

[Staff details – redacted for privacy reasons]

From: Renwick, Robin <Robin.Renwick@finance.gov.au>
Sent: Monday, 26 May 2014 6:28 PM
To: Hupalo, Paul
Cc: [Staff details – redacted for privacy reasons] | DHS.ENABLING.SUPPORT; GM.WHOLEOFGOVERNMENT
Subject: Re: AHS Terms of Reference [SEC=UNCLASSIFIED]

Thanks Paul.

Regards

Robin

Sent from my iPhone

On 26 May 2014, at 6:07 pm, "Hupalo, Paul" <Paul.Hupalo@humanservices.gov.au> wrote:

Robin

It was good talking to you this afternoon.

As discussed, these ToRs look good from my perspective. The only suggestion I would make is to be clear that the matters to be considered include *but are not limited* to the points listed. Or you could include a catch-all point somewhere.

Also, the ToRs are generally focused on the question of ownership and I assume this is deliberate. But you may also want the opportunity to make recommendations on the *operation* of AH against each of the headings (eg there is conceptually an option to retain government ownership at least for a while but allow them to compete in the private market and allow CSO services to become contestable).

I look forward to working with you.

Regards.

Paul Hupalo
National Manager
Portfolio Agency Advice Branch
02 6223 4103 / [Mobile number – redacted for privacy reasons]

From: Renwick, Robin [<mailto:Robin.Renwick@finance.gov.au>]
Sent: Thursday, 22 May 2014 10:07 AM
To: [Staff details – redacted for privacy reasons]
Subject: FW: AHS Terms of Reference [SEC=UNCLASSIFIED]

UNCLASSIFIED

[Staff details – redacted for privacy reasons]

I have attached our draft terms of reference for the AHS scoping study. The adviser scopes of work and other documentation will flow from the terms of reference.

Any comments you may have would be appreciated. I don't have Jonathan's email address (could have a good guess), so will leave it to you if you think it would be worthwhile seeking his views.

Regards

Robin

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COMMERCIAL-IN-CONFIDENCE

Draft Scoping Study – Terms of Reference Australian Hearing Services

As part of its ongoing governance monitoring arrangements, and in line with the outcomes of the National Commission of Audit's review and report on the performance, functions and roles of the Commonwealth Government, the Commonwealth Government is considering the future ownership arrangements of its shareholding in Australian Hearing Services (AHS). AHS is a statutory authority constituted under the *Australian Hearing Services Act 1991*, and a Commonwealth authority for the purposes of the *Commonwealth Authorities and Companies Act 1997* (CAC Act). AHS is governed under those Acts by a Board that reports against its Corporate Plan to the Minister for Human Services (Human Services).

AHS was originally established by the Australian Government in 1947 to provide hearing services to children whose hearing was affected by a series of rubella epidemics and to assist veterans who suffered hearing damage during World War II. AHS is the nation's leading hearing specialist and largest provider of Government funded hearing services.

The governance structure of AHS means that it is essentially responsible to two different parts of government. On the one hand, AHS must meet its obligations to deliver services under the Voucher Program and also the Community Service Obligation (CSO) program under its MOU with the Office of Hearing Services (OHS) within the Department of Health (Health). On the other hand, AHS is accountable to the Minister for Human Services through the Department of Human Services for its overall financial performance. These arrangements sometimes create conflicting pressure for AHS when trying to balance commercial drivers.

AHS has two components to its income stream. The CSO program delivery is funded through Health, via OHS, providing a fixed annual appropriation that accounts for approximately 25 per cent of revenue for AHS. The second component to AHS's income stream is provided through its competition in the voucher market with over 200 accredited providers; accounting for approximately 75 per cent of revenue for AHS.

AHS also has a research division called National Acoustic Laboratories (NAL). NAL is a world leader in research into hearing assessment, hearing loss prevention and hearing rehabilitation. The research that NAL conducts is critical to helping people lead more fulfilling and productive lives.

The Department of Finance (Finance), on behalf of the Commonwealth Government, will manage the scoping study into AHS, in consultation with Human Services and Health. Finance and its advisers will liaise and consult with key stakeholders (as identified through the stakeholder management plan and communications strategy) during the course of the scoping study.

The scoping study will involve consideration of and production of a report to the Government, to be submitted at a future date, addressing the following issues:

Commercial Review

- a review of AHS's current business;
- an analysis of the industry environment (including likely investors) in which AHS operates and the impact of any change in ownership of AHS on that environment;
- identification of the benefits, risks and costs of options available, including continuing business as is;
- a review of any community service obligations and implications for any change in ownership;
- a review of the NAL business; and
- a review of potential restructuring options for either continued ownership or sale.

Legal Issues

- an analysis of AHS's legislative and regulatory framework and implications of any changes to this as required by a change to future ownership arrangements;
- review of existing legislation and any legislative changes required in relation to any recommended options; and
- identification of other legal issues considered relevant to continued ownership or possible sale.

Ownership Issues

- the Commonwealth's options in relation to its shareholding in AHS, including:
 - identification of options for continued ownership, including benefits and risks etc, as well as optimal company structure and governance arrangements;
 - identification of options for a potential sale, having regard to AHS's business, the market, human resource issues, post sale conditions, legislative and policy issues, and comparable sales;
 - an analysis of the implications, risks and benefits (achievability, timetable including key dates, budget, policy outcomes) and estimated returns of all available options.
- a detailed implementation plan for all recommendations put forward.

Policy Issues

- analysis of Commonwealth Government policies and regulations relating to hearing services, and the implications this may have regarding future ownership options of AHS.