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Human Services Inquiry  
Productivity Commission  
Locked Bag 2, Collins Street East  
Melbourne VIC 8003

Online: [www.pc.gov.au/inquiries/current/human-services/identifying-reform](http://www.pc.gov.au/inquiries/current/human-services/identifying-reform)

Dear Commission,

### **Issues Paper: Human Services – Identifying sectors for reform**

Consumer Action Law Centre is pleased to provide this submission to the Productivity Commission's Issues Paper *Human Services – Identifying sectors for reform* (**Issues Paper**).

This submission provides comment in relation to the following:

- evidence of outcomes in sectors where competition and contestability has been applied, particularly vocational training;
- the role of user choice, including behavioural and other factors that limit individuals' ability to make meaningful and informed choices;
- the contribution of the community sector to public interest outcomes, that may be lost should services be delivered by the private sector;
- pre-conditions of services markets that deliver good consumer outcomes, particularly effective regulatory frameworks.

Our discussion draws on our substantial casework experience of supporting consumers in deregulated markets, including public services such as vocational training.

### **About Consumer Action**

Consumer Action Law Centre is an independent, not-for profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling, legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.

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## Contestability and competition: the evidence

The Commission seeks to:

*“...examine the application of competition and user choice to services within the human services sector and develop policy options to improve outcomes. These options should lead to improvement in the sector’s efficiency and effectiveness and help to ensure all Australians can access timely, affordable and high quality services which are appropriate to their needs, and are delivered in a cost-effective manner.”*<sup>1</sup>

Implicit in this is the general assumption that competition and contestability facilitate meaningful ‘user choice’, which will lead to timely, affordable and high quality services, appropriate to user needs, delivered in a cost-effective manner. The evidence of this is scant, particularly in relation to ‘human services’.

The Competition Policy Review Final Report, which led to the current review, referred to health, education, disability care, aged care, job services, public housing and correctional services as ‘human services’.<sup>2</sup> These are also considered public services, recognising that there are social rights to citizenship in our modern democracy. Many users of these services—including the disabled, those with physical or mental health issues, those from marginalised backgrounds, and those without sufficient means to support their wellbeing—have multiple and complex needs, and tend to be excluded from full participation in economic and social life. The primary purpose of accessing these services, therefore, should be about delivering inclusion, wellbeing and justice for these people.

Where market principles have been unthinkingly introduced in these sectors, exclusion, detriment and injustice have often resulted. While this has occurred in markets such as job services,<sup>3</sup> the most obvious recent example is in relation to vocational training. Consumer Action has first-hand experience of supporting people affected by poor conduct occasioned by the competitive drive in this market.

Historically, the states and territories have provided vocational training through the TAFE system. Under the Council of Australian Governments (**COAG**) National Partnership Agreement on Skills Reform in 2012, all states and territories in Australia agreed to implement a new market-driven funding model for vocational education. Rather than institutions being funded to deliver outcomes, uncapped government subsidies and loans (VET FEE-HELP) ‘followed the student’. These reforms were aimed at boosting participation in vocational training, making the sector more responsive to changing skill demands, and enhancing competition among providers to promote quality improvements. The theory appeared to be that choice and competition would drive efficiency in service delivery and improve standards.

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<sup>1</sup> Productivity Commission, *Human Services – Identifying sectors for reform*, 2016, p. iv.

<sup>2</sup> Competition Policy Review Panel, *Competition Policy Report*, 2015, p. 218.

<sup>3</sup> Four Corners, *The Jobs Game*, March 12 2015 (available at: <http://www.abc.net.au/4corners/stories/2015/02/23/4183437.htm>)

While there has been a proliferation of enrolments at private vocational training providers since demand-driven government funding was introduced, it is clear that quality, efficiency, affordability and accountability did not follow. Many providers focused on the ability to obtain a government subsidy or proceeds from a loan rather than the interests of their students. The following case studies demonstrate the experience of people that Consumer Action has supported, that is, the incurring of a large debt without any education outcomes to speak of.

#### Luke's story

Luke enrolled in an online course with a private VET provider, via an education broker. He was confused by the online format of the course, and says there were no help buttons. Luke called the education broker about his problems. The sales representative told Luke that he would follow up with the provider, but Luke never heard back from the provider. Luke could not complete the course as there was minimal support or information to assist him. He eventually withdrew from the course, and was left with a \$10,000 VET FEE-HELP debt.

#### Clare's story

Clare was cold called by an education broker during her university exams. Clare is quite young and was very stressed at the time. She was eventually convinced to enrol in an online course after being assured that the course would enhance her career prospects and that she would have two 'career advisers'. Shortly after enrolling, Clare decided she couldn't do the course and should concentrate on her university studies. She contacted the VET provider before the census date and asked to withdraw from the course. The provider told Clare that someone would return her call, but instead Clare received a number of calls from the education broker. The education broker convinced Clare that she should defer instead of withdrawing. Subsequently, Clare received a VET FEE-HELP notice for a debt of more than \$20,000.

#### Ahmed's story

Ahmed inquired with a training provider about obtaining a forklift licence. The training provider advised Ahmed that he should enrol in a particular course, and that this course would contain the necessary elective to gain a forklift licence. Ahmed was not told he needed to select this elective nor was he advised about other ways he could obtain a forklift licence. Ahmed signed forms for the course that were not explained to him nor read to him in his primary language. Once Ahmed had completed the course, he discovered he was still not licensed to drive a forklift. Rather, he had a debt of over \$15,000. When he followed up with the training provider, Ahmed was told that he needed to complete an additional \$400 course to obtain a forklift licence.

#### Sarah's story

Sarah had been applying online for jobs via a job advertisement board operated by an education broker. Sarah received a telephone call from the education broker offering to enrol her in a Diploma of Management. The broker sent Sarah an email whilst on the telephone, and told her to click on various links to sign her up to a course that was government funded and would help her obtain a job. Sarah was told by the sales representative not to read the email. Sarah says the sales representative did not ask any questions about her ambitions or capabilities. Sarah did not commence the course, but later received notification of a VET FEE-HELP debt of over \$23,000.

The expansion of the Federal Government loan program, VET FEE-HELP, was a key driver of poor outcomes in the sector. This was because the scheme was designed to allow a provider to access VET FEE-HELP funds very easily. A provider could access these funds by enrolling a student and for the student to be enrolled at a 'census date', which was often before the course had begun. At this point, the provider had an entitlement to the full cost of the course.

When the provider had been paid, the student would have a VET FEE-HELP debt to the Commonwealth, despite the services not yet being delivered. The provider could set its own fee for the course, and given the student did not have to immediately pay (they only became liable for the debt once their income reached a certain amount), the fees were often set at a very high level, multiple times the cost of an equivalent course through the TAFE system.

The evidence shows<sup>4</sup> that there has been substantial growth in the number of students accessing VET FEE-HELP since it commenced - from 5,262 in 2009 to around 272,000 in 2015. Public borrowing for VET FEE-HELP has increased from \$26 million in 2009 to over \$2.9 billion in 2015. Attrition and completion rates have been dismal. For example, the two year course completion rate for courses commencing in 2010 and completing in 2011 was 24.7 per cent. In 2013 the course completion rate for VET FEE-HELP assisted students (commencing 2011) was 26.1 per cent, falling to 22 per cent in 2014. Online courses have the lowest completion rate of only seven per cent. It has also been shown that a large proportion of VET FEE-HELP loans are provided for courses that have no links to industry needs or specific employment outcomes for students.

A key issue overlooked in the design and implementation of this scheme was the role of the profit motive within the market-based system and how there will be providers that push and bend the rules to seek the greatest return. In the vocational training sector, the profit motive delivered:

- the rise of 'education brokers' who sought to place people into a course for an upfront fee, so there was no alignment between their remuneration and the appropriateness of the course for the student;
- the use of inducements, including 'free' tablets and notebook computers which were funded through the cost of marketing;
- widespread use of door-to-door sales and cold calling, including to jobseekers who had applied for employment via online job websites (privacy policies of such websites allow for education brokers to contact them); and
- misleading and other unfair sales tactics.

These 'costs' of competition cannot be over-stated. They not only negatively impact individuals, but also efficiency. If competition was applied in other sectors, providers may have to similarly direct significant resources to sales and marketing. Such activity can work against efficient use of resources in the sector, drive up user costs and disrupt rational consumer choice.

Competitive pressure can also lead to niche (but necessary) services being squeezed out of the market in favour of larger and therefore more lucrative service areas. In economic terms, there is the potential for market consolidation, oligopolistic outcomes and rent extraction. As the Australian Competition and Consumer Commission (**ACCC**) chairman Rod Sims recently noted, selling public assets and relying on competitive market forces to deliver positive consumer outcomes has failed in a number of areas,

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<sup>4</sup> See: Australian Government, *Re-designing VET FEE-HELP – Discussion Paper*, 2016.

and “*created unregulated monopolies that hurt productivity and damage the economy.*”<sup>5</sup> In the same article, Sims noted that “*the sale of ports and electricity infrastructure and the opening of vocational education to private companies had caused him and the public to lose faith in privatisation and deregulation.*” Sims noted the billions of dollars wasted in the vocational education sector since it was opened to up to the private sector, and that competition did not always result in lower prices for consumers:

*"When you meet people in the street and they say 'I don't want privatisation because it boosts prices' and you dismiss them ... recent examples suggest they're right."*

Mr Sim’s concern, it should be acknowledged, is with the way competition and market principles are commonly brought to new markets, rather than with competition *per se*. However, his point is that failed policy in this regard can mean the community stands opposed to social and economic reform, even where that reform (done well) can offer the community benefits. Simplistic policies ‘applying competition and contestability’ to human services similarly risk poor outcomes and widespread community opposition.

The Commission’s Issues Paper does acknowledge that some services are not well suited to the application of competition principles.<sup>6</sup> Similarly, the Issues Paper acknowledges that not all users of human services have the capacity to exercise informed choice, and that others have highly specific needs which means they will only ever have very limited options when choosing a service provider.<sup>7</sup>

Consumer Action welcomes those aspects of the Issues Paper which reflect the complexity of the human service sector. In undertaking this inquiry, we urge the Commission to consider closely the evidence of outcomes of instances where competition and market principles have been applied, and be open to other frameworks for human service delivery that can deliver the desired outcomes with less risk of human and social harm.

### **User choice: lessons from behavioural economics**

Human services, including health, education, disability and aged care, should be delivered in a user-centred way. They should also be delivered in a way that empowers people to have control and, where possible, make decisions and choices. To do so will ensure users of those services (many of whom are likely to be vulnerable and disadvantaged) are treated justly and with dignity, and will make it more likely that they have greater participation in social and economic life.

However, there are also risks in relying on user choice and it will not always be possible for individuals to make effective choices. The Issues Paper notes a number of factors which influence whether individuals are willing and able to make informed decisions about alternative services and providers. These are:

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<sup>5</sup> Hatch, Patrick. *Privatisation has damaged the economy, says ACCC chief*, Sydney Morning Herald, 27 July 2016 (available at: <http://www.smh.com.au/business/privatisation-has-damaged-the-economy-says-acc-chie-20160726-gqe2c2.html>.)

<sup>6</sup> Productivity Commission, *Human Services – Identifying sectors for reform*, 2016, p. 8.

<sup>7</sup> *Ibid*, p. 9.

- whether users can make decisions on their own behalf;
- whether information is available to users about alternatives;
- the level of expertise required to compare alternatives; and
- the scope for service recipients to learn from past transactions.

While these factors are important, the discussion does overlook much of the recent literature from behavioural economics and the application of these findings to “consumer choice”. The Commission has undertaken analysis on this area<sup>8</sup>, and would we urge closer consideration of its relevance to this review.

Particularly important is the finding that as the number of choices or the amount of information increases, decision-making deteriorates.<sup>9</sup> That is, people’s decisions become less likely to be in their own interests. Heavy reliance on disclosure to underpin informed decision-making in a complex marketplace is therefore unlikely to support effective choice and effective competition.

In addition, people’s reliance on short-cuts and heuristics to process information means that choices can be less than optimal. Essentially, when “*the decision environment is complex relative to their mental and computational capabilities*”,<sup>10</sup> consumers base decisions on approximate measures, because to sort through all of the information and make an ‘informed’ decision is not deemed worth the effort.

Australia’s Office of Best Practice Regulation has published a useful guide for policy makers of common behavioural factors that affect consumer choice (Table 2, page 26). These factors can be used to improve the design of initiatives or regulations to help consumers better assess relevant information, or ‘nudge’ them towards making a desirable choice.

#### **Behavioural factors affecting choice<sup>1</sup>**

The behavioural factors which affect choice can broadly be categorised as follows:

*Loss aversion*: people would rather not lose than win.

*Reference point*: people may evaluate changes relative to some reference point, rather than objectively.

Examples include:

- Priming – people’s behaviour may be impacted if they are first exposed to certain sensations.
- Anchoring – people use an initial reference point in estimating values.
- Salience – consumers are drawn to what seems relevant to them.

<sup>8</sup> Productivity Commission, *Review of Australia’s Consumer Policy Framework – Inquiry Report*, 2008.

<sup>9</sup> Schwartz, Barry, *The Paradox of Choice – Why More is Less*, Harper Perennial, 2004.

<sup>10</sup> Xavier, Patrick. *Behavioural economics and customer complaints in communication markets*, Australian Communications and Media Authority (ACMA), May 2011, p. 4.

*Time inconsistency:* people change their minds over time. Examples include:

- Hyperbolic discounting – people may change their valuation of goods and services over time.
- Procrastination – important decisions may be delayed.

*The Implications of loss aversion, reference point and time inconsistency:*

- Default choice – consumers may ‘go-with-the-flow’.
- Endowment effect – consumers may disproportionately value what they possess.
- Status quo bias – consumers may be averse to change.

*Social factors:* choice can be impacted by the choice of others, including through:

- Social norms – people are influenced by the actions of those around them.
- Ego – consumers behave in a way that supports the impression of a positive self-image.
- Messenger – consumers are influenced by who communicates information.

*Additional factors,* including:

- Mental accounting – consumers may be inconsistent in valuing money.
- Heuristics – people may use mental short-cuts when making choices.
- Affect – emotions can be powerful in shaping consumer behaviour.

<sup>i</sup> <http://ris.dpmc.gov.au/2012/12/18/obpr-research-paper-influencing-consumer-behaviour-improving-regulatory-design/>

These biases are likely to affect different types of decisions in human services markets differently. Where some decisions will not have significant consequences, many choices in human services markets are likely to have long-term implications or be once-off, for example, choosing aged care accommodation. Therefore consequences of poor decisions can be severe, or even catastrophic.

Vulnerable groups are even less likely to engage with information to make effective choices. A recent evaluation published by the Brotherhood of St Laurence on the experience of user directed aged care concluded that there will also always be some consumers who are unable to retain and understand complex information.<sup>11</sup> The report noted that choice-based reforms are ‘*likely to increase opportunities for elder abuse and impose an unmanageable burden on those who are already struggling*’.<sup>12</sup>

While the Issues Paper does acknowledge that not all users have the capacity to exercise informed choice, (and that some require niche services where little choice is likely to be available), the Issues Paper does not acknowledge that consumers do not always *desire* choice, at least in the sense of choosing between different service providers and particularly in the provision of essential services.

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<sup>11</sup> Simons, Bonnie. Kimberley, Helen. & McColl Jones, Nicky. *Adjusting to Consumer Directed Care – the experience of Brotherhood of St Laurence community aged care services*, Brotherhood of St Laurence, 2016.

<sup>12</sup> *Ibid*, p 20.

Internationally, this issue has also been noted. A 2009 European Commission Report *Privatisation of Public Services and the Impact on Quality, Employment and Productivity (PIQUE)* found that:

*“...if marketisation is the policy goal, there is still a great need to ‘train’ citizens and facilitate consumerism today. The modern ‘citizen-consumer’ who expects and demands ‘choice’ from these public services is still largely a policy fallacy, if we look at the general attitude patterns and the behaviour experience in the electricity sector so far.”<sup>13</sup>*

The PIQUE paper concluded:

*“At the direct policy level of implementation: IF one believes in the market solution and IF one subscribes peoples’ right to choose, THEN one also needs state intervention taking real consumer attitudes and behaviour into account. In other words: competition policies will also need a demand-side pillar involving: a) the design of a consumer-choice architecture as part of market creation; and b) social policies as corrective instruments.*

...

*At the more abstract level of policy theory, we can also read the results as a cry for safeguarding the public nature of these services. The public nature of services of general interest then seems to be less a question of state involvement or state ownership but much rather lies in these services’ immanent character: they have to be publicly available and universally guaranteed without much private consumer decision making.”<sup>14</sup>*

What the PIQUE study identifies is that in areas of essential services, consumers are less concerned with having a range of service providers to choose from than they are with the service being available, high quality, easily accessible, and guaranteed. This makes sense when one considers that human services are meeting consumer needs, not wants, and that the nature of the service or good being provided does not particularly vary between providers.

### **Community sector contribution to the public interest**

In considering the potential effectiveness of competition in the human services sector, the Commission should not underestimate or fail to take into account value inherent in community sector delivery. The Commission’s 2010 research report, *Contribution of the Not-for-Profit Sector*, acknowledged that 4.6 million Australians volunteer with not-for-profit organisations, with a collective wage equivalent of \$15 billion.<sup>15</sup> Volunteer contribution to the human services sector is undeniably significant and would risk being lost if human services moved to a private sector, for profit delivery model.

This potential loss speaks to a fundamental risk of moving away from public sector, not-for-profit service delivery towards a for-profit model—namely, the value of organisational ‘mission’, which may

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<sup>13</sup> Hermann, Christoph. Flecker, Jorg. *Privatisation of Public Services and the Impact on Quality, Employment and Productivity (PIQUE) Final Report*, The Pique Consortium, 2009, p. 83 (Funded under the European Commission’s 6<sup>th</sup> Framework Programme)

<sup>14</sup> Ibid p. 83 -84

<sup>15</sup> Productivity Commission, *Contribution of the Not-for-Profit Sector*, 2010 p. xxiii.



be defined as non-financial driver to provide human services, and to meet the needs of those who require them to the highest level the provider is able to achieve. While difficult to quantify, the value of this driver is significant both at the individual worker level, (in their interactions with service recipients), at the organisational level, and at the sector level.

In particular, mission based human service providers frequently collaborate to ensure that scarce resources are put to their most efficient use, and that service recipients receive the highest level of care. Replacing this driver with the profit motive erodes the incentive for organisations to work together, just as it alters the organisational culture of human service providers, which—inevitably—has flow-on effects for worker/client interaction and service delivery. If the Commission’s focus is to ensure efficient and cost-effective delivery of human services, it should recognise the true value of services currently provided—and recognise that much of that value may be lost if the culture of the sector is fundamentally altered and civil society further eroded.

Significant value in the human services sector is currently derived from the not-for-profit, mission based approach of service providers—and this needs to be fully taken into account when considering a shift to for-profit, private sector service provision. Organisational and sector-wide culture has a significant impact on quality of care, responsiveness and efficiency. It therefore follows that if the culture of a sector is fundamentally altered there may be an unintended loss of value, quality and efficiency in the sector. Not-for-profit service providers are able to prioritise service quality and responsiveness, not because it leads to profitable outcomes—but because it is the reason they undertake the work.

By comparison, the profit motive inevitably creates a tension between service provision and cost—with costs suppressed to maximise profit, even if it compromises service delivery. Labour generally represents the major cost of human services delivery, and so competition will inevitably lead to downward pressure on labour—leading to the potential for poorer quality service provision, spread too thinly. The cost borne by consumers will not necessarily fall, and for-profit providers may become highly profitable—but this will not necessarily translate to high quality services. This dynamic may undermine the intended purpose of introducing competition to the sector in the first place, to improve “*the sector’s efficiency and effectiveness and help to ensure all Australians can access timely, affordable and high quality services which are appropriate to their needs, and are delivered in a cost-effective manner*”.

Competition will also affect the level of collaboration that may be expected between different service providers. While current not-for-profit providers do compete for contestable funding, once funding is secured there is a high degree of collaboration to ensure effective and comprehensive service delivery, resulting in an efficient allocation of resources. This will not occur in a demand-driven market—competition law compliance can be extremely costly—accordingly, the value of that collaboration should be assessed before it is lost.

Mission-based organisations also commonly engage in broader advocacy, aiming to improve the system or structure within which services are delivered. The Commission has previously recognised the efficiency of this feedback loop. In its Inquiry Report into Access to Justice Arrangements, the Commission rightly found that strategic advocacy can reduce demand for legal assistance services.<sup>16</sup>

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<sup>16</sup>Productivity Commission, *Access to Justice Arrangements – Inquiry Report* (Vol. 2), 2014, p. 709.

This is true in other sectors as well, with efforts going into preventing the need for ‘human services’ in the first place likely to be an efficient use of resources. This is particularly so in the health sector, with widespread recognition of the social determinants of health (the conditions in which people are born, grow, live, work and age, shaped by the distribution of money, power and resources at global, national and local levels). If inequities are dealt with upfront, expensive costs of healthcare (such as tertiary healthcare) may be avoided.

In any change to service delivery arrangements, the ability to provide systemic advocacy in the public interest must be maintained. Losing this capacity will lose the opportunity for efficiency gains and costs savings.

### **Regulatory frameworks**

The Issues Paper acknowledges that governments cannot distance themselves from the quality of human services, and that they will continue to have an important role as “market stewards.”<sup>17</sup>

In particular, both the Competition Policy Review and the Issues Paper note that:

*“...governments cannot distance themselves from the quality of human services and that they will continue to have an important role as market stewards, including through policy and funding decisions, but also in fostering service models that best meet the needs of individuals and the broader community.”<sup>18</sup>*

While Consumer Action agrees with this proposition, we are concerned that the costs and difficulties of providing that stewardship are currently under-estimated. It may be that if these functions are properly taken into account they may significantly diminish the appeal of reform. It makes little sense to implement competition policy to improve productivity and efficiency, only to incur significant costs in establishing effective monitoring, administration and oversight—and forfeiting any cost benefit in the process.

Further, in our experience, many regulatory schemes fail to live up to their promise. This is largely because the adequacy or necessity of the regulatory task is not appreciated—this appears to have been the case in relation to vocational training where consumer safeguards were not adequately considered in the development of the scheme.

A good regulatory system will include the following:

- robust quality and service standards;
- strong compliance mechanisms and effective (active) regulators;
- accessible and swift dispute resolution; and
- effective funded consumer advocacy.

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<sup>17</sup> Productivity Commission, *Human Services – Identifying sectors for reform*, 2016, p. 1.

<sup>18</sup> *Ibid* p. 1

In complex markets, reliance on the Australian Consumer Law alone to protect consumer interests is likely to be insufficient. Where services are particularly difficult to assess before they are delivered, due to factors such as the intangibility and complexity, or the fact that they are purchased infrequently, and where the risk of consumer detriment is relatively high (or the detriment suffered if things go wrong is potentially significant or irremediable), more will be required. Specialist regulators, which can apply forward-looking regulatory tools such as licensing and stringent conduct standards, (rather than simply consumer protection standards that apply after any problem is discovered), will be necessary. As stated in the PIQUE paper referred to above, consumer-choice architecture as a part of market creation will also be a role for regulators.

Specialist regulators, however, can often become captured by the sector they regulate. The design of regulators needs to account for this risk, with independence and protection from outside interests built in. Further, specialist regulators can become process focused, so that they focus their work on regular work like licensing and auditing functions etc. This can risk overlooking actual market outcomes, including 'core' consumer issues regarding sales and marketing, or safety standards. Effort will be required to ensure regulators are 'active' and focus on market outcomes that benefit consumers.

Effective dispute resolution is important, and can play an important role in identifying issues and proposing systemic market changes.<sup>19</sup> Equally important is the role of consumer advocacy, often overlooked. In nearly all regulatory arrangements, supplier interests invest heavily in advocacy to support their interests. To counter this, consumer advocacy is required. As recognised by the Commission previously<sup>20</sup>, there are net benefits from the provision of taxpayer resources for consumer advocacy where it is appropriately representative and benefits significant numbers of consumers. In Consumer Action's experience it is not only government and regulators who seek the views of consumer advocacy organisations – industry increasingly does so, too.

We outline these aspects of an effective regulatory scheme not in order to propose their application to particular human services sectors, but to emphasise that they must be considered and that they can be costly in their own right. Consumer Action is highly familiar with various regulatory approaches to consumer protection and market regulation, due to our extensive policy and case-work. These are difficult areas with strongly competing factors, and the task of reining in conduct that leads to poor consumer outcomes is extensive, costly, and ongoing. Furthermore, it is highly imperfect—and the consequences of government failing to perform its stewardship role adequately could be disastrous both for service recipients, and public finances.

### **Conclusion: evaluate and proceed with care**

The current roll-out of the National Disability Insurance Scheme (**NDIS**) provides a useful case study of how human services reform may be handled, and how VET FEE-HELP style market failure may be avoided. Importantly, NDIS is being implemented with the benefit of additional funding through an

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<sup>19</sup> Australian Treasury, *Benchmarks for Industry-Based Consumer Dispute Resolution*, 4 March 2015. (Available at: <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/benchmarks-ind-cust-dispute-reso>)

<sup>20</sup> Productivity Commission, *Review of Australia's Consumer Policy Framework – Inquiry Report (Vol 2)* 2008. pp 281-282.

increase in the Medicare levy, and significant state government funding. The primary intention of the NDIS is not to reduce the cost of disability services—but to enhance service provision.

Consumer Action urges the Commission to withhold from making firm recommendations regarding human services reform until the NDIS has had time to roll-out, and its success (or otherwise) can be properly assessed. The NDIS does potentially offer genuine benefits in terms of both quality care and user choice, and could provide a useful model on which to base other human services reform.

Evaluation of policy reform should be the focus, rather than competition policy reform for its sake. At the very least, any further reform should be undertaken conservatively—on a small scale, trial basis—to avoid another VET-FEE HELP style market failure.

Please contact Zac Gillam, Senior Policy Officer  
you have any questions about this submission.

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Yours sincerely

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