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Assistive Technology Suppliers Australasia Inc

**Response to the
Queensland Competition Authority's
Medical and Disability Aids
and Equipment Pricing
Draft Report**

13 January 2014

Assistive Technology Suppliers Australasia

ATSA was established in 2000 to represent the interests of AT suppliers who manufacture, import, distribute, service and hire equipment. ATSA's 83 members range from small family owned businesses to international companies.

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Copies and more information

Copies of this response to the QCA Draft Report and the initial submission to the QCA pricing investigation are available on the ATSA website: www.atsa.org.au. ATSA can also be contacted for copies, more information regarding this response, or any other issues relating to AT suppliers through Dr Michael Summers (see contact information above) at ATSA, Level 7, 91 Phillip St, PARRAMATTA, NSW 2150.

For more information about the QCA and the Pricing Investigation including the initial Discussion Paper, submissions, the Draft Report and related responses, see www.qca.org.au.

Introduction

ATSA believes that the QCA's investigation into *Medical and Disability Aids and Equipment Price Disparities* is of national significance, and presents a much needed opportunity for an independent examination of the economics of this industry. The production of an intellectually rigorous final report will be vital to capitalising on this opportunity, and ATSA looks forward to its public release as soon as possible.

The Draft Report presents much invaluable factual information about the assistive technology (AT) industry as well as an extensive overview of basic neoclassical economic theory regarding markets and potential barriers to competitive and efficient markets; such markets maximise choice and minimise costs for consumers. The Draft Report represents a significant achievement, particularly in the context of the complexities of the AT industry and the relatively short timelines involved.

ATSA supports most of the proposed recommendations, with the exceptions of 9.1.c, 9.3, and 10.4 and provides a number of suggestions to strengthen and clarify some recommendations. These are dealt with in more detail below.

ATSA's primary comments regarding the Draft Report are:

1. Many substantive facts about the AT market in Australia are well captured and presented in the body of the report.
2. Key Findings and Executive Summary do not always accurately and clearly reflect the content of the body of the report.
3. The price comparison methodology is not transparent enough, and contains flaws and limitations that are not acknowledged.
4. Analysis is incomplete (perhaps reflecting the 'Draft' and early nature of the report) and does not incorporate some key issues raised within the Draft.

Our response deals with these major comments, as well as some more specific items, including the draft recommendations.

Substantive Facts

There are many important aspects of the Australian AT market that are well documented in the Draft Report. As most of these need little amendment, they will be discussed only briefly here.

The background and commissioning of this QCA investigation is plainly stated in Chapter 1.

The importance of the different meanings of the terms 'price differences' and 'price disparities' is clear and well presented in the second chapter 'Framework for analysing price disparities'. Similarly, what constitutes 'valid price comparisons' is unambiguous and clear on the first page of this Framework chapter, although the meanings of all three concepts do get muddled and are used inconsistently as the report progresses as well as in the Key Findings and Executive Summary.

Chapter 3 describes the wide range of AT products available, and the heterogeneity of the AT market(s) well. Dimensions include products focused on different areas (e.g. personal care,

communication, mobility) as well as the continuum of product complexity from very simple off-the-shelf items through to extremely complex and one-off customised products. Typically the simple products are high volume/low cost and as complexity increases product volumes decrease and costs increase. Of particular importance is also the strong description in this chapter of the services provided by specialist AT retailers in Australia. It is also important to note that most of these services are funded through the retail price of the AT, particularly pre-sales services such as advice, in-home trials (including assembly, adjustment and delivery/pick-up), and warranty coverage. Other often hidden services covered by the retail price include training/advice to therapists, product expo's and demonstrations, show-rooms and extensive inventory to enable in-home trials, and identifying and importing new products. The customisation/modifications and ensuring that various different pieces of AT will function as a whole are also major services, as well as repairs, spares and maintenance. The important role of prescribers is also mentioned, as are the difficulties of service provision in rural and remote areas.

Similarly, Chapter 4 provides a good overview of the AT market in Australia, including the myriad of federal and state government AT programs, and the overall structure of the MASS and CAEATI programs in Qld. Reliable and meaningful data on AT expenditure is problematic, and this chapter acknowledges this although much of the data presented could easily mislead many readers. For example, the AIHW health and hospitals data that is used extensively, probably captures many items not traditionally included in AT such as eye glasses, and requires more extensive qualifications about what it may or may not actually mean. Following through on the paucity of good data in this area with a relevant recommendation to compile useful AT consumption data in the future would also be helpful.

On page 28, Figure 9 is inaccurate. At the top of the diagram on the right side is a box stating 'Consumers purchasing directly from manufacturers (e.g. internet purchases)'. To our knowledge this does not occur. Rather, consumers purchase from 'internet-only retailers', and these internet-only retailers are able to offer consumers low prices because they offer no services other than an online purchasing portal and often ship directly from the manufacturer (and any warranty problems are handled by the manufacturer not the internet-only seller – and this model is made possible only when the internet seller and manufacturer are based in the same country – see page 20 of ATSA's initial submission to this QCA investigation for more information).

Chapter 5, on price comparisons of AT, begins with a relatively complete and clear outline of some of the key factors to consider when comparing Australian with overseas prices. The problems of accessing prices for comparisons online are discussed, and it is noted that Australian websites appear under-developed and are less likely to contain full pricing details. Without more information about the actual websites used for comparisons it is not possible to know for certain, but it seems likely that this occurs because the United States (US) and United Kingdom (UK) internet sellers with the 'lowest' prices that are used for comparison by QCA are primarily 'internet-only' sellers – as internet-only sellers their websites would be meaningless without complete pricing available on all of their products, in contrast to the Australian AT supplier websites that are extensions of shopfront retail premises. But as noted elsewhere in the body of the report, prices quoted on these websites may not be the 'drive-away' prices for more complex AT from internet-only sellers, especially those based overseas, as these regularly do not include key items such as batteries, tires, and any services (pre- or post-sales that might be required such as home-trials or spares/repairs, and warranties are also generally unenforceable). As a consequence of their commitment to ensuring that

individuals get the right solutions for their needs, environment and goals – particularly in relation to moderately to highly complex AT – many full service AT retailers in Australia and overseas are often reluctant to post potentially misleading prices on their websites. Matching the person with the right AT (which may be priced lower or higher than other less satisfactory solutions) is often seen as the primary determinant of the appropriate AT, rather than price alone. Additionally, as the Draft Report notes throughout, prices can fluctuate based on a wide range of factors including exchange rates, size and nature of the retailer (e.g. focus on very low prices versus very high service), remote versus rural versus metro, and the extent of services included in the retail price. There are some substantial concerns about the price comparison methodology used by the QCA, and these are summarised elsewhere below. One of the major concerns is the prominence given to ‘undelivered AT prices’, and that this is generally misleading as only ‘delivered’ prices are valid according to the QCA’s own framework. In contrast, the use of ‘lifecycle costs’ to divide AT into those that are likely to have substantial lifecycle costs and those without does provide a useful analytic tool in this chapter.

Chapter 6 focuses on the cost of doing business in Australia at a generic level, and outlines some well-known and relatively well-established and evidence-based explanations of why prices are often higher in Australia than the lowest prices that can be found on the internet for a similar item. The results of this can be seen in the presentation of a number of key measures such as purchasing power parities (PPPs) – a basket of goods for \$100 in Australia typically would cost only \$72 in the US or about \$82 in the UK. Other examples or methods of calculating real price differences across a basket of goods are outlined including the Numbeo Consumer Price Index in which the same basket of goods is 43% cheaper in the US than Australia (40% if rent is excluded). The QCA also observes that the price differences they found for AT were broadly consistent with the price differences described in these comparison measures and as documented in the 2011 Productivity Commission price comparison of a selected range of identical consumer goods in which the majority of lowest prices were from overseas internet sellers rather than Australian bricks and mortar shops. Importantly, the chapter also outlines the additional costs incurred as a result of importing most AT, including one citation from Anderson and Wincoop in 2004, who estimate that the cost increase from an exporting factory in one country to a retailer in another country is 170% as a result of a combination of transport costs, import costs and wholesale and retail margins. Other key issues such as the under-developed online retail market in Australia relative to the US and UK, the difficulties of achieving economies of scale in the Australian AT market (the US has 38.3 million people classified as severely disabled compared to 1.3 million in Australia) are also well covered. The chapter concludes that the price differences seen in relation to AT are not new or unique, and are common to many retail goods as a consequence of the factors outlined throughout the chapter.

Chapter 7 deals with the key issue of ‘market power’ by undertaking what is described by QCA as a ‘high level’ assessment of general competitive conditions, rather than a micro-level analysis of the thousands of AT products across subsections of the larger market. Elements considered include: entry conditions, market concentration, availability of substitutes, firm profitability and intellectual property. Critically, the QCA notes that while available information is limited, there are no indications that any of these market power factors appear to present a material problem in relation to AT, and evidence from Chapters 5 and 6 ‘also tend to support the proposition that the abuse of market power is not widespread’ (p.67). This is a Key Finding and should be presented as part of the Key Findings section. The other major issues covered in this chapter include price discrimination and vertical restraints, which

include ‘geoblocking’ and exclusive supply arrangements – both of which the QCA observes exist in relation to the Australian AT market to some degree and are commonplace across most industries, and are legal if they do not reduce competition. No evidence is presented to suggest that suppliers in the AT market cross this line. It is also noted that exclusive supply arrangements (a vertical restraint) can increase economic efficiency, for example, by preventing one retailer from ‘free riding’ on the investment of another retailer in training, product promotion, etc.

Chapter 7 ends with a comment that via consultations and submissions ‘a few particular items have been singled out as being excessively priced in Australia... There may be isolated cases where an Australian distributor is charging excessive prices. Referral to the ACCC may be appropriate in those cases’ (p. 74). But no details or substantiation is provided, which suggests that these are rare occurrences, and that the QCA has not delved into the details of these instances to determine whether or not there is any real substance to these claims. ATSA’s past experience with all such claims – where they have been brought to our attention and we have been able to investigate the details – has been that the claims are unsubstantiated and are often based on a misunderstanding of what has been included in the overseas website price and the Australian retail price (see the two de-identified case studies presented on page 7 of our original submission for examples). ATSA does not believe that presenting unsubstantiated statements such as these at the end of Chapter 7 are helpful or represent an evidence-based approach to public policy issues such as this. If these are serious claims that warrant such comments then they also warrant the presentation of more details, and some additional investigation by QCA to determine whether they merit such a response. These cases should be referred to the ACCC for investigation if the QCA has uncovered meaningful evidence of potentially illegal anti-competitive behaviour.

Chapter 8 considers issues of information asymmetry, noting that in the perfect market both buyers and sellers are equally well informed, and that ‘medical markets are particularly prone to asymmetric information’ (p. 75), with consumers then having to rely on prescribers and suppliers for assistance and advice on the appropriate product. The uncertainty about the value, use, outcomes and long-term costs of different products are all problematic for consumers. The difficulties and costs consumers face in trying to fill this information gap are well canvassed in the Draft Report, including the role of MASS through its bulk purchasing activities undertaking some of this work on behalf of consumers – and the inevitable negative impact of bulk purchasing on consumer choice is also noted. Potential problems regarding the role of prescribers acting as ‘agents’ for consumers, and their incentive to over-prescribe to minimise professional risk to themselves are mentioned, but significantly there is no discussion of what is the best arrangement to ensure that consumers get the best solutions for their AT needs, particularly at the moderate to complex end of the AT continuum. Best practice is generally considered to be a strong and active partnership between the consumer, the prescriber and the supplier, as each has access to essential information to identify the best solution (see for example the RESNA *Wheelchair Service Provision Guideline* at <http://www.resna.org/dotAsset/22485.pdf>). A range of potential solutions, particularly in relation to the role of the Qld government are canvassed, and result in Recommendations 8.1 and 8.2 (which are discussed in detail below).

Chapter 9 examines the role of government AT procurement programs in relation to AT pricing. Note that the title ‘Government programs and price disparities’ unintentionally implies that price disparities have been determined to exist on a systemic scale in Australia, although this does not appear to be the case, so the title should be changed. The chapter

outlines the different ways that, as a major purchaser of AT, government may be impacting on prices. The efficiencies of bulk purchasing arrangements are outlined for both government and successful suppliers, although their impact on consumer choice is an ongoing concern. For ATSA bulk purchasing also appears to be favouring large AT businesses at the cost of smaller local retailers, particularly in rural and remote communities and may over time reduce competition and access/choice for consumers. Potential problems associated with bulk purchasing are also canvassed, as are issues regarding subsidisation of purchasing AT through government programs such as MASS. But these are very general discussions of basic market issues and principles with little or no direct information and facts about AT pricing specifically, or the scale of potential impact of bulk purchasing by government or government subsidisation of purchases for eligible consumers. While the 'generic' discussion is informative and helpful at a broad level, it would be useful to have some details presented, such as what proportion of the MASS budget goes to bulk purchasing versus individualised purchases, and estimates of what proportion of the Qld AT market this might represent, and how this might relate to potential positive and negative impacts on pricing and other key issues. This would provide a more substantive basis for analysis and some possible conclusions to better support the proposed recommendations. Recommendations 9.1 – 9.3 are discussed in detail below.

The final chapter, Chapter 10, focuses on broad generic regulatory reforms regarding productivity. These are not directly related to AT (except the section on standards compliance), but may have some minor impacts on the operation of the AT market overall, including such issues as taxi access for people with disability, and zoning regulations. See the discussion below on Recommendations 10.1 – 10.6 for more information.

In summary, while the QCA did find AT price differences between Australia and the US and the UK on the lowest stated prices on the internet, these were generally in line with other consumer goods in Australia that are mostly imported. Significantly, Australian prices for AT were actually 9% lower overall when delivery costs to Australia were included for overseas internet purchases – and as the QCA notes, only when the complete transaction costs are considered can valid price comparisons be made. Although this is a Key Finding, it was not presented in the Key Findings of the report. Instead, price differences in favour of overseas internet sellers were highlighted in the Key Findings and Executive Summary on *non-delivered* prices, which is an invalid comparison. Additionally, examination of the AT market at a 'high level' found no significant barriers to a competitive market, and no systemic evidence of the inappropriate exercise of market power by suppliers. Further, as several submissions noted, the AT market is generally highly competitive, and this is borne out through the limited data available on the lack of profitability in the mobility segment of the market (the only segment where this data is available). Together this is a clear indication that there is little or no evidence to indicate that significant AT price disparities exist at a systemic level in Australia.

As the first serious investigation of this nature in Australia these are invaluable and important findings of national significance that should reduce concerns about possible price gouging in the industry that arise occasionally, and ATSA is eagerly awaiting the public release of the Final Report early in 2014. There is no question that moderate to complex AT is expensive, but these prices are in line with manufacturing, importation, distribution and retail cost expectations based on this substantial and thorough investigation. In particular, the almost complete reliance on imported AT adds substantially to costs, as does the high level of pre- and post-service delivery by retailers of moderate to complex AT.

Key Findings and Executive Summary

Given the scale and complexity of the full report, the vast majority of readers will not go beyond the Key Findings and Executive Summary sections. Consequently it is essential that these are very strongly constructed and maintain the intellectual rigour and integrity of the report.

The Key Findings and Executive Summary in the Draft Report do not currently present an accurate and clear overview of what was found in this QCA investigation, particularly with some key discussions and findings not being well covered. Minor issues are highlighted sometimes at the expense of major findings. For example, Key Finding (1) focuses on price differences, but there is no statement regarding whether or not ‘price disparities’ were found, or the scale of any price disparities that might have been found.

Similarly, the Executive Summary discusses ‘price differences’ and a range of relevant explanations for these differences, but never states if ‘price disparities’ were found.

In both the Key Findings and Executive Summary a direct and clear discussion in layman’s language of why apparent price differences (for example between US websites and Australian retailers) do not equate to price disparities, and the evidence demonstrating that overall Australian prices are actually lower when valid price comparisons are done (incorporating exchange rates, delivery costs, risks to consumers, etc.), would be particularly useful for most readers.

Of particular concern is the first sentence under the heading ‘Price differences’ (p. ix): ‘*Price comparisons for a broad sample of medical aids and equipment products confirm that retail prices for many medical aids and equipment products are higher in Australia than overseas.*’ This is not a valid or appropriate statement and is misleading. For valid price comparisons, there is no evidence of substantial differences in prices.

Section 5.4 in the Draft Report compares Australian and overseas prices for the sample of medical aids and equipment when delivery costs are included. This is the only valid price comparison, as the goods cannot be sold in Australia without first being shipped to Australia, as most goods are manufactured overseas. The comparison shows:

- on average Australian prices were 9% lower than overseas prices (p. 46);
- Australian prices for products that do not require additional life cycle costs were on average 44% lower than overseas prices (p. 51);
- Australian prices for products that could require additional life cycle costs were on average 26% higher than overseas prices (p. 51). ‘The higher Australian prices for products that could have additional life cycle costs may be explained by the need for suppliers to provide 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 to such costs that may not be reflected in overseas online prices are the higher costs of doing business in Australia, as considered in Chapter 6 (p. 50).’

The misleading material in the Executive Summary is extended on page x where it is stated that: ‘*Even after considering such factors [pre/post sales services such as trials and adjustments, inventory costs and warranty issues], it is likely that consumers in the United*

States or the United Kingdom pay less at retail for many or most medical aids and equipment items than consumers in Australia.’ Given that this statement is (a) in-line with most price comparisons for most products, not just AT; (b) appears to undermine the main findings that with incorporation of delivery costs AT prices in Australia are competitive; and (c) this encourages ongoing use of overly simplistic frameworks for price comparisons, it must be substantially qualified and explained. While the Executive Summary then goes on to explain the sources of some of the price differences at length, it would be particularly helpful and minimise the potential misuse of the Final Report, if the sentence itself included some qualifications and explanations – or at the very least a summary sentence or two immediately preceded and/or followed this statement. For example: ‘It is important to note that superficially for many retail product price comparisons between countries such as the US and Australia there are significant price differences (for example purchasing power parity (PPP) comparisons result in a \$100 basket of consumer goods in Australia selling for \$72 in the US) and these differences are also apparent in relation to AT, but when QCA included delivery costs to Australia for AT we found that Australian prices were 9% cheaper overall for consumers.’

Similarly, it is not clear how the findings on pages 46, 50 and 51 support Key Finding 5 which states that on like-for-like comparisons prices are higher in Australia. By definition (and within the QCA’s own stated framework for comparisons), like-for-like must include full costs to the consumer, including delivery, as well as risks and other costs (for instance, as noted elsewhere in the Draft Report, the difficulties of enforcing warranties when products are purchased overseas, as well as delivery costs, currency exchange commission costs, risks regarding appropriateness, etc.). Fundamentally, Key Finding 5 is a tautology, not a finding.

Price comparisons that include additional factors related to pricing such as overseas delivery costs and currency exchange rates yield more accurate and valid results (see page 34 of the Draft Report for a list of nine additional factors that should be incorporated into pricing for valid comparisons), such as that presented on pages 46, 50 and 51 and the resulting findings should dispel any serious concerns about systemic price disparities (as opposed to invalid and overly simplistic online retail price difference comparisons).

Surely the Key Finding that should be presented as item (1) is the statement that: ‘on average Australian prices were 9% lower than overseas prices’ (pg 46) when exchange rates and delivery costs are included, and likewise this along with some explanatory notes should be the first major issue outlined in the Executive Summary. Notably this finding is congruent with our own research that found that Australian prices were 14% lower on average for a group of AT products in six OECD countries (see pages 10-13 in the original ATSA submission to the QCA for details).

Also absent from the Key Findings and Executive Summary is any mention of the major finding established throughout the body of the report that the lower prices in Australia are generally indicative of relatively robust and competitive AT markets in Australia, particularly given:

- (a) the generally high costs of doing business in Australia,
- (b) the long supply chains required as most AT is imported, and
- (c) that PPP analysis (page 58) alone indicates that Australian prices compared to those in the US would generally be expected to be about \$0.28 higher for every Australian dollar spent.

The lack of more detailed and linked analysis in the Executive Summary is also a reflection of the incomplete analysis presented throughout the Draft Report. Additionally, information available in the IbisWorld report on the wheeled mobility (wheelchairs and scooters) segment of the AT market (which is cited in the Draft Report), notes that profitability for this market segment has historically been very low – averaging 0.9% over the last five years. This is further evidence of the highly competitive nature of the AT markets in Australia (and this is noted in the body of the report), and does not substantiate concerns about price gouging and anti-competitive practices (which would generate excessive profits) that are occasionally raised in the media and which triggered this QCA investigation.

The Executive Summary states on page xi that *‘In general, the investigation to this point has not identified substantial barriers to entry, the existence of excessive profits or clear evidence of the abuse of market power in medical aids and equipment markets’*. This is a major finding that goes to the heart of the QCA investigation, but is not mentioned in the Key Findings section, and deserves more prominence and discussion in the Executive Summary.

Also of concern is the statement following the above sentence on page xi: *‘However, the QCA is interested in submissions that would help in identifying the abuse of market power.’* Similar requests appear elsewhere in the Draft Report, and would appear to indicate a particular bias towards seeking evidence that only supports claims related to the ‘abuse of market power’ rather than a more balanced approach to collecting evidence regarding how the AT markets operate, including evidence of competitiveness. This bias may be appropriate in the QCA’s historic role in regulating natural monopolies, but it is out of place here.

Related to this apparent bias are also numerous instances where theoretical discussions outline possible areas for market failures, and these frequently imply that such abuses probably occur in the AT markets, but no evidence is ever produced to support these inferences. While superficially these discussions are accurate, their cumulative effect is to frequently cast suspicions and negative inferences onto AT suppliers with no evidence that such problems actually occur. For example, on page xii in the Executive Summary there is a discussion of ‘price discrimination’: *‘Some providers of medical aids and equipment may have some degree of market power, and the associated ability to price discriminate...’* It is important to address this throughout the report and present a more neutral position, particularly given the lack of any conclusive evidence to support such inferences.

Another example of this bias can be found in the heading of the last section of the Executive Summary: ‘Price disparities versus funding levels’. The title itself, as well as the content of the section implies that price disparities were found by the QCA. But as noted above, price disparities were not found in relation to Australian pricing compared to overseas pricing. This, and similar instances of misleading headings and content throughout the report should be corrected (for instance, the heading for Chapter 9: ‘Government Programs and Price Disparities’, is also misleading).

The description of information asymmetry in the Executive Summary is misleading as it only refers to information about pricing. As noted in the body of the report, the relevant issues are much broader than pricing information, and include issues such as the particular utility of similar but different AT products for a particular individual, and the overall lifecycle costs of different AT products and brands. It is also important to note that while information asymmetry is problematic in relation to the ‘perfect market’, it is commonplace, particularly

in specialised markets such as those surrounding aged care, disability and medical/pharmaceutical products, and there are many mechanisms and processes already in place to help manage this asymmetry. Of particular importance in relation to AT is the role of the prescribing clinician (who is independent of the supplier) in supporting both individual consumers and government purchasing programs to ensure appropriateness of the AT provided. Also, as noted elsewhere in this response, there are numerous avenues for information about AT currently available locally and internationally.

Finally, the Executive Summary (and Chapter 5 where the data and analyses are presented) does not adequately describe the price comparison methodology used, including possible flaws and limitations. In particular, limiting price comparisons only to prices found on Australian and overseas websites is a major limitation and is likely to have inadvertently incorporated significant flaws into the price comparison data and analysis. Additionally, the degree of confidence in the results as a consequence of the very small number of prices sampled for each particular product is not discussed. See below for more details.

Price Comparison Methodology

As noted above, there are two significant issues regarding the price comparison methodology utilised by the QCA (see Chapter 5). First, while some details of how the comparison was undertaken are presented, many key details are not. Second, there are likely to be major flaws in the website-only price comparisons of a small number of prices for each product that were conducted, and these are either not understood or not acknowledged.

Replicability

In essence the lack of details surrounding the price comparison methods makes any meaningful replication and/or detailed critique impossible, which are basic tenants of good science. At a minimum it is essential that the actual websites used for the comparisons, and the products involved are named and described – at least in an appendix. This would provide essential transparency and careful consideration of what was done. At the simplest level it would at least provide a reference point to check against the detailed tables of prices provided in the report and the appendices (particularly as there appear to be some typographical or other errors in some tables) – for example, confirmation that the exact same products with the exact same specifications were being compared (there are sometimes variations between countries for what might appear to be superficially the same product). It would also be very helpful in identifying the magnitude of the second major problem of flaws created through website-only comparisons of a small number of prices for each product examined.

Not like-for-like comparisons

Much is also hidden in relation to what and how modifications were made to prices to make them comparable. At the beginning of Chapter 5, in section 5.1 there are nine different factors that are identified in relation to the need to ‘consider technical specifications and make adjustments to take account’ of these factors. Each of these is then described in some detail, but other than delivery costs and currency exchange rates, there is little or no subsequent information provided about how these were taken into account when direct price comparisons were made. Some of these unaccounted for factors include currency exchange commissions, warranties and other supplier services (this is particularly relevant regarding

the website-only price comparison process – as not all website sellers provide like-for-like services). If the price comparisons did include these elements in the prices used for comparison then this should be made clear. If QCA price comparisons did not include these elements, and instead these shortcomings are accounted for via comments on these shortcomings, then all language pertaining to having done ‘like-for-like comparisons’ must be omitted, and these unaccounted for elements made more transparent throughout the report, and particularly in the Key Findings and Executive Summary sections.

Importantly, analysis did include delivery costs in one set of price comparisons undertaken. Unfortunately, however, there is extensive focus on prices that exclude delivery costs. As already noted above, comparisons that exclude delivery costs are invalid within QCA’s own framework for analysis, and are meaningless to consumers and misleading to most readers of this report. As most AT is manufactured overseas, these products are of no value to the consumer unless it is delivered to them. These ‘undelivered’ price comparisons are totally invalid in this context, and are consequently misleading and have no place in the body of the report or in the Key Findings or Executive Summary. At most, they could be included as part of a minor technical appendix or footnote that can be used to illustrate some limited and heavily qualified price comparison aspects of AT markets internationally.

While currency fluctuations are taken into account, currency exchange commissions and credit card transaction costs (which would be relevant for any consumer purchasing items overseas) are not accounted for. These costs would have a substantial impact on the real prices paid by AT consumers and may account for most of the apparent differences between the average QCA price comparison results (with Australia on average 9% lower) relative to the ATSA comparison results (with Australia on average 14% lower with comparisons that included currency exchange commissions, see pages 10-13 of the previous ATSA submission).

The issue of website-only price comparisons is particularly problematic. Without more transparency regarding which products on which websites were actually compared, it is not possible to know with certainty how ‘comparable’ these prices are. In general, it is likely that the lowest prices found in the US (and potentially the UK) were from ‘internet-only’ sellers, and relate to locally manufactured goods only. As noted in ATSA’s original submission (see page 20 for more details), there is a particular model of online selling where very low prices can be achieved in the country of manufacture because:

- (a) the seller never handles the goods and merely processes orders that are ‘drop shipped’ from the manufacturer directly to the consumer;
- (b) any warranty issues are then dealt with directly by the local manufacturer – which can be particularly problematic for overseas purchasers given time delays, shipping costs, etc.;
- (c) the seller provides no pre- or post-sales services to the consumer or the industry more generally;
- (d) the consumer wears all risks regarding appropriateness, assembly/fitting/adjustments, after sales repairs/maintenance/spare parts;
- (e) it is a positive cash-flow business where the consumer pays up-front, and the seller then typically has 30-60 days before having to pay the manufacturer.

The nature of this ‘country of manufacture online-retailer-only’ model typically enables online-only sellers to undercut full-service retail shopfront prices by 30-50% and make substantial profits at very little risk.

As far as we have been able to ascertain through our own online searches and discussions with ATSA members there are no 'internet-only' AT sellers in Australia (largely for the reasons just outlined as there is only a small amount of AT manufactured locally). Australian websites are typically extensions of existing full-service shopfront retailers, and are therefore subject to the costs of running those businesses. In particular, any Australian website seller will have responsibility for meeting warranty requirements; having demonstration equipment available for viewing and usually free-in home trials in the local area; skilled staff for both pre-sales and post-sales advice and assistance (to both consumers and clinicians); and capacity to provide or source delivery/set-up/adjustments/initial training, spares, repairs and maintenance. This is in addition to all the usual bricks-and-mortar shopfront costs.

Additionally, without more detailed information, analysis of the sources of price differences such as those illustrated in Figure 10 regarding the wide ranging price differences in Australia for products 'without lifecycle costs', are not really possible. For example, some of the differences encountered may simply be a result of some retailers operating in rural and remote areas, or differences in scale and pricing structures for small versus large retailers, or differences between retail models – that is, not all sellers of these products are necessarily primarily AT retailers, some may simply have a few products available to service a particular market segment (e.g. some large not-for-profit disability or aged care service providers may also sell some AT products, particularly at the high volume/low cost end of the market covered in Figure 10, and their retail model may not be particularly cost effective resulting in high prices, or prices may be particularly low as many costs are covered through sources other than retail sales such as philanthropic funding). Without more details it simply is not possible to carefully analyse potential causes of some of the price differences observed. Discussion of the number of actual price comparisons made for these products would also help to ground the analysis, as it is likely that many of the comparisons are based on very small numbers, and the potential biases and/or limitations this may introduce should be included as part of the analysis presented.

The finding that AT sourced through Australian websites are 9% cheaper than overseas websites when faced with these additional costs is yet more evidence of the competitive nature of AT retailers in Australia, and the resulting lower prices for consumers. However, this critical information is not provided in the Draft Report, and also needs to be presented in the Key Findings and Executive Summary. Describing as accurately as possible the nature of the comparisons being made beneath the claims of 'like-for-like comparison' is central to the intellectual rigour of the QCA investigation and the national value of this investigation.

Incomplete exchange rate analysis

The price estimates in Sections 5.3 and 5.4 of the impact changes in the exchange rate on the percentage of products for which Australian prices (including delivery costs) are lowest assume that the price of goods sold in Australia would not change when the exchange rate changes and that only the AUD price of overseas online goods would rise or fall. This would only be true in the short term as the Australian prices must change in the medium to longer term to reflect the change in the exchange rate, even for businesses that routinely engage in currency hedging in order to manage currency risk from exchange rate fluctuations. Australian AT importers must bring in the goods they sell and once they have sold stock purchased with a different exchange rate, all subsequent sales will have different prices reflecting the new exchange rate. Thus, the estimates presented in Sections 5.3 and 5.4 of the impact changes in the exchange rate are flawed.

Limitations not stated

Finally, there is no discussion in Chapter 5, elsewhere in the body of the Draft Report, or in the Key Findings and Executive Summary of the limitations of the work undertaken. A full and frank discussion of the limitations is essential information for any reader, particularly given the national significance of this work and its likely use in underpinning much AT-related public policy in the next few years.

Many of the price comparisons made are based on a very small sample, often with only 1-3 prices for comparison across each country. Given the overwhelming focus on 'lowest available price', more extensive discussion of the limited number of prices available for comparison across websites/counties and its possible impact on the findings is warranted in both the Key Findings and Executive Summary, and in the body of the report. Some statistical analysis regarding confidence levels or similar would be particularly helpful.

One of the major limitations is the lack of actual shopfront retail price comparisons. This may have been a consequence of the limited time frames and resources of the QCA investigation, or it may have been the result of false assumptions about the value and comparability of online-website pricing comparisons. In any case, as the Draft Report itself notes, the Australian internet retail sector is generally poorly developed, particularly in relation to the US. This, along with the essential nature of much AT that requires a degree of pre- and post-sales support for consumers to be built into the market model and subsequent assessments of its efficiency (e.g. in some areas of Qld, MASS bulk-purchased rollators are regularly delivered unassembled/unadjusted to the door of the consumer at a very low price, but then the consumer often has to take the rollator into an AT shop for assembly and/or adjustment – for which they must pay the price themselves, and which is not taken into account in assessing the economic efficiency of this purchasing model), is a major limitation – particularly as most Australians purchase their AT from a shop, not a website. Price comparisons between actual full service AT retailers (including any substantial differences in services included in the retail price) across different countries would potentially be a much stronger indication of the competitiveness of Australian AT retailers. This is particularly true given the importance of pre- and post-sales services for much of the AT used by consumers, and the potential problems consumers can face when purchasing many AT products on the internet. Issues of appropriate fit, use and training regarding many AT products is why in-home trials, prescription by a qualified health professional, and the advice and assistance of full service AT retailers are all central to (a) minimising negative impacts of AT (including hospital admissions and death); (b) minimising waste through abandonment/non-use of equipment purchased; and (c) maximising impact on quality of life. Few state and federal AT procurement programs support and encourage internet AT purchases by consumers for these reasons, and this is critical to understanding some of the limitations of utilising only websites for price comparisons.

Finally, in relation to limitations, although QCA was made aware of the archaic terminology being used in the investigation – 'medical and disability aids and equipment' (rather than the more commonly-used 'assistive technology' or even 'aids and equipment') – the QCA appears to have persisted with using these terms for some of the internet searches for AT prices, and appears to have never used 'assistive technology' in its searches for prices. Also, it is never stated what search terms were used when searching for any peer review or grey literature on AT supply chain and market structure literature locally or internationally (or if such a review was done).

Incomplete Analyses

Several issues have been noted above regarding (a) overuse of invalid price comparisons that do not include delivery costs; (b) inadequate descriptions of adjustments made to create purported 'like-for-like' comparisons; (c) inaccurate statements of 'like-for-like' comparisons being made when relevant adjustments of prices have not been made because of technical challenges on some key factors (see page 34 of the Draft Report for nine key factors that should be taken into account, but only two of these appear to have been factored into actual prices); and (d) no discussion of the limitations of the work undertaken. Taken together all of these have hampered the development of clear and complete analyses and discussion regarding whether or not price disparities exist, and if they do what are the source of these and what can/should be done as a consequence. And as already noted elsewhere, the lack of any clear and definitive statement about whether or not price disparities exist between Australian AT prices and those in other comparable countries is problematic, and another indication of the incomplete analysis.

If price differences for identical products (including pre- and post-service factors) are not explicable by transport and insurance costs, and exchange rates, the differences should be reflected in gross operating surplus (profits). Thus, if the Australian market is truly less competitive than overseas markets, Australian AT retailers should be earning higher profits than their overseas counterparts. Otherwise, costs or quality (e.g. post-sale services) are being understated. There is no evidence that Australian AT retailers earn higher profits than their overseas counterparts. For instance, the IbisWorld report on the mobility sector of the AT market indicates that profits are extremely low at an average of 0.9% over the last 5 years.

Additionally, although the Draft Report does a good job of describing the segmented nature of the AT market (with a spectrum of products ranging from high volume/low cost products and consumables through to highly customised one-off items), this issue surfaces only briefly in the price comparison analysis. While used effectively in the price comparison analysis (which includes comparing cost differences for low/high lifecycle cost AT products), all other discussions and findings treat the market as though it is homogeneous and monolithic. The discussion and findings throughout the report, as well as the Key Findings and the Executive Summary need more discussion and related conclusions regarding the segmented nature of the AT market.

As is common in these kinds of reports, there is extensive presentation of basic neoclassical economic theory, particularly as it pertains to potential points of market inefficiency or failure. This is generally well done and appropriate as it provides the framework for investigation clearly. However, in this instance the different elements are usually discussed in isolation: that is, in isolation from each other and frequently in isolation from the evidence presented.

For example, there is a brief discussion regarding the basics of information asymmetry and its potential impact, and acknowledgement that consumers are likely to not be well informed about AT products generally, including their utility, different lifecycle costs and prices, and to rely heavily on prescribers and suppliers for this information and advice. There is also a brief discussion of agency theory, and a description of how the market functions and the various roles of prescribers and suppliers. However, none of this is ever linked together in the analysis or discussion. Prescribers of AT have a primary role in addressing the issue of

information asymmetry, and are often believed to act as agents for consumers (although in some instances they are in fact agents for third-party funders – governments or insurers – of the AT). The reliance of consumers and prescribers on suppliers through their highly skilled staff (often including clinicians such as occupational therapists) based in retail shops for detailed product information, particularly regarding what is the best AT solution for a particular consumer's needs, environment and goals, is not discussed. Similarly, the importance of matching the AT to the consumer, and the absence of this service in relation to internet purchases of AT is a critical issue, but is not given this prominence in the analysis.

'Best practice' of an active partnership between consumers-prescribers-suppliers to find the best AT solution as a key feature of the AT market is completely absent, as is its relevance to internet purchasing versus shopfront purchasing. While the AT market(s) is complex and these issues are not always obvious to people outside of the industry, numerous submissions made these points and emphasised how central this active partnership is to the effective and efficient workings of this particular market in achieving good outcomes for consumers at a efficient price. Consequently, this needs to be accounted for more directly and carefully into the analysis and findings throughout the report, including the Key Findings, Executive Summary and Recommendations.

Recommendations

ATSA supports most of the proposed recommendations, with the exceptions of 9.1.c., 9.3 and 10.4, and some comments and suggestions are provided below to strengthen and clarify some recommendations. The Draft Report's recommendations are presented in italics.

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 the implementation of the NDIS*
- (b) the independence of prescriber functions from commercial interests.*

ATSA supports recommendations 8.1 and 8.2. Making product and price information more available is a positive step, although it is vital to note that for AT that is moderately to highly complex (i.e. AT that cannot simply be taken off the shelf and used effectively by a particular consumer), there are often modifications/adjustments/add-ons that can make it difficult or impossible to provide accurate and meaningful pricing without a personalised assessment and quote.

Also, although provision of information to consumers can be improved, it is important to note that information and advice to consumers is already available widely through (a) local AT retail shops; (b) prescribers; (c) independent living centres (ILCs – see for example: <http://www.lifetec.org.au>; <http://ilcaustralia.org.au>; <http://www.ilcnsw.asn.au>); and (d) international AT product databases and other international AT information sources (see for example pages 15-16 in the AAATE's position paper *Service Delivery Systems for Assistive*

Technology in Europe at

http://www.aaate.net/sites/default/files/ATServiceDelivery_PositionPaper.pdf), AT product reviews, and manufacturer and retailer websites locally and internationally. Suppliers also provide extensive information services, advice and assistance (typically at no cost) to consumers, prescribers and others, as well as free training for prescribers and ILCs, as well as free demonstration AT products to ILCs and other facilities such as spinal cord rehabilitation centres.

Making prescribers more accessible to consumers would help make the AT supply process more efficient and help address some aspects of information asymmetry for consumers. In reviewing the role of AT prescribers within the NDIS, it will be important to consider their shifting roles from gatekeepers for underfunded state AT schemes such as MASS to a role focused primarily on providing advice and assistance to consumers (see Summers and Walker 2013, *National Credentialing and Accreditation for Assistive Technology Practitioners and Suppliers: An Options Paper*, funded through the NDIS Practical Design Fund, http://www.atsa.org.au/Portals/0/AT%20AccreditationOptionsPaper2_2FNRMN.pdf).

Ensuring that prescribers are independent of the commercial interests of suppliers is an essential tenant of an effective AT market structure. This aligns with existing ATSA policies and is strongly supported by ATSA. However, it is important to acknowledge that there are particular circumstances when this is not possible or practical, and in these circumstances other safeguards must be utilised to minimise conflict of interest issues. For example, in relatively remote and underserved communities this may not be realistic, and there are some areas of practice such as orthotics/prosthetics where such separation is likely to increase costs and complexity of supply and potentially have a negative impact on consumer outcomes.

Government Programs and Price Disparity

9.1 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 bidding*
- (b) consolidating current government bulk procurement plans, 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 statewide travel and delivery costs for regional and remote areas*
- (e) reducing the paperwork required for SOA tenders*
- (f) reducing and streamlining the application process for MASS equipment.*

ATSA strongly supports all aspects of this recommendation, with the exception of 9.1.c. Items a, b, d, e and f are all likely to be achievable and will lead to increased efficiencies in the market, and assist in reducing costs for suppliers.

The heading to this set of recommendations is misleading, and implies that substantial price disparities have been found to exist. A more accurate heading is needed such as 'Increasing the efficiency of government AT procurement programs'.

Item 9.1.c is problematic in several respects:

- The Queensland government would have to become a formal AT ‘sponsor’ for each specific product that it directly imported, as required by the Therapeutic Goods Administration legislation in order to become an importer of AT. This will require the active support of each AT manufacturer involved. While this may be achievable, the smallness of the AT market overall relative to the number of products involved makes this difficult, and the practicalities and costs to the Queensland Government would need to be carefully reviewed.
- Consideration of congruence and compliance with existing government policies regarding competitive neutrality, support for small businesses, and governments generally moving to divest themselves of direct service provision activities (steering-not-rowing) would also need to be undertaken.
- At a commercial level, the business case for this will be difficult to justify with the advent of the NDIS and its exclusive focus on consumer choice and control, and the fostering increased competition in the market place (and it should be noted that aged care programs are also increasing their use of individualised funding models similar to the NDIS).
- Finally, and perhaps most importantly, there is very limited and relatively weak evidence that ‘truncated supply chain’ processes such as this actually reduce the price of AT when all costs to all stakeholders are considered. For instance, one commonly cited example is New Zealand where this is done for some ‘simple’ AT products, but there has been no independent examination or review of cost saving claims such as the self-reported claims by program administrators presented by Jenny Pearson and Associates (in their excellent 2012 report cited in the Draft Report). And if such savings are actually achieved and are not simply cost shifting from government to consumers, are they transferable to another country such as Australia with its: (a) very different geographical requirements and much larger population; (b) much larger, more competitive AT market; and (c) differently constructed service delivery framework? Regarding potential cost-shifting in truncated supply chains such as New Zealand, many of the services currently provided by suppliers in Australia and funded through retail prices would then need to be replaced/provided in different ways, which may then be more expensive than existing Australian market arrangements which appear to be price efficient given the QCA’s findings and other evidence such as the IbisWorld report cited by QCA. For example, consumers may then have to pay additional/separate costs to an AT retailer or others for after-sales services such as assembly/adjustment/training in use of the product, and pre-sales services such as advice and product trials – as these are currently provided by AT retailers and the costs are covered by existing retail prices. Also in relation to reported savings of truncated supply chain use for some simple AT in New Zealand, overall AT prices in New Zealand are higher than in Australia, and this may impact on possible savings if this model was transferred to Australia. In short, truncated supply chains may be a viable and useful mechanism for reducing costs and ultimately prices for some ‘simple’ AT products, but more evidence and evaluation is required before such a recommendation could be made.

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 others pursuing bulk purchasing. Where it can be determined that governments are best placed to undertake procurement, they should maximise their buying power rather than operate large numbers of programs.*
- (c) Choice. Choice is important. Consumer-orientated programs tend to produce better outcomes for people with disability, and can increase competition and lower prices. However, the limits faced by consumers from information asymmetries must be considered.*
- (d) Accessibility. Programs should be as simple and accessible as possible.*
- (e) Competition. Programs should avoid unintentional impacts on competition.*

ATSA supports these recommendations, however, it is essential to more directly describe some fundamental caveats and considerations in relation to this recommendation that is focused primarily on bulk purchasing by government. ATSA strongly supports bulk purchasing arrangements by government when they improve efficiency and reduce costs for both government and suppliers, and at the same time do not compromise outcomes or increase costs for consumers. This recommendation needs to include the following to help ensure it is ultimately effective in achieving improved efficiency and good outcomes for consumers:

- Bulk purchasing should be focused on the ‘lower’ end of AT complexity, particularly low-cost high-volume products that do not require in-home trials to assess appropriateness for the consumer and their environment. However, even in these instances arrangements must be in place to ensure that products that require assembly and adjustment are not delivered to the consumer’s door in a box, unassembled and unadjusted.
- Provision of bulk purchase items for consumers should be limited to metropolitan areas only. Bulk purchase arrangements in rural and remote areas often make small local retail shops in those areas unviable, as bulk procurement contracts often privilege larger businesses, and ultimately reduce overall competition and service provision in smaller communities. The end result is that local consumers in small communities no longer have access to timely and essential AT provision, including in-home trials, maintenance and repairs. Such unintentional and particularly problematic consequences need to be identified and described in this recommendation.

ATSA also strongly endorses the focus on consumer choice, as outlined above in 9.2.c. Additional evaluations and direct comparisons of government procurement and funding programs based on consumer choice versus bulk purchasing need to be undertaken to improve the understanding of programmatic structures and processes that result in better consumer outcomes and lower AT prices (such as that described in Box D1 of the Draft Report which emphasises the lower prices achieved through a consumer choice model), to assist in the development of more efficient AT government procurement and funding programs. This would appear to be particularly important currently as many state-based programs such as MASS and federal programs such as Rehabilitation Appliances Program funded by the Department of Veterans’ Affairs, appear to be increasing their commitment to and reliance on bulk purchasing rather than individualised purchasing and consumer choice.

Particularly given its congruence with the direction of the NDIS, consumer choice appears to have significant merit, and may warrant a major reconsideration of where governments focus their efforts in relation to AT. Improved information for consumers and reduced emphasis on bulk purchasing by governments may be a more effective and evidence-based policy approach to AT.

9.3 The Department of Health and Department of Communities, Child Safety and Disability Services should give consideration to establishing a mechanism that would allow consumers to report pricing disparities for medical aids and equipment.

ATSA does not support this recommendation as it stands, as the establishment and running costs of such a scheme would appear to be difficult to justify given that:

- The Australian Competition and Consumer Commission already exists to monitor markets and enforce legislation regarding anti-competitive behaviour.
- This QCA investigation found no evidence of substantial price disparities regarding AT prices in Australia relative to overseas prices, and indeed found that when comparing prices that include delivery costs Australian AT was 9% lower, on average, than overseas AT.
- Consumers would typically only be able to report ‘price differences’, not ‘price disparities’ – as defined in the Draft Report. Determining price disparities and anti-competitive behaviour is a much more complex process than simply identifying price differences, which would require the individual investigation of each report and be a relatively expensive undertaking overall. Particularly given that it is already well established that across most consumer goods in Australia there are substantial price differences with similar overseas goods, especially when comparing prices in retail shops to direct purchases over the internet (see, for example, the Productivity Commission’s 2011 report number 56 on the Structure and Performance of the Australian Retail Industry), it is difficult to see what value a simple reporting mechanism regarding ‘price differences’ would have for any stakeholders, including consumers and government.

If a more interactive and responsive process/system along these lines is implemented, it will be essential that there is a real capacity for the independent and fair investigation and review of reports of price differences to determine if they constitute ‘price disparities’ as shown by the inappropriate or illegal exercise of market power.

This would also require individual and summary reports back to consumers and other stakeholders of the results of these investigations, and would provide a useful opportunity for improving the understanding of the Australian supply chains and markets for AT products. ATSA would welcome this process if suppliers were active participants in the process, but as noted above, ATSA believes it would be difficult to justify the ongoing operational expenses of such a process and it would appear to duplicate the role of the ACCC.

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 that liberalise planning and zoning requirements to facilitate entry by all retail formats.

10.2 The Queensland Government should deregulate retail trading hours restrictions.

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 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 support changes that would allow registration in Australia of any medical aid or equipment certified to comply with international standards

ATSA supports the proposed recommendations 10.1, 10.2, 10.3, 10.5 and 10.6.

ATSA is not across the relevant pharmacy legislation proposed for review in recommendation 10.4, and therefore does not have a position on this issue, but it does support the continuation of the current role pharmacies play in providing, especially through short term rental, some basic AT products.

In relation to 10.1 and 10.2 these are important issues for the retail sector in general, and ATSA supports these proposed reforms to planning/zoning requirements and retail trading hours. Recommendation 10.3 is particularly important in assisting consumers to access AT retail shops, which will continue to be the primary avenue for advice, assessment, supply and ongoing servicing of AT. Reducing red tape as outlined in recommendation 10.5 would be very welcome by suppliers and would help to reduce costs.

While ATSA supports the general intention of recommendation 10.6 regarding acceptance of AT that is certified to comply with international standards, the current wording is problematic. The Therapeutic Goods Administration does currently accept the listing of AT that complies with international standards. The primary issue in this area is compliance of AT manufactured in the US which complies with the US's Federal Drug Administration requirements, but has not necessarily been tested in relation to international or Australian standards, and is an issue in relation to MASS rather than TGA.

Conclusion

ATSA believes the QCA has undertaken a substantial and important investigation of AT pricing in Australia, and supports most of the draft recommendations proposed. The central finding by QCA that Australian AT prices are 9% cheaper than overseas prices when exchange rates and delivery costs are included, as well as their broad investigation of the structure and operation of the Australian AT market, emphasises that Australian AT prices are efficient and the market is competitive.

The body of the Draft Report in particular highlights many of the key market factors that account for existing AT pricing in Australia, and clearly demonstrates that AT product pricing in Australia is in line with other consumer goods that are mostly imported, and well within pricing expectations as a consequence of supply chain costs and the costs of doing business in Australia.

As noted throughout the ATSA response, there are some major issues within the Draft Report that require attention. In particular the Key Findings and the Executive Summary do not reflect some of the most significant discussions and findings in the body of the report; the pricing comparison methodology is not transparent enough, contains some flaws and limitations are not acknowledged; and the analysis is incomplete. As a Draft Report problems along these lines are not unexpected, particularly given the complexity of the AT market and the short timelines in which the QCA is undertaking this investigation.

Given the significance of this work for Queensland and Australia as the first major independent work undertaken on this issue, ATSA is eagerly awaiting the public release of the final report.