substitutes within a product type, a person with disability living in a regional area that requires a customised product, may feasibly only access a single firm, providing a single choice of product.

### Firm profitability

An analysis of profitability would examine a firm's return on capital to determine whether it is earning profits above a normal return on capital that would be expected in a competitive market. Where such an analysis is difficult, an alternative is sales margin analysis, and where this is not possible a price comparison is the remaining option (OECD, 2011b p. 12).

The presence of high levels of profitability sustained over a period of time may be the result of market power. However, high levels of profitability, particularly in the short to medium term, may also reflect other factors, such as reward for innovation.

### Intellectual property

Market power resulting from intellectual property is also a potential issue. For example, a patent holder may have a monopoly for a particular device required by a person with disability. In this case, society through its government has determined that the benefits of rewarding innovation with a monopoly exceed the costs of higher consumer prices. However, it is important that this policy is not abused. This issue is more likely to arise for technologically sophisticated products such as communications devices.

## 7.2 Assessing market power in aids and equipment markets

While there is limited quantitative information on the structure and economic performance of the aids and equipment market, the information available does not suggest that the factors identified above are a material problem in the aids and equipment market overall. The price comparison information in Chapter 5, coupled with the information on comparative general cost levels in Australia and overseas presented in Chapter 6, also tends to support the proposition that the abuse of market power is not widespread. This does not imply that the

aids and equipment market is highly competitive, but that the conditions required for a firm (or firms) to exercise substantial market power over a sustained period are unlikely to exist.

Jenny Pearson and Associates (2013, pp. V-VI) reports that there are from 300 to 500 specialist retailers of disability aids and equipment in Australia. These retailers rely on 'at least' 300 importers and distributors that in turn source their products in worldwide manufacturing markets. As discussed in Chapter 3, consumers for some products are able to bypass local importers, distributors and retailers by purchasing directly from overseas internet sites.

Several participants in this inquiry assert that Australian aids and equipment markets are highly competitive:

*the Australian market place for Medical and Disability Aids and Equipment is unique, as all 20 medical aids and equipment manufacturers actively promote their equipment. Unlike anywhere else in the world, Australia currently supports over 100 custom manual wheelchair models from over 20 suppliers. Competition is fierce and there is a constant battle of suppliers to reduce margins. (Invacare sub. 13, p.2)*

This view is supported by IBISWorld (2012), which concludes the wheelchair manufacturing business is highly competitive.

Even so, there may be some market segments that are more susceptible to the exercise of market power than others. For example, many consumers indicated that while overseas suppliers existed for many aids and equipment, the ability to purchase them in practice was severely curtailed because:

- Consumers seeking products through government programs must generally use the designated Australian supplier.
- Consumers directly purchasing products, particularly those that require customisation, maintenance and/or repair, argue that the need for support services preclude purchase from overseas via the internet.

As a result, some local suppliers may be afforded a certain level of protection from competitors.

Patent or other intellectual property considerations may also provide manufacturers of some high technology products, such as communications aids, with market power. However, the proliferation of IT capability, including tablet computing technology, may be increasing competitive alternatives for these users.

Geographic considerations may limit choice for those in regional areas. There simply may not be sufficient demand to justify multiple competing retailers in smaller population centres. Purchasing from distant outlets is a possibility, but if customisation is required, then expensive and time-consuming travel may be necessary. (The MASS requirement for statewide availability of its SOA products may help to address this issue for those eligible.)

### 7.3 Price discrimination and vertical restraints

The Direction requires the QCA to consider whether price discrimination is an explanation for price disparities. Concerns have also been expressed about vertical restraints such as exclusive dealing – a manufacturer or wholesaler nominating only one downstream firm to do business with.

Under Australian competition law, vertical restraints and price discrimination are generally only illegal where they substantially lessen competition (Box 1). There are some exceptions, with a small number of vertical restraints prohibited outright, such as resale price maintenance.

**Box 1: Price discrimination, vertical restraints and the Competition and Consumer Act 2010**

Part IV of the *Competition and Consumer Act 2010* (CCA 2010) prohibits a number of restrictive trade practices. Some practices are prohibited outright, such as cartel behaviour and price fixing, while other practices, including the use of market power, are only prohibited where they are used to eliminate or substantially damage a competitor or to prevent a business from entering into a market.

*Price Discrimination*

Until 1995, section 49 of the *Trade Practices Act 1974* (the predecessor to CCA 2010) prohibited a firm from engaging in price discrimination. Section 49 was repealed after the 1993 Hilmer review found that price discrimination generally enhances economically efficient outcomes, except in cases that are covered by section 45 (anticompetitive agreements) or section 46 (misuse of market power). The Committee concluded that to the extent section 49 had any effect, it had diminished price competition — a position that echoed the view of previous inquiries, including the Swanson Review in 1976 and the Blunt Review in 1979, and was subsequently reindorsed in the 2003 review of the Act (Dawson Review 2003).

Under the current provisions of the CCA 2010, price discrimination is only against the law if it contravenes section 46 (misuse of market power).

*Vertical restraints*

The CCA 2010 contains an outright prohibition on a small number of vertical restraints, such as resale price maintenance (section 48) (where the final price charged to consumers is not set by the seller but imposed by the producer) and third line forcing (section 47) (where a business will only supply goods and services, or give a certain price, on the condition that the purchaser buys other goods and services from a third party). Other types of vertical restraints are only against the law when they substantially lessen competition.

*Some recent cases*

In 2011, Dragon Alliance South Pacific Pty Ltd admitted to engaging in resale price maintenance by restricting online retailers from selling its eyewear below specified prices. Dragon Alliance provided court-enforceable undertakings to the ACCC that it would not restrict any Australian retailer of Dragon products from setting its own prices.

In 2012, the ACCC accepted an enforceable undertaking from Oticon Australia Pty Ltd, a wholesaler and retailer of hearing aids, after Oticon was found to have engaged in resale price maintenance. Oticon had offered to supply hearing aids to distributors on condition that they would sell at prices close to (at most a 15% difference) from the recommended retail price.

Source: Dawson Committee (2003), ACCC (2011, 2012)

## Price discrimination

Price discrimination occurs when a firm charges different prices to different consumers for an identical good or service, for reasons not associated with costs.

Price discrimination can refer to:

- first degree price discrimination, or perfect price discrimination where producers are able to determine the amount each buyer is willing to pay for a good and charge different prices accordingly. To engage in first degree price discrimination a producer must know the willingness to pay of each of its customers and be able to prevent resale. Both conditions rarely hold in markets.
- second degree price discrimination where producers offer different prices to consumers depending on the quantity of goods bought. Second degree price discrimination overcomes the need for producers to know consumers' willingness to pay by offering consumers different price-quantity (or price-quality) bundles to provide them with an incentive to self-select. For instance, train tickets bought in bundle packs earn a discount, airlines offer passengers on the same flight in similar seats very different prices and stores hold periodic sales which discriminate in favour of price-sensitive, less-time-dependent buyers and the rest of the market.
- third degree price discrimination occurs when producers distinguish between segments of consumers, based on willingness to pay for a good, and charge different prices accordingly. This is a very common form of price discrimination. For example, cinemas offer concession tickets to seniors and students.

International price discrimination, where producers separate the market into geographical regions and charge consumers different prices according to their willingness to pay, is a type of third degree price discrimination.

International price discrimination is not new, but various factors, such as access to information through the internet and rising Australian dollar, have made these price differences more visible:

*Increasingly, price transparency due to the internet has made such price differentials far more obvious than they were in the past, but it is also giving Australian consumers access to international markets without having to travel. I think these price differentials have always existed but they are now far more obvious due to the availability of the internet and due to the availability for consumers to potentially use the internet to effectively shop overseas while at home. (Francis in HRSC 2013, p. 11)*

*People have always been aware of the fact that if you went to Hong Kong or Singapore on holiday you could buy things more cheaply there and come back with your bargains. But the internet every day exposes people to different prices and I think that makes people far more aware of the differences. (Andrews in HRSC 2013, p. 12)*

International price discrimination (or third degree price discrimination) is likely to be a factor in the price disparities for many products imported to Australia, including disability aids and equipment. The impact of third degree price discrimination can be either positive or negative depending on the circumstances (Box 2).

**Box 2: Is third degree price discrimination a good or a bad thing?**

Third degree price discrimination occurs when producers distinguish between segments of consumers, based on willingness-to-pay for a good, and charge different prices accordingly.

Is third degree price discrimination a good or a bad thing? Answering this question involves assessing the welfare effects of price discrimination. A move from a uniform price across markets to discrimination raises the firm's profits, benefits consumers in the markets where prices fall and may harm consumers in markets where prices rise. The overall welfare effect can be positive or negative.

There is a sizable body of literature identifying the circumstances under which price discrimination may increase or decrease total welfare (see for example Varian (1985), Schmalensee (1981), Schwartz (1990), Cowan (2008)). As a general rule, if price discrimination results in an increase in total output it will generally increase welfare. Similarly, market segmentation that makes it possible to supply a market that would not be supplied under a uniform price should also enhance overall welfare.

A key issue is whether output of goods and services rises, falls or remains unchanged. Third degree price discrimination that merely changes prices paid by existing customers and that does not result in an increase in the number of customers served, or the amount they consume, will tend to reduce overall welfare.

A complicating factor with international price discrimination relates to whose welfare is measured. While international price discrimination may increase global welfare overall, a welfare analysis confined to country borders could produce the opposite result.

*Source: Varian (1996)*

Along with greater visibility, some factors, such as the internet, have provided new opportunities to circumvent longstanding barriers that have facilitated price discrimination (PC 2011b). This, in turn, has spurred new ways to maintain price discrimination, such as 'geo-blocking'. Geo-blocking prevents shoppers from accessing overseas websites by limiting access based on geographical location (based on the IP address of your computer). Such practices have again driven a range of market solutions, such as the use of proxy servers to overcome geo-blocking or redirect shipping services that allow consumers to direct their purchase to an address in the United States before the product is sent to Australia. Over time, the shift towards a 'global' market should reduce the opportunities for suppliers to price discriminate.

Australian consumers (and the Australian economy as a whole) are likely to be worse off where international price discrimination is practised for aids and equipment products unless it increases output sold (as described above), by for example enabling supply to Australia that would not occur under a uniform price.

That said, any direct regulation prohibiting price discrimination is unlikely to provide a net benefit to the community. If firms were forced to charge one price, then people paying the higher price generally assume it would be the lower one. But depending on market conditions, it may be more profitable for firms to charge everyone the higher price, or to withdraw from one market. Firms may also work around the prohibition, by for example offering slightly different versions of the same product to different markets. Dvir and Strasser (2013) found that vehicle producers have circumvented European Union requirements for uniform pricing by adopting deliberate 'versioning' of vehicles with slightly differing features.

## Vertical restraints

Vertical restraints refer to certain types of contractual provisions between producers and suppliers relating to the sale of products. Common vertical restraints include:

- resale price maintenance where the final price charged to consumers is not set by the seller but imposed by the producer either by setting a specific price, a price ceiling or a price floor
- tying (the sale of one product is conditional of the purchase of another product) and bundling (selling two or more products together)
- exclusivity clauses such as exclusive dealing agreements, where a producer agrees to sell products to only one distributor for resale in a particular territory (Rey and Verge 2005; Fallon and Menezes 2006).

Vertical restraints can have an efficiency basis. In many cases, vertical restraints can be used to align incentives between producers and suppliers. For instance, in the absence of a vertical restraint, such as an exclusive distribution arrangement, a producer may invest less in training a supplier, particularly in skills that are not entirely specific to its brand (see Box 3). In cases where vertical restraints aim to improve levels of retailer service or to ensure high product quality, consumers can benefit (United Kingdom OFT 1997, p. 102). However, in cases where significant market power exists, vertical restraints can be used to exclude rival firms from the market. As such, vertical restraints can either increase or decrease economic welfare.



**BOX 3: Are vertical restraints a good or a bad thing?**

There are a number of cases where vertical restraints might be economically efficient:

**Free-riding:** An exclusive dealing contract can prevent a retailer from using a producer's marketing efforts to attract customers and sell them a rival producer's goods. Protected against such free-riding, producers will invest in marketing at rates closer to efficient levels.

**Hold-up:** Sometimes a producer can serve a retailer effectively only if a series of retailer-specific investments is made first. Once the required investment is undertaken, a producer is left vulnerable to hold-up by the retailer, who can try to renegotiate the contract to a lower price. An exclusive contract mitigates that risk by affecting the pay-off a retailer could obtain from hold-up.

**Double marginalisation:** In markets where both an upstream manufacturer and a downstream retailer have market power, they can both set price above marginal cost — double marginalisation — which causes a welfare loss. Exclusive dealing contracts can effectively create a vertically integrated firm with a single mark-up, which recognises interdependencies and leads to a lower final price than for a double mark-up. The manufacturer, retailer and customers are all better off.

And some cases where they may not:

**Foreclosure:** A producer may be able to exclude rivals by increasing the price they pay for inputs (in the case of vertical foreclosure) or for a good that is part of a bundle (in the case of horizontal foreclosure).

**Anti-competitive bundling and tying:** A producer may consolidate or extend market power into potentially competitive markets by making use of complementary effects. An example would be if a sole national supplier of photocopiers configured its machines to only run with its brand of paper.

*Source: Fallon and Menezes (2006), Ramseyer and Rasmusen (2013).*

Under normal market conditions, manufacturers are unlikely to have an incentive to agree to vertical restraints, such as exclusive distribution agreements, which raise retail prices because it would not maximise profits to do so. As the OECD (2013) argues, manufacturers earn revenue based on their wholesale price, not the retail price:

*... a profit-maximizing manufacturer benefits from heightened competition among retailers selling its product. Manufacturers want to reach more — not fewer — customers, so lower retail prices and broadening its reach into online channels are beneficial to a manufacturer, other things equal. (Baye in OECD 2013, p. 174)*

In this sense, the interests of manufacturers and consumers are aligned, and manufacturers will generally only enter into vertical restraints where there are efficiency reasons to do so. This is supported by the limited empirical work that has assessed the impact of vertical restraints, which has found that vertical restraints generally benefit consumers or at least do not harm them (Slade 2008, p. 21).

Stakeholders in this inquiry have indicated that exclusive distribution agreements are significant in the aids and equipment market, but the QCA has not received specific evidence that such agreements are being used for anticompetitive purposes.

As a general rule, if a reasonably competitive market exists, vertical restraints are unlikely to significantly harm economic efficiency or reduce competition and may, in many cases, increase efficiency. Conversely, in less competitive markets the risk is greater that vertical restraints can

be used to reduce competition or otherwise reduce economic efficiency (Rey and Verge 2005, p. 43). Consequently, it may be more beneficial for governments to focus on the competitiveness of the market overall rather than attempt to target specific types of conduct or agreements.

In sum, vertical restraints are common across most industries, and the aids and equipment market is no exception. Many firms reported using exclusive distribution agreements for efficiency reasons:

*Magic only sells 10-20 wheelchairs per year in QLD, we cannot justify the cost of supporting 2 agents with demo equipment and product training. There is only a business case for 1 distributor. (Magic Mobility sub. 13, p. 4)*

However, consumers argue that exclusive distribution agreements are used to inflate prices:

*I have on numerous occasions looked into parallel import of items to be advised that this is not possible due to agreements with exclusive distributors. In one case a distributor in Europe was able to provide at under two-thirds of the cost of supply in Australia, and that was retail with freight from Europe. (Find Me Technologies/Carers Watch 2013 sub. 11, p. 4)*

In consultation and submissions, a few particular items have been singled out as being excessively priced in Australia, even after considering factors that explain price differences for other products. There may be isolated cases where an Australian distributor is charging excessive prices. Referral to the ACCC may be appropriate in those cases.

---

## 8 INFORMATION ASYMMETRY

---

*Efficient markets require that both buyers and sellers have all the information they need to make informed choices. Situations in which one party in a transaction has access to more or better information compared with another, is known as information asymmetry. Medical markets are particularly prone to asymmetric information. The consumer — a person with disability or their carer — must often rely on the supplier or a prescriber for help with deciding which product to purchase. Generally, suppliers will have better information than consumers about the quality of the goods and services that they offer for sale. Information asymmetry may cause markets to be inefficient.*

### 8.1 Information imbalances between consumers and producers

Inadequate information about relevant product characteristics increases the likelihood of consumer harm and reduces the effectiveness of signals sent to suppliers. Information asymmetry may lead to:

- Adverse selection – a situation where buyers and sellers have asymmetric information about some aspect of product quality, leading to a less than optimal outcome for one of the participants (e.g. a buyer purchases a product that the seller knows to be faulty).
- Moral Hazard – a situation where the buyer or seller with more information about its actions/intentions has a tendency to behave in a manner that may have negative consequences for the party with less information (e.g. a buyer with a warranty may use the product inappropriately, to the detriment of the supplier).

In many cases, the consequences of information imbalances are not a significant problem — where low cost items are repeatedly purchased, consumers can choose a different product next time. There are also various market responses to information asymmetry problems. For example, suppliers of good quality products have incentives to distinguish themselves from those selling poorer quality items, by offering guarantees. Consumers and their representatives use various channels to distribute information — the Choice magazine publishes reviews of some equipment, such as hearing aids, as do various online review sites and support forums.

However, for products that are once-off, expensive purchases, or for products where design faults can result in significant harm, it may not always be possible to rely on repurchase or market-based solutions. In a situation like this, one party could potentially take advantage of the other party's lack of knowledge, creating an imbalance of power in transactions.

In such cases, adverse outcomes may be more prevalent for people with disability as they make up a greater proportion of vulnerable and disadvantaged consumers (that is, some consumers may be more vulnerable because of their circumstances, such as purchasing goods and services at times of physical and emotional stress). Firms may also take advantage of information asymmetry to price discriminate. This may be a source of price disparities in the aids and equipment market.

## 8.2 The Law of One Price and the value of information

The Law of One Price states that in efficient markets, the prices of identical goods sold by multiple sellers will converge, as buyers have perfect information about the market, and minimal transaction and search costs. This will create pressures for firms to offer the same price.

Economic theory predicts that in markets with firms selling the same products, price disparities still may occur due to information asymmetries that exist between consumers and suppliers. This suggests that pricing information is valuable to consumers — the more informed consumers are, the lower the prices, and hence, the smaller the price disparities that exist within the market.

Given the advent of online shopping and the internet, which has increased the transparency of prices for consumers significantly, the move towards price convergence and the Law of One Price should occur. However, the PC (2011b) concludes that while the internet has reduced search costs significantly, the dispersion in online retail prices demonstrates that there is little convergence to a single price for identical goods and the Law of One Price does not hold. Even when shipping and postage costs are taken into account, online prices for identical goods are not uniform, with consumers still having to expend time finding a ‘good deal’ (for example, some online retailers even sell the same product on their website at a price which is different from what they offer on other sites such as eBay or Amazon).

The OECD (2013) considers that one explanation for this is that firms adopt tactics to make it more difficult for consumers to compare prices. The OECD report lists some of these tactics, which include making product descriptions complicated or creating multiple versions of products or adopting ‘bait-and-switch’ methods (i.e. offering low quality products to obtain better visibility and then trying to convince consumers to pay extra for the better quality product).

As Sorensen (2000) notes, price dispersion will generally arise where there is a positive probability that a customer knows only one price. Therefore, there is an increased likelihood of price disparities if consumers must incur search costs to obtain price information.

The higher the search costs for the consumer, the higher the value of information and the likely existence of price disparities.

## 8.3 Disability aids and equipment search costs

The search costs for consumers of disability aids and equipment may be affected by a number of factors, including:

- Price information may not be made readily available from suppliers and internet retailers.
- People with, or caring for, people with disability may have limited time to collect information on prices, thus making search costs more expensive.
- It may be more difficult for consumers to obtain information for customised and complex disability aids and equipment.
- Whole-of-life costs of disability aids and equipment, including configuration, maintenance and renewals costs, may be difficult to identify for certain products.
- Government program purchasing arrangements may hinder the ability for people to shop around, and thus compare product characteristics.

The lack of readily available prices for certain aids and equipment may hinder consumers' efforts to compare products:

*Costs of medical aids and equipment that are the essential supports to people with disability have been subject of discussion and complaint for many years. This burden is exacerbated by lack of or incomplete information about where to find appropriate equipment or aids, trialling products, repairs, replacements or upgrades, and the perception of price disparities between retailers or stockists. (Queensland Advocacy Incorporated, sub DR5, p. 5)*

As discussed in Chapter 5, the review of Australian and overseas online prices for a sample of disability aids and equipment identified that prices are not advertised for many higher value items. Instead, customers must submit their personal details to obtain a price. Some Australian supplies have web pages that show a combination of priced and non-priced (POA) items. Certain manufacturers and/or wholesalers may prohibit the public disclosure of prices. This contrasts with international online sites which tend to be more user-friendly and contain full pricing details.

Carers and people with disability often face significant financial and time constraints, which may impede their ability to search for, and make comparisons of, products. As noted in Chapter 4, people living with disability in Australia are more likely to experience significant financial hardship. During consultation, a number of people highlighted that looking after a person with disability not only incurs financial costs, but is also very time consuming. Challenges such as these may limit the effort that consumers can use towards searching for disability aids and equipment:

*For many people with disability, the complexity of the task of acquiring the right piece of equipment through the correct channels, is enough to stop them from even starting the process. Consequently, many people with disability continue to use out-dated or inferior equipment to avoid the effort and time required to upgrade or update their aids or equipment. (Queenslanders with Disability Network, sub DR10, p.4)*

The search costs associated with various aids and equipment will differ depending on the characteristics of those products. For instance, search costs are generally higher for customised products than for homogenous products. This is due to the lack of readily identifiable substitutes for customised products, making it difficult for the consumer to make comparisons. In certain circumstances, the consumer may not have the ability to compare products, and obtain valuable price information, for a custom-made product.

The value of price information to the consumer will also differ depending on the characteristics of the product being purchased. Sorensen (2000) found that consumers' incentives to price-shop are strongest for prescriptions that must be purchased frequently. Sorensen (2000) reports that increased propensities to price-shop for frequently purchased prescriptions should lead to less absolute dispersion and lower mark-ups for such prescriptions. Therefore, aids and equipment products that are continually purchased, such as homogenous commodity products, should have relatively less price dispersion than one-off purchases.

Where initial price information is made available to the consumer, durable goods may also incur unidentified whole-of-life costs that are difficult for the consumer to identify. Without information on these additional costs, the consumer cannot make an informed decision of the true value-for-money of that product.

*In relation to establishing government programs to assist consumers in monitoring AT prices... comparing like with like will be a significant problem as construction methods and overall quality between items that appear similar can be significantly different – affecting the real value of the item in relation to lifetime costs. (ATSA sub. 4, p. 33)*

Government program purchasing arrangements, such as the competitive tender arrangement implemented by MASS, essentially perform the search function on behalf of the consumer. While this may be effective in ensuring that equipment is obtained at lower cost, consumer choice may be restricted. These issues are discussed further in Chapter 9.

Steps to reduce consumer search costs will limit the ability of suppliers to take advantage of existing information asymmetries.

## 8.4 Information asymmetry issues for specialised products

For specialised aids and equipment, there is generally a higher risk of the product not being suitable for fulfilling the customer's precise requirements. As a result, complex aids and equipment products are often more service-intensive in order to ensure that the product provides the appropriate functionality for the customer (Chapter 3). In these instances, detailed knowledge is often required to ensure that the type of equipment is most suitable to support a person's needs. Consumers may not have access to this detailed knowledge, which may potentially lead to information imbalances between consumers and producers.

Arrow (1963) noted that medical care markets are characterised by extremely high levels of uncertainty, particularly with regard to patients' uncertainty about the effectiveness of medical treatments, and that, under these conditions of uncertainty, accurate information becomes a very valuable commodity. Arrow (1963) recognised that because of limitations on the consumer's ability to acquire such knowledge, this information is best provided from skilled health professionals.

*When there is uncertainty, information or knowledge becomes a commodity... information, in the form of skilled care, is precisely what is being bought from most physicians. (Arrow 1963)*

One way in which governments attempt to overcome information asymmetry problems is through the use of prescribers, whereby consumers must see a trained professional to assess them and prescribe appropriate products.

As discussed in Chapter 3, it is mandatory to have a relevant health care professional involved in the selection process to receive subsidy funding from MASS. Clinical eligibility is determined based on information provided by the prescriber. This is to help ensure that individuals get the right aids and equipment for their needs. Prescriber 'gate keeping' is also used as a means to constrain demand for government-funded programs.

Nevertheless, some consumers indicated that this model may not necessarily resolve the information asymmetry problems and requiring advice from a health professional may in some cases increase the search costs for consumers:

*...in buying almost any aid or piece of equipment (be it a chair, a hoist or incontinence supplies), one is faced with the necessity to gain an allegedly professional assessment of your suitability to receive the goods or services in question. I say an allegedly professional assessment because, in my experience, the contribution of various physiotherapists, occupational therapists and others can be of indifferent quality and little impact. Indeed, as the client who has lived with a disability or chronic condition all of their lives, you often feel that the intervention of these people is a redundant annoyance, unless you are specifically asking for advice or assistance. You often know more about your condition than they do. (Adam Johnston, sub. 2, p. 3)*

Tech4Life (sub. DR8) notes that an 'expert users' concept, which allows consumers with long-standing experience in their technology to avoid requirements of having equipment certified by prescribers, is not recognised within current Australian systems.<sup>26</sup>

Consumers also noted some principal-agent problems, where a prescriber (acting as an agent for the person with a disability) has an incentive to prescribe more expensive aids and equipment than necessary to avoid professional risk to themselves. The consumer in this case does not have the information needed to protect against being overcharged. This problem will be exacerbated when consumers are not spending their own money.

Suppliers may also provide information and training on the function and detailed specification of aids and equipment for therapists and retailers. The prescriber will then make a recommendation for a product, or selection of products, that they deem suitable for the user. If a prescriber is provided with more information on a particular product, the prescriber may form a bias towards this product and be more inclined to prescribe it – to the detriment of the consumer. Tech4Life (sub. DR8) considers that funding schemes, such as MASS, may also result in a bias toward certain products. For instance, prescribers may focus on the range of products made available on the MASS SOA, instead of alternative superior items not listed on the SOA, as it facilitates the issue of equipment.

In circumstances where a prescriber is employed by a supplier, there may be a conflict of interest for the health professional to prescribe the employer's product. Similar to advice from inadequately trained prescribers, this arrangement may result in a less favourable solution for the customer.

*Another major issue is the prescription of inappropriate products. This may be caused by inexperienced prescribers or by pressure from funders, such as a funding body.... (Seating Dynamics, sub. 21, p. 7)*

In instances where a prescriber's choice of disability aids and equipment has negative consequences for the consumer and/or funder, this is a potentially significant moral hazard.

## 8.5 Addressing information asymmetry in the aids and equipment market

Government regulation or intervention, in the form of minimum quality standards, occupational licensing and safety regulations, can help address a number of the information asymmetry issues surrounding product safety and quality. However, several stakeholders, while recognising the costs associated with information asymmetry, cautioned against overestimating the size of the problem and reducing consumer access to markets:

*There is a rather patriarchal concern that people with disability and or their families will face issues with lack of after sales service, ill-matched equipment or aids or financial disadvantage when purchasing from alternative sources. QAI has had contact with many people who have faced these issues with the current system. People learn from their mistakes, have gained experience and become wary buyers as a result of this. Younger people with disability and their families are already savvy online shoppers and will put their experiences to good effect in this new arena. (Queensland Advocacy Incorporated DR5, p. 7)*

---

<sup>26</sup> Summers and Walker (2013) consider that a more regulatory solution — the credentialing of practitioners and accreditation of suppliers — would provide consumers with a decision-making aid to help them identify suitable aids and equipment to meet their needs. The Cerebral Palsy League (sub DR6) supported this approach. An assessment of this proposal would need to consider the costs associated with reducing the number of professionals able to prescribe aids and the impact on competition, particularly in regional areas.

A review of occupational licensing requirements should be cognisant of the potential for such regulation to restrict supply. The balance between ensuring that people with disabilities obtain the high quality and informed advice they need and ensuring that all of those in a position to perform that role are able to practice without undue government regulatory requirements must be carefully measured.

Information on pricing may still be limited for consumers of disability aids and equipment, restricting their ability to make informed choices. Thus, pricing information asymmetry may be a source of price disparities in the disability aids and equipment market.

There may be some scope for the government to look at ways to make information more readily available to consumers. This is particularly important, given that carers and people with disability may have limited time to collect information on prices. Government initiatives, such as an online tool that publishes price comparisons for products, could assist consumers in making comparisons of products.

*The communication technology now exists for consumers to readily compare prices and products in an online environment. Government would go a long way to assist consumers by providing the tools and resources that would enable consumers to speak with each other and request information within a controlled online environment. (Physical Disability Australia sub. 19, p. 13)*

Youngcare (sub. DR7) considers that making product and price information available to consumers could also potentially assist consumers in selecting the best possible product for their particular need.

Product information is available to consumers through a number of online product databases. Organisations, such as LifeTec, provide consumers access to online databases containing information on disability aids and equipment. LifeTec's product database provides information on more than 5000 assistive technology products available to purchase from Queensland suppliers.

LifeTec is a member of Independent Living Centres Australia (ILCA), a collective organisation with members in each Australian state and the Australian Capital Territory that provides information and education on assistive technology products. ILCA provides an information database on Australian assistive technology products and suppliers, which is similar to LifeTec's product database. Similarly, the Independent Living Centres New South Wales (ILC NSW) provides an information database with information on over 6000 assistive technology products supplied in NSW, with comparable products and average prices for those products listed on the website.

Although the product databases are a good source of information for consumers (albeit they provide varying levels of information), they could be further improved to allow consumers to more easily make timely product, and price, comparisons.

An initiative to make pricing information more available should build on existing systems. It could be targeted toward durable, complex products, as these products are more susceptible to firms taking advantage of information asymmetry. However, the ability to improve pricing information for more complex products may be limited given the nature of these products. It is often difficult to obtain a definitive quote for customised products, given that the varying scope and nature of required modifications and services provided make obtaining a final price difficult. ATSA (sub. DR4) notes that for moderately to highly complex products, there are often modifications or add-ons that can make it difficult, or impossible, to provide accurate pricing information without a personalised assessment and quote.



*In relation to establishing government programs to assist consumers in monitoring AT prices, this may be possible at the 'simple' end of the AT spectrum regarding high volume mass produced low cost AT, but it is likely [that] comparing like with like will be a significant problem as construction methods and overall quality between items that appear similar can be significantly different – affecting the real value of the item in relation to lifetime costs. (ATSA sub. 4, p. 33)*

*It should be noted that there will be challenges in providing such a service, as manufacturers do not always advise of price changes so receipt of their invoice is the only reliable indices. (Cerebral Palsy League sub. 6, p. 11).*

Furthermore, the government is limited in its capacity to influence online international firms to present prices and to restrict the use of tactics to make it more difficult for consumers to compare prices. The government is also limited in its ability to provide consumers with pricing information obtained through existing government procurement programs. For instance, given that MASS issues SOAs through a competitive tender process, making the prices for winning bids available may alter the outcome of future tender processes, and facilitate less competitive pricing, to the detriment of MASS and consumers. This is a case where providing too much information to competitors can lead them to coordinate their pricing to the disadvantage of consumers.

As noted above, specialised aids and equipment often require detailed information provided by a health professional to ensure that the type of equipment is most suitable to support a consumer's needs. This situation may result in information asymmetry between the prescriber and the consumer, and could even result in potentially significant moral hazard – where the prescriber's choice of product may have negative consequences for the consumer.

Despite these risks, the prescriber can play a vital role in assisting consumers with obtaining suitable aids and equipment. Allowing consumers to obtain advice from different prescribers may be one way to limit the risks of moral hazard. ATSA (sub. DR4) considers that best practice for acquiring suitable equipment, particularly for moderate to complex products, generally involves having strong and active partnership between the consumer, the prescriber and the supplier — with each stakeholder providing essential information to identify the best solution.

During consultation, a number of consumers stated that they had difficulty finding and accessing health professionals that were able to prescribe aids and equipment. As with product prices, there may be some scope for the government to make information on relevant prescribers more readily available to consumers. The role of prescribers should also be reviewed as part of Queensland's planning for the implementation of the NDIS.

A number of stakeholders considered that the role of prescribers will change with the introduction of the NDIS. Queensland Advocacy Incorporated (sub. DR5) considers that under the NDIS, people with disability and their carers will increasingly self-manage available funds and procure services and equipment themselves. However, Queensland Advocacy Incorporated (sub. DR5) notes the lack of information available to consumers and considers that some consumers will continue to rely on prescribers for particular equipment.

ATSA (sub. DR4) considers that the new arrangement will result in prescribers focusing primarily on providing advice and assistance to consumers, rather than acting as gatekeepers for government programs. Tech4Life (sub. DR8) considers that health professionals may have more incentive to understand the consumer's requirements and goals when they become more accountable to the consumer. Cerebral Palsy League also believes that prescribers will become more accountable to consumers under the NDIS:

*Under the NDIS where the consumer has a choice of service providers, it is envisaged prescribers may have to become more available or risk losing market share and the availability of prescribers*

*will (and should) be consumer driven and not dictated by the service provider (Cerebral Palsy League, sub. DR6, p.3).*

In some cases, it might be necessary to directly address the conflict of interest that exists when the supplier is also the medical professional that the person with disability relies on for information. The supplier has an economic incentive to sell the consumer more than is needed. One solution to this potential problem is to separate the business of being a medical professional from the business of supplying aids and equipment. ATSA (sub. DR4) notes the importance of ensuring that prescribers are independent of the commercial interests of suppliers. However, ATSA (sub. DR4) considers that this is not possible, or practical, in certain circumstances, such as in remote areas, and that other safeguards must be used to minimise conflict of interest issues.

A less regulatory response would be to encourage voluntary codes of conduct. For example, ATSA has a voluntary Code of Practice intended to safeguard the interests of all stakeholders by ensuring consistent provision of equipment and services to consumers with disabilities and older people. Consumers could be encouraged by physicians and prescribers to deal with firms that have subscribed to a relevant code.

### Recommendations

- 8.1 The Department of Health and Department of Communities, Child Safety and Disability Services should investigate opportunities to make:**
  - (a) product and price information more readily available to consumers**
  - (b) prescribers more accessible to consumers.**
- 8.2 The Department of Health and Department of Communities, Child Safety and Disability Services should review:**
  - (a) the role of prescribers as part of Queensland's planning for the implementation of the NDIS**
  - (b) the independence of prescriber functions from commercial interests.**

## 9 GOVERNMENT PROGRAMS AND PRICE DISPARITIES

*The overarching objective of government aid and equipment programs is to enhance the quality of life and increase the social participation of people with disabilities and their carers. Various government programs use a range of different means to supply aids and equipment to deliver this objective — bulk purchasing through contracted supply arrangements (e.g. MASS), non-contract purchasing and direct subsidy (e.g. Commonwealth Continence Aids Payment Scheme). The impact of government programs on prices for aids and equipment will not only affect the ability to achieve program objectives but also the wider market.*

*In reviewing the impact of government programs on price disparities, the QCA has focused on the main programs operating in Queensland, particularly MASS and to a lesser extent CAEATI, but many of the findings apply more broadly.<sup>27</sup> In addition, given the interwoven nature of aids and equipment programs with wider disability and health care services, it is often difficult to disentangle the impact of one part of the system from another.*

*Governments have a significant role as purchasers and regulators of disability aids and equipment, and the business environment more generally. This means that improving government programs and the regulatory framework may have a material impact on competition and productivity in the aids and equipment market.*

### 9.1 How bulk purchasing reduces prices for government programs

The evidence presented in Chapter 5 supports the proposition that aggregating demand through government procurement programs, such as MASS, can result in lower prices for those eligible for the program than are available to retail consumers. These lower prices reflect economies in aggregating quantity and/or the exercise of bargaining power.

Bulk buying can reduce the cost of purchasing items due to one or both of:

- cost savings for suppliers. Some costs for each transaction do not depend on volumes so that larger volumes mean lower per unit costs. These savings are then shared with purchasers
- the exercise of countervailing power on the part of the buyer.

#### Supplier cost savings

With 'bulk buying', large-volume buyers receive a lower average price than smaller volume buyers for the same product.<sup>28</sup> Bulk-buying arrangements may exist between manufacturers and distributors, distributors and retailers, and retailers and final consumers.

Suppliers may be willing to offer bulk discounts where they achieve certain efficiencies or reductions in operating risk from the arrangement. A manufacturer might achieve unit cost efficiencies where bulk orders:

- improve the scheduling of production runs

<sup>27</sup> This chapter identifies MASS when specifically referring to the MASS program, but refers to 'government programs' when discussing programs and services more broadly.

<sup>28</sup> In applied microeconomics the study of the impacts of bulk buying or quantity discounts is often analysed as part of the literature on non-linear pricing or second degree price discrimination.

- allow for longer production runs where goods tend to be tailored to customer specifications
- reduce overhead costs per unit (e.g. labour costs associated with obtaining and processing orders)
- reduce after-market support costs.

Similarly, distributors and retailers may achieve per-unit cost savings based on volumes purchased. Cost savings may be achieved through, for example, lower overhead or back-office costs for order processing, or reduced sales and marketing expenses. Significantly increasing the size of an order may not result in any appreciable increase in overhead costs.

The above types of cost savings might be achieved where there is no aggregate increase in output for the firm or market. However, in markets characterised by high fixed costs of investment and the presence of scale economies, offering volume discounts to customers can lead to an expansion in firm or market output.<sup>29</sup> The expansion in output can further reduce average unit costs through the realisation of scale economies.

In addition to the potential for cost savings, firms may also offer differential prices seeking to exploit differences in consumers' willingness to pay. Firms may also strategically price products in order to increase the probability of sale of other products (e.g. 'loss leaders' in grocery stores), or to develop longer term relationships with certain customers which may, for example, lower the variability of the firm's cash flows.

#### Are savings for bulk procurement programs subsidised by other consumers?

Some submissions to this inquiry suggest that savings achieved by government bulk purchasing, such as MASS, force suppliers to raise their prices for other consumers or force some suppliers to exit from the market.

In the case of government purchasing plans such as the one operated by MASS, reduced prices are due to both the discounts extracted from suppliers and the direct subsidies provided to eligible consumers. A large, if not the largest, portion of the reduced prices paid by consumers is due to subsidies that MASS provides.

The discounts extracted by MASS generally reflect efficiencies in bulk contracting for goods. While some portion of the MASS discounts may be related to bargaining power, the scope for bargaining power to countervail the market power of suppliers is limited as the upstream suppliers are believed to generally operate under workably competitive market conditions. Most markets in the economy have both large and small firms. The larger firms may be able to generate efficiencies by purchasing in bulk as described above. (Note that in some cases larger firms are able to procure products at lower costs, at least in part, because they absorb some of the costs of distribution – e.g. holding inventory.)

Smaller firms survive by differentiating their product or by being more efficient at identifying customer requirements. For example, smaller firms may survive and prosper by providing product features and functions that the larger firms do not provide, such as locational advantages, enhanced customer service, better trained sales staff, or others. In some cases smaller firms may be able to compete by banding together to make joint purchases that allow them to obtain some of the bulk buying efficiencies available to the larger firms. Thus many

---

<sup>29</sup> Other conditions may also be necessary, such as, there is no scope for arbitrage between customers (i.e. high volume purchasers cannot on-sell to low volume purchasers) (Varian 1996).

retail markets in Australia are composed of large chains and smaller competitors competing side by side.

Few retail markets are dominated by one large firm or a small group of large firms. However, if small firms cannot find a way to compete in the ways described above, they will have difficulty surviving and the market will be supplied by larger firms. This is simply a case of market forces at work. Consumers generally benefit from the more efficient market organisation by paying lower prices.

The separate case where the discounts achieved by large buyers lead to the suppliers raising prices for other customers is sometimes referred to as a 'waterbed effect'. The ACCC (2008b) investigated whether large buyers could have a negative effect on competition as a result of their suppliers raising prices to the other competitors in the context of the retail grocery market. Note that a key assumption underlying a waterbed effect is that the suppliers from whom discounts are sought have some market power themselves. In addition, if they do have market power and an objective of maximising profits, they would already have exercised that market power and it is not clear how a waterbed effect would enhance market power.

As discussed in Chapter 7, there does not appear to be scope for the significant exercise of market power for manufacturing and wholesaling of disability aids and equipment. Nevertheless, even assuming there is some market power at the supplier level, it appears that the waterbed effect is not a cause for concern.

Two mechanisms by which the waterbed effect could occur were suggested by the ACCC (2008b) (p. 321):

- cost shifting – where large buyers achieve significant discounts, their contribution to suppliers' fixed costs of operation is less. Suppliers will seek to recover these costs from other purchasers
- upstream market restructuring – in response to the bargaining power of large buyers, weaker suppliers may re-organise (e.g. mergers, or industry exits) in order to protect profits, resulting in market power at the supplier level.

In relation to a 'cost shifting' waterbed effect, the ACCC concluded:

*The ACCC does not consider a waterbed effect to be a significant issue either in relation to groceries generally or milk in particular. Further, the ACCC considers that the cost-shifting explanation violates standard axioms of profit maximisation: If the supplier is able to charge smaller buyers higher prices and the larger buyer negotiates a price reduction, why did it not do so before? These views are borne out by the evidence in submissions stating that suppliers do not have the capacity to recover or make up any margin losses by increasing prices to other customers. (ACCC 2008b, p.354)*

In relation to a waterbed effect through changes in upstream market structure, the ACCC found:

*The ACCC accepts that in many sectors there have been changes in the structure of upstream sectors as a result of consolidation and rationalisation. These changes will often improve a supplier's bargaining strength and thus enable the supplier to negotiate more favourable prices. However, these structural changes have often occurred over long periods of time, reflecting dynamic adjustments to issues that are beyond the control of individual suppliers, such as deregulation and globalisation. The ACCC has found little evidence that these structural changes are the result of a waterbed effect and thus does not consider it to be a significant issue in relation to the pricing of groceries. (ACCC 2008b, p.354)*

As noted earlier, the upstream market for aids and equipment does not appear to have significant market power issues, suggesting that the risk of a waterbed effect through either cost shifting or market structure changes is low.

In any event, assuming there was an initial waterbed effect, if retailers are able to react by improving their operations and compete by lowering prices, then consumers clearly gain in the short run. However, if retailers raise their prices as a result of their reduced market share – then MASS consumers gain while non-MASS consumers are worse off as a result of paying higher prices. The net welfare impact depends on the relative size of the groups and the price changes faced by each group.

Moreover, if the programs have expanded the market, then even with a waterbed effect, the positive welfare implications of providing more services to those who need them could outweigh the negative welfare effects of some customers paying higher prices.<sup>30</sup>

## 9.2 Queensland procurement programs have performed relatively well in terms of price impacts

The challenges of designing effective government procurement processes are considerable (see Box 4). MASS procurement operates under the Queensland Government procurement rules. The QCA has not reviewed these rules in detail, but in discussions with MASS considers that the MASS procurement effort has been successful and has avoided some fundamental errors that have affected other government procurement efforts around the world. For example, publishing prices that the government is willing to pay can serve as a focal point for collusive pricing. Improperly structured auction formats can fail to produce optimal results (see Cramton and Katzman 2010).

---

<sup>30</sup> There are a number assumptions required for this to hold, for example: people receiving the services value the services at least at their cost of provision; and any waterbed price effects on non-MASS customers and related market contraction is outweighed by the market expansion effects of MASS.

**Box 4: Competition and public procurement**

The OECD and others have assembled some key findings to inform the design of public procurement:

- The aim of public procurement should be to secure the best value for public money.
- Certain aspects of the public procurement process render it particularly vulnerable to anticompetitive conduct:
  - Much public procurement occurs in sectors that are not highly competitive
  - Public entities are typically more constrained as to the range of actions they can take to limit anticompetitive conduct given the regulated nature of public procurement.
- Distortion of the procurement process has a particularly detrimental effect in a public sector context. Moneys lost because of the subversion of the public procurement process represent wastage of public funds. The resulting loss typically has the greatest impact on the most disadvantaged in society.
- Collusion between firms that are bidding allows them to avoid the pressures of competition, with the result that the public gets less for its money, or pays more for what it gets. Sector characteristics that are likely to facilitate collusion include: a small number of companies operating in the market; little or no new entry to the market; repetitive bidding by firms; identical or simple products or services; few or no substitutes; little technological change in the sector.
- Preventing the distortion of a public procurement process is highly dependent on the design and conduct of the procurement. Selecting the right tender and bidding process for market conditions is crucial to the outcome.
- Public procurement can affect competition in two main ways:
  - Public procurers can fail to leverage buying power e.g. by fragmenting demand across multiple programs.
  - Public procurers can impose restrictions on competition through procurement practices such as participation restrictions, high participation costs, excessive contract aggregation and long-run contracts e.g. excessive qualification requirements or product specifications that exclude suppliers.
- There are sometimes good reasons for imposing limits e.g. small, dedicated programs may be able to deliver products that are a better, more tailored fit, and participation restrictions help limit the administration costs of procurement programs. As a result, governments should consider the costs and benefits of their procurement structure. Adverse impacts on competition are most important in markets that exhibit the characteristics identified above, particularly where government purchasing represents a significant share of the market.

*Source: OECD (2011a), OFT (United Kingdom) (2004)*

As noted in Chapter 4, there are over 100 government programs for the supply of disability aids and equipment. Generic criticisms about how programs operate do not necessarily apply to any single program. MASS (sub DR9, p. 2) has noted that some submissions criticise various aspects of government subsidy programs that do not apply to MASS or operate outside of the MASS program. For example, delays attributed to MASS could be the result of other parts of the supply chain:

*The overall timeframe can be broken down into three main areas:*

- *Health Professional (external to MASS, involves assessment/trialling of equipment)*
- *Funding body (clinical oversight/approval, raising purchase order with supplier)*
- *Supplier (incorporates time to manufacture and modify the equipment ordered).*

*The timeframe for the individual to receive the aids/equipment is dependent on numerous factors, access to a Health Professional, availability of the trial equipment, the complexity of the client, the complexity of the required equipment. The location of the client and if other stakeholders are required to assist in the process can contribute to the time taken prior to receipt of the equipment. (MASS sub. DR9, p. 2)*

Moreover, there were submissions noting the effectiveness of MASS:

*Of course the MASS scheme whilst prescriptive in choice of equipment listed, has been a lifesaver for our children and professionals in seeking to assist them. (Duchenne Foundation sub. 10, p. 3)*

*I suggest that the introduction of a coordinated and informed purchasing system that occurred with MASS in the late 1990s did much to improve the quality and cost effectiveness of purchases. MASS continues to employ a rehabilitation engineer who works to ensure cost effective purchasing takes into account technical aspects, and avoids misleading claims by suppliers and others. This also enables MASS to consider fleet management practices that include regular maintenance and the aggregation of adverse outcomes or problems that, because of its purchasing power necessitate action by suppliers and manufacturers. (Tech4Life sub. 28, p. 6)*

The MASS submission provides a detailed description of the benefits of the program including the standards and safeguards it uses to promote effective purchasing, prescription and use of the aids and equipment it supplies. The MASS SOAs require 'just in time' delivery of items that have been approved for purchase. However, delays may occur in the process of assessing eligibility and needs. Submissions point to instances where such delays have taken so long that children have outgrown the equipment by the time it is supplied. (See submission of the Cerebral Palsy League, sub. 6, p. 9.)

With respect to claims that state procurement schemes can raise costs and reduce the competitiveness of suppliers, MASS submits that consumers benefit from the rigorous standards and other benefits of the program. For example:

*... there is evidence to indicate that the additional requirements of the MASS SOA ensure quality of life for the user and a reduction in cost transfer. The state procurement programs provide the end user with a product that is established in the market place. This allows the aid to be repaired and maintained by an extensive support network throughout the aids economical life. There is evidence that the practice[s] initiated through the state programs flow on to the broader community. (MASS sub. 14, p. 11)*

*In addition to the educational program provided by MASS, the organisation employs Clinical Advisors who provide clinical oversight and provide assistance to Health Professionals.. MASS Clinical Advisors are unbiased in terms of which equipment is recommended as they assist in advising on what is most appropriate subject to the individual's clinical, functional and environmental requirements. (MASS sub DR9, p.3)*



MASS also submits that:

*In respect of high volume/low cost aids/equipment government procurement programs have had little impact on the market structure. Major retailers, including supermarkets and pharmacy chains, have a greater impact on the structure of the market and the success of the product. (MASS sub. 14, p. 11)*

That said, there are a number of areas where the effectiveness of MASS procurement may be improved. The QCA understands that the Departments of Health and Communities, Child Safety and Disability Services are reviewing MASS programs and operations in the light of changes that may be required with the introduction of the NDIS. Such a review should examine the overall effectiveness and efficiency of the program, beyond the more narrow examination of the impact of bulk procurement on price considered here. The QCA is not involved in this review process, but can offer some general propositions from the perspective of efficiency and productivity for the MASS program. This assumes the bulk procurement model is found to best achieve the government's objectives compared to the alternatives.

MASS may be able to secure lower prices by shortening the supply chain and purchasing direct from overseas suppliers. While this approach carries some risks, it has had some success in New Zealand (see **Appendix D**), with savings of 30 per cent reported after accounting for additional warehousing and distribution costs. A number of submissions stressed that any move to direct purchasing would need to carefully consider the risks and costs associated with the government 'effectively' becoming a distributor and retailer (ATSA DR4, p. 18).

The excessive averaging of costs within an SOA may cause distortions. Under SOAs, firms are required to provide a statewide price (including trialling and fitting, but excluding freight costs). Statewide average costs can distort markets:

*MASS has for some time operated a Standing Offer Arrangement for various items of AT. Completed within the complexity of Queensland Health procurement policy, the process & costs for suppliers is substantial. Some aspects I support, such as the need to meet minimum product standards, but requiring a set price for large regions of the state can artificially inflate the costs for places like major metropolitan centres, as suppliers factor in maintenance, transport and related risks associated with supply to remote regions. I believe the NDIS model that sets a base price but allows separate payment for 'regional & remoteness factors' is more transparent. (Tech4Life submission, p. 2)*

Ensuring that service is available in remote communities is an important goal. However, an alternative would be to allow a lower base price for serving metropolitan regions with a separate funding mechanism for the additional cost of serving regional and remote areas.

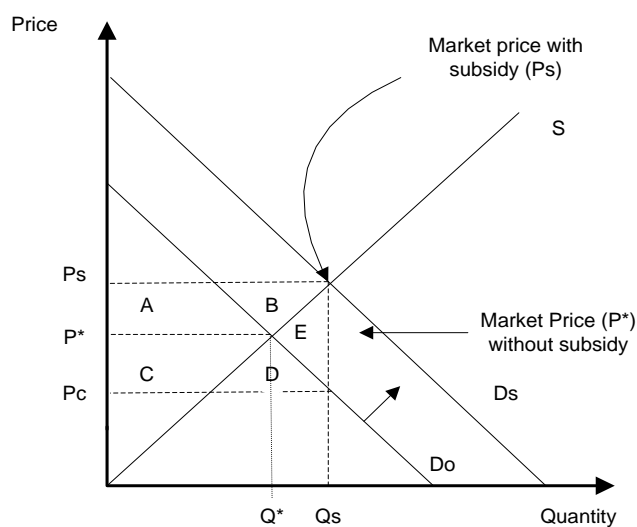
### 9.3 Programs may have negative impacts on prices and competition

The aim of subsidised provision is to enable people with disability to increase consumption of aids and equipment by lowering the price paid by those consumers. However, improperly designed subsidy mechanisms may increase prices for aids and equipment, particularly where producers have the ability to control price or quantity in response to an increase in demand (see Box 5). Over time, the benefits to people receiving the subsidy may be eroded by higher prices, with the adverse impact also borne by those not eligible for the subsidy.

Governments introducing subsidy programs should be mindful of the potential for price increases, which can be mitigated if the disability sector's capacity expands to handle the increase in demand. In other words, programs such as NDIS must be careful to ensure that public and private sector resources are available to accommodate the increase in demand.

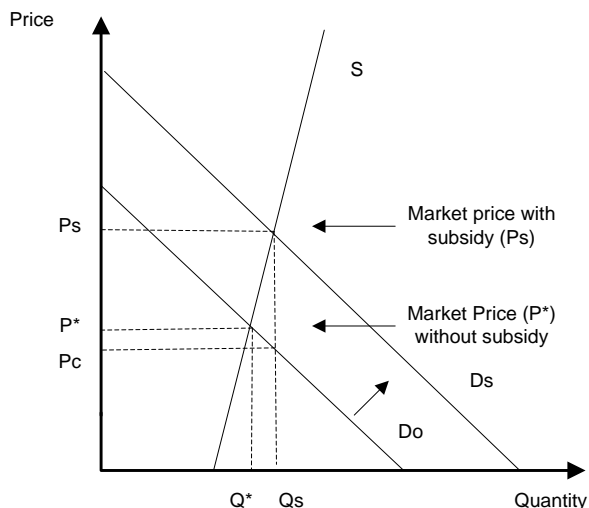
### Box 5: How can government subsidies provided to consumers' impact on prices?

Governments provide subsidies to consumers to increase consumption of particular goods and services. Examples include subsidies for disability aids, rebates for energy efficient products and first home owners grant. The impact of a government subsidy is stylised in the figure below. Suppose the government introduces a \$100 rebate for a certain disability aid. The subsidy shifts the demand curve up from  $D_0$  to  $D_s$  because consumers demand more at every price. Consumption shifts from  $Q^*$  to  $Q_s$ . Instead of paying the original price of  $P^*$ , consumers now pay the lower  $P_c$ , while producers, instead of receiving  $P^*$  from the sale of the aid, now receive  $P_s$ . Consumers are better off, being able to purchase additional aids for less, while producers sell more and receive a higher price in return.



From a welfare perspective, consumers gain areas C and D in consumer surplus. Similarly, producers gain areas A and B in producer surplus. Based on consumers and producers alone, it appears that the subsidy is beneficial overall. However, once the cost for the government to provide the subsidy, represented by area ABCDE, is accounted for there is a dead-weight loss of area E to the economy.

This is a simple stylised example. Who actually gains and how much will depend on the slope of the demand and supply curves. For instance, where the supply curve is more inelastic (supply is less responsive to changes in price (i.e. more vertical) producers gain more of the subsidy. Conversely, where the supply curve is more elastic (more horizontal), consumers gain more.



The lower prices identified in Section 9.1 are not universal, and there is some anecdotal information suggesting that the significant presence of government programs in this market at both the state and national level may be inflating prices for some products.

*CPL believes that, perversely, these agencies' acceptance of a "reasonable price" is actually setting a market price tolerance that is high in comparison to other countries. This is a difficult issue to manage given most of these programs and the pricing tolerances set by them were established well before consumers had greater purchasing power from overseas sources, through the internet. (Cerebral Palsy League sub. 6, , p. 2)*

*We believe that in many cases exorbitant retail prices are little more than a cover for the ubiquitous "the government will pay for it" mentality that appears to prevail in the retail sector. This is propped up in many cases by the work of Rotary and other charities that also help people pay these excessive costs thus perpetuating the issue. (Find-me Technologies sub. 11, p. 2)*

Independent, non-government retailers will generally not be able to match the subsidised prices for the same or broadly similar products. The retailers lose a portion of their market even if they are efficient at what they do. The resulting loss of turnover may reduce the scale of their operations to a non-sustainable level. If this happens and the firms exit the market, there will be less competition for the entire range of products they sell – not just the ones in the subsidy scheme. Other retailers may step in to fill the void, but in less densely populated areas the result could be restricted consumer choice.

The restrictions on consumer choice can suppress signals to suppliers, create mismatches with people's real needs and result in costs on program participants and wastage of taxpayer funds:

*The Queensland MASS system in essence acts as the 'customer' to the suppliers, who work to meet its expectations – not necessarily those of the end-user of the AT. This can result in adjusted warranties, joint servicing arrangements, and limited choice/control by the consumer. (Tech4life sub. 28, p. 3)*

*From what we have seen government based procurement has been some of the most ineffective and wasteful procurement [and] exhaustive lead times. In our examples a standing frame taking 1 ½ years and an electric hospital bed that was only delivered after 6 months when I pointed out our daughter was not allowed to be released from hospital after surgery due to waiting for this, in the end I called from the hospital and was advised it had been in stock 3 months and they were still awaiting completion of paperwork. After "discussion" it was decided to deliver the unit allowing her release from hospital without the paperwork. (Find-me Technologies sub. 11, p. 3)*

*Although ATSA is a strong supporter of efforts by governments to increase the efficiency of procurement and reduce costs and ultimately prices, there is currently little evidence to support the claim that existing bulk procurement initiatives such as the MASS tender for wheelchairs have been successful. While existing procurement programs can point to achieving some lower prices on some items, this has typically been at the expense of variety and choice of AT and, frequent failures to achieve the strong match between the individual and the AT required to achieve good long term outcomes cost effectively. This is particularly the case in relation to moderately complex and complex AT. (ATSA sub. 4, p. 38)*

There are also concerns that government tendering processes may narrow the market for aids and equipment as well as product support services, such as maintenance and repairs, which may have resulted in limited competition and single suppliers in some areas (in effect, government contracts can create competition for the market, not competition in the market):

*In general they have reduced competition and choice for the consumer by limiting what is funded, what products/brands are on a given tender, adding unnecessary costs, building in delays and making the industry less profitable and appealing to new competitors. (ATSA sub. 4, p. 37)*

*The current procurement programme provides static competition, limited choice and excludes companies that want to participate and compete in this market. By withdrawing from the*

*procurement process and allowing market forces to set the price, the government may increase the value of their funding. (Cerebral Palsy League sub. DR6, p. 6)*

Several suppliers argued that government procurement programs unduly restrict the number of participants, which has an adverse impact on competition and prices in the longer term:

*The 'Standing Offer Arrangement' has been a form of preferred procurement process. There is some evidence that this has narrowed the market, inflating prices rather than lowering them. (Queenslanders with a Disability Network sub. 20 pp. 3-4)*

A range of other issues have been reported to this inquiry that, while not directly related to price disparities, indicate there are wider performance issues with government programs for disability aids and equipment and disability services more broadly:

*The current system is onerous, limiting, and inefficient. Any changes to the system must result in greater flexibility for the person requiring aids or equipment. For many people with disability, the "gap" that they must pay for the equipment that meets their individual needs is often unaffordable. (Queenslanders with a Disability Network, sub. 20, p. 3)*

*Youngcare has repeatedly witnessed the tragic chain of events that lead young people into aged care – too often one of the tipping points is lack of vital equipment for want of funds. (Youngcare sub.DR7, p. 1)*

*Feedback from families is the frustration in finding information and the timelines involved in the application process through to receipt of equipment. Quite often families and therapists are required to source funding from multiple sources and split components to satisfy funding body requirement. This is inefficient, elongates the process and has a large cost factor in relation to the time of the prescriber. (Cerebral Palsy League sub. DR6, p. 6)*

*We support the findings and recommendations of the QCA ...but suggest that applications for assistance should be approved with allowances for basic necessities more reflective of the person's needs. People should not have to bear the indignity or risk of being without medical or continence aids. (Queensland Advocacy Incorporated sub DR5, p. 7)*

Many of these issues are consistent with those raised in other recent reviews such as the Productivity Commission's inquiry into Disability Care and Support, which concluded:

*Current disability support arrangements are inequitable, underfunded, fragmented, and inefficient and give people with a disability little choice. They provide no certainty that people will be able to access appropriate supports when needed. While some governments have performed much better than others, and there are pockets of success, overall, no disability support arrangements in any jurisdiction are working well in all of the areas where change is required. (2011c, p. 5)*

People with disability and their carers point to a significant unmet need, inconsistent eligibility criteria, long delays in accessing prescribers, support and equipment, and duplication and burdensome paperwork requirements.

## 9.4 How should governments design programs for aids and equipment?

The features of disability services, with a large government presence, the complex interplay between government objectives for social equity and value for money, the wider regulated health and aged care sector, along with the product market mean that there is unlikely to be one 'right' program design. What works for other sectors or markets may not work for disability services.

However, the evidence presented to this inquiry, and the experience of Australian and overseas programs (see **Appendix D**), suggest that there are some key features that governments should consider to improve the effectiveness and efficiency of their programs.

## Clearly define rationale and objectives

Programs should have clearly defined objectives that focus on outcomes and not means. For example, government procurement is one means of supporting people with a disability, not the goal of the program. The risk is, that without clear objectives that form the basis for the community to judge program success, programs could become the ends in themselves, separated from their purpose and the people that they serve.

## Leverage buying power

The main advantage of government directly procuring aids and equipment is its ability to achieve savings through bulk procurement. Governments should ensure that they do not impose unnecessary barriers to others (such as the private sector and NGOs) pursuing bulk purchasing. Where it can be determined that governments are best-placed to undertake procurement, they should maximise their buying power by consolidating purchases. For example, the Victorian and South Australian programs have released a joint tender for disability aids and equipment. However, too much consolidation may reduce the benefits of parallel paths of innovation – i.e. allowing multiple approaches so that new ideas can be tested. Moreover, it may be important to tailor programs to local conditions.

## Choice

Choice is important, even recognising the limits faced by consumers from information asymmetries. In most settings, restricting consumer choice tends to result in higher prices and lower quality goods and services, less product variety and less innovation. Evidence from programs overseas suggests that consumer-orientated programs tend to produce better outcomes for people with a disability, and can increase competition and lower prices.

## Accessibility

Programs should be as simple and accessible as possible. Existing eligibility and paperwork requirements present a maze of repetitive bureaucracy for people with a disability. Access to prescribers is also restricted for some.

## Competition

Programs should avoid unintentional impacts on competition. A subsidy is of little use to consumers if it is captured by producers. Bulk purchase savings can be eroded if they narrow the market by driving out competition.

Some of these features may not necessarily be compatible — for example, government bulk procurement by design reduces choice. Governments will need to carefully assess the trade-offs and weigh the costs and benefits of each potential approach to determine which will maximise net benefits for the community — a much broader assessment than that in relation to price disparities alone.

These factors should be considered within the context of the introduction of the NDIS, which provides an opportunity through the trial sites, to determine what works and to establish the costs and benefits of various approaches. The Queensland Government will also need to determine what programs will operate for people with disability over 65 (who are not covered by the NDIS) from NDIS commencement.

## Recommendations

- 9.1 To improve existing programs, the Queensland Government, in its reviews of government procurement and the MASS program, should give consideration to:**
- (a) efficient design of public procurement programs to encourage competitive bidding**
  - (b) consolidating current government bulk procurement, but not so much as to eliminate benchmarking and innovation**
  - (c) opportunities to secure lower prices through, for example, direct purchase from overseas suppliers**
  - (d) separate funding of state-wide travel and trialling costs for regional and remote areas**
  - (e) reducing the paperwork required for SOA tenders**
  - (f) reducing and streamlining the application process for MASS equipment.**
- 9.2 Governments should consider the following features when designing programs for aids and equipment:**
- (a) *Clearly define rationale and objectives.*** Programs should have clearly defined objectives that focus on outcomes and not means.
  - (b) *Leverage buying power.*** Governments should ensure that they do not impose unnecessary barriers to non-government entities pursuing bulk purchasing. Where it can be determined that governments are best placed to undertake procurement, they should consolidate their buying power rather than operate a large number of programs.
  - (c) *Choice.*** Choice is important. Consumer-orientated programs tend to produce better outcomes for people with disability, and can increase competition and achieve lower prices. However, the limits faced by consumers from information asymmetries should be considered.
  - (d) *Accessibility.*** Programs should be as simple and accessible as possible
  - (e) *Competition.*** Programs should avoid unintentional adverse impacts on competition.

## 10 INCREASING PRODUCTIVITY THROUGH REGULATORY REFORM

*Australia is a high cost economy. High prices for disability aids and devices compared to overseas sources reflect this economy-wide fact of life. Steps that can be taken to allow Australian businesses to improve their productivity may help to address this problem. This chapter begins by discussing economy-wide reforms that could have beneficial effects for all businesses, including those engaged in manufacturing or supplying disability aids and equipment. Finally, specific steps to improve productivity in the disability aids and equipment sector are discussed.*

### 10.1 Reducing the burden of regulation

There has been ongoing concern in Australia over the wide-ranging and growing impact of regulation on business and the community:

*Regulation has grown at an unprecedented pace in Australia over recent decades. As in other advanced countries, this has been a response to the new needs and demands of an increasingly affluent and risk averse society and an increasingly complex (global) economy. This regulatory accretion has brought economic, social and environmental benefits. But it has also brought substantial costs. Some costs have been the unavoidable by-product of pursuing legitimate policy objectives. But a significant proportion has not. And in some cases the costs have exceeded the benefits. Moreover, regulations have not always been effective in addressing the objectives for which they were designed. (PC 2011a, p. XI)*

In the 2013–14 World Economic Forum Global Competitiveness Report, Australia was ranked 128th out of 148 countries for the burden of government regulation, despite being ranked at 21 overall:

*The quality of Australia's public institutions is excellent except when it comes to the burden of government regulation, where the country ranks a poor 128th. Indeed, the business community cites labor regulations and bureaucratic red tape as being, respectively, the first and second most problematic factor for doing business in their country. (WEF 2013, p. 31)*

Regulation has direct and indirect implications for businesses supplying disability aids and equipment in Australia. Many regulations produce net benefits for society. However, restrictions that are intended to achieve desirable objectives can also have adverse effects by:

- restricting firms from operating efficiently and thus increasing business costs
- protecting firms from competition, thus leading to higher prices.

The costs of regulation are particularly burdensome to the many smaller businesses that play a significant role in disability aids and equipment markets. Eliminating unnecessary or redundant regulation and streamlining compliance costs could produce substantial savings. These savings should ultimately be passed on to customers.

A QCA report on *Measuring and Reducing the Burden of Regulation* (2012) suggested a number of steps to reform the process by which regulations are made and proposed a methodology for reviewing and reducing the existing stock regulation (QCA 2012). The Queensland Government (2013) endorsed the core recommendations in the report. Implementation of these reforms, and similar reform efforts being undertaken at the Commonwealth level, will help to reduce cost pressures for all business, including those providing disability aids and equipment, and thereby help to alleviate at least some of the cost disparities between Australia and overseas.

## 10.2 Manufacturing

Chapter 4 notes the decline in the number of Australian manufacturers of disability aids and equipment. This decline reflects the general decline in manufacturing activity in Australia. The Chamber of Commerce and Industry Queensland (CCIQ) (2013) summarises the trends as follows:

*Manufacturing businesses face significant cost pressures; the sector has seen a trend of declining productivity levels and face[s] competition from low cost international markets. Over the three years to 2010-11, the number of manufacturing businesses in Queensland declined by more than 6 per cent, one of the highest business closure rates across all industry sectors over the period.*  
(p. 10)

Some Australian manufacturers of disability aids and equipment remain in the market. However, the CCIQ notes that 'regulatory compliance acts as a significant constraint on business growth and innovation and is damaging the competitiveness of Queensland's manufacturing and value-adding industries' (p. 10).

The CCIQ conducted a case study of regulatory costs for a Queensland business that operates both a steel component parts manufacturing plant and a service and installation workshop. The business employs 32 full-time staff and is broadly similar to one that might produce some categories of disability aids and equipment.

This business catalogued the large number of regulatory requirements to which it is subject including Australian Standards and approval processes for design and manufacture of products, product name, trademark and intellectual property costs and complex *Fair Work Act 2009* requirements. The firm estimates that it spends 1912 hours annually on compliance and reporting at a total annual cost of \$774,000. It also reports substantial costs for meeting export requirements including duties, port charges and fees.

While these charges may not apply directly to a purely domestic firm, they are still significant to such a firm for two reasons. First, a firm that is considering importing products into Australia will face similar expenses. Second, a firm with a small domestic manufacturing base will find it difficult under this cost burden to develop export markets in order to become more efficient.

Regulatory burdens can be reduced by eliminating regulations with higher costs than benefits, or by adopting forms of regulation that may accomplish social objectives at a lower cost. This, in turn, strengthens the ability of domestic manufacturers to compete successfully, providing greater product variety and lower prices. Reducing the fixed costs of regulation is particularly important when sales volumes are small, as is the case for many of the remaining Australian disability aids and equipment manufacturers.

## 10.3 Retailing

Retailers are subject to many of the same regulatory requirements as manufacturing firms. However, additional regulations affect retail businesses.

The Productivity Commission (2011b) investigated the economic structure and performance of the Australian retail industry. A key conclusion was that Australia's retail industry 'does not compare favourably in terms of productivity with many overseas countries. And the productivity gap appears to have widened over time' (p. XIV).

Retailing is obviously a critical element in the disability aids and equipment supply chain. Reducing regulation that increases costs without corresponding public benefits would obviously



increase consumer welfare. Of particular interest would be removing regulations that restrict the introduction of innovative and more efficient retail models.

The PC made a number of recommendations for improving productivity by reducing regulatory requirements. Two areas in particular – planning and zoning regulations, and trading hours reforms – are relevant to the introduction of new retail models. A third candidate for retailing reform is regulation of pharmacies. Finally, encouraging an expanded supply of taxi services will help individuals with disability.

### Planning and zoning

While recognising that planning and zoning regulation has a valuable social purpose, the PC (2011b) notes that:

*Specific restrictions on competition include: zoning which unnecessarily reduces land availability for particular uses; overly prescriptive local planning rules which inhibit entry and create unwarranted delay and costs through compliance burdens; and inappropriate protections of existing businesses and activity centres through adverse impact tests. (p. XXV)*

New entrants face high hurdles for approvals. This is exacerbated by the fact that incumbents can use the approval process to prevent or delay entry by claiming adverse impacts.

The experience of Costco in entering the Brisbane market is an example. Costco describes itself as an international chain of membership warehouses "that carry quality, brand name merchandise at substantially lower prices than are typically found at conventional wholesale or retail sources".<sup>31</sup>

Costco's entry has been delayed by a number of years due to the need to overcome planning and zoning objections from incumbents. The Queensland Government had to intervene to stop legal proceedings against Costco's entry. Costco described the process of gaining approval after legal challenges by incumbent retailers as 'long and arduous'.<sup>32</sup>

Consumers of disability aids and equipment stand to gain from new entry. For example, Costco's retail model can provide consumers with the benefits of its procurement efficiencies for products such as continence aids. Costco provides hearing aids and supplies at substantial discounts compared with traditional sources.

### Trading Hours

The PC (2011b) reports that:

*As consumers have become increasingly time poor, they have placed a higher value on shopping convenience in terms of when they can shop and where they can shop. Shifting to online shopping may mitigate the loss of consumer welfare to some extent. However, forcing shoppers online because of restrictions on trading hours does not maximise consumer welfare. Also such restrictions constrain bricks and mortar retailers in responding to consumer preferences. (p. XXVIII)*

The CIE (2012) points out that 'after Western Australia and South Australia, Queensland has the most restrictive trading hours in Australia' (p. 12). The CIE also points out that 'the demand for access to "bricks and mortar" stores outside of traditional business hours is increasing'. This is evidenced by growth in sales after regulations are relaxed. Higher sales means that the assets of businesses that were restricted before are now being used more productively. Larger

<sup>31</sup> See [www.costco.com.au/About/AboutCostco.shtml](http://www.costco.com.au/About/AboutCostco.shtml)

<sup>32</sup> Kelmeny Fraser, Budget store Costco has avoided a court battle and can proceed to open its first Queensland Outlet, Courier Mail, April 29, 2013.

retailers also point out that changing the patchwork trading hours restrictions in Queensland will reduce their operational costs.

Liberalising trading hours could potentially assist individuals with disability in at least two ways. First of all, some products needed by people with disability, for example certain continence aids, are available from retail outlets most affected by these regulations, such as grocery chains. Increasing productivity in the retail sector will help keep all prices lower. Secondly, providing the flexibility of shopping times would be particularly beneficial for individuals with disability or their carers.

### Pharmacy regulation

The *Queensland Pharmacy Business Ownership Act 2001* restricts pharmacy ownership to only pharmacists (or corporations owned by pharmacists and their families) and places a cap on the number of pharmacies a pharmacist can own. State regulations also restrict the sale of prescriptions and a range of other medicines to pharmacies.

In addition, the Australian Government, in negotiation with the Pharmacy Guild of Australia, places restrictions on the location of pharmacies able to dispense PBS medicines through the Community Pharmacy Agreement.

Proponents of the restrictions argue that they are needed to ensure consumers receive quality advice and care.<sup>33</sup> However, in the 2012 report on prioritising regulatory reforms for Queensland, CIE (2012, p. 32) concluded that existing pharmacy owners are likely to be the main beneficiaries of restricted competition, while the costs are largely borne by Queensland consumers. The restrictions in Australia constrain consumer choice, restrict the ability of pharmacies to achieve efficiencies, reduce price competition, and limit the introduction of innovative retail models (CIE 2012, p. 33).

These restrictions are particularly significant for people with disabilities. Providing an expanded range of disability aids and devices at lower prices is a likely outcome of a more efficient and competitive retail pharmacy model.

In the United States, consumers are able to access pharmacy services in supermarkets. Large pharmacy chains compete with both bricks and mortar and internet sales. Although the number of small neighbourhood pharmacies in the United States has been declining, they remain a presence in the market. United States chains carry disability aids and equipment such as continence products as well as shower aids, other daily living aids and mobility devices and accessories at prices that reflect competition and the benefits of large scale procurement.<sup>34</sup> Many products are available in-store while others can be ordered from associated internet outlets.

---

<sup>33</sup> Legislation banning company involvement in pharmacy was enacted in 1885 in Victoria, 1891 in South Australia, 1917 in Queensland, 1937 in Western Australia and 1940 in New South Wales. The legislative restrictions were introduced to address the declining market share of independent pharmacies to chain and department stores, concerns over professionalism in the sector and concerns over the proposed entry of Boots, the English pharmacy chain, into the Australian market (BIE 1985, p.38-39).

<sup>34</sup> Dozens of medical aids and devices are available on the U.S. Walgreens web site. See, e.g., [www.walgreens.com/store/c/incontinence-products-adult-diapers-free-shipping%2425-discreet-shipping-adult-incontinence-tena-certainty-depend-poise-underpads-protective-briefs/ID=360513-tier2general](http://www.walgreens.com/store/c/incontinence-products-adult-diapers-free-shipping%2425-discreet-shipping-adult-incontinence-tena-certainty-depend-poise-underpads-protective-briefs/ID=360513-tier2general), [www.walgreens.com/search/results.jsp?Ntt=shower+chair](http://www.walgreens.com/search/results.jsp?Ntt=shower+chair) and [www.walgreens.com/store/c/mobility-equipment-accessories/ID=360587-tier2general](http://www.walgreens.com/store/c/mobility-equipment-accessories/ID=360587-tier2general).

As discussed above, the relatively small size and high cost of the Australian market would prevent prices from falling to the same levels as in the United States. However, a market structure without ownership restrictions would allow competition and innovation to put downward pressure on prices in Australia.

A number of submissions discuss the potential for an expanded role for pharmacies in the disability aids and equipment space. Some expressed concerns relating to products that might require therapeutic advice. For example, ARATA and EA NCRE (sub. 5) urge caution in encouraging an expanded role of pharmacies as a retail option, particularly for high-risk products. ATSA (sub. 4) expresses similar concerns. The Cerebral Palsy League (sub. 6) questions whether pharmacy staff have the skill set to properly advise an individual or family living with a disability. Synapse (sub. 26) is concerned that the lines between personal and professional opinions can become blurred if the role of the pharmacy staff is elevated.

In its submissions to this inquiry, the Pharmacy Guild of Australia (sub. 29, sub. DR2) describes the large array of goods and services its members supply to people with disability in all regions of the country, including low- and medium-tech aids and equipment. The Guild characterises the proposition that a deregulated pharmacy sector would allow competition and innovation to put downward pressure on prices as speculative, particularly given the Draft Report finding that market power abuse was not widespread (sub DR2, p. 2). Furthermore, the Guild notes that:

*All Governments have collectively supported the retention of a regulated pharmacy industry in the interests of safety and equality of access to medicines and services through a sustainable network of community pharmacies, supported by full line wholesalers subsidised to distribute medicines equally across the country. This should not be overturned through a very narrow examination of one small market serviced by amongst others, the pharmacy sector. (sub. 29, p. 3)*

*The issue of ownership of pharmacies was recently dealt with by Australian State and Territory Parliaments following the development of the National Registration and Accreditation Scheme for health professionals... After due consideration, every Australian State and Territory without exception recommitted to the current community pharmacy model. This includes Queensland. (sub. DR2, p. 2)*

Although conditions are unlikely to exist for significant market power in aids and equipment markets, the price variation and market conditions discussed in Chapters 5 and 7 indicate that some aids and equipment markets may be far from highly competitive in Australia. Removing regulatory barriers will allow pharmacies to harness economies of scale and scope, including for disability aids and equipment, as has occurred in other countries without restrictions. This may facilitate more innovative retail models for consumers and put competitive pressure on prices.

More broadly, there have been long-standing concerns about the anti-competitive effects of pharmacy regulations, dating from the 1970s when the Ralph review (1979) recommended liberalising pharmacy ownership arrangements. Subsequent reviews by the Industries Assistance Commission (1986) and the National Commission of Audit (1996) highlighted the significant costs of pharmacy restrictions on consumers, again recommending the removal of restrictions on ownership. The Wilkinson review (2000) recommended retaining the restrictions on ownership but lifting the restriction on the number of pharmacies a person can own.

The pharmacy restrictions are stringent relative to several other countries and compared to other health sectors in Australia (PC 2005b, p. 264). Moreover, it is not clear why other requirements, such as those requiring a qualified pharmacist to be present at a pharmacy to oversight practices in the pharmacy, dispense medicines and provide advice to consumers, are not sufficient to meet consumer safety objectives :

*At the heart of the current ownership restrictions is the argument that non-pharmacist owners might let commercial considerations over-ride professional ethics in the 'custodianship' of medicines and the delivery of pharmacy services. However, these arguments need to be considered in the context of related measures designed to guard against poor quality or unethical service provision. With these measures in place, the issue becomes whether ownership restrictions provide any additional ethical and safety benefits to consumers and, if so, at what cost (PC 1999, p. 31-32).*

Given that the restrictions impose significant costs, it is important to continue to evaluate pharmacy restrictions to determine if they provide a net benefit to the Queensland and Australian community:

*The divergence in views and review effort to date illustrates the complexity of this area and the different interests involved. But equally, the underlying issues raised in this inquiry and previous reviews are not going to disappear: there seems little doubt that whatever the benefits, pharmacy restrictions potentially impose large costs on consumers, taxpayers and the wider community. (PC 2005b, p. 264)*

Any change to legislation affecting pharmacy ownership rules should be preceded by a full cost-benefit analysis. Such a review would consider the impact of pharmacy regulation models in other countries, the relative costs of alternative options for ensuring regional pharmacy service delivery, including the role of chain stores in a liberalised environment, and options for direct subsidies if necessary. The forgone opportunities to exploit economies of scale and scope with resulting costs on consumers, along with the need for Australia to find ways to overcome its increasingly apparent productivity disadvantages, would need to be factored into such an analysis.

### Taxi regulation

Individuals with severe disabilities often have difficulty with public transport. Taxi transport is often the best or only alternative for some of these individuals. The Queensland Government sponsors a Taxi Subsidy Scheme for people with severe disabilities. For those eligible the benefit is half of the total fare, up to a maximum of \$25 per trip.<sup>35</sup>

The Queensland Government regulates the taxi industry. The CIE (2012, p. 26) concludes that the Queensland Government taxi regulation scheme, which restricts entry by limiting the number of licenses available for sale, has become more restrictive over time. The costs to the community as reflected in high taxi fares are significant, with an acute effect on low income groups such as people with disability:

*Taxi costs (even with the use of the Taxi Subsidy Scheme) are prohibitive for many people with disability. While the NDIS will assist eligible participants with some taxi costs, many people with disability who rely on regular taxi use, will not be participants in the NDIS. These people with disability will be left to pay high transport costs, and are often limited in their capacity to access their community as a result. QDN fully endorses all measures that will result in a more affordable and accessible taxi service. (Queenslanders with Disability Network, sub. DR10, p. 4)*

The CIE cites a study estimating that the benefits of taxi deregulation in Sydney could be as high as \$265 million per annum (p. 27). A review of the international experience of taxi deregulation has found similar benefits. The OECD (2007) concludes:

- Restrictions on taxi numbers constitute an unjustified restriction on competition. These restrictions can lead to large transfers from consumers to producers, economic distortions and associated deadweight losses.

---

<sup>35</sup> See [www.qld.gov.au/disability/out-and-about/taxi-subsidy/](http://www.qld.gov.au/disability/out-and-about/taxi-subsidy/)

- Increasing numbers of OECD countries have removed or loosened supply restrictions on taxis. The results of these reforms have been strongly positive, with reduced waiting times, increased consumer satisfaction and, in many cases, falling prices.

Deregulation is likely to bring taxi fares down and thereby enhance the benefits of the existing Taxi Subsidy Scheme for people with disabilities.

Steps taken to liberalise taxi licensing in Victoria have been controversial, in part because those who have purchased licenses in the recent past may experience substantial capital losses. This problem could be addressed with a transitional levy on taxi fares designed to compensate existing licensees over a transition period or by a phased increase in the number of licenses.

## 10.4 Specific regulation of disability aids and equipment

Disability aids and equipment suppliers are affected by specific health care sector regulations enforced in Australia. The health care sector in Australia is heavily regulated, with nearly 80 Commonwealth health care regulators and between 15 and 20 in each state (Novak et al. 2010). Novak et al. (2010) reports that Australia's health care regulatory impositions are enacted for a variety of reasons, including to ensure accessibility, safety and quality, and affordability in health care, as well as to ameliorate information asymmetries and other impediments facing market participants.

Health care regulation has implications for the disability aids and equipment market. For instance, the requirement that patients are diagnosed by, and disability aids and equipment prescribed through, a licensed health professional has meant that licensed prescribers often control consumer access to certain types of aids and equipment. Queenslanders with Disability Network (sub. 20) submits that there are times when the requirement for health professional approvals is excessive and onerous. This has implications for how the aids and equipment market functions, and may influence the adoption of particular products by consumers.

As noted in Chapter 4, before a medical device can be sold in Australia, suppliers must provide appropriate evidence to the TGA that the product is safe and effective to use and must, unless exempt, be included in ARTG prior to supply in Australia.

The product regulations enforced by the TGA are intended to help ensure product safety and performance for consumers. A number of submissions noted the importance of requiring registration with the TGA. MASS (sub 14) commented that equipment failures are reported to the TGA, which collates problems on a national level and liaises with international bodies. The TGA can then provide suppliers and consumers with information on recalls and safety notices. Seating Dynamics (sub. 21) submits that importing products without registration could create an avoidable safety or efficacy issue in the future.

Even so, a number of suppliers submit that the TGA regulations impose additional costs (though suppliers have differing views regarding the burden that these costs have on business). Ability in Motion (sub. 1) notes that the application process requires them to maintain and have immediate access to a vast amount of documentation. Tech4Life (sub. 28) considers that most AT falls under the TGA's Class I, which only requires a self-assessment and automatic registration process. Otto Bock considers that the registration process itself is not expensive, but complying with the code can be:

*Setting up a track and trace system to ensure urgent safety recalls can be acted on is expensive... Compliance with the TGA's therapeutic goods advertising code is expensive. This code is significantly more stringent on claims than other country's codes. Therefore, to be in compliance*

*a supplier must review all literature received from overseas suppliers and in many cases redraft the literature and have it printed locally. This can be very expensive. (Otto Bock sub. 18, p.6)*

The Business Council of Australia (2013, p. 96) noted: 'for medical device manufacturer Cochlear, a recent approval for an important product innovation took 14 months longer in Australia than in Europe, delaying its product getting to key export markets ahead of international competitors'.

The costs incurred may be proportionately more significant for businesses supplying custom-made or modified products than for those supplying homogenous, consumable products. The uniqueness of specialised products means that they are generally consumed in significantly less volumes than homogenous products (see Figure 2 in Chapter 3). The smaller market for these products means that the fixed costs associated with registering the products are shared over fewer sales in comparison to the high volume sales of the homogenous products. Products that require regular modifications face similar issues. Invacare (sub. 12) notes that when a change in the seating systems is facilitated, it is a requirement of the TGA to suitably register the products, and Invacare bears substantial additional costs associated with regulatory testing as a result. In regards to the TGA regulation of custom-made or modified products, Tech4Life (sub. DR8) considers that simpler more risk based approaches are possible, but to date there has been no demand for their introduction.

Goods bought directly from international manufacturers by customers over the internet do not need to be registered with the TGA and may bypass some of the other regulations that impact the disability aids and equipment market. This may contribute to price disparities that exist between local and overseas suppliers.

### Product standards

In addition to TGA regulations, there are also product standards for most aids and equipment. Many government programs and purchasing arrangements, including MASS and CAEATI, require products to comply with specified standards. Product standards are imposed by government programs and often differ amongst programs.

MASS requires that aids and equipment offered through SOAs comply with Australian Standards. In certain instances there is an exception to this requirement, for instance where there is no Australian Standard for a product, or where the Australian Standard is the same as the International Standards Organisation (ISO) standards. For instance, MASS notes that specific standards exist for mobility devices, such as ensuring they have appropriate tie-down lugs for taxis and are appropriately power-limited.

MASS (sub. 14) considers that Australian Standards minimise risk to the health and wellbeing of clients and prevent the transfer of costs to other services, such as acute hospital services.

*Funding bodies such as MASS can also be viewed as a source of compensation should an accident or injuries occur. For these reasons, MASS considered the Australian Standards as necessary, where they exist, and test / compliance options within Australia as a requirement as part of the organisation's duty of care to consumers. Standards do not guarantee that a product will not fail but do provide a minimum standard, a good starting point to minimise unexpected or catastrophic product failures. (MASS sub. 14, p. 9)*

Physical Disability Australia (sub. 19) believes that the standards for therapeutic goods provide a comprehensive guide for the quality of products released into the market. COTA (sub. 7) acknowledges the importance that Australian Standards could play in improving safety and access for users of motorised wheelchairs and motorised scooters.

Product standards will have implications for businesses supplying disability aids and equipment. There was concern from some stakeholders that additional product standard requirements are pushing up costs for businesses supplying the industry (see for example, the Country Care Group, sub. 27, p. 1). Furthermore, the Productivity Commission (2006) reports that there is the risk of standards being used inappropriately to limit competition among local producers, resulting in net costs to the community.

With the majority of aids and equipment in Australia being imported from overseas, there is concern that specific Australian Standards may result in additional compliance costs for international suppliers. ATSA (sub. 4) submits that there are some costs in relation to documenting compliance with Australian or ISO standards, and additional costs for Australian manufacturers who do standards testing to sell products locally and internationally. ATSA (sub. 4) and Otto Bock (sub. 18) submit that Australian Standards often require testing beyond the international requirements.

ARATA EA (sub. 5) notes that disability aids and equipment produced overseas, especially for the United States and European markets, may already comply with relevant national or international standards. MASS (sub. DR9) considers that ISO standards are being adopted more throughout the United States.

Tech4Life (sub. 28) and ARATA EA (sub. 5) submit that the Australian standards committee strives to ensure that Australian Standards are closely aligned with, if not identical to, international standards. MASS considers that, as most products are imported and are also sold in other markets, which also require standards testing to ISO standards, the overall price impact of compliance with Australian Standards and/or ISO standards are minimal. MASS notes that only a document review is required for a SOA if the ISO standard is not directly adopted in Australia.

The Productivity Commission (2006) considers that where it can be readily established that an international standard is appropriate for Australia without modification, consideration should be given to not establishing a distinct Australian Standard. Instead, the existence of the international standard should be acknowledged and promoted.

*The Australian Government should, through the Memorandum of Understanding, continue to require that in the development of Australian Standards there is a presumption in favour of adopting international standards, and that Standards Australia should publish the compelling reasons where an Australian Standard departs from an equivalent international standard. However, the suitability of such standards should continue to be assessed on a case-by-case basis by Standards Australia and be assessed by governments through their regulatory impact analysis processes where the Standards are to be referenced in regulation. (Recommendation 6.4, PC 2006)*

In line with the Productivity Commissions recommendation, MASS (sub. 14) notes that as Australian Standards come up for review, more are being replaced with the ISO equivalents to support and nurture international trade. As an example, Tech4Life (sub. DR8) notes that recent Australian wheelchair standards were drafted to ensure consistency, where possible, with European Union standards (EN12183/4). This will limit the affect that Australian Standards have on the costs of aids and equipment into the future.

Aside from ISO standards, Tech4Life (sub. DR8) notes that the quality of standards in the United States is often variable and has at various times lagged in certain aspects of international standards. Tech4Life (sub. DR8) urges that care needs to be taken when considering changes to allow the registration of products in Australia based on compliance with overseas standards.

In addition to product standards, the Queensland Government's Procurement Policy requires Government agencies to select suppliers based on the suppliers' ability to meet specified quality assurance standards (Department of Housing and Public Works, 2013). For certain products, quality assurance is a mandatory requirement that the supplier must meet in order to be procured by the Queensland Government — including MASS and CAEATI. Quality assurance is applied through the ISO 9001 Quality management standard. This quality assurance standard requires the supplier to 'establish, document, implement, and maintain a quality management system' (ISO, 2008). MASS (sub. DR9) considers that whilst major international suppliers often have quality assurance certification, quality assurance certification can be a significant financial impost, particularly for small Queensland businesses.

Taken together, it appears that suppliers are often required to meet multiple product safety and quality assurance requirements. There would be merit in the Queensland Government reviewing its procurement and program requirements, as well as supporting national efforts, to avoid duplication and ensure regulations are the minimum required to meet product safety objectives.

### Recommendations

- 10.1 In so far as they apply to Queensland, the Queensland Government should implement the Productivity Commission Retail Price Inquiry recommendations to liberalise planning and zoning requirements to facilitate entry by all retail formats.**
- 10.2 The Queensland Government should consider deregulation of retail trading hours to improve customer access to disability aids and equipment, promote competition and stimulate productivity growth in the retail sector.**
- 10.3 The Queensland Government should investigate ways to increase the supply and thereby reduce the cost of taxi transportation.**
- 10.4 The Queensland Government should investigate deregulation of pharmacy entry legislation and regulation.**
- 10.5 The Queensland Government should support the Council of Australian Government (COAG) and Commonwealth efforts to reduce the burden of regulation on all manufacturing and retail businesses.**
- 10.6 The Queensland Government should review product safety requirements in its procurement and program guidelines to ensure they are the minimum necessary to meet product safety objectives. The Queensland Government should also support any national efforts to recognise appropriate international standards and conformity assessment.**



---

## APPENDIX A: DIRECTION NOTICE

---

QLD COMPETITION AUTHORITY

- 8 JUL 2013

DATE RECEIVED



TRY-04369

- 3 JUL 2013

Dr Malcom Roberts  
Chairperson  
Queensland Competition Authority  
GPO BOX 2257  
BRISBANE QLD 4001

Dear Dr Roberts

The Queensland Government is concerned about the impact of price disparities in the cost of medical and disability aids and equipment in Australia, and particularly in Queensland, and the cost of medical and disability aids and equipment sold overseas. In order to better understand and address these concerns, a thorough understanding of the issues involved is required.

The Office of Best Practice Regulation, within the Queensland Competition Authority (the Authority) has been identified as the appropriate body to investigate and report on these matters.

Please find enclosed a Direction Notice issued under section 10(e) of the *Queensland Competition Authority Act 1997*. The Direction Notice directs the Authority to undertake an investigation and report to us on matters relating to price disparities in the cost of medical and disability aids and equipment.

Should officers from the Authority require any further information, I encourage them to contact Ms Katrina Martin, Director, Regulatory Reform, on (07) 3035 1823 or email [katrina.martin@treasury.qld.gov.au](mailto:katrina.martin@treasury.qld.gov.au).

Yours sincerely

  
Tim Nicholls  
Treasurer and Minister for Trade

  
Jarrod Bleijie  
Attorney-General and Minister for Justice

Encl.

**QUEENSLAND COMPETITION AUTHORITY ACT 1997**  
**Section 10(e)**

**MINISTERS' DIRECTION NOTICE**

In our capacity as responsible Ministers, pursuant to section 10(e) of the *Queensland Competition Authority Act 1997*, we hereby direct the Queensland Competition Authority (the Authority) to investigate and report to us on the following matters by 28 February 2014:

- (a) price disparities in the cost of medical and disability aids and equipment sold in Australia, and particularly in Queensland, and the cost of medical and disability aids and equipment sold overseas;
- (b) the causes of any price disparities found under (a), including regulatory barriers, price discrimination and market power of participants in the market;
- (c) actions that could be taken by Government to address any price disparities identified under (a).

In carrying out the investigation and preparing the report, as directed above, the Authority may delegate the conduct of the investigation and preparation of the report to appropriate staff of the Authority.

The investigation is to be conducted by the Authority as the Authority thinks is appropriate but as part of the investigation the Authority must invite public submissions on the matters discussed in (a) and (b) and must consider all submissions made in response.

In carrying out this investigation, the Authority may exercise all the powers under Part 6 of the *Queensland Competition Authority Act 1997*.

In this direction, "medical and disability aids and equipment" refers to products that assist people with a disability (and their carers) to increase or improve their capabilities and functions, increase their participation in society and/or improve their quality of life. It does not include modifications to vehicles or buildings.



**TIM NICHOLLS**  
Treasurer and Minister for Trade



**JARROD BLEIJIE**  
Attorney-General and Minister for Justice

## APPENDIX B: SUBMISSIONS AND CONSULTATIONS

### Submissions on the Issues Paper

Participant	Submission number
Ability in Motion	1
Adam Johnston	2
Aidacare	3
Assistive Technology Suppliers Australasia (ATSA)	4
Australian Rehabilitation and Assistive Technology Association (ARATA) and Engineers Australia National Committee on Rehabilitation Engineering (EA NCRE)	5
Cerebral Palsy League	6
COTA Queensland	7
Dejay Medical and Scientific P/L	8
Department of Communities, Child Safety and Disability Services	9
Duchenne Foundation	10
Find Me Technologies / Carers Watch	11
Invacare	12
Magic Mobility	13
Medical Aids Subsidy Scheme	14
MS Australia - QLD	15
National Disability Services Queensland	16
Occupational Therapy Australia	17
Otto Bock Australia	18
Physical Disability Australia	19
Queenslanders with Disability Network	20
Seating Dynamics	21
ShopRider Pty Ltd	22
Special Needs Solutions	23
Specialised Wheelchair Company	24
Sunrise Medical	25
Synapse	26
The Country Care Group	27
Tech4Life	28
The Pharmacy Guild of Australia	29
Walk on Wheels	30
Youngcare	31

## Submissions on the Draft Report

Participant	Submission number
Carers Queensland Inc	DR1
The Pharmacy Guild of Australia	DR2
Assistive Technology Suppliers Australasia	DR4
Queensland Advocacy Incorporated	DR5
Cerebral Palsy League	DR6
Youngcare	DR7
Tech4Life	DR8
Medical Aids Subsidy Scheme	DR9
Queenslanders with Disability Network	DR10

## Consultations

Assistive Technology Suppliers Australasia  
 Australian Competition and Consumer Commission  
 Australian Institute of Health and Welfare  
 Client and Carer Consultation Groups (Caboolture and Strathpine)  
 Department of Communities, Child Safety and Disability Services  
 Department of Health  
 Department of Treasury and Trade  
 Disability Services Partnership Forum  
 Enable New Zealand  
 Enable NSW  
 Magic Mobility Pty Ltd  
 Medical Aids Subsidy Scheme  
 National Disability Insurance Agency  
 Non-Government Organisation representatives and therapists Consultation Group (Maroochydore)  
 North Queensland Regional Disability Advisory Council  
 Paragon Mobility and Motion Specialties  
 Permobil Australia  
 Queensland Disability Advisory Council  
 Queenslanders with Disability Network Inc.  
 Surgical Engineering Queensland

## QCA Roundtable Participants (December 2013)

Ability in Motion

Active Mobility

Aidacare

Assistive Technology Suppliers Australasia

Cerebral Palsy League

Elan Medical Supplies

Invacare Australia and New Zealand

LifeTec QLD

Medical Aids Subsidy Scheme

Montrose Access

Motor Neurone Disease Association of QLD

Mount Gravatt Service Access Team

MS Queensland

Muscular Dystrophy Queensland

Otto Block Australia Pty Ltd

Queenslanders with Disability Network

Shoprider Australia

Special Needs Solutions

Spinal Injuries Association

Sunrise Medical

Youngcare

## APPENDIX C: PRICE COMPARISONS

Reference is made in Chapter 5 to: data relating to delivery costs; data from internet searches; and a comparison of prices for products sampled by the QCA. The relevant data are included below.

### Delivery Costs

Delivery costs were discussed in Chapter 5.1 and are readily available from online websites.

Details of delivery costs within Australia, United States and United Kingdom are shown in Table C1 and C2 with delivery costs from United States and United Kingdom to Australia shown in Table C3 and C4, respectively.

Details of Australia Post parcel rates are shown in Table C1.

**Table C1 Australian parcel post - Australia Post rates as at 20 January 2014<sup>36</sup>:**

<i>Size</i>	<i>Dimensions</i>	<i>Maximum Weight (kilograms)</i>	<i>Price</i>
Small	220 x 355	0.5	\$8.25
Medium	310 x 405	3.0	\$13.40
Large	435 x 510	5.0	\$16.70

Source: Australia Post

For larger parcels up to 22 kilograms, Australia Post has a base charge of \$8.95 for the same state and \$11.45 for interstate destinations, plus a defined rate per kilogram according to postcode destination. That is, costs vary according to location (distance for delivery).

To provide a simple basis for comparison of delivery charges within countries, rates for different sized parcels within the United Kingdom, United States and Australia sent by standard post, but with no allowance for commission for currency conversion, are shown in Table C2.

Postage rates for the United Kingdom and the United States are shown in Australian dollars as at 25 October 2013 (Draft Report) and as at 20 January 2014 as there has been a material decline in the value of the Australian dollar between the two dates. The decline in the value of the Australian dollar has resulted in an increase in the Australian dollar price of products and delivery charges from the United Kingdom and the United States since 25 October 2013.

<sup>36</sup> Refer to: <http://auspost.com.au/pdfs/post-charges-ms11-7oct2013.pdf>

**Table C2 Comparison of domestic postage costs within United Kingdom, United States and Australia<sup>37</sup>**

<b>Parcel Weight (Kg)</b>	<b>Royal Mail Rates<sup>38</sup></b>	<b>Royal Mail AUD Price<sup>39</sup> 25 October 2013</b>	<b>Royal Mail AUD Price<sup>40</sup> 20 January 2014</b>	<b>USPS Rates<sup>41</sup></b>	<b>USPS AUD Price 25 October 2013</b>	<b>USPS AUD Price 20 January 2014</b>	<b>Australia Post<sup>42</sup></b>
1.0	£5.20	\$8.74	\$9.73	US\$8.75	\$9.09	\$9.97	\$12.40
2.0	£8.00	\$13.45	\$14.97	US\$11.50	\$11.95	\$13.10	\$13.35
5.0	£13.35	\$22.45	\$24.99	US\$21.20	\$22.03	\$24.16	\$16.70
10	£19.65	\$33.04	\$36.78	US\$26.48	\$27.51	\$30.17	\$20.95
15	£27.70	\$46.58	\$51.85	US\$27.61	\$28.69	\$31.46	\$25.70

Source: Royal Mail United Kingdom, United States Postal Service and Australia Post

Note: Australian dollar prices were calculated as of 25 October 2013 and 20 January 2014 but with no allowance for commission for currency conversion.

The increases in Australian dollar postage rates for the United Kingdom and the United States from 25 October to 20 January 2014 are fully attributable to changes in the exchange rates between those dates.

Based on the comparison of standard post delivery costs for domestic services for the United Kingdom, United States and Australia shown in Table C2, at exchange rates as at October 2013, the cost for a one kilogram parcel is lower in the United Kingdom and United States than Australia, whereas the cost for a two kilogram parcel is similar in the three countries and the cost of larger parcels is generally more expensive in both the United Kingdom and United States.

When purchasing from overseas, there is a range of delivery options: standard mail, priority mail, or commercial couriers with standard or priority options. For example, from the United States, the United States Postal Service offers First Class Mail, Priority Express (with timing options) or Global Express Guaranteed delivery options as shown in Table C3. Australian dollar prices were calculated as at 25 October 2013 and 20 January 2014 but with no allowance for commission for currency conversion.

<sup>37</sup> The Australian dollar prices were calculated as of 25 October 2013 and 20 January 2014 but with no allowance for commission for currency conversion.

<sup>38</sup> Based on a delivery of 750 kilometres. Sourced from: [www.royalmail.com/prices-2013#UK Standard](http://www.royalmail.com/prices-2013#UKStandard)

<sup>39</sup> Based on exchange rate as at 25 October 2013. Refer to: [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/)

<sup>40</sup> Based on exchange rate as at 20 January 2014. Refer to: [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/)

<sup>41</sup> Based on a delivery of 1,000 km. Sourced from: <http://postcalc.usps.com/MailServices.aspx?m=6&p=33&o=1.1088&dz=85201&oz=94612&pob=0&MailingDate=9/2/2013&MailingTime=8:00%20AM#>

<sup>42</sup> Based on delivery from Sydney to Brisbane (1,000 km): <http://auspost.com.au/media/documents/parcel-easy-guide-N1-oct13-2.pdf>

**Table C3 United States international parcel post to Australia - USPS rates<sup>4344</sup>**

<i>Option</i>	<i>Maximum Weight (kilograms)</i>	<i>Delivery Time</i>	<i>Price (US \$)</i>	<i>AUD Price<sup>45</sup> 25 October 2013</i>	<i>AUD Price<sup>46</sup> 20 January 2014</i>
Global Express Guaranteed	1.0	1-3 days	US\$87.80	\$91.23	\$100.04
Priority Express International	1.0	3-5 days	US\$60.12	\$62.47	\$68.50
Priority Express International	1.0	6-10 days	US\$23.95	\$24.89	\$27.29
First Class Mail	1.0	variable	US\$23.40	\$24.31	\$26.66

Source: United States Postal Service

Note: Australian dollar prices were calculated as of 25 October 2013 and 20 January 2014 but with no allowance for commission for currency conversion.

The increases in the Australian dollar international postage rates from the United States from 25 October to 20 January 2014 are fully attributable to changes in the exchange rates between those dates.

In addition to the United States Postal Service there are a number of commercial international courier services available (for example DHL, FedEx and UPS) that offer a range of delivery options from the United States.

When purchasing from the United Kingdom, the Royal Mail offers standard or enhanced services for overseas deliveries as shown in Table A4. Australian dollar prices were calculated as at 25 October 2013 and 20 January 2014 but with no allowance for commission for currency conversion.

---

<sup>43</sup> Refer to:

<http://ircalc.usps.com/Default.aspx?country=10013&m=6&p=1&o=1.6370&MailingDate=8/16/2013&MailingTime=8:00%20AM&dv=100>

<sup>44</sup> The Australian dollar prices were calculated as of 25 October 2013 and 20 January 2014 but with no allowance for commission for currency conversion.

<sup>45</sup> Based on exchange rate as at 25 October 2013. Refer to: [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/)

<sup>46</sup> Based on exchange rate as at 20 January 2014. Refer to: [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/)



**Table C4: United Kingdom international post to Australia - Royal Mail rates**

	<b>Weight (kilograms)</b>	<b>Delivery Time</b>	<b>Price (GBP £)</b>	<b>AUD Price<sup>47</sup> 25 October 2013</b>	<b>AUD Price<sup>48</sup> 20 January 2014</b>
Global express <sup>49</sup>	1.0	3+ days	£66.80	\$112.33	\$125.03
Globalvalue <sup>49</sup>	1.0	3-6 days	£40.55	\$68.19	\$75.90
Standard Airmail Rate <sup>50</sup>	1.0	7-10 days	£13.25	\$22.28	\$24.80
Surface Mail	1.0	variable	£8.05	\$13.54	15.07

Source: Royal Mail United Kingdom

Note: Australian dollar prices were calculated as of 25 October 2013 and 20 January 2014 but with no allowance for commission for currency conversion.

The increases in the Australian dollar international postage rates from the United Kingdom from 25 October to 20 January 2014 are fully attributable to changes in the exchange rates between those dates.

In addition to the Royal Mail, there are a number of commercial international courier services available (for example DHL, Skypax, TNT, Transglobal and UPS) that offer a range of delivery options from the United Kingdom.

Overseas delivery charges are generally based on a combination of weight and volume. Therefore, if a parcel exceeds the standard parcel volume, the delivery charge will increase for a given weight. Most postal agencies and couriers have self-calculation tools available to assist in identifying delivery costs according to weight and parcel measurements.

Also, it should be noted that the delivered price of a product, particularly heavy or bulky products such as wheelchairs, will generally vary between urban and regional locations according to the total delivery distance within Australia.

## Internet searches

As noted in Chapter 5.2, a Google search for 'Medical and Disability Aids' was made on 5 September 2013 to assess the number and type of Australian businesses displayed on the first page of search results and whether the businesses advertised provided a listing of priced products. The web page listing is shown in Figure C1 and a summary of types and number of listings is shown in Table C5. Searches using alternative terminology such as 'Assistive Technology' produced similar results.

<sup>47</sup> Based on exchange rate as at 25 October 2013. Refer to: [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/)

<sup>48</sup> Based on exchange rate as at 20 January 2014. Refer to: [www.oanda.com/currency/converter/](http://www.oanda.com/currency/converter/)

<sup>49</sup> Sourced from: [www.royalmail.com/price-finder](http://www.royalmail.com/price-finder)

<sup>50</sup> Refer to: <http://www.royalmail.com/personal/international-delivery/airmail>

**Figure C1 : First page of Google search for 'medical and disability aids' - 5 September 2013**

About 36,000,000 results (0.25 seconds)

**Ads related to medical disability aids**

**Patient Hoists / Lifters - Compact and easy to use**  
[www.liftbedchair.com.au/](http://www.liftbedchair.com.au/) →  
 Free delivery QLD / NSW / VIC

**Aids For Daily Living - Independent Mobility Aids Experts**  
[www.aidsfordailyliving.com.au/](http://www.aidsfordailyliving.com.au/) →  
 Affordable & Helpful Mobility Aids  
 Visit Our Learning Centre - Read Our Blog - See Our Range

**Wheele Walkers Rollator - www.AbilityHealthcare.net**  
[www.abilityhealthcare.net/BjdnShowroom](http://www.abilityhealthcare.net/BjdnShowroom) →  
 Elderly AgesCare Mobility Folding PickUp-Online-Phone-Fast Del-OzWide

**Queensland Medical Aids Subsidy Scheme: Mobility Aids**  
[www.health.qld.gov.au](http://www.health.qld.gov.au) → ... → Statewide → Medical Aids Subsidy Scheme →  
 Aug 5, 2013 - MASS - Mobility Aids. NEW TEMPORARY SUBSIDY INCREASE LEVELS FOR APPLICATIONS RECEIVED ON OR AFTER 1 FEBRUARY 2010 ...

**Daily Living Products. Retailers of Mobility Aids, Elderly, Rehab ...**  
[www.sunmedial.com.au/](http://www.sunmedial.com.au/) →  
 Biomegnetic products assisting with pain relief including bedding, body supports and braces, jewelry, and chairs.

**Medical and Mobility Warehouse - Home Health Care Aids ...**  
[www.yellowpages.com.au](http://www.yellowpages.com.au) → ... → Bungalow  
 Home Health Care Aids & Equipment in Bungalow, Queensland, 4870 - Medial and Mobility Warehouse, Disability Solutions Designed To Make Your Life ...

**Medical and Mobility - Mobility Aids**  
[www.medialandmobility.com.au/Mobility-Aids](http://www.medialandmobility.com.au/Mobility-Aids) →  
 Quality mobility aids, such as crutches, Walking Sticks, Quad base Walking canes, pick up frames(Walking Frames), walking aids, forearm (Canadian) crutches, ...

**Disability Aids: Medical, Special Needs | eBay**  
[www.ebay.com.au](http://www.ebay.com.au) → Health & Beauty → Medical, Special Needs →  
 \$39.95 - In stock  
 Find great deals on eBay for Disability Aids in Medial, Mobility and Disability Devices. Shop with confidence.

**Medical and Mobility Warehouse, Bungalow - Mobility Aids**  
[www.truelocal.com.au](http://www.truelocal.com.au) → ... → QLD → Cairns Region → Bungalow →  
 Medical and Mobility Warehouse, Bungalow QLD 4870. Full contact details for Medical and Mobility Warehouse including phone number, map and reviews ...


**MobilityRentals & Sales - Home Page**  
[www.mobilityrentals.com.au/](http://www.mobilityrentals.com.au/) →  
 Rental of disability equipment, hire of disability equipment, rent mobility aids, hire disability aids, hire medical aids from MobilityRentals & Sales, for people with ...

**Aids & equipment - Department of Human Services, Victoria, Australia**  
[www.dhs.vic.gov.au](http://www.dhs.vic.gov.au) → For Individuals → Disability →  
 Jul 15, 2013 - The Victorian Aids and Equipment Program (A&EP) provides people with a permanent or long term disability with subsidised aids, equipment, ...


**Aids and Equipment - Disability Online**  
[www.disabilityonline.org.au/aidsandequipment](http://www.disabilityonline.org.au/aidsandequipment) →  
 Home Vihars On About Disabilities Services Disability Online News and Resources ... Technical Aid to the Disabled QLD Inc - Queensland Medial Aids Subsidy ...

**Living and Mobility Aids / Equipment / Products | Directory | Patient ...**  
[www.patient.co.uk](http://www.patient.co.uk) → Support Directory → Website Directory →  
 Living and Mobility Aids / Equipment / Products - A directory of UK health, disease, illness and related medical websites that provide patient.

**Shop for medical disability aids on Google** Sponsored



**Mobility Aid Tablet Pill Medicine Crusher Breaker Help Easy Crush Press Holder**  
 \$8.32 - eBay.com.au  
 Get great deals on eBay!



**Aids And Equipment For Victorians With Disabilities - Entitlement Or**  
 \$16.00 - The Co-op Bookshop  
 Fast and secure delivery

**Ads**

**Mobility Aids**  
[www.superpharmacyplus.com.au/](http://www.superpharmacyplus.com.au/) →  
 Hire and Sale  
 - Seniors Discounts  
 9 621 Stafford Rd, Stafford QLD  
 (07) 3365 3052

**Aged Care Supplies**  
[www.medialsearch.com.au/Aged](http://www.medialsearch.com.au/Aged) →  
 Suppliers, news & information  
 Australia's Medial Directory

**eBay Australia**  
[www.ebay.com.au/](http://www.ebay.com.au/) →  
 Low Prices on Disability aids  
 Huge selection. Buy it now on eBay!

**Disability Aids up to 70% off**  
[au.sale-fire.com/Disability-Aids](http://au.sale-fire.com/Disability-Aids) →  
 Save on Disability Aids.  
 Visit SaleFire & Compare prices!

**Top Disability Aids deals**  
[au.disability-aids.best-price.com/](http://au.disability-aids.best-price.com/) →  
 Save on Disability Aids up to 65% .  
 BEST-PRICE.com - the shop expert!

**Disability Aides**  
[www.ask.com/Disability-Aides](http://www.ask.com/Disability-Aides) →  
 Search for Disability aides.  
 Find results on Ask.com.

**What is Medical Disability**  
[www.webcrawler.com/](http://www.webcrawler.com/) →  
 Search multiple engines for  
 what is medical disability

**Disability Aids Suppliers**  
[www.allisba.com/Disability-Aids](http://www.allisba.com/Disability-Aids) →  
 Supplies Made to Order from World's  
 Largest Supplier Base. Top Deals!

[See your ad here](#)

Source: Google www search 5 September 2013

Details of type of listings shown in Figure C1 are summarised in Table C5.

**Table C5: Number of listings by type of Google listing of 'medical and disability aids'<sup>51</sup>**

<i>Type of Listing</i>	<i>Number of Listings</i>
Government information sites	2
General information sites	1
Australian supplier directory sites	6
United Kingdom supplier directory sites	1
Australian supplier with product prices	5
Australian supplier without product prices	2
Overseas supplier with product prices	1
Composite sale websites with prices (E-bay, sale-fire com)	3

*Source: Google www search 5 September 2013*

A second, more specific Google web search for 'Wheelchairs for Sale Brisbane' was made on 5 September 2013 to assess the number and type of businesses displayed on the first page of search results and whether the businesses advertised provided a listing of priced products. The web page listing is shown in Figure C2 and a summary of types and number of listings is shown in Table C6.

---

<sup>51</sup> Refer to Google www search for 'Medical and Disability Aids' (5 September 2013) listing in Figure C1.

**Figure C2: First page of Google search for 'wheelchairs for sale Brisbane' - 5 September 2013**

Ads related to wheelchairs for sale brisbane ⓘ

**Deception Bay Upto 70%off - Mobility Scooters-Elec Wheelchairs**  
[www.outandabouthealthcare.com.au/](http://www.outandabouthealthcare.com.au/) →  
 Adj Beds and Lift Recline Chairs  
 ☎ 2, Kabi Circuit, Deception Bay QLD - (07) 3204 9217

Lift Recline Chairs      electric wheelchairs  
 Adjustable Beds      Mobility Scooters

**Wheelchairs Supplier - Electric and Manual Wheelchairs**  
[www.mobilityandyou.com.au/Wheelchairs](http://www.mobilityandyou.com.au/Wheelchairs) →  
 Call for Sale, Repair and Service!  
 About Us - Services - Contact Us  
 ☎ 618 deception bay Rd, Deception Bay QLD

**Ideal Travel Wheelchair - www.lightstelectricwheelchair.com**  
[www.lightstelectricwheelchair.com/](http://www.lightstelectricwheelchair.com/) →  
 Folds in 5 seconds and 20 miles per charge. Lift into Car, Cab or Plane

**wheelchair in Brisbane Region, QLD | Miscellaneous Goods ...**  
[www.gumtree.com.au/s...goods/brisbane/wheelchair/k0c183193005721](http://www.gumtree.com.au/s...goods/brisbane/wheelchair/k0c183193005721) →  
 Find wheelchair ads in our Miscellaneous Goods category from Brisbane ... New Self  
 Propelled Wheelchair for Sale Brisbane City Brisbane North West Preview.

**wheelchair in Brisbane Region, QLD | Gumtree Australia Free Local ...**  
[www.gumtree.com.au/s-brisbane/wheelchair/k03005721](http://www.gumtree.com.au/s-brisbane/wheelchair/k03005721) →  
 Find wheelchair ads from Brisbane Region, QLD. Buy and sell ... 2010 Merc Vito  
 Low Roof Extra LWB Turbo Diesel AUTO Van for sale in Brisbane Queensland.

**mobility scooters, wheelchairs, walkers, lift chairs, back pain, beds ...**  
[www.independentliving.com.au/](http://www.independentliving.com.au/) →  
 ... disabled products, home healthcare, wheelchairs, shower stools, brisbane, ... All  
 sales, warranty work and under guarantee exchanges or refunds will be ...

**MobilityRentals & Sales - rent hire rental wheelchairs rollators ...**  
[mobilityrentals.com.au](http://mobilityrentals.com.au) → Products →  
 Rent mobility aids equipment, rollators, walking aids, wheelchairs, for short or long  
 term rental from MobilityRentals & Sales. ... And now you can rent or hire your mobility  
 aid equipment in Brisbane. In fact, we can deliver to anywhere in ...

**Wheelchairs for sale in Australia - AJM Home Health Care**  
[www.mobsol.com.au/c6091/1/wheelchairs.html](http://www.mobsol.com.au/c6091/1/wheelchairs.html) →  
 Wheelchairs for sale and available for delivery Australia wide. Any wheelchair is  
 available for purchase online 24 / 7 and is backed with a full warranty.

**Health & Beauty > Medical, Special Needs > Wheelchairs | eBay**  
[www.ebay.com.au/sch/Wheelchairs-/192651.html](http://www.ebay.com.au/sch/Wheelchairs-/192651.html) →  
 50+ Items - Wheelchairs, ↳ Medical, Special Needs, ↳ Health & Beauty ...  
 KM8000 Standard Lightweight Wheelchair. AU \$500.00. Pickup only: Free  
 Newly ListedNew Wheelchair Bag. AU \$43.95. +AU \$9.95 postage

**Equipment: Second hand disability equipment for sale, Australia**  
[www.e-bility.com](http://www.e-bility.com) → Services & products → Classifieds →  
 Buy and sell second hand wheelchairs, electric scooters, wheelchair accessible ...  
 Location: Bundsberg, QLD ... Rollerchair adult electric wheelchair for sale.

**Mobility And You: Wheelchairs Brisbane**  
[www.mobilityandyou.com.au/](http://www.mobilityandyou.com.au/) →  
 Looking for quality mobility equipment in Brisbane? Look no further than Mobility And  
 You, call us on 1300 366 096.

**rent or hire a wheelchair in Brisbane**  
[rentalshirerwheelchairsbrisbane.com.au/](http://rentalshirerwheelchairsbrisbane.com.au/) →  
[rentalshirerwheelchairsbrisbane.com.au](http://rentalshirerwheelchairsbrisbane.com.au). You are here: Wheelchairs Brisbane ...  
 This website is maintained and operated by Mobility Rentals & Sales

**Brisbane : Medical & disability Buy & Sell : Mobility Scooters ...**  
[brisbaneexchange.com.au/classifieds/Buy-&Sell.../4007.html](http://brisbaneexchange.com.au/classifieds/Buy-&Sell.../4007.html) →  
 Brisbane Exchange Home. Medical & Mobility. Buy & sell Brisbane mobility scooters,  
 walkers, wheelchairs, hospital beds & other medical ... Garage Sales.

Ads ⓘ

**Mobility Scooters Aust.**  
[www.liftbedchair.com.au/](http://www.liftbedchair.com.au/) →  
 Performance Medium Portable models  
 Free delivery in NSW QLD and VIC

**Used Wheelchairs**  
[www.ask.com/Used+Wheelchairs](http://www.ask.com/Used+Wheelchairs) →  
 Search for Used Wheelchairs.  
 Look Up Popular Results Now!

**Super cheap Wheelchair**  
[www.au.wheelchairs.best-price.com/](http://www.au.wheelchairs.best-price.com/) →  
 Get cheap Wheelchairs & save now!  
 BEST-PRICE.com - the shop expert.

**Mobility Aids**  
[www.superpharmacyplus.com.au/](http://www.superpharmacyplus.com.au/) →  
 Hire and Sale  
 - Seniors Discounts  
 ☎ 621 Stafford Rd, Stafford QLD  
 (07) 3355 3052

**Lightweight Wheelchairs**  
[www.info.com.au/LightweightWheelchairs](http://www.info.com.au/LightweightWheelchairs) →  
 Get Lightweight Wheelchairs Info.  
 Access 4 Search Engines At Once.

**New: Wheelchairs Lightweight**  
[wheelchairs.cheaperoz.com/](http://wheelchairs.cheaperoz.com/) →  
 Save Big On Wheelchairs Lightweight:  
 Massive Selection & Ultra-Cheap!

**eBay Wheelchairs?**  
[scootersmart.com.au/eBay+Wheelchairs?](http://scootersmart.com.au/eBay+Wheelchairs?) →  
 We've Helped 1000's of Australians  
 Get Mobile. Scooters From \$995

**Wheelchair Sale Cheap**  
[www.callbox.com.au/](http://www.callbox.com.au/) →  
 Want to Pay a Low Price? Of Course.  
 Get Deals for Wheelchair Sale!

[See your ad here >](#)

Source: Google www search 5 September 2013

**Table C6: Number of listings by type of listing of 'wheelchairs for sale Brisbane'<sup>52</sup>**

<i>Type of Listing</i>	<i>Number of Listings</i>
Resale sites (eg. e-bay, gumtree, e-bilty, calbex, cheeperoz)	9
Australian supplier with product prices	3
Australian supplier without product prices	5
Overseas supplier with product prices	1
Australian supplier directory sites	2
Australian rental/hire	1

Source: Google www search 5 September 2013

As noted in Chapter 5.2, some Australian websites are well developed. However, these suppliers do not always display prices for all products. Of the 20 products shown in a part-listing of Austech's wheelchair web page, shown in Figure C3, only nine are priced.

---

<sup>52</sup> Refer to Google www search for 'Wheelchairs for Sale Brisbane' (5 September 2013) listing in Figure C2.



Figure C3: Part-listing of Austech's webpage for wheelchairs showing both priced and un-priced products

HEAD OFFICE  
Unit 1, 88 Learjet Drive  
CABOOLTURE QLD 4510  
Phone: (07) 5495 8663  
Fax: (07) 5495 8273

**AUSTECH**  
MEDICAL PTY LTD

SHOWROOM  
\* Opening Soon \*  
At our new  
Head Office





















HOME SPARE PARTS PRODUCTS LATEST NEWS ONLINE ORDERING Quick Search

Wheelchair Manual

Filter by: All Manufacturers Sort by: Default

Navigation > Product Search > All Categories > WHEELCHAIR > MANUAL

Click on any thumbnail displayed below to read more about that product.

 <p><b>AUSCARE Shopper 12 Extra Wide Transit</b> Features: Fold down backrest, Flipback / Removable armrests, Attendant Brakes Weight of Chair: 13.5kg frame (13kg with legrests) Overall Seat Width: 640mm Seat width: 640mm</p> <p><b>\$ 410.00</b></p> <p>Code : AUSWHE0718 GST Free</p>	 <p><b>DAYS Swift Wheelchair 14x16</b> The Days Healthcare Swift has been designed to be a light, practical and easy to transport wheelchair, making it an ideal occasional use chair for both indoor and outdoor use. Its...</p> <p><b>\$ 375.00</b></p> <p>Code : 338SP14 GST Free</p>	 <p><b>DAYS Swift Wheelchair 16x16</b> The Days Healthcare Swift has been designed to be a light, practical and easy to transport wheelchair, making it an ideal occasional use chair for both indoor and outdoor use. Its...</p> <p><b>\$ 375.00</b></p> <p>Code : 338SP16 GST Free</p>	 <p><b>DAYS Swift Wheelchair 18x16</b> The Days Healthcare Swift has been designed to be a light, practical and easy to transport wheelchair, making it an ideal occasional use chair for both indoor and outdoor use. Its...</p> <p><b>\$ 375.00</b></p> <p>Code : 338SP18 GST Free</p>	 <p><b>DAYS Swift Transit Wheelchair</b> The Days Healthcare Swift has been designed to be a light, practical and easy to transport wheelchair, making it an ideal occasional use chair for both indoor and outdoor use. Its...</p> <p><b>\$ 395.00</b></p> <p>Code : 338T18 GST Free</p>
 <p><b>DAYS Link Wheelchair (Bariatric)</b> Lightweight adaptable wheelchair suitable for full-time users and is designed for maximum practicality and adjustability. * 17 inch seat depth * Swing in/out legrests * Swing O...</p> <p>Code : V-ANI-DAYWHCWR1 GST Free</p>	 <p><b>INVACARE Azalea Assist</b> The Res Azalea is the natural choice for the moderately active user as well as for the more passive one. The comfortable seating system allows the user to alter the seat posit...</p> <p>Code : AzaleaA GST Free</p>	 <p><b>INVACARE Azalea Tall</b> The Res Azalea Tall is specially designed to meet the needs of tall users who require a 19 inch seat depth wheelchair with a longer seat support. Adapted from the Res Azalea, the Res Azal...</p> <p>Code : AzaleaT GST Free</p>	 <p><b>INVACARE Kuschall Compact</b> Foldable, Functional, Compact. The Kuschall Compact is a swing-away wheelchair for active users who require a higher level of configurability and comfort. It is a reliable <b>MASS Approved</b></p> <p>Code : DOP012 GST Free</p>	 <p><b>INVACARE Kuschall Ultra-Light</b> The Kuschall Ultra-Light is a light and compact chair designed to suit an active lifestyle, improving both high mobility and independence. The revolutionary "one finger" function is <b>MASS Approved</b></p> <p>Code : DOU0010 GST Free</p>
 <p><b>INVACARE Freedom NXT</b> Creative thinking beyond tilt-in-space. Freedom Designs, an Invacare owned company since 2004, is proud to launch the very latest in lightweight manual folding chairs. A hybrid by <b>MASS Approved</b></p> <p>Code : NXT-34000 GST Free</p>	 <p><b>INVACARE Solara 3G / Spree 3G Tilt in Space</b> The Invacare Solara 3G Tilt-In-Space Wheelchair offers more adjustability and is easier to tilt as compared to the previous generation Solara wheelchair. With a 300lb standard vel...</p> <p>Code : Solara3G GST Free</p>	 <p><b>KARMA Karma 3000 series Transit</b> The Karma 3320P14 is a transit (attendant) folding frame wheelchair with a total weight of 14.3kg. Features include: Flipback armrests with swing in/out table, 7 inch front wheels...</p> <p><b>\$ 450.00</b></p> <p>Code : KM-3320P14 GST Free</p>	 <p><b>KARMA Karma 3000 series</b> The Karma 3320P24 is a folding frame wheelchair with a total weight of 14.7kg. Features include: Flipback armrests with swing in/out table and also function as slant guards 7 inch...</p> <p><b>\$ 450.00</b></p> <p>Code : KM-3320P24 GST Free</p>	 <p><b>KARMA Karma Eagle</b> The Karma Eagle is a lightweight, durable and reliable manual wheelchair that supports up to 130kg with quick release wheels and folding frame. 5 year warranty on the frame. Set...</p> <p><b>\$ 499.00</b></p> <p>Code : KM8020 GST Free</p>
 <p><b>KARMA Karma Eagle (Folding Back)</b> The Karma Eagle is a lightweight, durable and reliable manual wheelchair that supports up to 130kg with quick release wheels and folding frame with top down backrest and height ad...</p> <p><b>\$ 999.00</b></p> <p>Code : KM8520 GST Free</p>	 <p><b>OTTO BOCK Start M1 Intro Adaptive Wheelchair</b> The Start M1 Intro is the entry level model of the Start series. It is the first one in this product family, but with its design it is definitely more than just a basic chair. No spe...</p> <p>Code : 480F53-10101 GST Free</p>	 <p><b>OTTO BOCK Start M4 XXL Adaptive Wheelchair</b> The Start M4 XXL is the robust model among the standard adaptive wheelchairs. With its stable double crossbars and the reinforced rear <b>MASS Approved</b></p> <p>Code : 480F53-40000 GST Free</p>	 <p><b>OTTO BOCK Start M5 Comfort Adaptive Wheelchair</b> The Start M5 Comfort is constructed according to the specific wishes of the customer and offers the <b>MASS Approved</b></p> <p>Code : 480F53-50000 GST Free</p>	 <p><b>OTTO BOCK Start M6 Junior Adaptive Wheelchair</b> The Start M6 Junior is precisely tailored to the requirements of children. Its outstanding features include adjustable seat depth settings, clea <b>MASS Approved</b></p> <p>Code : 480F53-60000 GST Free</p>

Source: Google www search 5 September 2013

## QCA online price sample

Chapter 5 refers to a comparison of Australian and overseas online prices. Details of the prices for the 35 products sampled by QCA and comparisons between highest and lowest costs are shown excluding delivery cost in Tables C7 and including delivery costs in Table C8.

For the Draft Report, prices and exchange rates were based on observations as at 25 October 2013. Given the material change in exchange rates since the Draft Report, prices and exchange rates were re-observed on 20 January 2014. Tables C7 and C8 include details of the lowest overseas prices published in the Draft Report to assist in identifying the impact on prices of the change in exchange rates since 25 October 2013.

**Table C7: Price comparison for Australian and overseas products (excluding delivery costs)**

<i>Product</i>	<i>No. of observations (Australia/Overseas)</i>	<i>Lowest Australian Price</i>	<i>Highest Australian Price</i>	<i>Difference Between Highest and Lowest Australian Price</i>	<i>Difference between Highest and Lowest Australian price as % Lowest Price</i>	<i>Lowest Overseas Price as at 25 October 2013</i>	<i>Lowest Overseas Price as at 20 January 2014</i>	<i>Country with Lowest Price<sup>53</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price<sup>53</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price as % Lowest Price<sup>53</sup></i>
<b>Daily living aids</b>										
Hoist A	4/2	\$2360	\$2899	\$539	23%	\$2010	\$2237	UK	\$123	6%
Hoist B	2/2	\$2345	\$2995	\$650	28%	\$1169	\$1301	UK	\$1044	80%
Hoist C	2/2	\$2845	\$2995	\$150	5%	\$1254	\$1396	UK	\$1449	104%
Hoist sling	0/1	na	na	na	na	\$228	\$250	Canada	na	na
Shower chair	1/1	\$289	na	na	na	\$99	\$108	US	\$181	167%
Bath transfer bench	3/1	\$152	\$153	\$1	1%	\$105	\$116	US	\$36	31%
Mattress overlay	0/2	na	na	na	na	\$459	\$399	US	na	na

<sup>53</sup> As at 20 January 2014.

<i>Product</i>	<i>No. of observations (Australia/ Overseas)</i>	<i>Lowest Australian Price</i>	<i>Highest Australian Price</i>	<i>Difference Between Highest and Lowest Australian Price</i>	<i>Difference between Highest and Lowest Australian price as % Lowest Price</i>	<i>Lowest Overseas Price as at 25 October 2013</i>	<i>Lowest Overseas Price as at 20 January 2014</i>	<i>Country with Lowest Price<sup>53</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price<sup>53</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price as % Lowest Price<sup>53</sup></i>
Air mattress overlay	1/1	\$1435	na	na	na	\$1320	\$1469	Australia	(\$34)	(2%)
Air mattress system	1/1	\$2750	na	na	na	\$2346	\$2985	Australia	(\$235)	(9%)
Bedding system	1/2	\$3500	na	na	na	\$2573	\$2822	US	\$678	24%
Speech generator	2/2	\$6750	\$6850	\$100	1%	\$5381	\$5990	UK	\$760	13%
Bedside commode A	3/2	\$168	\$225	\$57	34%	\$155	\$172	Australia	(\$4)	(3%)
Bedside commode B	0/2	na	na	na	na	\$67	\$75	UK	na	na
Mobile shower chair	3/3	\$1080	\$1145	\$65	6%	\$785	\$874	UK	\$206	24%
Pressure cushion	3/1	\$750	\$795	\$45	6%	\$497	\$545	US	\$205	38%
Average for daily living aids (simple average)					13%					39%
<b>Mobility aids</b>										
Manual wheelchair A	1/2	\$2236	na	na	na	\$1278	\$1401	US	\$835	60%
Manual wheelchair B	1/1	\$3326	na	na	na	\$2296	\$2518	US	\$808	32%
Manual wheelchair C	0/2	na	na	na	na	\$3299	\$3618	US	na	na
Manual wheelchair D	0/2	na	na	na	na	\$858	\$955	UK	na	na
Manual wheelchair E	0/3	na	na	na	na	\$1278	\$1401	US	na	na
Manual wheelchair F	0/3	na	na	na	na	\$1782	\$1954	US	na	na



<i>Product</i>	<i>No. of observations (Australia/ Overseas)</i>	<i>Lowest Australian Price</i>	<i>Highest Australian Price</i>	<i>Difference Between Highest and Lowest Australian Price</i>	<i>Difference between Highest and Lowest Australian price as % Lowest Price</i>	<i>Lowest Overseas Price as at 25 October 2013</i>	<i>Lowest Overseas Price as at 20 January 2014</i>	<i>Country with Lowest Price<sup>53</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price<sup>53</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price as % Lowest Price<sup>53</sup></i>
Powered wheelchair A	0/2	na	\$na	na	na	\$5886	\$6551	UK	na	na
Powered wheelchair B	0/1	na	na	na	na	\$5937	\$6209	Canada	na	na
Powered wheelchair C	0/1	na	na	na	na	\$6222	\$6925	UK	na	na
Powered wheelchair D	1/2	\$5800	na	na	na	\$3279	\$3650	UK	\$2150	59%
Powered wheelchair E	1/1	\$12995	na	na	na	\$8104	\$8886	US	\$4109	46%
Powered wheelchair F	0/1	na	na	na	na	\$6560	\$7193	US	na	na
Average for mobility aids (simple average)					na					49%
<b>Continence aids</b>										
Continence aid A	6/2	\$19.50	\$28.00	\$8.50	44%	\$19.16	\$20.72	Australia	(\$1.22)	(6%)
Continence aid B	3/2	\$16.25	\$23.00	\$6.75	42%	\$14.54	\$15.94	US	\$0.31	2%
Continence aid C	3/3	\$25.69	\$36.24	\$10.55	41%	\$18.04	\$20.08	UK	\$5.61	28%
Continence aid D	4/4	\$12.30	\$14.30	\$2.00	16%	\$10.97	\$6.24	UK	\$6.06	97%
Continence aid E	4/5	\$25.17	\$29.70	\$4.53	18%	\$16.37	\$18.22	UK	\$6.95	38%
Catheter	2/3	\$12.65	\$14.10	\$1.45	11%	\$12.42	\$14.30	Australia	(\$1.65)	(13%)
Night bag	5/2	\$3.85	\$5.91	\$2.06	54%	\$3.03	\$3.37	UK	\$0.48	14%
Leg bag	2/3	\$10.25	\$11.70	\$1.45	14%	\$5.44	\$5.97	US	\$4.28	72%

<b>Product</b>	<b>No. of observations (Australia/ Overseas)</b>	<b>Lowest Australian Price</b>	<b>Highest Australian Price</b>	<b>Difference Between Highest and Lowest Australian Price</b>	<b>Difference between Highest and Lowest Australian price as % Lowest Price</b>	<b>Lowest Overseas Price as at 25 October 2013</b>	<b>Lowest Overseas Price as at 20 January 2014</b>	<b>Country with Lowest Price<sup>53</sup></b>	<b>Difference Between Lowest Australian Price and Lowest Overseas Price<sup>53</sup></b>	<b>Difference Between Lowest Australian Price and Lowest Overseas Price as % Lowest Price<sup>53</sup></b>
Average for continence aids (simple average)					30%					29%
Average for all products (simple average)					21%					38%

Source: QCA internet search, 25 October 2013 and 20 January 2014

Note: All dollar prices are rounded. The percentage changes are calculated from the unrounded values.

**Table C8: Price comparison of Australian and overseas products (including delivery costs)**

<i>Product</i>	<i>No. of observations (Australia/Overseas)</i>	<i>Lowest Australian Price</i>	<i>Lowest Overseas Price (\$AUD) as at 25 October 2013</i>	<i>Lowest Overseas Price (\$AUD) as at 20 January 2014</i>	<i>Overseas Country with Lowest Price<sup>54</sup></i>	<i>Country with Lowest Price<sup>54</sup></i>	<i>Difference Between Lowest Australian and Lowest Overseas Price<sup>54</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price as % Lowest Price<sup>54</sup></i>
<i>Daily living aids</i>								
Hoist A	4/2	\$2427	\$2349	\$2615	UK	Australia	(\$187)	(8%)
Hoist B	2/2	\$2393	\$1702	\$1895	UK	UK	\$499	26%
Hoist C	2/2	\$2908	\$1946	\$2166	UK	UK	\$742	34%
Hoist sling	0/1	na	\$235	\$269	Canada	na	na	na
Shower chair	1/1	\$315	\$120	\$131	US	US	\$183	140%
Bath transfer bench	3/1	\$194	\$439	\$482	US	Australia	(\$288)	(148%)
Mattress overlay	0/2	na	\$697	\$659	US	na	na	na
Air mattress overlay	1/1	\$1444	\$1450	\$1613	UK	Australia	(\$169)	(12%)
Air mattress system	1/1	\$2759	\$2627	\$3299	UK	Australia	(\$540)	(20%)
Bedding system	1/2	\$3516	\$2658	\$2914	US	US	\$602	21%
Speech generator	2/2	\$6767	\$5403	\$6014	UK	UK	\$752	13%
Bedside commode A	3/2	\$198	\$284	\$316	UK	Australia	(\$118)	(59%)
Bedside commode B	0/2	na	\$197	\$219	UK	na	na	na
Mobile shower chair	3/3	\$1080	\$1290	\$219	UK	Australia	(\$356)	(33%)

<sup>54</sup> As at 20 January 2014.

<i>Product</i>	<i>No. of observations (Australia/ Overseas)</i>	<i>Lowest Australian Price</i>	<i>Lowest Overseas Price (\$AUD) as at 25 October 2013</i>	<i>Lowest Overseas Price (\$AUD) as at 20 January 2014</i>	<i>Overseas Country with Lowest Price <sup>54</sup></i>	<i>Country with Lowest Price <sup>54</sup></i>	<i>Difference Between Lowest Australian and Lowest Overseas Price <sup>54</sup></i>	<i>Difference Between Lowest Australian Price and Lowest Overseas Price as % Lowest Price <sup>54</sup></i>
Pressure cushion	3/1	\$759	\$552	\$605	US	US	\$154	25%
Average for daily living aids (simple average)								(2%)
<b>Mobility aids</b>								
Manual wheelchair A	1/2	\$2339	\$1617	\$1773	US	US	\$566	32%
Manual wheelchair B	1/1	\$3338	\$2700	\$2960	US	US	\$378	13%
Manual wheelchair C	0/2	na	\$3686	\$4042	US	na	na	na
Manual wheelchair D	0/2	na	\$1092	\$1564	UK	na	na	na
Manual wheelchair E	0/3	na	\$1628	\$1785	US	na	na	na
Manual wheelchair F	0/3	na	\$1993	\$2185	US	na	na	na
Powered wheelchair A	0/2	na	\$6974	\$7762	UK	na	na	na
Powered wheelchair B	0/1	na	\$7184	\$7137	Canada	na	na	na
Powered wheelchair C	0/1	na	\$7310	\$8137	UK	na	na	na
Powered wheelchair D	1/2	\$5833	\$3877	\$4315	UK	UK	\$1517	35%
Powered wheelchair E	1/1	\$13 155	\$8727	\$9570	US	US	\$3585	37%
Powered wheelchair F	0/1	na	\$7313	\$8019	US	na	na	na
Average for mobility aids (simple average)								29%
<b>Contenance aids</b>								
Contenance aid A	6/2	\$26.45	\$26.86	\$29.05	NZ	Australia	(\$2.60)	(10%)

<b>Product</b>	<b>No. of observations (Australia/Overseas)</b>	<b>Lowest Australian Price</b>	<b>Lowest Overseas Price (\$AUD) as at 25 October 2013</b>	<b>Lowest Overseas Price (\$AUD) as at 20 January 2014</b>	<b>Overseas Country with Lowest Price <sup>54</sup></b>	<b>Country with Lowest Price <sup>54</sup></b>	<b>Difference Between Lowest Australian and Lowest Overseas Price <sup>54</sup></b>	<b>Difference Between Lowest Australian Price and Lowest Overseas Price as % Lowest Price <sup>54</sup></b>
Continence aid B	3/2	\$16.25	\$26.78	\$28.95	NZ	Australia	(\$12.70)	(78%)
Continence aid C	3/3	\$26.95	\$35.53	\$39.55	UK	Australia	(\$12.60)	(47%)
Continence aid D	4/4	\$12.42	\$27.77	\$30.03	NZ	Australia	(\$17.60)	(142%)
Continence aid E	4/5	\$26.85	\$38.65	\$43.02	UK	Australia	(\$16.17)	(60%)
Catheter	2/3	\$19.60	\$25.67	\$28.83	US	Australia	(\$9.23)	(47%)
Night bag	5/2	\$4.25	\$16.06	\$17.87	UK	Australia	(\$13.62)	(321%)
Leg bag	2/3	\$17.20	\$11.59	\$12.12	US	US	\$5.08	42%
Average for continence aids (simple average)								(83%)

Source: QCA internet search, 25 October 2013 and 20 January 2014

Note: All dollar prices are rounded. The percentage changes are calculated from the unrounded values.

## APPENDIX D: INTERNATIONAL COMPARISONS

In most countries, there is a strong belief that government should provide assistance to people with disabilities. The UN Convention on the Rights of Persons with Disabilities encourages signatories to establish government programs to provide people with disability with the aids and equipment required to become active members of society.

Among Western countries, many governments have programs for supplying aids and equipment to people with disabilities. Applicants tend to follow a standard set of procedures before being granted an assistive device. For instance, most programs require applicants to meet a set of eligibility criteria and many programs include some form of government procurement.

Nevertheless, there are some differences in the programs of other countries. In terms of funding, programs vary between direct government procurement, low-interest financing programs, subsidisation of all or majority of item cost, and payments of annual grants directly to consumers.

Examples of some aids and equipment programs that illustrate the different approaches include:

- Enable New Zealand uses a truncated supply chain model, allowing them to directly contract with importers/distributors
- Sweden and United Kingdom have a voucher system which gives end-users greater freedom in choice of aids and equipment
- In the Netherlands, the private health insurance sector has a major role in providing aids and equipment
- Most European countries operate a public database of aids and equipment available with information on manufacturer, pricing, and specifications.

Programs in a sample of countries are briefly discussed below and summarised in Table D1.

### New Zealand

In New Zealand, the Ministry of Health provides funding centrally via Disability Support Services to disabled people throughout New Zealand. Enable New Zealand, an operating division of the MidCentral District Health Board, manages around two thirds of the total funding on behalf of the Ministry for Health and is the country's largest provider of aids and equipment, with more than \$16 million spent on the procurement of 32 251 items . In 2009, it adopted a new approach to buying powered wheelchairs, by using a three-year panel supply agreement with a group of three suppliers. Under this arrangement, Enable New Zealand realised savings of approximately 15 per cent on the purchase price, which made it possible to purchase an additional 49 powered wheelchairs (Enable New Zealand 2010).

Enable New Zealand also reported cost savings and other benefits from using a truncated supply chain model. This procurement model allows Enable New Zealand to bypass retailers and instead purchase directly from an importer or manufacturers, thus reducing the costs. Since this approach carries some risk, Enable New Zealand is using this procurement process for simple, standard products such as shower chairs, and self-propelling/transits wheelchairs. Under this arrangement, savings of between 30 and 40 per cent are being reported (Jenny Pearson & Associates 2013, pp. 34). In addition to cost savings, a truncated supply chain model offers the benefit of working directly with the importers and manufactures. Enable New Zealand has been able to make changes to the design and features of particular products.

## Canada

In Ontario, Canada, the Ministry of Health and Long-Term Care administers the Assistive Devices Program, which aims to provide residents with long-term disability with the support and funding required to obtain personalised aids and equipment. Access to the program usually involves first being diagnosed by a physician, followed by an assessment by an "authoriser" who prescribes the client with the appropriate medical device. The program is generally viewed to be similar to the MASS program in Australia.

In 2009, a commissioned audit of the Assistive Devices Program found that the price of mobility aids varied significantly from vendor to vendor. The average mark-up was 84 per cent, which was significantly higher than the 33.3 per cent set out by the program as reasonable (Office of the Auditor General 2009, p. 63). In response, the program implemented a new pricing approach called the fixed pricing model under which vendors are not allowed to charge more than the program approved prices.

## United Kingdom

In the United Kingdom, where a person is assessed as needing an item, the aid or equipment is provided free of charge through local authorities. In June 2006 the Department of Health launched the *Transforming Community Equipment Services* (TCES) initiative to change the way 'simple aids to daily living' were provided to consumers. The TCES allows local authorities and the National Health Service to issue the person with disability a prescription that can be exchanged for equipment at an accredited retailer. Prior to being issued with a prescription, consumers need to be assessed by their local NHS services to identify their need for community equipment. The prescription can then be redeemed at local accredited retailers, which are registered by the Community Equipment Dispenser Accreditation Body.

The new distribution model is only used for less complex and low cost items, which are referred to as simple aids for daily living. A national catalogue describes the basic equipment list and tariff price.

Through this initiative, the government aims to broaden the sources of supply of community equipment and encourage a network of accredited retailers (Cullen, McAnaney, Dolphin, Delaney, and Stapleton 2012, p. 59).

## United States

There are various aids and equipment subsidy programs operating in the United States. Each state tends to administer their own Medicaid state plan with varying levels of financial assistance and support; however, most state programs follow a similar procurement and distribution system. For instance, in Maryland, the Maryland Department of Disability provides free aids and equipment services to every resident with a disability, through its Disabilities Technology Assistance Program (DTAP). These services include equipment demonstration, equipment loan, device-exchange program, and training and public awareness initiatives. This program also includes two low-interest financing program for the purchase of aids and equipment and access to cooperative buying discounts on purchases (Jenny Pearson & Associates 2013, p. 107).

A number of federal Government programs also operate in the United States. The largest program, operated by the Department of Veterans Affairs, provides disability services (including the provision of aids and equipment) to eligible military veterans. The program uses Government-wide procurement contracts covering more than one million services and products to supply aids and equipment to veterans.

## Netherlands

Unlike conventional disability equipment and aid procurement systems, the Dutch have a system where private insurance companies and municipalities have a central role in the provision of aids and equipment

for individuals with disability. There is also a national health insurance scheme which covers major medical expenses not covered by private health insurance (Cullen, McAnaney, Dolphin, Delaney, and Stapleton 2012, p. 71). By law, everyone living in the Netherlands is required to have private health insurance and a large number of private insurance companies compete in the market. For those with low income, the government provides financial support towards their premium. The insurance companies are required to offer a standard package of cover to all insurance holders. This standard package includes a variety of aids and equipment which are defined by ministerial regulations. In terms of procurement, the insurance companies are responsible for negotiating contracts with suppliers. Often the insurer signs a contract for a cluster of devices to gain a greater discount. From an efficiency perspective, costs savings are derived from the insurance provider securing low cost aids and equipment through bulk purchasing. Municipalities follow a similar strategy when purchasing aids and equipment from suppliers through the use of bulk purchase contracts (Cullen, McAnaney, Dolphin, Delaney, and Stapleton 2012, p. 138). While this system has significantly reduced the cost of disability care for the government, critics of the system claim that this may lead to a reduction in the quality of the products and services that end users receive.

## Denmark

Under the Social Services Act, the municipalities are responsible for providing aids and equipment and related support services. The system in Denmark is based on the principle that aids and equipment services should be provided regardless of age or income (NSH 2007, p. 16). It is generally provided to those who need it for free. In addition, it is also the responsibility of the municipalities to provide advice on technologies available to people with disabilities as well as instructions on how to use them.

In terms of procurement, every municipality purchases assistive devices and runs its own warehouses through which recycled assistive devices are offered. There is, however, a tendency for more and more municipalities to lease their assistive devices from private suppliers that have set up warehousing functions, or for a number of municipalities to join forces and enter into collective procurement contracts and warehousing functions (NSH 2007, p. 27).

Recently, the government has recognised the benefits of greater choice in relation to aids and equipment. Users now have the ability to select a supplier for particular products and be reimbursed for an amount up to the specified price in municipality contracts.

To assist with the procurement process and strengthen the knowledge base of aids and equipment, the county councils have also established the Danish Centre for Technical Aids for Rehabilitation and Education ([www.hmi.dk](http://www.hmi.dk)). This is a nation-wide knowledge centre which maintains a national database of aids and equipment on Danish markets. It contains information relating to products, suppliers, prices and pictures of product. This database is available for free and can be accessed by all members of the public. Information is also shared between other European databases such as the European AT Information Network (EASTIN), and Norway's Hjelpemiddeldatabasen.

## Norway

In Norway, the provision of aids and equipment is funded by the state under the national social insurance scheme. The Ministry of Labour and Social Inclusion, and the Norwegian Labour and Welfare Service (NAV) are mainly responsible for the provision of aids and equipment. In each of the 19 counties in Norway, NAV operate Assistive Technology Centres which are responsible for services such as providing advice, repairs, and technical services and maintenance of AT devices in cooperation with the local communities. The municipalities are responsible for identifying the needs of residents with disabilities and training them (Cullen, McAnaney, Dolphin, Delaney, and Stapleton 2012, p. 84).

When people apply for aids and equipment, they usually undergo an assessment by a medical practitioner who provides a prescription. Once the assessment is completed, an application form is sent to the



Assistive Technology Centre for evaluation and approval. If successful, the product is delivered to the applicant. No costs are incurred by the user. The equipment is lent to the user and has to be returned if there is no further use (NSH 2007, p. 52).

Products are usually chosen from a list of products for which pricing agreements with suppliers have been established. NAV is responsible for entering into these agreements. Framework agreements are used by NAV where there is a strong emphasis on quality rather than price. One benefit of this is that it allows substantial re-use of assistive devices. On average, 31 per cent of the products supplied by NAV were second-hand in 2010 (Cullen, McAnaney, Dolphin, Delaney, and Stapleton 2012, p. 139).

Since the implementation of new EU procurement directives, the prices of aids and equipment have fallen. For instance, competition among the suppliers to get a framework agreement with NAV has become harder, thus driving prices down.

## Sweden

Sweden has a voucher system for three of its counties. Under this system, the person with disability is first assessed, establishing if they have a need for a product and/or have a device that is in need of replacement. The person with a disability should also demonstrate sufficient ability to choose their own aids and equipment (Deloitte and AbilityNet 2012).

Once assessed and approved, the person receives a voucher to acquire a product that meets their need. The person is responsible for choosing, purchasing and maintaining the product. The amount of the voucher is determined by the county council, and is set at the amount the county council pays for a similar product and an additional handling fee to cover the difference that may occur due to the fact that county councils may pay less through volume contracts (Deloitte and AbilityNet 2012). The person has the option of buying a more expensive device by topping up the difference between the purchase price and the amount on the voucher. Each aid is assigned a maintenance budget, which the user can use as they wish.

Under this system, consumers become the decision makers, with retailers having direct contact with the consumers. This arrangement promotes the idea that people with disability are the best placed to understand their own needs. The role of the medical and social services is primarily to provide funding and advice (Deloitte and AbilityNet 2012).

Evidence of increased competition has been observed, and the average price charged by producers has fallen (Deloitte and AbilityNet 2012). Furthermore, the overall costs of funding did not increase.

## The European Union

In 2011, the European Commission released a review of the market for assistive information communication technologies (ICT). The review highlighted a number of 'lessons' for government programs (Box D1).

**Box D1: Lessons from the European Commission review of the market for assistive ICT**

- The review identified price disparities within the European Union and found that they were, in part, caused by the different disability service delivery models used by member countries.
- Government agencies are the largest group of buyers for aids and equipment. They tend to use various forms of public tendering to acquire these products at a lower cost. This, however, may lead companies to see the public administration as their main client, instead of people with disability. It may have contributed to market distortions, essentially creating competition FOR the market instead of competition IN the market.
- An alternative model to encourage competition in the market is to move towards a consumer-oriented model. By having end-users decide what aids and equipment are purchased, it empowers consumers to make informed decisions. Their disabilities can be best addressed if the choices of products available are not limited by a procurement list. Free choice will lead to increased competition and can result in lower prices. Furthermore, this model will lead companies to be more focused on targeting end-users rather than therapists and prescribers.
- The service delivery model in Sweden is an excellent representation of the consumer-orientated model. People with disabilities are given vouchers and have the option to exchange the vouchers for suitable assistive devices at their choice of AT supplier. The voucher system in Sweden has resulted in a decrease in the average price for assistive devices. The United Kingdom is moving towards a similar model.
- The lack of transparency in price formations and delivery has contributed to higher prices. As the supply chain becomes larger, prices increase.
- Producers are often unaware of the final prices charged by distributors. Furthermore, with the inclusion of after sales services (maintenance, training, and upgrades) into the retail price, it has made it hard to find comparable prices. This lack of transparency allows distributors to make high margins at the expense of the end-user and the government program providing funding. It may also deter small companies from investing in new market segments as it may be difficult for them to estimate the pay-off.

*Source: Deloitte and AbilityNet (2011).*

**Table D1 Summary of programs across selected countries**

<b>Country</b>	<b>Organisation Providing Support</b>	<b>Level of Coverage</b>	<b>Freedom of Choice</b>	<b>Procurement</b>
New Zealand	Enable New Zealand	Full coverage.	Little choice. Moving towards a model where users have greater control over what they can buy.	<ul style="list-style-type: none"> <li>• 3-year panel supply agreements</li> <li>• Truncated supply chain model</li> </ul>
Canada	Each state administers financial support for people with disability	Partial coverage. User may need to pay for some of the cost of the equipment.	Limited. 'Authoriser' assists with selection of products, usually from a registered vendor list.	Users purchase from an approved list of vendors with prices of equipment listed.
United States	State Healthcare Programs	Differs from states to state.	Little choice if using state services.	States generally have similar procurement systems involving bulk buying, competitive tendering process.
United Kingdom	National Health Services (NHS) & local authority	Full coverage. If a consumer wants something not on the national catalogue, they may have to pay the difference.	Growing. Able to select from a list of accredited retailers.	<ul style="list-style-type: none"> <li>• For simple equipment, the user receives a 'prescription' which can be exchanged at an accredited retailer</li> <li>• For complex equipment, NHS and Local authority loans the items to users</li> </ul>
Netherlands	Private health insurance companies; municipalities	Full coverage. Mainly provided by insurance companies, if not there is a national health insurance scheme that will cover the rest.	Limited. Insurance companies' bulk buy which can reduce the variety available to users.	<ul style="list-style-type: none"> <li>• Insurance companies responsible for the procurement of aids and equipment</li> <li>• Municipalities also bulk buy particular aids</li> </ul>
Denmark	AT Centres (regional & municipal)	Full coverage.	Some. Users becoming more involved in the selection of suppliers, can opt for reimbursement in cash.	<ul style="list-style-type: none"> <li>• Municipalities have contracts with suppliers</li> <li>• Individuals can decide on supplier and receive reimbursement from municipalities</li> </ul>
Norway	NAV (County Assistive Technology Centres) & Municipalities	Full coverage. Aims to provide users with products that will solve practical problems of everyday life.	Some. While users are limited to a list of approved equipment, it is possible to seek dispensation for other products.	Framework agreements with suppliers.
Sweden	County council (Voucher system)	Full coverage.	Yes. Users receive a voucher and are free to choose products.	Council does not procure products. Roles of medical and social services are to provide funding and advice.

## GLOSSARY

### A

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACTES	Australian Capital Territory Equipment Scheme
AIHW	Australian Institute of Health and Welfare
ATSA	Assistive Technology Suppliers Australasia

### C

CAEATI	Communities Aids Equipment and Assistance Technologies Initiative
CAEP	Community Aids and Equipment Program (Western Australia)
CAPS	Continence Aids Payment Scheme
CIE	Centre for International Economics
COAG	Council of Australian Governments

### D

DCCSDS	Department of Communities, Child Safety and Disability Services
DEEWR	Department of Education, Employment and Workplace Relations
DOHA	Department of Health and Ageing
DVA	Department of Veterans' Affairs

### E

EAF	Employment Assistance Fund
-----	----------------------------

### G

GST	Goods and Services Tax
-----	------------------------

### H

HRSC	House of Representatives Standing Committee on Infrastructure and Communications
------	--

### M

MASS	Medical Aids Subsidy Scheme
MTAA	Medical Technology Association of Australia Limited

**N**

NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NGO	Non-government Organisation

**O**

OBPR	Queensland Competition Authority Office of Best Practice Regulation
------	---

**P**

PC	Productivity Commission
POA	Price on Application

**Q**

QCA	Queensland Competition Authority
QDN	Queenslanders with Disability Network

**R**

RTI Act	Right to Information Act 2009
---------	-------------------------------

**S**

SOA	Standard Offer Arrangement
SWEP	Statewide Equipment Program (Victoria)

**T**

TGA	Therapeutic Goods Administration
-----	----------------------------------

---

## REFERENCES

---

- Aids and Equipment Action Alliance (2011), Policy Issues Statement 2011-2013.
- Anderson, J. & Wincoop, E. (2004), 'Trade Costs', *Journal of Economic Literature*, American Economic Association, vol. 42(3), September.
- Andrich, R. & Caracciolo, A. (2007), *Analysing the costs of individual assistive technology programmes*, July.
- Arrow, K. (1963), 'Uncertainty and the welfare economics of medical care', *The American Economic Review*, Volume 53, Issue 5, December.
- Assistive Technology Suppliers Australasia (ATSA) (2012), *Providing Assistive Technology in the National Disability Insurance Scheme*, September.
- Association for the Advancement of Assistive Technology in Europe (AAATE) (2012), *Service Delivery Systems for Assistive Technology in Europe*, October.
- Australian Bureau of Statistics (ABS) (2010), *Disability, Ageing and Carers, Australia 2009*, Cat. no. 4430.0, ABS, Canberra.
- Australian Bureau of Statistics (2011-12), *Estimates of Industry Multifactor Productivity, Australia: Detailed Productivity Estimates*, Cat. no. 5260.0.55.002, ABS, Canberra.
- Australian Competition and Consumer Commission (ACCC) (2008a), *Merger Guidelines*, November.
- Australian Competition and Consumer Commission (2008b), *Report of the ACCC inquiry into the competitiveness of retail prices for standard groceries*, July.
- Australian Competition and Consumer Commission (2011), 'Sports eyewear supplier tried to stop online retailers from discounting', Media release NR. 049/11, 15 March.
- Australian Competition and Consumer Commission (2012), 'Resale price maintenance undertakings accepted from Oticon Australia Pty Ltd', Media release NR 271/12, 19 December.
- Australian Institute of Health and Welfare (AIHW) (2003), *Disability: the use of aids and the role of the environment*, AIHW, Canberra, August.
- Australian Institute of Health and Welfare (2009), *Australia's Welfare 2009*, Australia's Welfare series, Number 9, Cat. no. AUS 117, AIHW, Canberra.
- Australian Institute of Health and Welfare (2012), *Health Expenditure Australia 2010-11*, Health and Welfare Expenditure Series, Number 47, Cat. no. HWE 56, AIHW, Canberra.
- Barnes, P. (2012), 'Productivity in Australian Manufacturing: some preliminary results', Presentation to the PC-ABS Productivity Perspectives Conference, Canberra.
- Bureau of Industry Economics (BIE) 1985, *Retail Pharmacy in Australia - An Economic Appraisal*, Research Report 17, AGPS, Canberra.
- Business Council of Australia (2013), *Action Plan for Enduring Prosperity: Full Report*, July.
- Centre for International Economics (CIE) (2012), *Prioritisation of regulatory reforms*, October.

- Chamber of Commerce & Industry Queensland (CCIQ) (2013), *Reducing the burden of Queensland's over-regulation*, June.
- Cowan, S. (2008), 'When does third degree price discrimination reduce social welfare and when does it raise it?', Department of Economics Discussion Paper, no. 410, University of Oxford, November.
- Cramton, P. and Katzman, B. (2010), 'Reducing healthcare costs requires good market design', October.
- Cullen, K., McAnaney, D., Dolphin, C., Delaney, S. and Stapleton, P. (2012), 'The provision of Assistive Technology in Ireland and other countries to support independent living across the life cycle', Work Research Centre, Dublin, February.
- D'Arcy, P., Norman, D. and Shan, S. (2012), 'Costs and margins in the retail supply chain', Bulletin, June Quarter, Reserve Bank of Australia.
- Dawson Committee (2003), *Review of the Competition Provisions of the Trade Practices Act*, January.
- Deloitte & AbilityNet (2011), *The Internal Market for Assistive ICT*, Final Report to the European Commission, March.
- Department of Housing and Public Works (2013), *Quality Assurance Handbook: Procurement Guidance*, Queensland Government, February.
- Dvir, E. & Strasser, G. (2013), 'Does marketing widen borders? Cross-country price dispersion in the European car market', May.
- Enable New Zealand (2010), 'Cost of Powered Wheelchairs to reduce', November, available at [www.enable.co.nz/news/news-items/cost-of-powered-wheelchairs-to-reduce](http://www.enable.co.nz/news/news-items/cost-of-powered-wheelchairs-to-reduce)
- Fallon, J. and Menezes, F. (2006), 'Exclusionary conduct: Theory, tests and some relevant Australian cases', *Competition and Consumer Law Journal*, v.13, pp. 197-240.
- Ferrantino, M. (2012), 'Using Supply Chain Analysis to Examine the Costs of Non-Tariff Measures (NTMs) and the Benefits of Trade Facilitation', Staff Working Paper ERSD-2012-02, World Trade Organization.
- Gloria, L. (2009), *Retail World Annual Report*, Vol. 62 no. 24, Geon Group, Sydney.
- Golub, S. and Tomasik, B. (2008), 'Measures of International Transport Cost for OECD Countries', OECD Economics Department Working Papers, no. 609, OECD Publishing, Paris.
- Hilmer, F., Rayner, M. and Taperell G. (1993), *Hilmer Report 1993*, August.
- House of Representatives Standing Committee on Infrastructure and Communications (HRSC) (2013), *At What Cost? IT Pricing and the Australia Tax*, July.
- IBIS World (2012), *Wheelchair Manufacturing in the US*, January.
- Industries Assistance Commission (IAC) (1986), *Pharmaceutical Products*, Report No. 382, AGPS, Canberra.
- Industry Commission (1997), *The Automotive Industry*, Report no. 58, Vol. I, Canberra, May.
- International Standards Organisation (ISO) (2008), 'ISO 9000 Introduction and Support Package: Guidance on the Documentation Requirements of ISO 9001:2008'.
- Jenny Pearson & Associates (2013), *Research for the National Disability Agreement Aids and Equipment Reform*, January.
- Johnston, A., Porter, D., Cobbold, T. and Dolamore, R. (2000), Productivity in Australia's Wholesale and Retail Trade, Productivity Commission Staff Research Paper, AusInfo, Canberra.

- Morgan Stanley (2011), 'Australia Retail - Internet Retailing Boom 2.0', June.
- National Commission of Audit (1996), *Report to the Commonwealth Government*, AGPS, Canberra.
- National Disability Insurance Agency (NDIA) (2014), *Operational Guidelines - Planning and Assessment - Supports in the Plan*, Version 2.0, January.
- Nordic Cooperation on Disability Issues (NSH) (2007), *Provision of Assistive Technology in the Nordic Countries*, 2nd Edition, May.
- Novak, J. Berg, C. and Wilson, T. (2010), 'The Impact and Cost of Health Sector Regulation', Australian Centre for Health Research, June.
- Office of Fair Trading (UK OFT) (1997), *Competition in Retailing*, Research Paper 13, London.
- Office of Fair Trading (2003), *The Control of Entry Regulations and Retail Pharmacy Services in the UK*, January.
- Office of Fair Trading (2004), *Assessing the impact of public sector procurement on competition*, September.
- Office of the Auditor General (Ontario) (2009), 'Report on Value-for-money Audits and Reviews', Annual Report, Assistive Devices Program, December.
- Organisation for Economic Cooperation and Development (OECD) (2006), *Barriers to Entry*, Competition Committee Policy Roundtables, Paris.
- Organisation for Economic Cooperation and Development (2007), *Taxi services: Competition and Regulation*, Competition Committee Policy Roundtables, Paris.
- Organisation for Economic Cooperation and Development (2011a), *Competition and Procurement: Key Findings*, OECD Competition Committee, Paris.
- Organisation for Economic Cooperation and Development (2011b), *Excessive Prices*, OECD Competition Committee, Paris.
- Organisation for Economic Cooperation and Development (2013), *Vertical Restraints for On-line Sales*, Policy Roundtables, September.
- Price Waterhouse Coopers (PWC) (2011), *Disability Expectations: Investing in a better life, a stronger future*, November.
- Productivity Commission (1999), *Productivity Commission Submission to the National Review of Pharmacy*, Canberra, November.
- Productivity Commission (2005a), *Impacts of Advances in Medical Technology in Australia*, Productivity Commission Research Report, Canberra.
- Productivity Commission (2005b), *Review of National Competition Policy Reforms*, Report no. 33, Canberra.
- Productivity Commission (2006a), *Economic Impacts of Migration and Population Growth*, Final Report, Canberra.
- Productivity Commission (2006b), *Standard Setting and Laboratory Accreditation*, Research Report, Canberra.
- Productivity Commission (2010), *Strengthening Evidence-based policy in the Australian Federation*, Volume 2: Background Paper, Canberra.



- Productivity Commission (2011a), *Identifying and Evaluating Regulatory Reforms*, Canberra.
- Productivity Commission (2011b), *Economic Structure and Performance of the Australian Retail Industry*, Report no. 56, Canberra.
- Productivity Commission (2011c), *Disability Care and Support*, Final Report no. 54, Canberra.
- Productivity Commission (2014), *Australia's Automotive Manufacturing Industry*, Position Paper, Canberra.
- Queensland Competition Authority (QCA) (2012), *Measuring and Reducing the Burden of Regulation*, Brisbane, August.
- Queensland Competition Authority (QCA) (2013), *Statement of Regulatory Pricing Principles*, Brisbane, August.
- Queensland Government (2013), *Regulatory Impact Statement System Guidelines*, Brisbane.
- Queensland Government (2013a), 'Access to CAEATI'. Available at [www.qld.gov.au/disability/adults/caeati-access/](http://www.qld.gov.au/disability/adults/caeati-access/)
- Queensland Government (2013b), 'Medical equipment hire'. Available at: [www.qld.gov.au/health/support/equipment/hire/index.html](http://www.qld.gov.au/health/support/equipment/hire/index.html)
- Queensland Health (2008), 'MASS - How does MASS operate?'. Available at [www.health.qld.gov.au/mass/information.asp](http://www.health.qld.gov.au/mass/information.asp)
- Queensland Health (2009), 'MASS - Who owns the aids and equipment?'. Available [www.health.qld.gov.au/mass/ownership.asp](http://www.health.qld.gov.au/mass/ownership.asp)
- Queensland Health (2010), 'MASS - Standing Offer Arrangement'. Available at: [www.health.qld.gov.au/mass/soa.asp](http://www.health.qld.gov.au/mass/soa.asp)
- Ralph J., T. (Chairman) (1979), *Pharmaceutical Manufacturing Industry Inquiry 1979*, Report, AGPS, Canberra.
- Ramseyer, M. and Rasmusen, E. (2013), 'Exclusive dealing: Before Bork, and Beyond', available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2308218](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2308218), [accessed 7 October 2013]
- Rey, P. & Verge, T. (2005), *The Economics of Vertical Restraints*, March.
- Schmalensee, R. (1981) 'Output and welfare implications of monopolistic third-degree price discrimination', *American Economic Review*, vol. 71, pp. 242-247.
- Schwartz, M. (1990), 'Third-Degree Price Discrimination and Output: Generalizing a Welfare Result', *American Economic Review*, vol. 80, pp. 1259-1262.
- Slade, M. (2008), 'The effects of vertical restraints: An evidence based approach' in *Pros and Cons of Vertical Restraints*, Swedish Competition Authority, November, Sweden.
- Sorensen, A. (2000), 'Equilibrium price dispersion in retail markets for prescription drugs', *Journal of Political Economy*, vol. 108, no. 4.
- Standing Committee on Infrastructure and Communications (SCOIC) (2013), *At What Cost? IT Pricing and the Australia Tax*, House of Representatives, Canberra, July.
- Summers, M. and Walker, L. (2013), *National Credentialing and Accreditation for Assistive Technology Practitioners and Suppliers: An Options Paper*, sponsored by ATSA and ARATA, May.

The Age (2013), 'Australia: the costs are spiralling', 23 April.

Therapeutic Goods Administration (TGA) (2011), *Australian regulatory guidelines for medical devices*, Version 1.1, May.

Therapeutic Goods Administration (TGA) (2013), 'Regulation Impact Assessment: Changes to premarket assessment requirements for medical devices', June.

Varian, H.R. (1985), 'Price Discrimination and Social Welfare', *American Economic Review*, Vol. 75, pp. 870-875.

Varian, H. R. (1996), 'Differential pricing and efficiency', *First Monday*, Vol. 1, Number 2-5, August.

Wilkinson W. (2000), *National Competition Policy Review of Pharmacy*, Report prepared for the Council of Australian Governments, February.