

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

REPORT OF THE JOINT SELECT COMMITTEE ON AN AUSTRALIA CARD

MAY 1986

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TERMS OF REFERENCE

On 13 November 1985, the House of Representatives resolved to appoint a Joint Select Committee on an Australia Card. The Senate concurred on 29 November 1985. The terms of the Resolution were as follows:

- (1) That a joint select committee be appointed to inquire into and report on all aspects of the government's proposals for an Australia Card, including -
 - (a) the costs of introducing and operating the system;
 - (b) the likely effectiveness of the proposed system in combating evasion of, and fraud against, the taxation and welfare systems, and in fulfilling the other purposes for which the system has been proposed;
 - (c) the most appropriate means of identification which should appear on Australia Cards to ensure the effectiveness of the system;
 - (d) the most appropriate method of establishing positive identification of individuals for the purpose of issuing Australia Cards;
 - (e) the experience of other countries in utilising identification systems;
 - (f) the inclusion of adequate protection against abuses of civil liberties and invasion of privacy;

- (g) the comparable cost-effectiveness of alternative proposals to combat evasion of, and fraud against, the taxation and welfare systems and the other purposes for which the system has been proposed;
- (h) whether use of the Australia Card should be universal and/or compulsory and, if so, for what purposes and by whom;
- (i) limits which should be placed on the requirement for individuals to produce an Australia Card;
- (j) the extent to which the Australia Card may facilitate data linkage by Commonwealth departments and authorities, and the most appropriate means whereby such data linkage should be subjected to adequate supervision and safeguards; and
- (k) other related matters which the committee may deem appropriate.

- (2) That the committee consist of 8 members, 3 Members of the House of Representatives to be nominated by either the Prime Minister, the Leader of the House or the Government Whip, 1 Member of the House of Representatives to be nominated by either the Leader of the Opposition, the Deputy Leader of the Opposition or the Opposition Whip, 1 Member of the House of Representatives to be nominated by either the Leader of the National Party or the National Party Whip, 1 Senator to be nominated by the Leader of the Government in the Senate, 1 Senator to be nominated by the Leader of the Opposition in the Senate and 1 Senator to be nominated by the Leader of the Australian Democrats.

- (3) That every nomination of a member of the committee be forthwith notified in writing to the President of the Senate and the Speaker of the House of Representatives.
- (4) That the members of the committee hold office as a joint committee until the House of Representatives is dissolved or expires by effluxion of time.
- (5) That the committee elect a Government member as its chairman.
- (6) That the committee elect a deputy chairman who shall perform the duties of the chairman of the committee at any time when the chairman is not present at a meeting of the committee and at any time when the chairman and the deputy chairman are not present at a meeting of the committee the members present shall elect another member to perform the duties of the chairman at that meeting.
- (7) That 4 members of the committee constitute a quorum of the committee.
- (8) That the committee have power to send for persons, papers and records.
- (9) That the committee have power to move from place to place.
- (10) That the committee have power to adjourn from time to time.
- (11) That the committee have power to authorise publication of any evidence given before it and any document presented to it.

- (12) That the committee report by 31 March 1986.
- (13) That the committee have leave to report from time to time.
- (14) That the foregoing provisions of this resolution, so far as they are inconsistent with the standing orders, have effect notwithstanding anything contained in the standing orders.

INTRODUCTION

Conduct of Inquiry

1. The inaugural meeting of the Committee was held on 4 December 1985. Because of its short reporting deadline, the Committee resolved to commence public hearings as soon as possible. Advertisements were placed in the national press in December seeking submissions from the public on the terms of reference. In addition, the Committee wrote to State Premiers, relevant Federal Ministers, Bar Associations, all State Councils for Civil Liberties, all Law Societies and other organisations and individuals known to have an interest in the Government proposal for an Australia Card. On 13 November 1985 the Government forwarded to the Committee for release two planning reports in relation to the Australia Card program; they were the 'Report of the Interdepartmental Committee Established to Develop Legislative Requirements and Other Aspects Necessary to Complete the Detailed Implementation of the National Identity System' dated 29 August 1985 and the Interim Planning Report prepared by the Health Insurance Commission entitled 'Establishment and Administration of a National Identification System - the Australia Card Program' dated August 1985. Both these documents were circulated widely by the Committee to interested organisations and individuals including all witnesses who appeared before the Committee in the December hearings.

2. During the period of the inquiry the Committee received 129 submissions (listed in Appendix 1) and numerous letters indicating either support or opposition to the proposal. Because of the nature of the inquiry and the intention of this Committee to provide a thorough and open public debate on the proposal, the Committee has incorporated all submissions as part of the evidence.

3. Between 17 December 1985 and 1 April 1986 the Committee held 17 days of public hearings in all capital cities except Darwin. The Committee also heard evidence from Mr Lars Tegnhed, the Director of the National Swedish Tax Board. Overall, the Committee heard evidence from 168 witnesses representing 83 organisations and 18 individuals appearing on their own behalf. A list of the organisations and individuals who appeared before the Committee at public hearings is set out in Appendix 2.

4. On 10 February 1986 the Government forwarded its 300 page submission entitled 'Towards Fairness and Equity' to the Committee. On 24 February 1986 the Health Insurance Commission forwarded its own submission entitled 'Australia Card - Planning Report on the Establishment of Administration of a National Identification System' to the Committee. To ensure that all interested organisations and individuals had an opportunity to respond to both these reports the Committee extended its deadline for submissions on a number of occasions and eventually received submissions up to 1 April 1986. The Committee also forwarded copies of both documents to all prospective witnesses and to any other organisations and individuals upon request. By the end of the inquiry, the Committee had forwarded over 300 copies of the second IDC Report and the interim HIC Report, 500 copies of the Government submission and 400 copies of the Health Insurance Commission Report to interested parties. Substantial numbers of the Government submission and the HIC final report were also forwarded by the Department of Health and the HIC to Commonwealth and State Government Departments and libraries throughout Australia. The Committee also received numerous requests for some or all of the transcripts of evidence which by 1 April 1986 extended to more than 5000 pages. Overall the Committee posted more than two tonnes of material to a large number of interested organisations and individuals as part of its commitment to provide full and open debate on this issue.

5. In addition to the direct evidence received by the Committee it also had access to overseas documents on implementation of ID schemes and considered reports from other Parliamentary committee inquiries and Government inquiries on issues directly related to this proposal. Over a very short period of time this Committee has received and sifted through a substantial amount of material in an effort to cover all aspects of this inquiry as thoroughly as possible. During the course of the inquiry the Committee held 18 public hearings, one in-camera hearing, two briefings with commercial organisations on technical developments covering security cards and met privately on 12 occasions.

6. By the middle of March 1986 it became evident that the Committee would have to extend its reporting date to enable it to hear the balance of the evidence and to report. Before the end of March a Resolution was passed by both Houses of Parliament to extend the reporting date to 30 April 1986. A further extension until 8 May 1986 was sought and granted before the end of April.

Explanatory Notes

7. While the many substantial reforms recommended in Chapter 2 of this Report have the unanimous support of all members of the Committee, recommendation 12 made in Chapter 4 at paragraph 56 is supported only by a majority of the Committee. Where the term 'majority of the Committee' is used, it refers to the following members:

Mr James Porter, MP (Deputy Chairman) (Liberal Party)
Senator Janine Haines (Australian Democrats)
Senator Christopher Puplick (Liberal Party)
Mr Charles Blunt, MP (National Party)
Mr John Saunderson, MP (Australian Labor Party)

8. The remaining members of the Committee dissented from the conclusions and recommendations given in Chapter 4 and instead submitted a dissenting Report. They are:

Senator Terry Aulich (Chairman)

(Australian Labor Party)

Mr Bob Brown, MP (Australian Labor Party)

Mr John Brumby, MP (Australian Labor Party)

9. References to procedures relating to the payment of benefits by the Department of Social Security refer also to provisions covering the payment of pensions by the Department of Veterans' Affairs. Further, recommendations made by the majority of the Committee pertaining to use of the tax file number by the Department of Social Security should also be considered to apply to the Department of Veterans' Affairs. However, the recommendations relating to proof of identity procedures are not considered relevant to the Department of Veterans' Affairs.

Acknowledgements

10. The Committee would like to express its appreciation to those who contributed to the inquiry through written submissions or who appeared personally before the Committee to give public evidence. Those who forwarded submissions or letters but did not appear before the Committee may be assured that their contributions were taken into account during the Committee's deliberations.

11. The Committee would like to acknowledge the assistance it has received from the Secretary to the Committee, Tim Dodson, research officers, Judy Ryan and later Brett Levy, steno-secretaries, Rachel Colombo and later Janice Paull and the many other officers of the Senate Committee Office who assisted the Committee during the period of its inquiry. The Committee

also wishes to acknowledge the work of the House of Representatives Standing Committee on Expenditure Subcommittee, presently reviewing efficiency audits of the Australian Taxation Office, and the advice of its staff. Finally, the Committee would like to thank officers of the Australia Card Secretariat of the Department of Health and officers of the Australian Taxation Office for their ready assistance at various stages of the inquiry.

RECOMMENDATIONS

CHAPTER 1: THE AUSTRALIA CARD PROPOSAL

1. That the Department of Immigration and Ethnic Affairs upgrade the quality of its records including its movements database, citizenship index and overstayers file and transfer all records from the manual system to the computer database as a matter of urgency (paragraph 1.62).

CHAPTER 2: ESSENTIAL REFORMS

2. (a) That the computerisation of all State and Territory Registries of Births, Deaths and Marriages proceed. To this end, the Committee supports the continuation of the current negotiations between the Commonwealth and the States.
- (b) That the Commonwealth provide appropriate assistance and advice to the States to ensure that the computerisation of births, deaths and marriages registers can proceed within the earliest possible timeframe.
- (c) That the only Commonwealth Departments permitted to have access to the computerised registry of births, deaths and marriages be the Australian Taxation Office, the Department of Social Security, the Passport Office of the Department of Foreign Affairs and the Health Insurance Commission. That access to computerised births, deaths and marriages data be restricted to verifying documentation submitted for the purposes of obtaining nominated services from the Commonwealth.

- (d) That extension of access occur only after the widest possible public discussion after the system has been in operation for some minimum period (paragraph 2.14).
3. (a) That the Commonwealth establish an independent statutory body, known as the Data Protection Agency, to control the collection and use of personal data.
- (b) That this body have powers, functions and objectives similar to those outlined in paragraphs 14.6.4 - 14.6.6 of the Government's submission and as further outlined in paragraphs 2.23-24 of this Report.
 - (c) That the jurisdiction of the proposed Data Protection Agency cover from the outset all Commonwealth computerised data banks.
 - (d) That a Parliamentary Committee be established to investigate and monitor the following:
 - (i) the implementation and operation of the proposed Data Protection Agency.
 - (ii) the extension of the Data Protection Agency's jurisdiction to cover all private sector data bases falling within the Commonwealth jurisdiction three years after the establishment of the Agency; and
 - (iii) the extension of the Data Protection Agency's functions to cover all written personal data banks three years after the establishment of the Agency.

- (e) That the right of an individual to have access to and correct personal data on a database be on the same basis as that provided under the provisions of the Freedom of Information Act and that it be extended contemporaneously with any extension of the access provisions of that legislation (paragraph 2.35).
4. That the Commonwealth introduce privacy legislation based on the recommendations of the Australian Law Reform Commission Report on Privacy as soon as possible (paragraph 2.42).
5. (a) That the Government adopt without further delay the banking control regulations contained in the Costigan Royal Commission Report where they are not already subsumed within the Committee's own recommendations.
- (b) That the Federal Government consult with the State and Territory Governments on controls on banks and other financial institutions under State jurisdiction with a view to the early introduction of uniform controls as recommended.
- (c) That legislation be introduced to require banks to notify the relevant Commonwealth and/or State law enforcement agencies about any fraudulent or suspected fraudulent activity within the banking system (paragraph 2.49).
6. That the outstanding recommendations of the Report of the House of Representatives Standing Committee on Expenditure on control of prohibited immigration be implemented as soon as possible (paragraph 2.57).

7. That legislation be passed allowing Commonwealth departments and authorities to inform the appropriate department or authority about suspected cases of fraud. The question of whether departments should be required to report such cases should be considered by the Government (paragraph 2.65).
8. (a) That the responsibility of processing applications and payments under education assistance schemes be transferred from the Department of Education to the Department of Social Security along with all staff involved in administering the schemes.
- (b) That the Department of Education retain policy control over the schemes and budget allocations for education assistance continue to be held against the Education vote (paragraph 2.68).
9. (a) That the Department of Social Security conduct a progressive review of proof of identity for all existing pension recipients and all current unemployment beneficiaries whose claims were determined before the introduction of the new procedures.
- (b) That the Department of Social Security match all recipients of social security benefits with the proposed computerised register of births, deaths and marriages as soon as that reform is implemented.
- (c) That the Department of Social Security immediately begin verifying birth and marriage certificates offered as proof of identity with the relevant State or Territory Register.

- (d) That the Department of Social Security not accept birth and marriage certificates as 'sound' documents for proof of identity purposes until registers of births, deaths and marriages are computerised and linked (paragraph 2.95).

CHAPTER 4: ALTERNATIVES

10. That legislation be enacted to require financial institutions to provide information reported to the Australian Taxation Office in an acceptable format (paragraph 4.20).

11. That, irrespective of whether a tax file number or an Australia Card number is introduced, a withholding tax on interest payments be imposed on interest-bearing accounts which are not associated with a number (paragraph 4.26).

12.(a) That the use of the tax file number be extended to cover all the financial transactions proposed in the Government submission for use of the Australia Card number by the Australian Taxation Office, as well as for social security purposes.

(b) That all other Departments (ie. other than the Australian Taxation Office and Department of Social Security) be barred from access to and use of the tax file number.

(c) That the Medicare system continue to operate as a separate entity, but that the method of issuing new Medicare numbers and cards, be they new or replacement, be altered in order to improve the integrity of the system and reduce the issuing of multiple cards.

- (d) That the integrity of the tax file number be upgraded to that of the proposed Australia Card number based on the following premises:
- (i) that taxpayers with a continuous tax record exceeding five years not be required to make an application;
 - (ii) that the file numbers of these taxpayers be verified by normal audit processes over a period of time;
 - (iii) that all other taxpayers and persons who do not currently possess a tax file number verify their identity to the same level of integrity as proposed under the Australia Card program;
 - (iv) that the interview process for verifying identity be conducted by the Department of Social Security or nominated agents; and
 - (v) that temporary arrangements be made where necessary to facilitate payment of tax before verification of identity.
- (e) That a Parliamentary Committee be established within three years of the introduction of the upgraded tax file number system with the express task of reviewing the implementation of these recommendations. The Committee to report to Parliament on these matters and to recommend further action where necessary (paragraph 4.58).

CHAPTER 1

THE AUSTRALIA CARD PROPOSAL

Introduction

1.1 In June 1985 Government plans for a national system of identification were outlined in the draft White Paper 'Reform of the Australian Tax System'.¹ The paper estimated that additional taxation in the order of \$800 million might be collected from the system within three years of its operation. An interdepartmental committee (IDC) was established in May 1985 to report on the feasibility and benefits of the proposal and to provide a strategy for implementation. An outline of the proposal was presented in a brochure² to the Taxation Summit in July 1985. The brochure indicated that, in addition to reducing taxation evasion, the identification system would reduce health and welfare fraud and help to detect illegal immigrants, thereby opening up employment opportunities for legal residents.

1.2 In July 1985 a second IDC was established to undertake all detailed planning. Concurrently, the Health Insurance Commission was directed to undertake a separate interim planning report on the establishment and administration of what was now known as the Australia Card proposal. The reports of both of these inquiries were presented to the Government in August 1985 and kept confidential until presented to the Committee on 13 December 1985. The reports were immediately made publicly available by the Committee and incorporated into the transcript of evidence of the Committee's first public hearing on 17 December 1985.³

1.3 The initial decision to implement the Australia Card proposal was announced by the Treasurer on 19 September 1985 in the statement 'Reform of the Australian Taxation System'.⁴ The Treasurer proposed that use of the Australia Card would be confined to the primary functions proposed at the Taxation Summit. The Australia Card would utilise a unique number and the holder's signature but would not include a photograph. The proposed system would be administered by the Health Insurance Commission (HIC), making use of the network of Medicare offices. The HIC would also hold a central register of basic identification details for individuals, eg. full name, address, date of birth. The Treasurer also proposed that a companion system be introduced for the wide range of entities, such as corporations, trusts, etc., and other non-individuals liable to pay tax. It was envisaged that this system would prevent the leakage of revenue gains from individuals to entities and other non-individuals. The Treasurer estimated that taxation revenue gains would be \$105 million in the first year (1989-90) of full operation of the system, rising to around \$540 million per annum after the third year of operation. Total establishment costs for the system were expected to be \$127 million and annual operating costs were expected to average around \$86 million per annum for the seven years up to 1992-93 stabilising at around something under \$100 million per annum thereafter. The expected revenue gains were lower than the \$800 million originally envisaged as a result of the non-inclusion of a photograph on the Card and also because the estimated gains were based on the proposed new tax scales.

1.4 In September 1985 the Government introduced the Health Legislation Amendment Act (No. 2) 1985 which inter alia contained provisions enabling the HIC to undertake planning for the establishment for a national identification system. During the debate on this legislation various concerns were expressed in relation to the Australia Card proposal. Eventually the Government agreed to the establishment of a Joint Select

Committee of the Parliament which would investigate and report on the proposal. The Resolution by both Houses of Parliament establishing the Committee and its terms of reference is set out in the introduction to this Report. In the four months since its establishment the Committee has conducted a thorough investigation of all aspects of the proposal.

1.5 The Committee commenced its public hearings on 17 December 1985 although it was at a considerable disadvantage. The only details available concerning the proposal were contained in the Report by the IDC and the interim HIC Planning Report. Both the Committee and the witnesses that appeared before it had very little assistance as to the precise details of the proposal. Both Reports raised more questions than they answered causing the Committee considerable difficulty in assessing the proposal under its terms of reference. This difficulty was exacerbated by the short reporting deadline of the Committee - 31 March 1986 - and eventually the Committee was forced to extend its reporting date until 8 May 1986.

The Government submission

1.6 On 10 February 1986 the Government presented its submission entitled 'Towards Fairness and Equity: The Australia Card Program' to the Committee.⁵ The Government submission proposed that the Australia Card identity number be used by 13 different Government agencies. The intended uses comprised four main categories: legal identification, revenue raising, welfare/benefit protection, and epidemiological and statistical. All Australian citizens and all foreign nationals in various prescribed categories would be eligible to register for and obtain a Card. On registration each person would be allocated a unique identification number which would be displayed on the Card together with the person's name, signature and the period of the Card's validity. Cards for persons under the age of

eighteen years would be normally held by the parent or guardian. Cards issued to visitors and temporary residents of Australia would be readily distinguished from those of Australian citizens and permanent residents and would indicate whether the visitor or temporary resident was entitled to work and/or receive Medicare benefits.

1.7 The basic functions of the Australia Card Program are to provide a framework of identification within Australia which would aid in the positive identification of:

- (a) participants in specified financial transactions (for taxation purposes);
- (b) persons lawfully entitled to undertake work in Australia;
- (c) persons entitled to Commonwealth Government pensions, income support payments and assistance under other Government programs;
- (d) persons entitled to Medicare benefits;
- (e) persons entitled to an Australian passport; and
- (f) persons seeking to register for employment with the Commonwealth Employment Service.

Production of the Card would, of itself, verify identity.

1.8 While the Government submission provided far greater detail on the intended uses of the Australia Card it also contained a number of significant changes in relation to the program. The most significant policy change concerned registration and production of the Card for certain benefits.

The Government's original policy, as announced by the Treasurer, was that non-production of the Card or number for legislated purposes would not alter a person's rights or entitlements to Commonwealth benefits or payments, subject only to that person being able to demonstrate sufficient proof of identity as would confer eligibility for the issue of the Card. However, the Government submission argued that this policy was inconsistent with the objectives of the system and proposed a policy of mandatory registration. Registration for the Card, with the associated ability to present the Card or provide the number, would be a prerequisite for the payment for all health, welfare and other benefits for which the Card or number is required. These benefits and payments would include Medicare, social security, repatriation, student assistance, home ownership benefits, labour market training allowances, domiciliary nursing care benefits, subsidies in respect of private hospital patients (should existing subsidy arrangements continue), and nursing home benefits.

Taxation uses

1.9 The primary focus of the Australia Card proposal is the reduction of tax evasion. The proposal would ensure that a greater range of information is reported to the Australian Taxation Office (ATO) and the Australia Card number would be the key to a much more efficient matching of that information. The very existence of the number and public knowledge of the associated information reporting requirements would promote voluntary compliance through the deterrent effect. In addition, the increased capacity to use information from external sources would enable a better selection of tax audit cases.

1.10 The second IDC report proposed a wide range of uses for taxation purposes.⁶ A number of these uses were not included in the Government submission to the Committee. The final

proposed ten major uses for the ATO which would require production of and verification of identity by the Australia Card are:

1. Opening or continuing any account with a bank, building society, credit union or similar organisation after 1 March 1989. Sanctions proposed include prohibition on opening new accounts, prohibition on operating unverified existing accounts from 1 July 1990 and penalties against financial institutions opening and continuing to operate unverified accounts from 1 July 1990.
2. Investing with Government or semi-Government bodies, solicitors' trust accounts or other interest bearing investments. Sanctions similar to those proposed above would apply.
3. Investments in trusts, cash management or property trusts.
4. Derivation by individuals and entities of:
 - (a) primary production incomes through marketing authorities and produce agents;
 - (b) rental income through real estate agents in respect of rental properties; and
 - (c) non-salary or non-wage incomes through Government agencies by doctors, chemists and other professional persons or entities.

Sanctions would include withholding tax at the maximum marginal rate and statutory penalties against payer organisations.

5. Sending money overseas by either individuals or companies. Sanctions to include prohibiting the overseas remittance and penalties against foreign exchange dealers. After 1 March 1989 all remittances of more than \$50 000 would be reported to the ATO.
6. All real estate transactions by either individuals or entities. A fine would be imposed for failure by the purchaser or vendor to provide the correct Australia Card number and all State and Territory Registrars of Titles would be required to provide to the ATO details of purchases and sales.
7. Holding or using a safety deposit box after 1 March 1989. Sanctions would be similar to those proposed for the first use.
8. Buying shares or futures after 1 March 1989. Sanctions as for use 1.
9. Applying for work, including work done on a contract or similar basis. All such employment to be reported to the ATO. Sanctions to include a withholding tax at the maximum marginal rate from the gross amount of income, with penalties against employers.
10. The correct identification of a person seeking registration as a group employer or for sales tax purposes.⁷

1.11 The submission confirmed the Treasurer's announcement that a companion system of identification for a wide range of entities and other non-individuals including corporations, trusts, partnerships, various clubs, associations and so on was to be introduced. The submission proposed that the most

effective companion system would be to use the Australia Card number of a relevant person associated with an entity to validate the prescribed transaction of that entity. The purpose of this companion system for entities was to prevent the leakage of revenue gains from individuals to entities and other non-individuals.

Taxation benefits

1.12 The Australian Taxation Office's estimates of taxation revenue gains based on 1985/86 prices, for a Card without and with a photograph are shown in the Tables 1 and 2 for the years 1989/90 to 1993/94. These Tables indicate that revenue gains in the scheme's fourth year of full operation are estimated to be \$551 million (without a photograph) and \$724 million (with a photograph).

1.13 Voluntary compliance: The Government submission indicated that the ATO revenue gains include figures for the effect of voluntary compliance. It is estimated that an amount of \$117 million (Card without a photograph) and a \$153 million (Card with a photograph) would be derived from those taxpayers who are not at present lodging income tax returns or who do not show their income from all sources, but who would subsequently decide to voluntarily disclose income in their return because of the existence of an Australia Card. The balance of the revenue would be gained through enforcement activity involving audit, information reporting and income matching.

1.14 Companion system of entities: The Government submission made no attempt to isolate and quantify the revenue gains from a companion entity system. It is envisaged that the system would form an integral part of each of the other uses and is designed to prevent revenue leakage from the Australia Card system should

prescribed transactions be entered into by entities which are not natural persons. Thus, the profits of this system are incorporated into each of the ATO uses.

1.15 Staff: The ATO estimates that it would require the following additional staff to generate its revenue gains: 631 in 1990/91, 631 in 1991/92 and 308 in 1992/93.⁸ No additional staff would be required after that date under the Australia Card program. The ATO estimates that on average an additional 30 staff per annum is required for non-compliance duties from 1987/88.⁹ The ATO noted that the implementation of the Australia Card program would be synchronised as far as possible with the already improved increase in audit coverage to 2 per cent of the non-salary and non-wage taxpayers by 1992. The introduction of a system of self-assessment of tax returns would release most of the staff required by the increase in audit coverage.

AUSTRALIA CARD - ESTIMATED TAXATION REVENUE GAINS -- WITHOUT HOICERAH

BASIS: 85/6 BRICING (\$ millions)

	USE 1	USE 2	USE 3	USE 4	USE 5	USE 6	USE 7	USE 8	USE 9	TOTAL
	IDENTIFYING ACCOUNT-HOLDERS WITH BANKS & FINANCIAL INSTITUTIONS	IDENTIFYING INVESTORS WITH GOVT/SEMI-GOVT BODIES ETC.	IDENTIFYING INVESTORS WITH UNIT, CASH MANAGEMENT & HOBBY TRUSTS	IDENTIFYING 1) EP INCOME THROUGH MARKETING AUTHORITIES 11) RENTAL INCOME FROM REAL ESTATE AGENTS 111) PROFESSIONAL INCOME THROUGH GOVT. AGENCIES	OVERSEAS REMITTANCES	REAL ESTATE	SAFETY DEPOSIT BOXES	PUBLIC COMPANY SHARE - HOLDERS & DEALERS ON FUTURES EXCHANGES	EMPLOYMENT (INCLUDING PPS)	
89/90	28	16	1	11	1	1	-	1	58	117
90/91	87	57	9	44	4	10	1	16	94	322
91/92	136	95	19	68	5	18	3	27	101	472
92/93	150	105	28	88	6	26	4	38	106	551
93/94	150	105	28	88	6	26	4	38	106	551

Source: Department of Health, Towards Fairness and Equity: The Australia Card Program, Submission by the Government of Australia, 6 February, 1986, p. 111.

TABLE 2

AUSTRALIA CARD - ESTIMATED TAXATION REVENUE GAINS - WITH HOJIOGRAHI

BASIS: 65/6 PRICING (\$ millions)

	USE 1	USE 2	USE 3	USE 4	USE 5	USE 6	USE 7	USE 8	USE 9	TOTAL
	IDENTIFYING ACCOUNT-HOLDERS WITH BANKS & FINANCIAL INSTITUTIONS	IDENTIFYING INVESTORS WITH GOVT/ SEMI-GOVT BODIES ETC.	IDENTIFYING INVESTORS WITH UNIT, CASH MANAGEMENT & PROPERTY TRUSTS	IDENTIFYING 1) PP INCOME THROUGH MARKETING AUTHORITIES 11) RENTAL INCOME FROM REAL ESTATE AGENTS 111) PROFESSIONAL INCOME THROUGH GOVT. AGENCIES	OVERSEAS REMITTANCES	REAL ESTATE	SAFETY DEPOSIT BOXES	PUBLIC COMPANY SHARE - HOLDERS & DEALERS ON FUTURES EXCHANGES	EMPLOYMENT (INCLUDING PPS)	
89/90	35	21	1	13	1	1	-	1	80	153
90/91	109	70	14	57	5	13	1	19	125	413
91/92	172	120	30	89	7	23	3	34	134	612
92/93	190	134	43	119	9	33	5	49	142	724
93/94	190	134	43	119	9	33	5	49	142	724

Source: Department of Health, Towards Fairness and Equity: The Australia Card Program, Submission by the Government of Australia, 6 February, 1986, p. 113.

Benefits and costs of the proposal

1.16 Benefits. The full revenue gains (benefits) obtained by the Australia Card program over a ten year period commencing in 1986/87 are set out in Table 3. A number of assumptions have been made with respect to this table and for that reason it is classified as analysis 1. The Table assumes that 1985/86 conditions apply throughout the full ten year period, in particular, the price basis is constant, and the national income and population remain at the 1985/86 level. This static analysis is known as the steady state approach. The Table contains two sets of estimates of benefits for a Card with and without a photograph, in relation to the ATO and the HIC. Estimates of benefits for other agencies were prepared on the basis of no photograph.

1.17 Table 3 shows that under the above assumptions the estimated financial benefits to the Commonwealth total almost \$4500 million over the ten year period. This estimate is based on a Card without a photograph. The Table also indicates that substantial revenue gains are first obtained in 1989/90 (\$215 million) and full benefits of \$757 million per annum are obtained in 1992/93.

TABLE 3

AUSTRALIA CARD - COST/BENEFIT SUMMARY - BENEFITS

(Analysis 1: steady state, 10% annual discount, in \$ millions)

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	TOTALS
AUSTRALIAN TAXATION OFFICE - no photo	0.000	0.000	0.000	117.000	322.000	472.000	551.000	551.000	551.000	551.000	3115.000
- with photo	(0.000)	(0.000)	(0.000)	(153.000)	(413.000)	(612.000)	(724.000)	(724.000)	(724.000)	(724.000)	(4074.000)
HIC - Medicare	5.900	3.250	4.500	5.000	5.000	5.000	5.000	5.000	5.000	5.000	48.650
- no photo	(5.900)	(4.000)	(6.500)	(7.500)	(7.500)	(7.500)	(7.500)	(7.500)	(7.500)	(7.500)	(68.900)
- with photo	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Health - Private Hospital Subsidy	3.710	1.612	1.612	1.612	1.612	1.612	1.612	1.612	1.612	1.612	18.218
SOCIAL SECURITY	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
HOUSING AND CONSTRUCTION	0.000	0.000	0.000	0.100	0.200	0.200	0.200	0.200	0.200	0.200	1.300
EDUCATION	0.000	0.000	0.000	1.000	0.900	0.800	0.700	0.600	0.500	0.400	4.900
VETERANS' AFFAIRS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
COMMUNITY SERVICES	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
EMPLOYMENT AND INDUSTRIAL RELATIONS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FOREIGN AFFAIRS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
IMMIGRATION AND ETHNIC AFFAIRS	0.000	1.248	4.118	90.605	199.331	199.331	199.331	199.331	199.331	199.331	1291.957
AUST. INSTITUTE OF HEALTH	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AUST. BUREAU OF STATISTICS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL BENEFITS	9.610	6.110	10.230	215.317	529.043	678.943	757.843	757.743	757.643	757.543	4480.025
CUMULATIVE BENEFITS	9.610	15.720	25.950	241.267	770.310	1449.253	2207.096	2964.839	3722.482	4480.025	
DISCOUNTED BENEFITS	9.610	5.555	8.455	161.771	361.343	421.570	427.783	388.842	353.446	321.272	
CUMULATIVE DISCOUNTED BENEFITS	9.610	15.165	23.619	185.390	546.733	968.304	1396.086	1784.928	2138.374	2459.646	

NOTE: For purposes of the analysis, Social Security benefits are assumed to equal costs for the period as a whole and in each year.

Source: Department of Health, Towards Fairness and Equity: The Australia Card Program, Submission by the Government of Australia, 6 February, 1986, p. 123.

1.18 The analysis in Table 3 also provides a means of assessing the present value of the benefits gained under the Australia Card program. To bring future benefits to current equivalents, they are discounted at an appropriate rate. The further into the future a benefit lies, the greater is the discounting effect and hence the smaller is the present value of that benefit. In Table 3 the discount rate has been set at 10 per cent and this rate applies for each year over the ten year period. The Department of Finance informed the Committee that a 10 per cent discount rate is orthodox amongst Finance and Treasury for assessing projects. The Table sets out the accumulated discounted benefits and shows that the present value of the project of the Australia Card proposal over the period of ten years is \$2459 million.

1.19 Costs: It is estimated that the full cost of the program over a ten year period would be \$733 million. The costs of the proposal at present values (using a cumulative discount of 10 per cent) is \$539 million. These new costings, which are significantly lower than earlier estimates, were provided by the HIC in its final planning report and the figures are set out in Table 4. These costs are also based on a steady state basis with a 10 per cent annual discount.¹⁰

TABLE 4

AUSTRALIA CARD - COST/BENEFIT SUMMARY - COSTS

(Analysis 1: steady state, 10% annual discount, in \$ millions)

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	TOTALS
ADMINISTERING AGENCIES											
HIC - Estab. & Oper.: no photo (1)	104.037	100.743	68.081	18.697	18.494	42.184	42.184	42.184	42.184	42.184	520.972
- Estab. & Oper.: photo (1)	(111.392)	(106.591)	(71.854)	(19.420)	(19.217)	(45.316)	(45.316)	(45.316)	(45.316)	(45.316)	(555.054)
HEALTH - Aust. Card Secretariat (1)	24.800	0.500	0.500	0.500	0.000	0.000	0.000	0.000	0.000	0.000	26.300
DATA PROJECTION AGENCY	1.200	1.700	2.300	2.300	2.300	2.300	2.300	2.300	2.300	2.300	21.300
USER AGENCIES											
AUSTRALIAN TAXATION OFFICE (2)	0.336	1.393	10.272	3.400	28.340	28.340	15.097	2.469	2.469	2.469	94.585
HIC - Medicare	3.075	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.075
HEALTH - Private Hospital Subsidy	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
SOCIAL SECURITY	3.710	1.612	1.612	1.612	1.612	1.612	1.612	1.612	1.612	1.612	18.218
HOUSING AND CONSTRUCTION	0.000	0.087	0.138	0.127	0.127	0.127	0.127	0.127	0.127	0.127	1.114
EDUCATION	0.000	0.000	0.000	0.025	0.050	0.050	0.050	0.050	0.050	0.050	0.325
VETERANS' AFFAIRS	0.112	0.899	0.691	0.698	0.240	0.240	0.240	0.240	0.240	0.240	3.840
COMMUNITY SERVICES	0.000	0.000	0.150	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.150
EMPLOYMENT AND INDUSTRIAL RELATIONS	0.000	0.000	1.186	1.186	1.186	1.186	1.186	1.186	1.186	1.186	9.488
FOREIGN AFFAIRS	1.442	1.242	1.242	1.242	1.242	1.442	1.242	1.242	1.242	1.242	12.820
IMMIGRATION AND ETHNIC AFFAIRS	6.204	1.691	1.658	1.658	1.658	1.658	1.658	1.658	1.658	1.658	21.159
AUST. INSTITUTE OF HEALTH	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AUST. BUREAU OF STATISTICS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL COSTS	144.916	109.867	87.830	31.445	55.249	79.139	65.696	53.068	53.068	53.068	733.346
CUMULATIVE COSTS	144.916	254.783	342.613	374.058	429.307	508.446	574.142	627.210	680.278	733.346	
DISCONTINUED COSTS	144.916	99.879	72.587	23.625	37.736	49.139	37.084	27.232	24.757	22.506	
CUMULATIVE DISCONTINUED COSTS	144.916	244.795	317.382	341.007	378.743	427.882	464.966	492.198	516.954	539.460	

NOTES 1. As indicated in paragraph VI.2, the HIC costs include an amount of \$25.7m (spread between 1986/87 and 1987/88) for computerisation of State and Territory Registries of births, deaths and marriages. The balance (\$24.3m) of the earlier notional amount of \$50m is included in the HEALTH costs in 1986/87.

2. For explanation of fall away in ATO costs after 1991-92, see paragraph 8.2.7 and Table 8.4 of Government submission to Joint Select Committee. Source: Health Insurance Commission, Australia Card: Planning Report on the establishment and administration of a national identification system, February, 1986, p. 214.

1.20 Using the figures contained in Tables 3 and 4 the Health Insurance Commission prepared a cost/benefit summary of the Australia Card project. These figures are set out in Table 5. The Table is set out on the basis of the present value of the project and is the sum of the discounted benefits minus the sum of the discounted costs. The Table has been prepared on the basis of a Card with and without a photograph. Table 5 shows that the present value of the Australia Card program using the assumptions in analysis 1 over the ten year period is \$1920 million for a Card without a photograph and \$2424 million for a Card with a photograph.

1.21 The Department of Finance informed the Committee that the steady state assumption used in these tables is a very conservative assumption. While analysis 1 is the predominant analysis shown in the Government and the HIC submissions and underlies all the Tables herein, the HIC submission contained further tables where the assumptions in analysis 1 are changed. Table 6 contains figures showing the present value of the Australia Card project using four different analyses, each containing three different discount rates. For example, analysis 2 assumes that there has been a three per cent increase in economic growth which has an important effect on tax receipts. Under this assumption the Table assumes a three per cent compound growth rate for the full ten years. Analysis 2 also assumes a population growth of 1.29 per cent which has some effect on the costs involved in the proposals.

1.22 The Department of Finance indicated that analysis 2 was a much more realistic presentation of the costs and benefits under the Australia Card program. Using the assumptions contained in analysis 2, including a 10 per cent discount rate, the Table shows that the benefits of the proposal are \$2480 million for a Card without a photograph and \$3120 million for a Card with a photograph. The Department of Finance informed the

Committee that even the three per cent growth rate is a fairly conservative forward projection. It informed the Committee that over the last few years there has been a growth rate of four to five per cent. The population growth of 1.29 per cent is based on a recent projection from the Australian Bureau of Statistics and the Department noted it was a medium projection. The Department also indicated that the 10 per cent rate is a fairly high rate of discount although it is used traditionally in assessing public sector projects.

1.23 Table 6 indicates that the results of the analysis are sensitive to the amount of the discount rates. The higher the discount rate the lower the present value and the lower the discount rate the higher the present value. Thus, Table 6 shows that under analysis 2 the value of the proposal for a Card with a photograph under an eight per cent discount rate is \$3540 million and under a 12 per cent discount rate \$2750 million.

1.24 The benefit cost ratios (BCR) of the proposal are also set out in Table 6. The BCR is the ratio of aggregate discounted benefits to aggregated discounted costs over the period in question. The higher a project's present value (greater than zero) and its BCR (greater than one), clearly the more attractive the proposal is to undertake. Table 6 indicates that under analysis 2 and using a 10 per cent discount rate the BCR is 5.51 for a Card without a photograph and 6.46 for a Card with a photograph.

TABLE 5

AUSTRALIA CARD - COST/BENEFIT SUMMARY - PRESENT VALUE

(Analysis 1: steady state, 10% annual discount, in \$ millions)

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96
	WITHOUT PHOTOGRAPH									
CUMULATIVE DISCOUNTED BENEFITS	9.610	15.165	23.619	185.390	546.733	968.304	1396.086	1784.928	2138.374	2459.646
CUMULATIVE DISCOUNTED COSTS	144.916	244.795	317.382	341.007	378.743	427.882	464.966	492.198	516.954	539.460
PRESENT VALUE	-135.306	-229.630	-293.763	-155.617	167.990	540.422	931.120	1292.730	1621.420	1920.186
	WITH PHOTOGRAPH									
CUMULATIVE DISCOUNTED BENEFITS	9.610	15.846	25.954	216.650	641.856	1151.907	1678.755	2157.656	2592.974	2988.675
CUMULATIVE DISCOUNTED COSTS	152.271	257.466	333.171	357.340	395.569	446.653	485.505	514.344	540.562	564.396
PRESENT VALUE	-142.661	-241.620	-307.217	-140.690	246.287	705.254	1193.250	1643.312	2052.412	2424.279

NOTE: The program essentially becomes fully operational in 1989/90.

Source: Health Insurance Commission, Australia Card: Planning Report on the establishment and administration of a national identification system, February, 1986, p. 216.

TABLE 6

AUSTRALIA CARD - PRESENT VALUES AND BENEFIT/COST RATIOS (BCRs)

ANALYSIS 1: Assumes a 10 year time horizon and the maintenance of 1985/86 conditions (economic activity, population etc.)

Discount Rate	WITHOUT PHOTO		WITH PHOTO	
	Present Value \$M	BCR	Present Value \$M	BCR
8%	2180	4.84	2750	5.62
10%	1920	4.56	2420	5.29
12%	1690	4.29	2140	4.98

ANALYSIS 2: Assumes a 10 year time horizon and 3% per annum increase in the level of economic activity and revenue base. Population is assumed to grow by 1.29% per annum.

Discount Rate	WITHOUT PHOTO		WITH PHOTO	
	Present Value \$M	BCR	Present Value \$M	BCR
8%	2820	5.86	3540	6.87
10%	2480	5.51	3120	6.46
12%	2180	5.18	2750	6.07

ANALYSIS 3: The same assumptions as Analysis 1 but with a 20 year time horizon.

Discount Rate	WITHOUT PHOTO		WITH PHOTO	
	Present Value \$M	BCR	Present Value \$M	BCR
8%	4500	6.67	5650	7.77
10%	3720	6.18	4670	7.20
12%	3090	5.73	3890	6.67

ANALYSIS 4: The same assumptions as Analysis 2 but with a 20 year time horizon.

Discount Rate	WITHOUT PHOTO		WITH PHOTO	
	Present Value \$M	BCR	Present Value \$M	BCR
8%	6530	8.67	8170	10.17
10%	5350	8.01	6690	9.39
12%	4420	7.39	5530	8.67

Note: All present value figures are rounded to nearest \$10m.

Source: HIC, p. 218.

1.25 Table 6 shows that under the assumptions of analyses 2, 3 and 4 the program is successively more attractive. The assumptions of analysis 2, namely of introducing economic and population growth, raised the present value of the program to \$2480 million (without a photograph) and \$3120 million (with a photograph). However, the figures obtained under this analysis are substantially conservative because of the ten year cut off date. This figure was chosen because automatic data processing equipment can be expected to have an operational life of up to ten years. Further, assumptions concerning the economic and population growth, tax and welfare systems become increasingly tenuous beyond that period.

1.26 Because of this conservative bias, Table 6 also sets out the present value of the project over a twenty year period. The Table reveals that the present value of the project under the assumptions of analysis 3 (a twenty year period) is more than double that under analysis 1 (a ten year period) and similar results are apparent comparing the assumptions of analysis 4 with that of analysis 2. The Government submission noted that this reflected two effects. First, the benefits which the program would produce in the second decade are likely to exceed those of the first. The ATO benefits do not reach their full level until the seventh year whereas costs are concentrated in the early years of the program (except for some anticipated re-equipment costs early in the second decade). Second, to the extent that net benefits could be expected in the second decade of the program, these will translate into substantial additions to the program's present values. For example, at a 10 per cent annual discount rate a net benefit of one dollar in year 11 has a present value of \$0.39; one dollar in year 20 has a present value of \$0.15.

1.27 The HIC also provided a table setting out the cost benefit analysis of the individual agencies involved in the Australia Card program. These figures are set out in Table 7 and are based on analysis 1, ie. a steady state assumption over a ten year period with a 10 per cent annual discount.

1.28 As noted earlier the discounted costs of the HIC for the period 1986/87 to 1995/96 are nearly \$200 million less than those shown in the Government's submission. The significant reduction in the Commission's cost estimates has led to increases in both BCRs and present values of the program as a whole. Under analysis 1 the BCR for the overall program has increased to 4.56 without photograph and to 5.29 with photograph. Thus under this (the most conservative) analysis, around to \$4 to \$5 revenue would be generated for each \$1 outlay during the period 1986/87 to 1995/96. Using the more realistic approach in analysis 2 and based on a 10 per cent discount, around \$5.50 revenue for a Card without a photograph and nearly \$6.50 for a Card with a photograph would be generated for each one dollar outlaid during the period 1986/87 to 1995/96. Over a twenty year period the same assumptions yield \$8 for a Card without a photograph and \$9.39 for a Card with a photograph for each dollar outlaid during that period.

TABLE 7

AUSTRALIA CARD - COST/BENEFIT ANALYSIS

BENEFIT/COST RATIOS (BCRs) (Analysis 1: steady state, over 10 years, 10% annual discount)

DEPT./AUTHORITY	NO PHOTO		PHOTO	
	BCR	% OF PRESENT VALUE	BCR	% OF PRESENT VALUE
AUST. TAX. OFFICE				
USE 1	16.45	18.53%	21.16	19.71%
USE 2	28.70	13.16%	36.43	13.66%
USE 3	18.64	3.00%	28.69	3.97%
USE 4	23.77	10.42%	31.69	11.45%
USE 5	18.77	0.75%	26.76	0.88%
USE 6	24.61	2.88%	31.27	3.01%
USE 8	19.58	4.20%	24.89	4.40%
USE 9	81.46	16.06%	109.18	17.60%
OVERALL TAX USES	27.18	69.61%	35.51	74.80%
HIC (Medicare)	10.63	1.27%	14.66	1.47%
SOCIAL SECURITY	1.00	0.00%	-	0.00%
EDUCATION	4.00	0.02%	-	0.02%
VETERANS' AFFAIRS	1.06	0.01%	-	0.01%
DIEA	-	30.41%	45.93	24.78%
DEPTS./AGENCIES TOTAL	4.56	100.00%	5.29	100.00%

- NOTES: (1) The BCR for each individual use is the benefit of the use divided by the cost directly related to that use (and excluding any share of HIC establishment or operating costs). The BCR for the project as a whole is the total benefits divided by total costs (including HIC costs).
- (2) The percentage figures are the present values for each use divided by the sum of the present values of all uses. These figures do not sum to 100%. This is because they exclude agencies which have not quantified or identified costs (ATO Use 7) or benefits (Community Services, Housing and Construction, Foreign Affairs, Employment and Industrial Relations, ATO Use 10, Data Protection Agency and Health (Private Hospital Subsidy and Australia Card Secretariat)). In addition, Australian Bureau of Statistics and Australian Institute of Health quantify neither benefits nor costs.

Source: HIC, p. 217.

Aims of the proposal

1.29 The basic motivation behind the Australia Card proposal is to prevent losses to revenue through the tax system and through the payment of Commonwealth benefits. The four major areas targeted by the Government proposal are:

- (i) taxation evasion
- (ii) social security fraud
- (iii) illegal immigrants
- (iv) benefit protection and other areas of Commonwealth expenditure.

This Report briefly examines each of these areas.

(a) Taxation evasion

1.30 There are various estimates as to the losses to revenue caused by taxation evasion. The 1985 draft White Paper noted that accurate measurement of the amount of tax revenue foregone through evasion practices is not possible, especially in relation to the so called 'black' or 'underground' economy. ATO estimates for 1984/85 suggest that income tax evasion may involve a revenue loss of \$3 billion per annum.¹¹ Tax evasion refers to practices that are contrary to the law and may take the form of the failure to lodge an income tax return, the omission of assessable income or the overclaiming of deductions or rebates. The paper contained an approximate make-up of the \$3 billion estimate as follows:

	Revenue forgone (a)
	\$m
Understatement of business income (b)	
- unincorporated enterprises	1000
- companies	500
Non-declaration of fringe benefits received in kind	700
Overclaimed employee expenses	150
Unreported wage and salary income	100
Non-declaration of dividend and interest income	300-500
Non-declaration of rental income	300

(a) These amounts do not take into account tax recouped as a result of Tax Office enforcement activity. Exclusive of taxation penalties, this totalled around \$220 million in 1983-84. They also do not take account of reductions in tax evasion as a result of the introduction of the Prescribed Payments System.

(b) This can take the form of non-disclosure of assessable income or the overclaiming of expenses, eg. where expenditure of a capital nature is disguised as repairs in order to obtain an immediate deduction that would not otherwise be available.

Source: Draft White Paper at p. 37, Table 8.

1.31 In addition, a substantial amount of tax revenue is lost through tax avoidance which refers in a general sense to all of the tax minimisation practices which the law allows. Examples of tax avoidance include income-splitting practices, allowance of rental property losses against income from any source, allowance of primary production losses against income from any source, tax shelters, exemptions and various concessions which reduce or eliminate tax on income. The 1985 draft White Paper estimated the amount of tax revenue lost through tax avoidance at \$1.5 billion per annum.¹² Since then, legislation has been introduced limiting tax avoidance in certain areas.

1.32 The main legislative attack on tax evasion has been through the introduction in 1983 of the Prescribed Payments System (PPS), 'which provides for tax deductions at source from payments for work in certain industries where evasion of tax on such payments is known to be significant'.¹³ Direct collections under the PPS in 1984/85 were estimated at \$400 million of which around \$200 million represents tax which was previously evaded.

1.33 Despite the action taken by successive Governments over the last few years, the situation still remains serious. The draft White Paper states that :

... avoidance and evasion practices can be expected to grow rapidly in the future unless further major measures are taken to deal with them. For example, the increasing movement of average PAYE taxpayers into higher tax brackets is likely to stimulate growing resort to fringe benefits so that higher marginal tax rates will apply to a shrinking tax base and a vicious circle will be set in train. The loss of revenue through avoidance and evasion and other areas (including the business sector) is also likely to grow rapidly. In aggregate, revenue losses through the forms of avoidance and evasion which are discussed in this paper could increase from the estimated existing level of around \$4.5 billion to around \$7 billion (in 1984/85 prices) over the next three years unless a concerted attack is made on these areas.¹⁴

1.34 The estimates of losses to revenue differ widely within the community. Various estimates have been made of Australia's black economy which range between approximately 5 per cent and 15 per cent of recorded Gross Domestic Product¹⁵ which in 1984/85 was roughly estimated at \$207 billion¹⁶. These figures imply a black economy in Australia in 1984/85 of somewhere between \$10 billion and \$30 billion.

1.35 In evidence to the Committee, the ATO referred to the black economy as the aggregate of activity that escapes economic measurement and tax assessment. While the ATO admitted that - by its very definition - the black economy is immeasurable and that tax evasion itself is just as immeasurable, it indicated that its estimates of tax evasion (approximately \$3 billion dollars) were considered extremely low.¹⁷ In relation to the likely estimates of tax evasion, the Second Commissioner of Taxation, Mr John McDermott, stated:

I have seen figures reported from other authorities that suggest that tax evasion in Australia is running in the vicinity of \$6000m or \$7000m a year and I have seen other figures, provided by the banks, which vary from something like 5 per cent of gross domestic product to 10 per cent of gross domestic product in Australia. In other countries the estimates are even wider. In the United Kingdom I think they range from 3 per cent to 15 per cent and in the United States they range from 5 per cent to 27 per cent.¹⁸

1.36 The ATO also suggested that the proposed Australia Card system would have some effect upon the cash economy. Firstly, the system would bring to the attention of the ATO money 'hidden' in banks and other financial institutions. Secondly, even if financial institutions were not used, the ATO would be better able to identify tax evasion through selective audit programs. Mr McDermott also suggested that the Australia Card would help to detect non-lodgers and hence provide the ATO with an increased base for audit operations.

1.37 An essential element of the Government's submission was the extent of the revenue gains from ATO uses of the Australia Card. The Committee probed Departmental witnesses at length on this issue. From the outset the ATO indicated that the tax benefits from the Card were extremely conservative. Mr McDermott told the Committee:

I would say without fear of any sustainable argument to the contrary being advanced that the figures in the Government's submission relating to tax benefits are conservative in the extreme. Firstly, they do not take account of additional taxes and penalties that would ordinarily arise from amendments to returns where we have detected omissions of income, secondly, they do not take account of amendments of prior returns which could ordinarily be expected where we detect evasion and, thirdly, by many standards the estimates of evasion on which the estimates of benefits are based are extremely low.

If you take into account simply the first two factors that I mentioned, additional taxes and penalty taxes and amendments of prior-year returns, the aggregate benefits derived over the first four years of operation of a proposed high-integrity Australia Card system would be likely to yield in the vicinity of 75 per cent more than the aggregate benefits in the first four years that appear in the report.¹⁹

If the third factor is taken into account and tax evasion is therefore in the order of \$6-7 billion per annum, the possible benefits of the Australia Card program could be more than double the \$750 million estimates provided in the Government submission.

1.38 The ATO was of the view that no other single action could be taken that would produce revenue gains of the magnitude estimated as a result of the proposed Australia Card Program. It estimated that since action had been taken against unsubstantiated claims by employers for employment related expenses and fringe benefits the tax estimate of evasion was now in the order of \$2200 million. Mr McDermott claimed that the ATO would recover approximately one third of its estimated figure if an Australia Card with photograph were introduced.²⁰

1.39 One of the areas of concern to the Committee was the loss to revenue through dividends and interest. The ATO informed the Committee that, at the moment, only 18-20 per cent of the total interest paid in Australia is reported to them and they are only able to match about half of these transactions.²¹ A number of reasons were given in explanation. First, there has been a tremendous growth in more recent years in the number of agencies which pay interest, many of which were not aware of the requirement under the Income Tax law to provide the ATO with information about dividends and interest payments. Second, the ATO admitted that there was a problem with the present state of technology utilised both in the private sector and the ATO.

1.40 Although reporting interest and dividend information is a legislative requirement, the banks still have numerous old accounts which are completely manual and it has been impossible for them to fully comply with the law because of the resources required to do so. Of the information which is provided, only a certain amount can be readily matched by computer. Even the computer matching done, based on common name and address information, results in only a 50 per cent match because of the lack of integrity of the tax file number and the use of false names. While the ATO matches 50 per cent of the 20 per cent of the total value of interest paid, it is quite likely that it only detects less than 5 per cent of the total value of interest paid. This is possible because the unmatched transactions tend to account for a far greater proportion of the revenue than the matched ones. The ATO was very confident that the Australia Card number would provide a level of integrity which would enable them to match up to 75 per cent of all dividends and interest paid in Australia.²² However, during its evidence the ATO was unable to state exactly on what basis its estimates were made. In essence, the ATO stated that its estimates were made on a qualitative assessment of how tax evaders operate.

1.41 The issue of the cash economy was raised on a number of occasions during the inquiry. Mr Doug Meagher QC, a former Counsel to the Costigan Royal Commission, was of the opinion that an identification system would have no effect in this area. On his definition, all transactions within this economy are in cash and are applied towards paying of the week's groceries, mortgage, etc. He stated categorically that these moneys are not put in the bank and are never declared.²³ This was likely to cause a major problem for departments like Social Security, where substantial moneys are overpaid because beneficiaries understate income. He further noted that the cash economy occurs frequently in the areas of gardening and home duties and that there is no tax deduction allowable for these payments.²⁴ As there is no requirement or even benefit for the average householder to withhold tax on the amount they pay for these types of work, he was of the opinion that this tax could never be collected. Even legislation requiring individuals to withhold tax would be completely ineffective merely because of its inconvenience, let alone other considerations.

1.42 The Committee is unanimous in its view that tax evasion must be tackled as vigorously as possible. While it does have strong doubts that the so-called black economy, especially the cash economy, can be tackled by any one measure including the Australia Card proposal, it believes that every effort must be made to reduce tax evasion. Overall, the Committee accepts the estimates made by the Australian Taxation Office and notes that they may be a substantial underestimation of final benefits obtainable under the proposal. However, the Committee believes that the ATO has powers and information available to it which are not fully utilised and that there are other measures which can also make substantial inroads into tax evasion. These measures are discussed fully in Chapter 4 of the Report.

(b) Social Security fraud

1.43 Over the last few years there has been considerable concern within the community about the level of overpayments, including fraud, within the social security area. A recent survey conducted in February 1986 by ANOP²⁵ indicates that approximately 22 per cent of Australians see the main advantage of ID Cards as reducing social security cheating in relation to both unemployment benefits and pensions. In 1984/85 the Department of Social Security (DSS) estimated that approximately \$63 million was overpaid in social security benefits of which \$40m was recovered.²⁶ The Department indicated that the overwhelming majority of overpayments were due to the following factors:

- . the deliberate provision of false information by applicants concerning the level of additional income, marital status etc.;
- . clerical error; and
- . unintentional misunderstanding of the conditions and provisions of payments.

1.44 The Department of Social Security has consistently advocated that it is unable to estimate the revenue benefits from the introduction of the Australia Card proposal. In the second IDC Report the Department states:

407. The overall savings likely to accrue from the new system are impossible to estimate. Savings would occur in two main ways. Firstly, there will be some deterrence from claiming pensions and benefits in false names. Only a very small percentage of social security overpayments is due to this cause and estimated savings would be unlikely to exceed \$10m a year. Secondly, claimants for social security assistance and existing

beneficiaries would be less likely to misrepresent details of their income in the knowledge that there were linkages between income and identity. The savings from this source are however impossible to estimate. Some further savings will also arise because of the refusal by DSS to make pension or benefit payments to illegal immigrants and short-term visitors, but again no estimate can be made of such savings.²⁷

1.45 In evidence before the Committee, DSS suggested that false identities were not a major problem within its Benefits and Control section. The Department stated:

The fact is that in our experience the main problems within the departmental portfolio are not with identity as such, but a failure to notify change of circumstances. Mainly these are what lead to overpayments. There are circumstances which may be financial or there may be other changes, but by way of information the overpayments file for the Department shows that 0.6 per cent is attributable to identity and 61 per cent is due to income variations. Those are the issues which make us believe that it is of minimal relevance in the identity area which is of course the primary initiative that the card would help address.²⁸

However, DSS admitted that it was unable to estimate at all the level of fraud due to false identities within the social security system.

1.46 The Government submission reveals that DSS would have no net gain from the introduction of a national identification system. The cost benefit summary indicates that the costs of implementing the Australia Card program equalled the benefits received from the program, that is, \$18.2 million over a period of ten years. The Department stated that it 'found it difficult to make estimates of what the effect would be in dollar terms of the Australia Card'.²⁹ The Department further noted that in making certain that it gave effect to the Government decision that there should be a Card, it was prepared to say that 'the

benefits would exceed the costs'.³⁰ The Department explained that when the Australia Card Secretariat of the Department of Health prepared the Government submission, it merely made each of the Department's yearly benefits of the Australia Card proposal equal to the cost of the proposal. When questioned about its inability to quantify estimates of probable savings attributable to the introduction of the Australia Card, the DSS stated:

The fact is that the inability is not a suggestion of any sort about the card but rather it reflects the fact that our own work as a department, we believe, is effective and increasingly so in the area in which we believe the card itself would assist.³¹

1.47 The Department also commented on the fact that there is considerable folklore about the extent of social security fraud within the community. It stated that the Department receives many letters about overpayment in social security benefits which, upon investigation, are proved to be incorrect. In the area of unemployment benefits the Department found that 72 per cent of those investigated were already being paid the correct amount.

1.48 While the Committee accepts the Department's difficulty in establishing the amount of social security fraud due to false identities, it believes that there is still significant fraud within this area. The Committee is concerned about the cases involving individuals with large numbers of false identities which come to light from time to time. Although many of these cases are exposed as a result of DSS investigations, others have been discovered through pure chance. The Committee believes that most Departments are unlikely to admit that they are being defrauded or that there is something drastically wrong with their systems. Mr Meagher QC told the Committee that he had had a vigorous debate with the DSS officers about this tendency after they told him that fraud was not happening at all in their

Department. Only after he produced evidence of several cases which had led to prosecutions and convictions did the Departmental officers concede that fraud was occurring. Mr Meagher explained further:

The prime position that was taken by some officers in that Department was that it did not happen at all, that there was never any instance of it.

CHAIRMAN - Now they are forced to recognise that it does happen but the degree to which it happens is still ...

Mr Meagher - Ignorance is bliss. If you do not have a detection system that is going to uncover fraud then you do not know it is happening - you quite genuinely do not know it is happening. It is not a question of trying to conceal anything. If you are not looking for it you will not see it. It is not going to come out and brandish itself in front of your eyes.³²

1.49 During the inquiry the Committee became aware of a number of unsourced estimates of social security fraud ranging between \$200-\$500 million per annum. These figures gain further support from a recent internal paper prepared by the Department of the Special Minister of State (see paragraph 1.66) which was reported to indicate that fraud in the social security area alone could be in the order of \$300 million per annum. The Committee understands that this figure is only a very rough estimate and is not based on firm evidence. Nonetheless, it is many orders of magnitude greater than the figures provided by DSS to this Committee on the amount of social security fraud. Despite the evidence given by DSS, including the use of updated security measures dealing with proof of identity, the Committee is concerned that fraud can be committed against the Commonwealth in the area of social security with relative ease. Although DSS now requires social security beneficiaries to present documents from a number of sources including at least one 'sound' document for verification of identity, the Committee

is aware that even these sound documents, for example, birth and marriage certificates, can and have been forged without great difficulty. To overcome the inherent weaknesses of these identity procedures, the Committee is recommending the computerisation of state registries of births, deaths and marriages. When the task is complete DSS would have ready access to the original birth entry on the register which should drastically reduce the likelihood of false identities being created by Australian born citizens. The Committee also notes that the Department's estimate of fraud due to false identities which is 0.6 per cent of the total amount of overpayments presently outstanding, is not a reliable estimate. It only relates to fraud that is known and does not include the amount of fraud that exists but which has not been discovered by the Department.

1.50 The Committee believes that DSS must continue to tighten its security procedures at the time of application for benefits and it must also ensure that its guidelines are being followed in each of its 210 regional offices. The Committee makes a number of recommendations in the next chapter concerning DSS proof of identity procedures.

(c) Illegal immigrants

1.51 The Government's submission claims that one of the largest gains to revenue through the introduction of an Australia Card is in the area of the identification of illegal immigrants. The submission notes that over a ten year period the cost to the Department of Immigration and Ethnic Affairs (DIEA) of implementing an Australia Card Program would be \$21 million and that the revenue gains over the same period would be \$1292 million. The basis of the DIEA's estimates is that by requiring employers to sight the Card and quote the employee's Australia Card number when submitting taxation returns, the system, when

fully implemented, has the potential to make in-roads into an estimated 60 000 jobs currently being filled by illegal immigrants and visitors working without Departmental authority. The Department believes that as these jobs are vacated for Australian citizens and permanent residents, savings in unemployment benefit payments should result.

1.52 The Department estimates that the number of illegal immigrants presently in Australia is 50 000 and notes that 60 per cent of those apprehended by its enforcement staff have been working. In addition DIEA estimates that of the 1.2 million visitors to Australia each year, up to 2.5 per cent or 30 000 work illegally during their authorised stays. The Department then argues that from this pool of approximately 60 000 illegal workers some, say half, would be occupying jobs which would not be available to citizens and residents authorised to work while the rest would be employed within the cash economy. The estimated tangible benefits from the introduction of the Australia Card proposal were calculated as follows:

1. In 1987/88 when the cards are first distributed there would be a deterrent value resulting in the freeing up of some 300 jobs to persons in receipt of unemployment benefit payments.
2. In 1988/89 as more cards are distributed there will be an increased deterrent value resulting in approximately 1000 jobs being vacated by illegal workers.
3. In 1989/90 as the card is progressively distributed throughout the community it will have a continuing deterrent value of freeing up an estimated 22 000 positions for citizens and residents authorised to work.
4. In 1990/91 the full effect of the card will result in that an estimated 48 000 jobs will be vacated by illegal workers. An allowance of 20 per cent is made for those workers in positions within the

cash economy or in jobs that would not otherwise be available to citizens and residents authorised to work (eg. family business).

5. From 1991/92 onwards a continued savings in unemployment benefit payments at the rate of 48 000 jobs per year would continue together with an allowance of an 8 per cent increase in potential illegal workers as the number of visitors to Australia increases.³³

1.53 When DIEA came before the Committee to give evidence, the Department admitted that its figures were guesswork. The following extract from the transcript when the Committee was examining the Secretary of the Department, Mr McKinnon, indicates the extreme lack of certainty in the presumptions on which the figures were based.

Mr McKinnon - The first category we are talking about is prohibited non-citizens as defined. Our estimate is that there are 50 000 of these. We have applied to that the factor of the proportion of the people we pick up, whom we apprehend as illegal immigrants who have been working, which comes to a figure of 62 per cent. We have presumed that our apprehensions reflect the population of illegal immigrants. Therefore, if you work back from that, you end up with something like 33 000 illegal immigrants working. That is the figure which goes into the 60 000 jobs, if you like. The remainder comes from the number of visitors who are working without permission, and that is a very rough estimate. We have something like 1.2 million visitors a year. Some years ago somebody did an exercise, which I must say I would not dignify by describing as more than guesswork, which said that of those, something like 30 000 probably were working illegally. We have no real way of checking that, except that we do of course obviously pick up some people who are visitors with temporary visas who are working. We pick up enough to convince us that there is a sizable population of them and so we have taken the figure from that earlier work. But as I say,

we would describe it as only a guesstimate, which gives us a total of something like 60 000 jobs which are occupied by people illegally.

Senator PUBLICK - Is that a published study, Mr McKinnon, or just a departmental study?

Mr McKinnon - It is a departmental study. It was done about four or five years ago. If we did the same study now we probably could not find the same crystal ball that was used then, but it is very close to that standard of accuracy, let me say quite frankly to you.³⁴ (Committee's emphasis)

1.54 From the base figure of 60 000 people who are illegally working, the Department estimated that 'something like 20 per cent of those positions' would probably not be filled by individuals on benefits.³⁵ The discount figure was arrived at as follows:

So we have discounted that figure and said that of the 60 000 jobs, some 12 000 are jobs which would not exist if it were not for the fact that those illegal immigrants were prepared to fill them. I cannot defend that discount factor, except to say that obviously some discount factor must be applied. If you were to say to me that you would rather have a discount factor of 33 per cent, I could not argue.³⁶

1.55 Later during the hearing the Department was again questioned about the estimates previously quoted from 1987/88 to 1991/92:

Senator PUBLICK - You would say basically that it is still a crystal ball type of calculation?

Mr McKinnon - Yes. I do not think any of us are going to claim any great precision.³⁷

1.56 From the above exchanges it became clear that the estimates for illegal immigrants were based on guesswork, the percentage of illegal immigrants who worked was based on guesswork, the percentage of visitors who worked illegally came from a departmental study based on guesswork. The discount factor could not be defended and the overall benefits from 1987/88 to 1991/92 was the result of 'crystal ball gazing'. In the light of these statements, the Committee is unable to place any confidence in the proposed revenue gains under this use.

1.57 The Department was of the opinion that the greatest benefit of the Australia Card proposal in this area would be its deterrent effect. It argued that if illegal immigrants and visitors intending to work illegally could not get the appropriate Australia Card and were unable to obtain either jobs or any benefits, they would have great difficulty in surviving. Eventually such persons would leave and others would be deterred from ever coming. The Committee agrees that the Australia Card proposal would have a deterrent effect but it is unable to quantify the likely savings to Commonwealth revenues. However, the Committee has little difficulty in rejecting DIEA estimates as being grossly exaggerated. On the basis of the available data and methodology, no reliance can be placed on the Department's estimates and consequently the Committee rejects its evidence.

1.58 A further matter of concern to the Committee is the quality and accessibility of information held on DIEA's files. This matter had come to the attention of the Committee during the inquiry but was reinforced when the Department of Social Security objected to certain evidence given by DIEA. One of the benefits claimed for the introduction of Australia Card is that there are a large number of illegal residents or overstayers who are receiving social security and other benefits. During its evidence on 24 February 1986, DIEA stated that 12.4 per cent of

overstayers were receiving unemployment benefits. This figure was later challenged by DSS which stated that the figure was 0.4 per cent and not 12.4 per cent.

1.59 The Department of Social Security explained that DIEA provided a list of names totalling 57 059, which was the number of persons on its overstayers file. DSS matched this entire file with its unemployment benefit file. In one given State, there were approximately 5000 names on DIEA's overstayers file and DSS matched this file with its unemployment benefit file and produced 64 matches. These 64 cases were then sent back to DIEA and 22 were found to be illegal immigrants. Thus, explained DSS, only 22 illegal residents were receiving unemployment benefits, which is 0.4 per cent and not 12.4 per cent of all overstayers in that State. In addition DSS commented that a further 12 persons were identified as legal residents notwithstanding the fact that they were entered on DIEA's overstayers file and that the other 30 cases are still being investigated by DIEA. DSS stated that when it first attempted to match its file with that of the DIEA it found that the DIEA overstayers' file was of such low quality that it couldn't be matched. The Committee also received evidence from other departments indicating that they too had great difficulty in matching computer files with DIEA.

1.60 During the course of its evidence at the Committee's public hearing of 24 February 1986, the Department was requested and undertook to provide certain additional information. However, in the consequent letter from the Department dated 23 April 1986 - which was not received by the Committee until 29 April 1986 - the Committee found that much of the information requested had not been provided due to the inadequacy of the statistics recorded and the appalling state of the Department's files.

1.61 The Committee also wishes to record the fact that the letter sent to it by the Department was not received until 29 days after the Committee's initial reporting date of 31 March 1986, and only 1 day prior to its amended reporting date of 30 April 1986.³⁸ The Committee does not wish to infer malintent on the part of the Department, but does conclude that, at the very least, its procedures for handling queries are less than efficient. The Department's letter has been included in the Committee's evidence.

1.62 Recommendation: That the Department of Immigration and Ethnic Affairs upgrade the quality of its records including its movements database, citizenship index and overstayers file and transfer all records from the manual system to the computer database as a matter of urgency.

(d) Benefit protection and other areas of Commonwealth expenditure

1.63 The cost benefit summary contained in the Government submission indicated that a number of departments would provide revenue savings as a result of the introduction of the Australia Card proposal. However, over a ten year period the revenue savings are not much greater than the costs of implementing the system in the particular departments. The submission appeared to indicate that fraud in other areas of Commonwealth expenditure was very small. The only other area where major revenue gains were to be made was the Health Insurance Commission. The Government submission indicated that the Australia Card would eventually replace the Medicare Card. Savings to the HIC over a period of ten years for a Card without a photograph was \$48.6 million and with a photograph \$68.9 million. The Committee does not dispute these figures.

Organised crime

1.64 From the very outset, it was clear that the Australia Card proposal was not directed at organised crime. The Government submission noted that it is difficult to predict the effectiveness of such a proposal in combatting organised crime. The Government submission notes that the Australian Federal Police (AFP) considered that an Australia Card and registry system of sufficiently high integrity (including the provision of a photograph on the Card) 'would reduce the opportunities for tax evasion and other fraud against the Commonwealth'.³⁹ The submission stated:

The AFP adds, however, that there are no realistic grounds for anticipating any impact on the level of organised crime generally. The only relevant factor is that the ease with which organised crime has used the banking system in the past would be decreased by the proposed requirements in respect of certain banking transactions. Organised crime, particularly in the drug trafficking area, would be quick to identify possible methods of avoiding the inconvenience caused.⁴⁰

1.65 When the AFP appeared before the Committee it was able to clarify a number of matters concerning the use of the proposed Australia Card in criminal investigations. The AFP informed the Committee that, in the main, the greatest impact of the proposed Australia Card would be on the small-time offenders who commit single offences or minor multiple offences in the areas of social security, health and tax. The AFP noted that when one looks at those offences in isolation, they do not seem to be of any great concern, but when all these offences are added together it amounts to 'a massive amount of funds'.⁴¹ The AFP noted that the Australian Taxation Office and the Department of Social Security deal with many of those matters internally. The AFP informed the Committee that it does not have the resources to look at this massive small-time offender area

that client departments deal with themselves and that by arrangement it receives 'a certain level of matter to investigate which, generally speaking, is the more serious multiple-type offence, whether it be conspiracies or otherwise'.⁴²

1.66 The Committee is concerned about the extent of organised crime in the community which has been uncovered by a number of Royal Commissions in recent years. The Committee also notes that a recent internal paper prepared by the Department of the Special Minister of State, signed jointly by the Secretary to the Department and the Commissioner of the AFP, was reported to indicate that criminals are defrauding the Commonwealth of about \$4 billion a year in the areas of customs, company and personal income tax fraud, and social security fraud. The Special Minister of State, Mr Young, informed the Parliament that the report would not be made public but would form the basis of a much more comprehensive report into fraud on the Commonwealth.⁴³ The Committee notes that while this figure was not based on a detailed investigation of fraud and provides only a very rough estimate, it does indicate the magnitude of fraud against the Commonwealth by both the small-time offender and organised crime.

1.67 The Australian Federal Police indicated that the Australia Card proposal would be a tool in fighting organised crime. It believes that it is still very easy for criminals to assume fictitious identities, whether opening bank accounts or conducting other financial transactions. As one of the major difficulties in police investigation is the establishment of identity, the AFP considered that use of the Australia Card would prove very valuable in identifying criminals and tracing the money trail through banks and other financial institutions, especially in relation to insurance frauds. The AFP also indicated that the Australia Card would be very important for intelligence gathering when investigating organised crime. A

universal identifier would enable it to track the money trail and the identity trail through to people who are controlling the criminal organisations.

1.68 A number of these matters were summarised at the close of the evidence by the AFP in the following exchange:

CHAIRMAN - Just to summarise, you contend that the introduction of the card would have a greater effect on deterring those many one-off, small-time offenders than the organised criminals who, you say, have the ability to circumvent pretty well anything - not everything, but they have a much greater ability to circumvent the system. You also qualified that to say that the foot soldiers, the small-time people, are an essential part of the overall strategy and that the key to opening up some of those larger organisations may well be a universal identifier which enables us to track the money trail and the identity trail through to people who are much bigger in the scheme of things as far as criminal organisations are concerned. Is that a fair summary of what you were saying?

Chief Superintendent Brown - Yes, it is very accurate, but it is very much like a circumstantial case. One circumstance standing on its own means very little. As you combine the circumstances one by one, you form a picture which is invaluable intelligence and which is an essential ingredient of the investigation.⁴⁴

1.69 The question of false identities and its use by organised crime arose in both the Stewart and Costigan Royal Commissions. The Stewart Royal Commission was appointed by the Governments of the Commonwealth of Australia and the States of New South Wales, Victoria and Queensland to inquire into the illegal activities of the notorious heroin trafficker, Terence John Clark and his associates. During its wide ranging inquiry the Commission also tabled an Interim Report on Passports. This report was instrumental in tightening up legislation and administrative practices concerning the issue of Australian

passports. Some of the findings of this report are of particular interest to this Committee as it examines the difficulties in relying on birth certificates as proof of identity.

1.70 The Costigan Royal Commission commenced in October 1980 and was commissioned by both the Commonwealth and the Victorian Governments to inquire into the illegal activities of the Ship Painters and Dockers' Union. The scope of the inquiry broadened considerably and five Interim Reports and a sixth Final Report were presented to both Governments. There were eleven volumes in the Final Report, five of which have been tabled in Parliament and published while volumes 6-11 still remain confidential. The inquiry developed into a major investigation of organised crime in Australia and covered such areas as drug trafficking and SP bookmaking as well as the union's activities. The Commission also pioneered certain investigatory techniques, including the full computerisation, data linking and matching of all material received by the Commission. The Commission's comments about the use of false identities were of benefit to the Committee in drafting this Report.

1.71 When Mr Frank Costigan QC appeared before the Committee, he was asked whether a national identification system based on a Card would have inhibited the sorts of practices that gave rise to his inquiry. He replied:

It might have inhibited at a very low level some of the practices which I came across in the early part of the Commission. I do not believe it would have inhibited the more important matters that I was looking at in the last couple of years.⁴⁵

Again, later in evidence Mr Costigan indicated he had 'some trouble in understanding, except at a low level of crime, how an Australia Card would help in the fight against organised crime'.⁴⁶ Mr Costigan was also questioned about whether there

was a systematic production of false identities within the area of organised crime. Senator Puplick asked the following question:

Senator PUPPLICK - Can I take you to another aspect of this which we have raised with most of our witnesses; that is the extent to which your investigations uncovered evidence of systematic production of false identity papers and mechanisms for establishing false identities. Within the limits you feel unconstrained to speak, to what extent did your investigations reveal this to be an organised, systematic racket in which it would be just as easy to forge ID cards as to forge drivers' licences, birth certificates, passport forms or whatever?

Mr Costigan - We saw some evidence of that but it really was not a significant part of the investigation. We found with the Painters and Dockers Union a quite systematic change of names and change of identities for invariably illegitimate reasons. That union is a very small body and it did it fairly comfortably. It was in-house. They used to sell the facilities occasionally but it was basically an in-house facility, often to hide people on the run. ... There was certainly a facility in the community at that level to obtain false papers, false driving licences, false employment names, et cetera, but I do not think it is widespread in the community. What is undoubtedly true is that it was comparatively easy to do if you knew how to do it.⁴⁷

1.72 Mr Costigan had very strong objections to the Australia Card proposal on the basis that it was a 'significant intrusion into individual privacy'.⁴⁸ In his view, it was only possible to justify such an intrusion if, on balance, the evil that the community is attempting to correct and the cost of doing it are justified. These arguments are examined further in this Report. However, Mr Costigan did indicate that the Card would have been of some assistance to his Committee. He stated:

I do not think there is any doubt that if the full Australia Card system had been in operation at the time of my Commission, and all the databases which are contemplated as being accessible by the system - including births, deaths, marriages, et cetera - had all been available and accessible to me through a computer terminal, it would have accelerated some of the work I did in relation to the breaking of false identities. There is no doubt about that. ... It would have accelerated, to some extent, my ability to trace funds, but only to some extent.⁴⁹

1.73 A similar opinion about the use of the proposed Australia Card against organised crime was also held by Mr Meagher QC who was one of the Counsel assisting the Costigan Royal Commission. He stated:

I do not know that you should allow your deliberations to be too much affected by considerations of what you are going to do about organised crime. If you are going to deal with organised crime you have no prospect of dealing with it by systems of identification because that is a very small part of their operations that they would abandon without worrying too much. It would not cost them very much. I really do not think you should approach it on that basis; you certainly should not approach it on the basis that this is going to make the suppression of criminal organisations easier - it is not. It might limit their activities in some minor areas. What you are really talking about in justification of the system is stopping all the rest, whatever that might be.⁵⁰

While criminal organisations would not be deterred by the introduction of an Australia Card, Mr Meagher commented that there are many 'genuine' criminals who are not members of criminals organisations and that 'they would probably be deterred'.⁵¹

1.74 The issue of false identities within the community was also discussed in some detail by Mr Meagher. He noted that:

There really cannot be any argument that there is a great deal of abuse of fictional names by a number of people. I would not say that that was something which the majority of the community is engaged in, in fact, I am quite confident it is not. It is done by a small minority of people in the community. Those who do it are quite capable of running many different names. In cases that I have seen as many as 80 or 100 different names have been run by the same man, with bank accounts in each of those names. The reasons why that would be done are many and varied. In some cases it is so as to perpetrate compensation fraud, as I describe it, be it a fraud being perpetrated upon either the Commonwealth or State governments or upon insurance companies. That has a fairly high level of prevalence at the moment and afflicts third-party insurers greatly. ... It, of course, stretches over to unemployment relief, sickness benefits and so on. As to the multiple bank accounts, most of those who have been involved in that have been, in my experience, involved in either illegal gambling, which is probably the major area, or in the drug trade, which is the secondary area. Their objective is, of course, to conceal the proceeds of what they are achieving. It also occurs, of course, in taxation fraud, although there are more sophisticated ways of achieving taxation fraud than simply running a false name.⁵²

1.75 Mr Meagher also indicated that there is a third area of fraud which might be loosely described as insolvency fraud. He noted that these are the cases where people, having become bankrupt or having had their companies go into liquidation and thus having attracted an unsavoury or uncreditworthy reputation, re-establish themselves under other names. He then commented:

For all of those reasons a number of people in the community - not a very large number but sufficiently substantial to cause substantial losses to government and to private people - make use of fictional names. The fictional names of which they make use are not only names that relate to individuals, but also names that relate to companies and businesses. Indeed, in most of

those areas it does not matter very much whether the name is that of an individual or that of a company or a business.⁵³

Mr Meagher suggested that there are other means of tackling fraud based on false identities other than the Australia Card proposal. He stated that:

... my inclination would be to proceed with less draconian measures at this stage. The very first measure that I would regard as imperative would be the computerisation of information on births, deaths and marriages and making that freely available.⁵⁴

This matter together with other measures such as stricter banking controls are discussed in the next chapter.

Endnotes

1. Australian Parliament, Reform of the Australian Tax System, Draft White Paper, June 1985, AGPS, Canberra, 1985
2. Evidence, pp. 34-45.
3. Evidence, pp. 3-116.
4. Evidence, pp. 1769-1774.
5. Evidence, pp. 1580-1876.
6. See evidence pp. 88-89.
7. See evidence pp. 1617-1627.
8. Department of Health, Towards Fairness and Equity: The Australia Card Program, submission by the Government of Australia, 6 February 1986. The staff numbers required for each ATO use are set out in the Government submission at p. 117. Evidence, p. 1625.
9. Government submission, p. 119. Evidence, p. 1676.
10. Health Insurance Commission, Australia Card: Planning Report on the establishment and administration of a national identification system, Canberra, February, 1986, at p. 214, Table 8.6.
11. Draft White Paper, cited endnote 1, p. 36, paragraph 3.7.
12. *ibid*, p. 38, paragraph 3.12. Inferred when deducting amount for evasion estimated at \$3 billion at paragraph 3.7.
13. *ibid*, p. 38.
14. *ibid*, p. 38, paragraph 3.12.
15. D.J. Collins, Australian Tax Research Foundation, Tax Avoidance and the Economy, Papers presented at a conference organised by the New South Wales branch of the Economic Society of Australia, Friday, March 4th, 1983, ed. D.J. Collins, p. viii.
16. Budget Paper No. 10 1985/86, Table 1, p. 7.
17. Evidence, p. 1888.
18. Evidence, p. 1939.
19. Evidence, p. 1888-9.
20. The percentage can be calculated from the ATO evidence at pp. 1938-9.

21. Evidence, p. 1894.
22. Evidence, p. 1924.
23. Evidence, pp. 1186-7.
24. Evidence, p. 1194.
25. See Government Submission Appendix D13. Evidence, p. 1830.
26. Evidence, p. 1994.
27. Evidence, p. 92.
28. Evidence, p. 1985.
29. Evidence, p. 1986.
30. Evidence, p. 1987.
31. Evidence, p. 1984.
32. Evidence, p. 1188.
33. See Government submission Appendix E30. Evidence, p. 1875.
34. Evidence, p. 2105.
35. Evidence, p. 2106.
36. Evidence, p. 2106.
37. Evidence, p. 2106.
38. The Committee's reporting date was first extended to 30 April and then further extended to 8 May 1986.
39. Government submission, p. 109, paragraph 8.6.2. Evidence, p. 1670.
40. *ibid*
41. Evidence, p. 2766.
42. *ibid*
43. Australia, House of Representatives Hansard, 17 April 1986, p. 2507.
44. Evidence, pp. 2790-91.
45. Evidence, p. 1203.

46. Evidence, p. 1225.
47. Evidence, p. 1213.
48. Evidence, p. 1203.
49. Evidence, p. 1201.
50. Evidence, p. 1183.
51. Evidence, p. 1189.
52. Evidence, pp. 1158-60.
53. Evidence, p. 1160.
54. Evidence, p. 1171.

ESSENTIAL REFORMS

Introduction

2.1 The Committee is of the opinion that there are a number of essential reforms which should be implemented irrespective of whether an Australia Card is introduced. Some of these reforms have been outlined in the Government submission while others include recommendations made by various Royal Commissions and Parliamentary and Government bodies which relate to the areas of fraud against the Commonwealth identified in Chapter 1. The following reforms are discussed:

- (i) The computerised linkage of births, deaths and marriages registers.
- (ii) The establishment of a Data Protection Agency.
- (iii) The introduction of privacy legislation.
- (iv) The adoption of the following recommendations proposed in various Royal Commissions and Parliamentary and Government reports:
 - . Improved controls by financial institutions recommended by the Costigan Royal Commission.
 - . Implementing the outstanding recommendations of the Report of the House of Representatives Standing Committee on Expenditure concerning control of illegal immigration (November 1985).

- . Monitoring and possible extension of new proof of identity procedures adopted by the Department of Social Security.
- (v) Administrative reforms.
- . Enactment of legislation to allow Commonwealth agencies to inform the appropriate authority of suspicious circumstances which could lead to fraud.
 - . Transfer of operational responsibility for payments under education assistance schemes from the Department of Education to the Department of Social Security.
 - . Improvement of proof of identity procedures utilised by the Department of Social Security.

Computerised linkage of births, deaths and marriages registers

2.2 All births, deaths and marriages that occur in Australia are required to be recorded in the register of the State in which the event occurred. At present, no links exist from deaths records to births records or marriage records either within a State or between States. In addition, these records are manually maintained, hence there is a need for them to be computerised.

2.3 To overcome these difficulties the Government proposed that the Australia Card legislation make provision for the Commonwealth to enter into agreements with State and Territory authorities under the terms of which births, deaths and marriages information would be made available to the

Commonwealth to be used for checking applications for entry to the Australia Card register. The Commonwealth commenced negotiations with the States in late 1985 and offered to assist with the computerisation of their registries of births, deaths and marriages in return for which the registries' data would be accessible to the Australia Card system. These negotiations are now at an advanced stage.

2.4 In evidence given before the Committee, the Australia Card Secretariat indicated that the negotiations on this matter were centred on the computerisation of birth, deaths and marriages registers being achieved in the following way:

- . That records from State/Territory registries be centralised on one computer - namely the HIC computer in Canberra.
- . That each State/Territory would only have access to its own State/Territory records which are held on the computerised records.
- . Any access to records of one State by another State would be subject to agreements between those States.
- . Access by the Commonwealth to this information would be limited to specific tasks related to verifying documents provided by individuals for the purpose of obtaining an Australia Card.¹

2.5 The Commission's computer expertise and facilities could be made available to the development and operation of the registry administration system. The Health Insurance Commission estimated the cost of developing and installing this system at \$25.7 million. The major cost in the system would be data collection which would in many cases require key entry from old

documents. The cost of this function alone is estimated at \$19 million. The other costs assume the need to establish 100 terminals which would be connected at all existing registry locations at single sites in Victoria, Queensland, South Australia, Western Australia and the Australian Capital Territory, three sites in New South Wales and two each in the Northern Territory and Tasmania. There is also a need for significant disk storage space and computer power to support sophisticated searching. The HIC estimated that the annual operational and support costs (excluding registry staff) would be in the area of \$1 million.²

2.6 The Committee is not in a position to make a judgment as to what is the most efficient technical arrangement for the Government and States to enter into, because the Committee had before it only broad cost estimates and an outline of the current state of negotiations between the Commonwealth and the States. No alternative technical arrangements were placed before the Committee, nor were cost/benefit analyses of alternatives made available. Because the Committee was not provided with specific details of actual administrative or technical arrangements, it cannot quantify or make judgments on the accuracy of likely cost savings arising from the computerisation of the births, deaths and marriages records.

2.7 The Health Insurance Commission has noted that independently of the Australia Card program, the benefits of computerising births, deaths and marriages data would be to:

- (a) maintain the integrity of the registries' record keeping functions;
- (b) improve the integrity of Registry data;
- (c) improve the level of service to the public;

- (d) ensure the security and privacy of records;
- (e) provide inquiry facilities to other registries' information; and
- (f) provide inquiry facilities to Registry data for nominated external State agencies.³

2.8 The HIC also noted that, in the wider context, the provision of a centralised computer system of births, deaths and marriages data would enable State registries to:

- (a) readily handle a wider range of inquiry volumes;
- (b) reduce costs of maintaining records;
- (c) address current problems which exist in some registries' clerical systems, for example -
 - . paper flow and storage
 - . intensive use of labour
 - . delays in certificate production
 - . record access difficulties
 - . difficulties in handling increasing requests for certificates
 - . difficulties in maintaining confidentiality of sensitive data
 - . no matching of records
 - . cost of document maintenance and storage;

- (d) bring together all references to a single name, greatly assisting research;
- (e) provide off-site back-up storage of computerised data, guarding against the loss of important current and historical data;
- (f) have a uniform system of registry control with allowances for differences in State data and different data held in various periods;
- (g) retain responsibility for the collection, creation and retention of original certificates; and
- (h) provide potential to increase State revenue from registry sources through -
 - . lower operating costs
 - . revenue raised from new sources eg.
 - genealogical research facilities
 - the automatic reproduction of certificates for out-of-State persons
 - handling of enquiries from other State authorities.⁴

2.9 While accepting that many of the benefits listed are real and important matters, the Committee does have concern over some of the benefits raised. The prime issues of concern are:

- . paragraph 2.7 (f) opens access to registry information to agencies who may not necessarily have access now; and
- . the related revenue benefit listed in paragraph 2.8 (h) arising from access to the registry for genealogical research facilities (the Committee's view on this issue is dealt with in paragraph 3.30).

2.10 The issue of false identities and the use of a computerised register of births, deaths and marriages to overcome that problem were discussed in detail by Mr Doug Meagher QC, a former Counsel to the Costigan Royal Commission. Mr Meagher told the Committee that:

One of the problems that we found when we were trying to break this down was that it was not easy to get information out of births, deaths and marriages registries across Australia - which, of course, is what you usually have to do - whether or not the person was born on that date and place he said and whether he is still alive or not. One of the schemes that we found being used by the union [Ship Painters and Dockers Union] was that they were taking on the names and dates of birth of people who had just died and they were being handed out to people who looked very similar to the person who died. They were the same sort of height, with the same sorts of features.⁵

2.11 Mr Meagher later explained the need for this arrangement, especially in certain types of compensation fraud. He stated:

I must say that the ones we spoke to regarded it as absolutely necessary to take a dead man's identity because if they took a live man's identity they would run the risk of detection and exposure very quickly. You must bear in mind that when people make claims for

compensation it is usually going to go on for some time, so it is not just instant exposure that they are concerned about, it is exposure over perhaps one or two years.⁶

2.12 In his evidence before the Committee, Mr Meagher indicated that he supported a wider access to any computerised register of births, deaths and marriages than that indicated by the HIC in its evidence. The issue of whether such information should be 'freely available'⁷ to the public was examined during the following exchange:

Mr SAUNDERSON - When you say freely available, do you mean that once it is computerised, financial institutions, banks, say, would be able to access it in order to ascertain the accuracy of someone's name and address?

Mr Meagher - The details he gave when he did it.

Mr SAUNDERSON - Would they ring someone, saying: "We have someone who purports to be such and such a person. Is that a genuine name?".

Mr Meagher - No, a computer terminal, a terminal in their office or in my office. You would just bring it up as a national database. I do not see that that involves any great inroads into people's privacy in any way.⁸

2.13 The Committee believes that the major advantage of computerising births, deaths and marriages registers is that it will provide a check on one of the more common means of obtaining false identities within the community. Evidence from the Stewart and Costigan Royal Commissions indicates that false identities are used within the community for the purpose of committing fraud. One means of obtaining a false identity is to obtain the birth certificate of a person who has died - Costigan referred to this practice as a 'resurrection'. By this means, a

genuine birth certificate is issued and the assumed identity is very difficult to uncover. In other instances, false birth certificates are produced and are not checked with the relevant Registry because of the inconvenience of dealing with manual registries.

2.14 Recommendations:

- (i) That the computerisation of all State and Territory Registries of Births, Deaths and Marriages proceed. To this end, the Committee supports the continuation of the current negotiations between the Commonwealth and the States.
- (ii) That the Commonwealth provide appropriate assistance and advice to the States to ensure that the computerisation of births, deaths and marriages registers can proceed within the earliest possible timeframe.
- (iii) That the only Commonwealth Departments permitted to have access to the computerised registry of births, deaths and marriages be the Australian Taxation Office, the Department of Social Security, the Passport Office of the Department of Foreign Affairs and the Health Insurance Commission. That access to computerised births, deaths and marriages data be restricted to verifying documentation submitted for the purposes of obtaining nominated services from the Commonwealth.
- (iv) That extension of access occur only after the widest possible public discussion after the system has been in operation for some minimum period.

Establishment of a Data Protection Agency

2.15 In order to provide stringent safeguards against misuse of the Australia Card system and to ensure the fullest possible protection for and strengthening of human rights, the Government proposal included the creation of a separate independent and powerful statutory body to control the collection and use of computerised personal data. The proposed authority, the Data Protection Agency (DPA), is 'specifically designed to address the many human rights and privacy concerns for which existing Commonwealth agencies are and would remain inappropriate'.⁹

2.16 The concept of an independent agency or office charged with monitoring the use of personal information by government and private bodies and with responsibility for overseeing the implementation of privacy and/or data protection legislation is not new, there being many examples of such agencies in other countries.

2.17 In Britain, the Data Protection Act 1984 provides for an official Data Protection Registry to protect the information held on private individuals from abuse or inaccuracy. Users of computerised personal information as well as bureaux processing and compiling data must register by May 1986. The Data Protection Registry is to be used by the British public to find out about the nature and use of personal data in computer systems and to ensure high standards of practice and protection when personal information is stored on a computer. Any breaches of the obligations imposed on data bureaux and users may attract severe penalties.¹⁰

2.18 Although the Data Protection Registry has been only recently introduced in Britain, the idea has been under consideration since 1972 when the Committee on Privacy chaired by Sir Kenneth Younger recommended an independent body to keep

'under review the growth in and techniques of gathering personal information and processing it with the help of computers'.¹¹ The recommendation was broadly supported by a 1975 White Paper¹², given detailed form in the 1978 Report of the Committee on Data Protection chaired by Sir Norman Lindop¹³, and further scrutinised in a 1982 White Paper¹⁴ before the 1984 Act was introduced.

2.19 The main functions of the Privacy Commissioner of Canada are to ensure the Privacy Act is properly applied and that individuals receive the full rights to which they are entitled.¹⁵ The Privacy Act, which took effect on 1 July 1983, gives individuals access to the personal information held on them by the Federal Government and some control over the Government's collection and use of the information. The Act also places restrictions on who may see the information and sets out principles of fair information practices. In the role of investigator of complaints, the Privacy Commissioner acts as a specialised ombudsman for privacy.

2.20 There are also examples of agencies with the authority to supervise the collection and uses of personal information by the private sector as well as the public sector. In Sweden, the Data Inspection Board has general carriage of the country's data protection laws, including supervision of the Debt Recovery Act 1974¹⁶ and the Credit Information Act 1973.¹⁷ The latter Act contains the provision whereby the subject of a request for information is immediately informed of all relevant details relating to the request and the response:

s.11 When personal information is supplied, a written statement shall at the same time be submitted free of charge to the person to whom the information relates, notifying him of the particulars, assessments and advice concerning him contained in the information, and who has requested the information.¹⁸

Further information relating to the Data Inspection Board was given to the Committee in evidence by Mr Lars Tegnhed, Director of the National Tax Board of Sweden.¹⁹

2.21 The Australia Card proposal envisages three main areas of activity for the Data Protection Agency:

- (i) to provide advice and formulate policy on various issues arising from the introduction of the Australia Card, including the effect of ever changing computer technology on the personal privacy of individuals;
- (ii) to undertake a 'watchdog' monitoring role to ensure that personal data is collected, stored and used in a manner that provides stringent access safeguards; and
- (iii) to provide a co-ordinated, expeditious, informal and inexpensive external review mechanism.²⁰

2.22 The statutory objectives of the proposed Data Protection Agency would be:

- . to ensure that information on the Australia Card register is treated as private and confidential except for the specific uses authorised by legislation;
- . to have decision-making jurisdiction in the areas of data matching, database contents, database uses, confidentiality and access;
- . to monitor changes in technology;
- . to provide protection against abuse in the areas of data trespass involving computers;

- . to provide an independent, effective and accessible review mechanism beyond that provided internally by the HIC and other relevant agencies, and to ensure that the mechanism is economical, informal and expeditious;
- . to allow a co-ordinated monitoring of the many uses of personal data;
- . to set and oversight stringent administrative and legislative controls in the area of privacy and secrecy provisions; and
- . if deemed appropriate by the Government and the community, to provide the foundation for more vigorous control over the collection and use of personal data by the many organisations both public and private which use databases.²¹

2.23 The functions and powers envisaged for the agency were expanded upon in evidence by Mr Michael Clarke, Assistant Secretary, Australia Card Secretariat. Mr Clarke stated:

... in terms of each particular database containing personal information about individuals in this country, the data protection agency would determine who is entitled to keep a database, what is entitled to be kept on that database, why the information is being kept, to whom the information can be given, and under what conditions it can be given. We envisage the data protection agency in this country working along very similar lines and with similar powers as the data protection board has in Sweden. Namely, it would be able to give licences and permits to agencies and later on to public sector bodies, and to maintain databases. It would exercise very strict and very precise control over the sorts of information which could be maintained in those databases and the uses to which that information could be put. Its

brief, though, goes further than that. Its brief would also encompass ensuring that information contained on databases about individuals was accurate. In order to ensure that accuracy it would give each individual access to any database record held on that individual.²²

2.24 Mr Clarke further explained that the DPA would be dealing specifically with control over data matching and data linkage and that:

... only the data protection agency will be authorised to permit one agency to match its database with another, or one agency to enter into on-line links with another. It will grant that licence or that permit under circumstances where the operations and the functions of a particular agency require matching to take place, or require linkage to take place in order to eliminate fraud or to make systems more administratively convenient. It will be empowered to set conditions under which the matching or the linkage can take place and the agencies concerned will be obliged to conform to whatever conditions the data protection agency sets in that area.²³

2.25 The Government has proposed that the functions of the Data Protection Agency (DPA) be phased in in three quite distinct phases. Under phase one the Agency would have jurisdiction over the Australia Card register itself (administered by the Health Insurance Commission) and all other databases operated by Commonwealth Government agencies which in any way draw upon or contain information from the Australia Card register. It is then proposed that the operations and role of the DPA would be reviewed by a Joint Select Committee after the first three years of its operations to determine whether the DPA is fulfilling its purposes and to consider the inclusion of all Commonwealth agencies under DPA jurisdiction whether or not they are associated in any way with the Australia Card database. If

that legislative extension is granted, the wider jurisdiction would then apply for a further three years. At the end of that time, a further review by the Parliament would take place with a view to bringing under the control of the DPA all private sector databases falling within the Commonwealth Government's jurisdiction. Such databases would include those which are encompassed within the banking powers under the Constitution, the corporation powers, or the other related powers upon which the Australia Card system is based and which can be extended to cover databases. It would be under this third phase, when the DPA reached its maximum jurisdiction, that its application would become most like that of the Swedish Data Inspection Board (see paragraph 2.18). It is also proposed that once a year every individual would have the right to receive upon request, free of charge, a record of the information which relates to that person. Any additions or changes made since the person's record was last printed would be highlighted for ease of reference.²⁴

2.26 As part of its inquiry the Committee received evidence about the extent to which data matching and data linkage currently take place within the Government. It became evident that significant data matching occurs between the Australian Taxation Office, the Department of Social Security, the Department of Immigration and Ethnic Affairs and a number of other Commonwealth departments, usually via magnetic tapes. In some instances, the data matching can be done fairly quickly and accurately, in others the information provided from one department to another is very difficult to match. It was evident to the Committee that data matching and data linkage presently take place almost without control. In some areas there is a degree of statutory prohibition on release of data between agencies but, in many other areas, agencies and departments are able to match and link data according to degrees of administrative convenience.

2.27 The Committee believes that, in the light of this evidence alone, there is a need for an independent statutory agency which will take control of that particular element of activity which can at times be a threat to individual privacy. Evidence by the Australia Card Secretariat of the Department of Health emphasised the Government's view that the Data Protection Agency would be one of the more important elements of law reform arising from the Australia Card program. The Department stated:

It is the first attempt to come to terms with the highly increasing pace of computerisation within government service and within the corporate sector. It comes to terms with and sets up mechanisms to protect people from abuses of their privacy through computers. If you look ... at the range of powers, the range of objectives and the range of functions that the DPA will have, you will gain some appreciation, I believe, of the real power, the real likely effectiveness of that agency.²⁵

2.28 The Committee agrees with this view. It believes that the establishment of a DPA is an important and necessary legal reform. It agrees that there is a need for an independent body to monitor data matching and linkage and it does not believe that the existing and proposed network of Commonwealth agencies and protection mechanisms are sufficient to protect civil liberties.

2.29 The other major factor leading the Committee to favour the establishment of a DPA concerns the private sector. At present, for many individuals far more information, including information of a highly personal nature and information which represents a severe infringement of civil liberties, is held in the files of the private sector eg. banks, building societies and other financial institutions, credit bureaux, etc. than by the Government. There is no existing legislation concerning privacy of that information and evidence obtained during the

inquiry suggests that at least some of this information is regularly shared or even sold between various financial institutions. As computers become more integrated into the commercial sector, the flow of information on individuals is likely to increase.

2.30 There is an argument that the existing and proposed network of Commonwealth agencies and civil liberties protection mechanisms are and would be sufficient to satisfy the legitimate concerns of persons who object to the increasing intrusion on individual privacy through computer databases. This approach relies upon the Administrative Appeals Tribunal and the proposed Human Rights and Equal Opportunities Commission (assuming it would be made responsible for monitoring compliance with the information privacy principles which the Government proposes will be enacted through privacy legislation during the course of this year). The 1983 Australian Law Reform Commission Report on Privacy clearly indicated that the existing civil liberties protection mechanisms are insufficient and unlikely to ensure individual privacy. The proposed mechanisms have been criticised on the basis that any existing Commonwealth agency could not provide a high level of protection of personal data. The Committee is similarly sceptical that any existing Government agency would have the independence and the powers to effectively monitor and control the storage, processing, use and transfer of personal data and to protect the individual from unnecessary infringements of rights and privacy.

2.31 The Government proposal noted that under normal circumstances the Government would quite rightly be reluctant to consider the creation of another statutory authority within the Commonwealth, and would be reluctant to allocate staffing and financial resources to such an authority. However it further notes that the Government fully appreciates the growing need to monitor and control the storage, processing, use and transfer of

personal data and to protect the individual from unnecessary infringements of rights and privacy. Although the DPA has been proposed as a means to satisfy various criticisms that have been raised against the introduction of the Australia Card system of identification, the Committee believes that the proposal stands alone and that there is a need within the community, irrespective of whether the Australia Card proposal is adopted, to establish a Data Protection Agency. The Committee believes that in this regard Australia is well behind most other western countries which have comprehensive public and private databases and which have access to and use of sophisticated computer facilities.

2.32 However, the proposal before the Committee places a number of restrictions on the use of the DPA's powers. First, it envisages that the DPA would deal only with computerised information. Second, three caveats would apply in relation to the right of a citizen whose details are kept on a database to have access to that data: the DPA would be empowered to withdraw that access where Commonwealth revenue was at risk, or to ensure compliance with the criminal law, or for reasons of national security. If a decision was made not to give access, a right of appeal would lie to the Federal Court.²⁶

2.33 The Committee agrees that restrictions on the right of access should apply. In addition further consideration needs to be given as to whether certain agencies are excluded from the operations of the DPA eg. national security organisations and police forces. However, it is not convinced that the DPA should only deal with computerised information. The Committee appreciates that there are difficulties associated with extending the powers of the DPA to cover all personal data, whether hardcopy or computerised, but has little doubt that excluding hardcopy would emasculate and eventually defeat the very purpose of the agency. The Committee suggests that in its

first three years, the DPA cover only computerised personal data and that the question of an extension to hardcopy should be examined immediately by a Parliamentary Committee with a view to its implementation in three years time.

2.34 The Committee agrees that a Data Protection Agency be established as soon as possible along the lines proposed in the Government submission, irrespective of whether the Australia Card proposal is implemented. It envisages that the jurisdiction of this body should cover from the outset all Commonwealth data banks. The Committee believes there is merit in the suggestion contained in the Government submission that a Parliamentary Committee be set up to investigate the operation of the DPA after a period of three years and that that Committee should give consideration to extending further the jurisdiction of the Agency to cover all private sector databases falling within Commonwealth Government jurisdiction. Unless severe difficulties are encountered in the first phase of operation or are likely to be encountered in the proposed extension, the Committee is firmly of the view that the DPA should cover all private sector databases three years after its establishment.

2.35 Recommendations:

- (i) That the Commonwealth establish an independent statutory body, known as the Data Protection Agency, to control the collection and use of personal data.
- (ii) That this body have powers, functions and objectives similar to those outlined in paragraphs 14.6.4 - 14.6.6 of the Government's submission and as further outlined in paragraphs 2.23-24 of this Report.
- (iii) That the jurisdiction of the proposed Data Protection Agency cover from the outset all Commonwealth computerised data banks.

- (iv) That a Parliamentary Committee be established to investigate and monitor the following:
- (a) the implementation and operation of the proposed Data Protection Agency.
 - (b) the extension of the Data Protection Agency's jurisdiction to cover all private sector databases falling within the Commonwealth jurisdiction three years after the establishment of the Agency; and
 - (c) the extension of the Data Protection Agency's functions to cover all written personal data banks three years after the establishment of the Agency.
- (v) That the right of an individual to have access to and correct personal data on a database be on the same basis as that provided under the Freedom of Information Act and that it be extended contemporaneously with any extension of the access provisions of that legislation.

The introduction of Privacy legislation

2.36 In 1983 the report of the Australian Law Reform Commission (ALRC) on Privacy noted that the Crimes Act 1914 s.70 and s.79 and the Public Service Act 1922 s.51(1) and the Public Service Regulations Reg.35 provide the general framework for controlling disclosure of personal information by Government officials working in record-keeping systems for which there is no special legislation. In addition, it noted that specific

legislative provisions which require non-disclosure of personal information appear in certain other statutes, eg. the Social Security Act 1947, the Income Tax Assessment Act 1936. The ALRC reported that most Government departments and agencies have established guidelines for their internal operations which control the flow of information required by the agency, although such guidelines may only incidentally address privacy concerns. It also noted that public sector information may involve disclosure to the private sector and that this is controlled by the same general limitations which apply to internal Government use.

2.37 The ALRC was concerned that these existing provisions did not fully protect privacy concerns. It noted that:

... although much of the legislation which permits disclosure of information to the private sector imposes a duty upon the recipient to restrict its further disclosure, the wider the dissemination of personal information, the harder it is to enforce any restrictions on its future use.²⁷

In addition, the ALRC noted that 'the basic framework might be criticised as allowing discretionary secrecy. And that which allows "discretionary secrecy" also allows "discretionary disclosure"'.²⁸ The Government submission referred to these matters and other limitations of the existing legislation in protecting privacy concerns. The Committee is in full agreement with those arguments.

2.38 It has been proposed that the Government approve privacy legislation along the lines recommended by the Australian Law Reform Commission. This legislation would be concerned with collection, storage and use of information about an individual and would also be relevant to the proposal for the

establishment of the Australia Card register and the question of access to the register. If the legislation is implemented it would:

- . establish Information Privacy Principles (IPPs) which would -
 - require personal information to be collected only for a specific purpose;
 - require a collector collecting information from a person to tell that person of the purpose of collection and the collector's practices regarding disclosure of the information;
 - require the keeper of records of personal information ('record-keeper') to see to their security;
 - require record-keepers to help persons about whom they keep personal information records ('record-subjects') to find out about those records and their possible uses, and to permit them to gain access to those records;
 - require record-keepers to maintain accuracy of personal information records and check their accuracy before using the information;
 - prevent record-keepers from using or disclosing personal information other than for a relevant purpose or, in the case of information collected from the record-subject, for a purpose other than that disclosed to the record-subject when collecting it - or for certain other specific purposes, such as law enforcement or preservation of life.

- . require Commonwealth Departments and agencies to comply with the IPPs;
- . enable a person to complain of a breach of the IPPs to the Human Rights Commission or, if legislation establishing it has been enacted, the proposed new Human Rights and Equal Opportunities Commission, which would have the power to inquire into the alleged breach and report on it to the Minister.²⁹

2.39 The introduction of privacy legislation as recommended in the ALRC Privacy Report would have some impact on a number of other pieces of Commonwealth legislation. In particular, amendment of the Freedom of Information Act 1982 would be required in the following areas:

- . substantial widening of a person's enforceable right of access to records about that person
- . greater rights to privacy where others seek access to information about a person
- . abolition of exempt agencies for privacy purposes
- . some relaxation of other present FOI exemptions eg. legal professional privilege
- . extension to ACT residents of the right of access to personal records held by private sector bodies and the right to have those records amended if they are incomplete, incorrect, out of date or misleading.³⁰

2.40 It should be noted that the confidentiality of information acquired by Government officials in the course of the performance of their duties is already covered by specific secrecy provisions, in particular s.70 of the Crimes Act and

under the Public Service Regulations. The Human Rights Commission or the proposed Human Rights and Equal Opportunities Commission will have two roles: the first as the body with responsibilities under the proposed privacy legislation - a complaint-handling and monitoring role; and the second under its own legislation whereby it can handle complaints of breaches of human rights.

2.41 The Committee agrees that the introduction of privacy legislation is essential, irrespective of whether the Australia Card proposal is adopted. The 1983 ALRC report provides a substantial base for the adoption of its recommendations.

2.42 Recommendation: That the Commonwealth introduce privacy legislation based on the recommendations of the Australian Law Reform Commission Report on Privacy as soon as possible.

Adoption of recommendations proposed by various Parliamentary and Government reports

(a) Improved banking controls

2.43 Evidence before the Committee indicated that Banks have differing levels of security in relation to the opening of accounts. The Committee believes that this is a major area where fraud has occurred in the past, as the opening of a bank account under a false identity enables individuals to evade tax. The Costigan Royal Commission found many instances where the banking system was used to hide fraudulent gains. The Report noted that criminal organisations made use of the banking system to hold and transfer large quantities of money. In the Commission's view cash concealed in a wall, under a mattress, or in a car is as susceptible to theft as any honest citizen's possessions and

perhaps more so. As a result, financial institutions such as banks are resorted to for much the same reason as any business finds their facilities convenient. The Commission further noted that banks are not the only institutions preferred by criminals. It received considerable evidence of building societies, the TAB and solicitors' trust accounts being used by criminals as repositories for moneys. The Report stated:

In all of these cases the criminal employs false identities. The bank manager or other custodian willing to accommodate such preference attracts criminals to him like flowers attract bees. From my investigations it seems that such corrupt managers (and they are not limited to banks; they are to be found in branches of building societies and so on) are more likely to be encountered in small branches rather than the large ... The operation of false accounts muddies the waters for an investigator. It makes difficult the tracing of monies if the starting point is the criminal activity. The criminal, conscious of the need to cover his tracks, takes every precaution to ensure that the proceeds of the crime cannot be traced to him. But if the starting point is different, if it is at the point where the criminal commences to enjoy the possession of the money, the tracing exercise is far easier.³¹

It is in this area that the proposed Australia Card or a unique identifier number such as a tax file number would be of great assistance.

2.44 In order to avoid the difficulties associated with false identities, the Costigan Royal Commission recommended the following banking controls:

- (1.) Each person applying to open a bank account be required by law to provide a written statement containing the information set out below. This form should be signed personally and witnessed by the bank officer opening

the account. The statement should contain, inter alia, the following details:-

- (a) The full name currently being used by that person;
 - (b) The name under which the person was born;
 - (c) The date and place of birth;
 - (d) Any other name used between the date of birth and the date of the statement;
 - (e) Whether the person is or has been a taxpayer and, if appropriate-
 - (I) The name under which he lodged his last return.
 - (II) The place of lodgement.
 - (III) The taxation number allocated to him.
 - (f) His current address and any address used by him as his principal place of business or residence during the previous 5 years.
- (2.) The legislation should provide appropriate penalties for making a false statement. Banks tend to require proof of incorporation of companies before opening accounts. The law should demand they obtain such proof. The statement of personal particulars should be supplied by all proposed signatories for the account. If a banker fails to obtain the appropriate statements then it should be subject to severe financial penalties. The same provision should also apply to the use of accounts in business names or in the names of trusts.
- (3.) In conjunction with (2.), similar legislation dealing with all financial institutions be negotiated - as appropriate - with State Governments.
- (4.) Every applicant to a bank or other financial institution seeking the remission of funds overseas should be identified on a record to be kept of

that transaction. This should then be forwarded to the Reserve Bank to be included on a computerised record of all overseas transactions.

- (5.) Banking records, including all vouchers, should be retained by the banks for a minimum period of 7 years. In the event originals of such documents are released to a customer, then copies of any such documents including endorsements appearing thereon should be made and likewise retained.³²

The Final Report also noted that the recommendations relating to the retention of records, of overseas remissions and other financial institutions are also of great significance.

2.45 The Committee is aware that action has been taken in respect to these recommendations. A Government Working Group was established to examine the recommendations of the Costigan Report concerning banking controls and a questionnaire was forwarded to the Australian Bankers' Association. From the outset, the banks were opposed to the provisions suggested by the Costigan Report. They were particularly opposed to being given any role of 'policing' the activities of their customers. A similar attitude was taken by the banks towards the introduction of the Australia Card. For instance, the National Australia Bank indicated to this Committee that the significant cost to financial institutions of implementing and administering operational procedures to cater for use of and validation of Australia Card on behalf of the Government 'is considered unwarranted having regard to benefits likely to be achieved'.³³ The Government Working Group reported in June 1985, and the Committee understands that since September 1985 the Department of the Treasury, which is coordinating the response to the report, has been awaiting comments from the Attorney-General's Department and the Director of Public Prosecutions. However, the

Committee has not been informed as to the content of the Working Group Report nor the response to that report. Both the Australia Card proposal and recommendations by a majority of this Committee concerning the upgrading of tax file numbers address the major thrust of the Costigan banking control recommendations.

2.46 While the Committee is aware that the Federal Government's power over banking is limited by s.51(xiii) of the Constitution to banking other than State banking, it believes the recommended controls should be applied uniformly to all banks in the country in order to prevent leakages. The Committee accordingly urges the Federal Government to consult with the State and Territory Governments on this issue, with a view to early introduction of uniform controls as recommended.

2.47 The Committee found that, in the main, the evidence from the banks was very unsatisfactory. With the exception of the ANZ Bank, their evidence was guarded, evasive and generally unhelpful. It also appeared to the Committee that they were unconcerned about the protection of Government revenue. Despite the alarming evidence concerning bank procedures contained in the Costigan Royal Commission, their attitude to these practices appears unchanged.

2.48 During the inquiry, the Committee heard disturbing evidence, including that from representatives of various banking organisations, Mr Meagher and others, about the attitude of the banks to fraud. Generally speaking, some banks appeared very reluctant to take any action against bank employees including managers who were found to have breached bank regulations or to have been involved in fraud. Rather than publicise the matter, it appeared that a number of banks had taken the option of dismissing the employee without referring the matter to the police for investigation. This was done on the basis that the publicity would have an adverse effect on a bank's operations.

The Committee believes that this practice by the banks is abhorrent and against the interest of the community at large. In many instances, the practice meant that criminal activities which would have been uncovered by a police investigation were covered up. It is also likely that the criminals concerned merely shifted their funds to another bank.

2.49 Recommendations:

- (i) That the Government adopt without further delay the banking control regulations contained in the Costigan Royal Commission Report where they are not already subsumed within the Committee's own recommendations.
- (ii) That the Federal Government consult with the State and Territory Governments on controls on banks and other financial institutions under State jurisdiction with a view to the early introduction of uniform controls as recommended.
- (iii) That legislation be introduced to require banks to notify the relevant Commonwealth and/or State law enforcement agencies about any fraudulent or suspected fraudulent activity within the banking system.

(b) Control of illegal immigration

2.50 In November 1985, the House of Representatives Standing Committee on Expenditure tabled a report entitled 'Who Calls Australia Home?'. The report was a review of the Auditor-General's audit on the control of prohibited immigration by the Department of Immigration and Ethnic Affairs. The objectives of the House of Representatives Committee were to assess the substantive content of the audit exercise and the

quality of the efficiency audit report and to examine the response of the Department. The Committee also took up the general question of the extent to which non-citizens were able to obtain financial assistance and other benefits from Commonwealth sources.

2.51 The Expenditure Committee reported that it believed that:

... as a matter of principle, people who are in Australia unlawfully should not be entitled to the same forms of assistance/benefits which are given to those who have legal status in Australia, regardless of whether they are temporary entry permit holders, permanent residents or citizens.³⁴

As it was not possible for the Expenditure Committee to conduct a full scale inquiry into all aspects of Commonwealth assistance, the members confined themselves to looking at a number of areas which included:

- . assistance from the Commonwealth Employment Service to prohibited non-citizens to obtain employment;
- . access to the Medicare system; and
- . the availability of benefits from the Department of Social Security.

2.52 The Department of Immigration and Ethnic Affairs estimates that there are 50 000 or more prohibited non-citizens in Australia, that each year a further 6000-10 000 persons become prohibited non-citizens, and that the total number of prohibited non-citizens who left Australia in 1983/84 was 2554.

The Expenditure Committee concluded that 'despite its best efforts the Department faces an uphill task in controlling prohibited immigration'.³⁵

2.53 The Expenditure Committee was informed that as many as 30 000 jobs could become available to citizens currently seeking work if it were possible to ensure that only persons legally entitled to work in Australia did so. There appears to be some conflict with these figures and those given to the Committee.³⁶ Accordingly, it was concerned to establish whether prohibited non-citizens and visitors not authorised to work were obtaining work through the Commonwealth Employment Service (CES). The submission from the CES to the Expenditure Committee indicated that it does not check the bona fides of clients seeking assistance in finding employment. The Expenditure Committee was further advised that the CES has no charter at present to administer any form of eligibility test on its job-seeker clients. The Expenditure Committee Report reached the conclusion that it 'is therefore possible that persons unauthorised to work in Australia are using CES services to obtain jobs'.³⁷

2.54 During its inspections of the two Immigration Detection Centres in Sydney and Melbourne, the Expenditure Committee was informed that prohibited non-citizens who are detained are commonly found to be in possession of a Medicare Card. The inference was drawn from this 'that prohibited non-citizens were using Medicare cards to obtain benefits from the Australian health system to which they were not entitled'.³⁸ This inference coincides with the evidence received by this Committee. The HIC informed the Committee that approximately 10 000 to 15 000 illegal immigrants have obtained Medicare benefits at some stage since the inception of Medicare at an average of approximately \$100 per person.³⁹ The HIC indicated, however, that some of these benefits would have been obtained legally, ie.

while the persons were legally entitled to receive Medicare benefits. Following the Expenditure Committee's inquiries, the Health Insurance Commission has been made aware of the problem and is actively seeking solutions to it in conjunction with the Department of Immigration and Ethnic Affairs (DIEA). The Committee also received disturbing evidence about the lack of action taken by the HIC when it became aware that some individuals had been issued multiple Medicare cards. This issue will be discussed in the next section.

2.55 The Expenditure Committee was also informed that the Department of Social Security has procedures in place to check the travel documents of applicants not born in or newly arrived in Australia. This enables persons to be identified as prohibited non-citizens. In evidence, departmental representatives stated that these procedures were undergoing review. The Report noted that there was close contact maintained with DIEA but some reservations were expressed about the quality of the data which was being received by DSS from DIEA. The Expenditure Committee noted that there was room for improvement.

2.56 The Expenditure Committee Report also referred to the fact that a system of national identification was being examined and that it might be of some assistance in the areas examined by the Expenditure Committee. As the problems encountered by this Committee and the Expenditure Committee concerning illegal immigration are basically the same, this Committee adds its weight to the recommendations proposed by that Committee. These recommendations are set out in Appendix 5 of this Report. In particular, the Committee believes special attention should be paid to recommendations 3, 7, 8, 9(a), 9(b), 10 contained in the Expenditure Committee Report. In addition, the Audit office recommendations contained in the Efficiency Audit Report and commented on by the Expenditure Committee should be implemented; the recommendation that DIEA expedite the implementation of the 'pre-movement' database system should be given special attention.

2.57 Recommendation: That the outstanding recommendations of the Report of the House of Representatives Standing Committee on Expenditure on control of prohibited immigration be implemented as soon as possible.

(c) Administrative reforms

2.58 The Committee became aware of a number of disturbing administrative procedures during its examination of Government agencies. Two areas of particular concern were the procedure adopted by Government agencies in relation to suspected fraud, and the procedures presently adopted by the Department of Education in relation to payments under the Tertiary Education Assistance Scheme (TEAS) and other benefits.

(i) Suspected fraud

2.59 When the Health Insurance Commission appeared before the Committee, it admitted that a number of individuals within the community had received more than one Medicare Card. At the present time, the HIC has identified approximately 20 000 possible 'duplicates' (as these multiple issue cards are known). When questioned about whether the Medicare cards are being used for fraudulent purposes, the HIC stated its opinion that many of the extra cards or duplicates that are being issued at the moment are being used to create false names for fraudulent purposes. However, it indicated that these false identities are being used not so much to defraud the Health Insurance Commission and Medicare as to establish false identities for other purposes:

We are aware of at least one case in which false identities were being created. We knew they were being created and we knew who was creating them but that in itself is not a crime. There is no legislative backing for

the Medicare enrolment process and, at the most, it is a misdemeanour - just a nuisance to the Commonwealth. We sat there waiting for that person to start putting in false claims but he never did. One day the police came and said that they had picked up this person with all these Medicare cards and we said: "Yes, we know". They said: "This person had been using them to claim TEAS". That made us feel a bit foolish, but what could we do? If we had descended on the person, what crime would we have had him for?⁴⁰

The HIC informed the Committee of another incident:

We had a case in Western Australia where two persons established 45 false identities. When they were arrested it was apparent that they were heavily involved in defrauding the Department of Administrative Services and other organisations, but I have no idea of the extent or the nature of it.⁴¹

2.60 The HIC admitted that false identities usually only become an issue when they are used in connection with false claims for benefits. It indicated that while it has controls on the enrolments, its control procedures are mainly intended to prevent the claiming of benefits where no entitlement exists. The HIC also reiterated that there is no offence of creating a false identity within the Health Insurance Act and referred to one instance where it detected an individual with multiple cards:

For example, there was one lady who had 23 cards: We knew she had 23 cards, but she was not claiming on us. We subsequently found that she was using them to defraud the Department of Education in relation to grants. Similarly, a man was arrested with 29 cards in his possession - he was defrauding Social Security. There is another aspect to the use of false identities: We recently had a case where somebody used the name of a person who had been dead for five years.⁴²

2.61 The HIC informed the Committee that it became aware of this person as a result of a routine scan:

She was then put up for daily observation on all these cards to see whether any claims were coming in. Shortly after, we were advised by the Australian Federal Police, I believe, that this lady had a number of Medicare cards in her possession. We said, "Yes, we know, but she is not committing any fraud with them", and the police said: "Yes, she is. She is using them to obtain grants from the Department of Education".⁴³

2.62 The HIC was then asked by several members of the Committee why they did not report any person with multiple Cards as a matter of course to some Commonwealth authority, such as the Federal Police. The Committee was informed by the HIC:

I have no authority whatsoever to advise the Federal Police of matters where I suspect that something may be going on. We have secrecy provisions which relate to our data and I believe I would be in breach of those secrecy provisions if I told the Federal Police that I suspected this was going on and provided a list of names.⁴⁴

2.63 The HIC explained that they can approach the Federal Police and disclose information to it where there have been offences. However, in the normal course of events, it is not a prescribed authority to which it is able to divulge information. The HIC indicated that it was constrained by Section 130 of the Health Insurance Act 1973 not to divulge any information to any organisation unless that specific organisation is prescribed by regulation: specified organisations include the Department of Social Security, the Department of Veterans' Affairs and the Department of Health. Even these Departments are able to obtain only certain specified information.⁴⁵ The Committee agrees with the recent recommendations of the Senate Standing Committee on Regulations and Ordinances in relation to a full release of information.⁴⁶ However, these provisions would prevent the HIC from informing government agencies that it suspected fraud in cases where an individual had a substantial number of Medicare cards.

2.64 The Committee believes that the circumstances outlined above are of serious concern. The Committee is strongly in favour of secrecy provisions in relation to personal data, no matter in what Commonwealth data bank they are held. However, the Committee does not believe that these provisions should in effect protect criminals or individuals where there are obvious grounds for suspicion of fraudulent activity. The Committee does not know how many other authorities or Government agencies within the Commonwealth are also prevented from informing the Australian Federal Police or any other Commonwealth agency of circumstances where fraud is suspected. The Committee recommends that a provision be inserted in Commonwealth legislation enabling Commonwealth agencies to inform the appropriate authority, which may be another Commonwealth department or the Australian Federal Police, of circumstances which indicate that there is a likelihood of fraud being committed. The question of whether the agencies should be required to report such cases should be the subject of further consideration by the Government.

2.65 Recommendation: That legislation be passed allowing Commonwealth departments and authorities to inform the appropriate department or authority about suspected cases of fraud. The question of whether departments should be required to report such cases should be considered by the Government.

(ii) The Department of Education

2.66 As noted in Chapter 1, the Committee was not satisfied with the evidence of a number of Departments which appeared before it and this includes the Department of Education. This Department was called before the Committee to discuss the application of the Australia Card proposal to the payment of benefits under education assistance schemes such as the Tertiary Education Allowance Scheme and the Secondary Allowance Scheme.

While the Department runs checks on the eligibility of applicants for the schemes, viz. income tests, checks on academic standing with the nominated educational institution, and some contact with the Departments of Social Security and Employment & Industrial Relations, the Committee was alarmed to learn that no checking is presently conducted on the identity of applicants. Further, the Department generally does not have any personal contact with applicants. Mr Bruce Milligan, First Assistant Secretary, General Student Assistance Division, told the Committee:

Basically we run a mail order business with applications for TEAS because we serve a fairly far-flung clientele. We do not have an extensive regional service. We have about 30 office outlets in Australia to serve those numbers so most of our business is done by mail application.⁴⁷

The fact that applicants do not undergo personal interviews (unlike applicants for social security benefits) opens the way for abuse of the system.

2.67 The Committee considers that responsibility for the payment of benefits under education assistance schemes should be transferred to the Department of Social Security. The Department of Education would maintain policy responsibility for establishing conditions for eligibility and for budget appropriations. The Committee also considers that the transfer of responsibility in relation to applications and payments should include the transfer of all staff associated with these operations and that this be done as soon as possible. The Committee believes that this recommendation will:

- . improve identity checks on applicants for education assistance, as the Department of Social Security would extend the use of its procedures to this sector;

- . eliminate fraud on the revenue through payment of unemployment benefits and education assistance to a person not entitled to both, as both types of benefit would be paid by the same Department; and
- . increase the efficiency of this sector of the bureaucracy as checks between the Departments of Education and Social Security would no longer be needed and many procedures are common to both Departments.

2.68 Recommendations:

- (i) That the responsibility of processing applications and payments under education assistance schemes be transferred from the Department of Education to the Department of Social Security along with all staff involved in administering the schemes.
 - (ii) That the Department of Education retain policy control over the schemes and budget allocations for education assistance continue to be held against the Education vote.
- (d) Monitoring and possible extension of the Department of Social Security identity procedures

(i) Audit findings - overpayments

2.69 During the last few years, the Auditor-General has been closely examining the procedures employed by the Department of Social Security for the payment of social security benefits. Since 1984, the Auditor-General has commented on the recovery of overpayments and on the procedures used in the payment of unemployment, sickness and special benefits.

2.70 The Department defines overpayments as those amounts that have been paid out to recipients of assistance under its various income maintenance programs (pensions, benefits and allowances) in excess of their entitlement under the provisions of the Social Security Act 1947. Such overpayments are brought about either through the payee providing incomplete or inaccurate information at the time entitlement was assessed, or through a change in the payee's circumstances not immediately notified to the Department. All such overpayments are recoverable from the recipient. Payments in excess of entitlement arising from office error are classified by the Department as incorrect payments rather than overpayments. The relevant information for the period 1981/82 to 1984/85 is as follows:

[INSERT TABLE - OVERPAYMENTS MADE BY THE DEPARTMENT OF SOCIAL SECURITY 1981/82 TO 1984/85]

2.71 In September 1983, the Auditor-General completed an audit of unemployment, sickness and special benefits through regional offices of the Department located in the Melbourne metropolitan area. In addition, benefit payments were tested at regional offices located in Victoria, Western Australia and Tasmania. The audit concluded that the key controls over the payment of unemployment benefits were being inconsistently applied.

(ii) Audit findings - identification

2.72 Identification of applicants: One of the major problem areas found by the Auditor-General was the identification of applicants. The March 1984 report of the Auditor-General stated that:

At one office it was noted that, in a substantial number of cases and contrary to Departmental instructions, evidence held on file to support identification of applicants and dependents was inadequate. Instances were observed at a second office where unacceptable modes of identification had been used, also in contravention of Departmental instructions. In addition the existence of the spouse of an applicant for benefit was not always verified.⁴⁸

The Auditor-General also referred to deficiencies in relation to pre-grant interviews, checks with employers and intra-departmental verification checks.⁴⁹

2.73 Pre-grant interviews: At one office, pre-grant interviews were held with only some 50 per cent of all applicants for benefits, while at a second, no file record of interview was retained unless a statement was obtained from the applicant. The State administration acknowledged the importance of the pre-grant interview and the need for it to be properly documented.

2.74 Checks with employers: At one office, instances were noted where reports had not been returned from the last place of employment and there was no evidence that any follow-up action had been taken. Test checking of key controls over payments of benefits at a New South Wales regional office revealed instances where reports had not been sent to the last place of employment.

2.75 Intra-departmental verification checks: Departmental instructions require new applications to be checked against various Departmental client indices as a fundamental control primarily designed to prevent duplicate payments. In all three offices many instances were noted where there was no evidence of the index check having been performed.

2.76 In referring to the audits of the Victorian administration, the Auditor-General's office questioned whether they were indicative of a general breakdown in compliance with key controls over the payment of unemployment benefits, at least in metropolitan offices. At each office covered in the project, and to varying degrees, a number of these controls had broken down. The State administration, while conceding that not all procedures had been followed in all offices, did not regard the cumulative effect as being indicative of a general breakdown. The Auditor-General concluded:

Nonetheless the findings of this audit and of related audits of regional offices give cause for concern and serve to illustrate the many problems being faced by the Department in providing income maintenance in the form of unemployment, sickness and special benefits.⁵⁰

2.77 The Auditor-General, however, noted that initiatives had been taken by the Department to deal with these problems. These measures included enhancement of the staff training

program, introduction in regional offices of self-monitoring programs to assist in maintaining compliance with prescribed procedures and controls, and the development of a national management information system.

2.78 The next report of the Auditor-General in September 1984 again referred to the problems identified and associated with application of key controls within the national benefit processing system. The report noted that further testing of these controls at selected offices revealed further breakdowns:

- . there was no evidence that pre-grant interviews had been conducted in 24 per cent of cases reviewed by Audit at a New South Wales office;
- . although improvements in establishment of identity were noted, instances were noted at one New South Wales office where there was no such evidence on Departmental files;
- . significant arrears in field officer reviews were noted at two New South Wales offices and the Queensland office; and
- . at a New South Wales office and the Queensland office it was found that there was no regular liaison between the family allowance and the national benefit systems. Similarly, at another New South Wales office, there was no liaison between the pension and national benefit systems to detect beneficiaries with pensioner spouses.⁵¹

2.79 The central office of DSS advised the Auditor-General that a major review was currently being conducted of the role of pre-grant interviews in client identification. DSS noted that

the review has so far shown that identification processes need to be improved in terms of fraud deterrence and client service. The Department is also conducting a review of the selective review program which is expected to result in a number of changes to the current procedures.

2.80 The April 1985 Report of the Auditor-General referred to continued breakdowns in key controls in the national benefit processing system. The Report noted that further testing at a New South Wales office revealed the following breakdowns:

- . no evidence of a pre-grant or post-grant interview being held in 14 per cent of cases checked;
- . no documentation to support proof of identity in 37 unemployment benefit cases out of 54 examined other than file endorsements by departmental officers;
- . no evidence of an employer's report to validate employment history of the claimant in 24 instances and inadequate follow-up of outstanding employment details in other cases;
- . lack of liaison action between the national benefit and the family allowance systems in respect of beneficiaries with dependent children;
- . medical certificates not validated in 24 sickness benefit cases; and
- . infrequent reviews of long-term beneficiaries, some for periods in excess of three years, in a number of instances.⁵²

2.81 The Auditor-General was informed that a new initiative had been the subject of a pilot study in New South Wales, whereby a combined initial assessment and pre-grant interview form had been developed as a record of interview. He was also informed that remedial action had been taken in respect of other matters and was the subject of internal reviews currently in progress or had been referred to the central office for consideration.

2.82 The September 1985 Report of the Auditor-General advised that additional audits were recently finalised in New South Wales and Western Australia. The audits included review of controls of both the State headquarters and regional office levels. The Report also noted that at 30 June 1985 there were approximately 643 000 recipients of unemployment, sickness and special benefits and total outlays during 1984-85 were \$3449 million.

2.83 The audit findings were as follows: At five of the regional offices visited, breakdowns had occurred in the application of departmental procedures to establish the identity of applicants. Principal areas of concern noted by the Audit Office during test checks were:

- . no evidence available in seven cases to show that proof of identity had been established;
- . inadequate standard of documentation for identification purposes in five cases; and
- . copies of documents used for identification not held on departmental files in seven cases.⁵³

The Auditor-General commented:

These omissions represented an approximate 10% failure rate in the application of or evidencing of adequate identification procedures. This is considered to be unsatisfactory.⁵⁴

2.84 Between November 1984 and March 1985, the Department introduced new procedures which require a more vigorous test of an applicant's identity and eligibility. The Auditor-General noted that the adequacy of the new identification procedures had not been fully evaluated by Audit although preliminary tests at two regional offices revealed that procedures were being satisfactorily applied. The Auditor-General further stated:

In view of the apparent improvement in identity check controls and the likely vulnerability of the previous approach, a need was seen by Audit for the standard of identity acceptability in respect of all current beneficiaries to be upgraded to accord with the new procedures. This could be achieved by either progressive review of those cases where benefits had been granted prior to the revised procedures or by mounting an all-inclusive one-off exercise.⁵⁵

2.85 In response, the Department advised that a post-implementation review of the revised procedures for establishment of proof of identity would be conducted during October/November 1985 and would ensure, among other things, their national application. However, as the unemployment benefit population has a turnover time of six to twelve months, and the revised procedures are applied for all new beneficiaries, DSS stated that it was not 'seen as cost effective to conduct a one-off exercise to upgrade the standard of identification for existing beneficiaries at this time'.⁵⁶ DSS expects that proof of identity for existing beneficiaries would be upgraded when

they re-apply for benefits. Measures to upgrade the standard of identification for any residual population of long-term beneficiaries will be considered at the time of the review.

2.86 The issue of proof of identity was again reported on by the Auditor-General in the March 1986 report in relation to pensions. The Auditor-General noted that verification of the claimant's identity is an essential requirement for the payment of pensions. In two New South Wales regional offices, inadequacies concerning proof of identity were disclosed 'in a significant number of cases examined'.⁵⁷ The Department advised that revised proof of identity procedures were applied to all pension claims received since November 1984 (except in New South Wales where the procedures were implemented in 1985). As all of the cases noted by the Audit Office involved claims lodged prior to the application of revised proof of identity procedures, the Department was requested to advise what national policy and procedures were to be applied to obtain suitable evidence of identity for claimants whose claims were determined before the introduction of the new procedures. In response, the Department advised there was some doubt as to the cost effectiveness of applying the revised procedures to pensioners granted pensions prior to these dates as it would entail interviewing over two million clients. The Auditor-General stated:

While recognising the difficulties of reviewing proof of identity for all existing pension recipients in the short term, Audit is of the view that a strategy for the progressive review of existing beneficiaries should be considered further by the Department.⁵⁸

The Committee is in full agreement with the Auditor-General's comments.

2.87 In February 1986, the Federal Government launched an integrated six-point strategy to prevent, investigate and recover social security overpayments. The Minister for Social Security, the Hon. Brian Howe MP, noted that the Government strategy could result in savings of up to \$90 million by 1988. The Minister stated that the campaign will involve:

- . collecting as much existing debt as possible;
- . preventing future overpayments; and
- . improving the means of identifying and investigating fraud and overpayments.

2.88 As a result of a number of initiatives introduced by the Department of Social Security, the net annual overpayments detected in 1984/85 fell below \$20 million. While these figures show a marked improvement in the reduction of overpayments of social security benefits, the Committee emphasises that this figure only relates to amounts that have been identified by the Department as overpayments. Similarly, the amount attributable to fraud based on false identities, currently 0.6 per cent of current overpayments, only relates to overpayments that have been identified by DSS as the result of fraud. The Committee is concerned by the Auditor-General's finding that there was 'an approximate 10% failure rate in the application of or evidencing of adequate identification procedures'.⁵⁹ While the Committee recognises that this figure does not mean that 10 per cent of all benefit payments were overpayments attributable to breakdowns in procedures, it is possible that there has been a considerable loss of revenue in these instances which are not included in the overall figure for overpayments.

2.89 In the light of all these comments, the Committee considers that the Department should follow the recommendations of the Auditor-General and review all applications for benefits

granted and still current before the new procedures for proof of identity were implemented. In addition, the Committee considers that, as soon as the computerised register of births, deaths and marriages is implemented, that it conduct a thorough review of all social security beneficiaries be conducted to ensure that benefits are being paid to genuine identities.

(iii) The use of false birth certificates

2.90 Of further concern to the Committee is the ease with which applicants for benefits have been able to obtain benefits on the production of false documents of identity. In these instances, even if the correct Departmental procedures concerning proof of identity had been carried out, there is no guarantee that an offender with the necessary expertise to provide false documents would be detected. As noted in Chapter 1, the Committee was informed by the Department that where a 'sound' document is provided by an applicant for proof of identity, only one other document showing identity is required. In particular, the Committee was informed that birth and marriage certificates are considered to be sound documents. However, the Committee does not agree that these two documents are in any way an adequate proof of identity.

2.91 The use and status of birth certificates was examined in some detail by the Stewart Royal Commission into Drug Trafficking in its Interim Report on Passports. The Commission closely considered the use of birth certificates and reached the following conclusion:

It appears to the Commission that a tendency has developed in the community to regard a birth certificate as evidence of identity. It clearly is not evidence of identity. Without evidence to connect a person with the person named in the birth certificate, the certificate establishes nothing about that person. It is easy to obtain from any of the registries of NSW, Victoria and Queensland a

birth certificate relating to another person without that person's knowledge. It matters not whether the other person is living or dead. There is commerce in birth certificates in that persons sell or hire their own birth certificates to others. Birth certificates relating to other people are used for many purposes other than to obtain passports.⁶⁰

2.92 The Commission also noted that blank birth certificates often went missing or were stolen. It heard evidence which convinced it that at least some of these stolen certificates came into the possession of Robert Trimbole and were used fraudulently to obtain valid Australian passports. In relation to these types of forged birth certificates the Commission stated:

A person who obtains a blank birth certificate form can easily type in whatever particulars he likes. There are no doubt considerable advantages in assuming the identity one wishes to choose which does not duplicate the identity of a person whether living or dead. Certainly there appears less chance of being detected where there is no duplication of identity. The person who fills up the blank form he has obtained with particulars to his own satisfaction must still manage to have imprinted upon the document a simulation of the facsimile signature and coat of arms which are stamped on a genuine certificate prior to its issue. The Commission is satisfied that any person engaged in the making of rubber stamps could quite easily provide stamps for the purpose of simulating the official stamps so successfully that only the most expert of examinations would reveal that the official stamps had not in fact been used.⁶¹

2.93 The Commission concluded that the root of passport abuse in Australia was the birth certificate. Among the many recommendations made by the Commission in relation to passports was the following:

23. Under no circumstances should the production of a birth certificate alone be accepted as sufficient proof of the identity of the applicant for a passport.⁶²

2.94 The Committee is extremely surprised and alarmed that, even after this damning indictment, birth certificates are still used as a 'sound' document by the Department of Social Security. Although the Department appeared to acknowledge the inadequacies of the birth certificate as proof of identity, it indicated that it still does not at present check a birth certificate at the relevant State registry. The Committee believes that this represents a serious deficiency in the checking of proof of identity. While it recognises that some assumed identities may not be picked up by this process, it would certainly highlight those cases where certificates had been forged. In the light of this evidence, the Committee believes that the Department of Social Security should not accept birth and marriage certificates as sound documents unless a check is carried out at the relevant registry of births, deaths and marriages.

2.95 Recommendations:

- (i) That the Department of Social Security conduct a progressive review of proof of identity for all existing pension recipients and all current unemployment beneficiaries whose claims were determined before the introduction of the new procedures.
- (ii) That the Department of Social Security match all recipients of social security benefits with the proposed computerised register of births, deaths and marriages as soon as that reform is implemented.

- (iii) That the Department of Social Security immediately begin verifying birth and marriage certificates offered as proof of identity with the relevant State or Territory Register.

- (iv) That the Department of Social Security not accept birth and marriage certificates as 'sound' documents for proof of identity purposes until registers of births, deaths and marriages are computerised and linked.

Endnotes

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4. ibid., pp. 106-7.
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6. Evidence, p. 1172.
7. Evidence, p. 1171.
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9. Department of Health, Towards Fairness and Equity: The Australia Card Program, Submission by the Government of Australia, 6 February 1986, p. 172, paragraph 14.4.4. Evidence, p. 1722.
10. Janice Barker 'Protecting Data with the Aid of the Law', London Press Service, 5 January 1986.
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15. Privacy Commissioner of Canada, Annual Report 1983-84, Canada 1984, p. 5.
16. Evidence, p. 3278.
17. Evidence, p. 3285.
18. Evidence, p. 3237.
19. See Evidence, pp. 3207-3293.
20. Government submission cited endnote 9, p. 175, paragraph 14.6.3. Evidence, p. 1725.

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23. Evidence, p. 3750.
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25. Evidence, p. 3750.
26. Evidence, pp. 3749-50.
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28. *ibid.*, p. 434, paragraph 948.
29. See Evidence, pp. 2618-19.
30. Freedom of Information Act 1982 Annual Report by the Attorney-General on the operation of the Act 1983-84 (AGPS, 1985) pp. no.137/1985; p.66
31. Royal Commission on the activities of the Federated Ship Painters and Dockers Union, Interim Report, No. 5, Vol. 1, pp. 38-39.
32. *ibid.*, Vol. 1, pp. 155-6, paragraph 7.018.
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37. *ibid.*, p. 19, paragraph 71.
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39. Evidence, p. 3680.
40. Evidence, p. 3607.
41. Evidence, p. 3682.

42. Evidence, p. 3683.
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44. Evidence, p. 3688.
45. Evidence, p. 3689.
46. Australia, Parliament, Senate Standing Committee on Regulations and Ordinances, Seventy-Ninth Report, April 1986.
47. Evidence, p. 2285.
48. Australia, Parliament, Report of the Auditor-General upon audits, examinations and inspections under the Audit and other Acts - March 1984, AGPS, Canberra, 1984, p. 136.
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52. Australia, Parliament, Report of the Auditor-General upon audits, examinations and inspections under the Audit and other Acts - April 1985, Parliamentary Paper, Canberra, p. 120.
53. Australia, Parliament, Report of the Auditor-General upon audits, examinations and inspections under the Audit and other Acts - September 1985, Parliamentary Paper, Canberra, p. 118.
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NATIONAL IDENTIFICATION SYSTEM

Introduction

3.1 The national identification system embodied in the Australia Card proposal is described by Professor G. de Q. Walker, Professor of Law at the University of Queensland, as two systems in one - a numbering system and an identity card system, either of which could exist without the other.¹ Many numbering systems already operate in Australia, both in the government sector (Medicare, taxation files) and the private sector (bank accounts, credit cards). Some of these numbering systems are associated with a card displaying the number and certain other information which may then be used as identification - for example, drivers' licences, security passes, credit cards. However, while numbers assigned to credit cards, Medicare Cards, etc. are unique to the holder, they are also unique to the organisation: they assist file identification and retrieval within the issuing organisation only. An Australia Card number would identify and link personal information held in many different government and private data banks.

3.2 Information on the identification systems operating in Hong Kong, France, Israel, Belgium, Canada, the USA and Sweden is provided in Attachment C to the Government Submission and Appendix C to the HIC Report. The material focuses on the operation and implementation of the systems rather than the desirability of introducing such a system in Australia. In fact, the the majority of the Committee believes that the experience overseas, particularly in the USA and Canada, supports its view

that a national identification system should not be introduced here. While the Committee outlines its concerns with the concept of a national identification system and, specifically, the Government proposal in the following pages, a detailed explanation of the philosophical concerns about a national identification system and the civil libertarian concerns arising from such a system is contained in the personal addendum to this Report by Senator Christopher Puplick. The view of a minority of the Committee - that civil libertarian concerns are protected and enhanced by the Australia Card proposal - is given in the dissenting report by Senator Aulich and Messrs Brown and Brumby.

Data Privacy in Australia

3.3 Before turning to an examination of the civil libertarian concerns arising from the Government proposal for an Australia Card, the Committee feels it worthwhile to note that privacy and data protection have been of concern in Australia for some time. The first major report to the Government addressing the issue was presented in 1973 by Professor W.L. Morison², but his concerns were preceded by Zelman Cowen's 1969 Boyer Lectures 'The Private Man'.³ The specific concerns are well-documented in many publications, including the Privacy Report of the Australian Law Reform Commission⁴, and throughout the Committee's transcript of evidence. Such concerns include abuse of personal information held by the private sector, including the very requirement that such intimate details be provided; gross invasion of privacy and comprehensive data linkage by powerful public bodies such as Royal Commissions; and the general, everyday use of data and data linkage techniques by the bureaucracy.

3.4 Although the introduction of a national identification system is perceived - accurately - as facilitating data linkage, sharing and comparison of personal information about individuals already takes place between Federal Government departments and between departments and the private sector on a regular basis.

3.5 Section 130(3) of the Health Insurance Act 1973 provides that any information acquired by an officer in the course of his duties, or in the exercise of his powers or functions, under this Act, may be divulged - either to a prescribed authority or person, or, if regarded as necessary in the public interest, to any specified person. The Australian Taxation Office (ATO) receives an annual microfiche summary of all unemployment benefits and age pension payments which it matches with income tax returns⁵, and the Department of Social Security can obtain information from the ATO under Section 16 of the Income Tax Assessment Act. Examples of private/public sector exchanges of personal information include the information provided to the ATO by banks and other financial institutions, and that provided to it by employers.

3.6 Pilot studies undertaken as part of the HIC's planning strategy show the extent to which computer matching is already possible even without a common numbering system. These studies used Medicare enrolment files (held by the HIC), the electoral roll (maintained by the Australian Electoral Commission), the citizenship file (controlled by the Department of Immigration and Ethnic Affairs), and files for pensions and unemployment and sickness benefits (held by the Department of Social Security) and scored a high rate of positive matches. Such studies not only breach the 1981 OECD Guidelines to Protect Privacy to which Australia is supposed to adhere⁶ and prospectively breach the Information Protection Principles embodied in the proposed privacy legislation (see Chapter 2), but also contrast starkly with the lack of success of the ATO in its matching activities (see Chapter 4).

Civil Libertarian Concerns Arising from the Government Proposal

3.7 A major cause of concern about the Government's proposal is a possible intrusion on privacy and civil liberties, including the fundamental change in the relationship between the individual and government in Australia. Professor Walker claims that, with the advent of a national numbering system, the way is open for the ascendancy of the idea that the citizen is accountable to the government, rather than vice versa.⁷ The free and lawful person recognised by the common law attains legal personality simply by attaining adulthood, and is able to do anything which is not proscribed by law. The de facto effect of compulsorily requiring adult citizens to register with the state is to introduce an additional element which is essential for their legal personality.⁸

3.8 This concern at the fundamental change in Australian society which would be engendered by the introduction of a national identification system was echoed by several distinguished witnesses, including Mr Frank Costigan QC, the former Royal Commissioner⁹; His Grace the Right Reverend Michael Challen, Bishop of the Anglican Diocese of Perth and Chairman of its Social Responsibilities Commission¹⁰; and His Honour Mr Justice Michael Kirby, President of the NSW Court of Appeal and former Chairman of the Australian Law Reform Commission.¹¹

3.9 Mr Costigan particularly spoke at length on the balance to be struck between the protection of the civil liberties of the individual as opposed to the protection of society as a whole:

... there is no doubt that the introduction of an Australia Card of the kind contemplated by the submissions that I have read is a significant intrusion into individual

privacy. I have no doubt at all about that. You can only justify such an intrusion if, on balance, the evil that you are attempting to correct and the cost of doing it are justified. I have always taken the view, and I have articulated it on a number of occasions, that there is a necessary balance to be struck between the proper non-infringement of civil liberties on the one hand and abuses which may be taking place in the community on the other, and where you strike the balance changes from time to time, decade to decade. When you are looking at the introduction of a card you have to consider that as being a very significant intrusion - I think a very great intrusion - because I have no doubt at all that it would grow and the access to it would be increased over a period. Quite apart from the financial cost of setting it up and so on, you have to form a view as to whether the benefits that are attracted to the community from the presence of the card outweigh the very real disadvantages that flow to attacks on individual privacy. That is a judgment that you have to make. I have formed a judgment about it, and I am very strongly opposed to the introduction of an Australia Card. I think the benefits that might flow from it are to some extent illusory, certainly speculative, and can be achieved by other means.¹²

3.10 Privacy is a vulnerable value in the face of demands for administrative efficiency and attractive estimates of revenue gains. In any given case, the interests of an individual or a relatively small group are set against the interests of society. Where privacy-invasive measures are proposed, civil liberties groups urge that these first be socially justified and embarked on only where appropriate less invasive alternatives have demonstrably failed.

3.11 The privacy and civil liberties issues which have arisen in relation to the Australia Card proposal should be considered in the broader context of concerns already existing in both the public and private sector discussed above. Specific

privacy and civil liberties issues brought to the attention of the Committee by concerned groups and individuals are summarised below. While all are important, the crucial issues are:

- (a) that the Card will become an internal passport;
- (b) the dossier capability of the system;
- (c) the question of logging all accesses to the register;
and
- (d) the use of the identification number for computer matching/data linkage.

(a) Card will become a compulsory internal passport

3.12 Under the Government proposal, the consequences of non-registration for an Australia Card are serious - prevention from receiving benefits, assistance to find a job, opening a bank account, etc. - yet disadvantaged groups within the community (for example, the homeless young) are least likely to be able to comply with registration requirements. The NSW Privacy Committee has listed more than fifty offences, sanctions and other disabilities proposed for the enforcement of the Australia Card system¹³ and concluded that:

... the real effect of the proposed national identification system will be to deny important rights to Australian citizens - not because of criminal conduct or intent, but simply on the basis of non-registration.¹⁴

3.13 Increasing reliance on the Card as a means of identity would also cause it to become necessary in a wide range of circumstances unrelated to its original purpose, eg. cashing a cheque or applying for a credit card. Consequently, those unable or unwilling to present the Card may be treated disadvantageously.

3.14 Although the Government proposal states that it would be an offence for anyone to demand the Card in circumstances other than those specified in the legislation, the Australian Federal Police and the Department of the Special Minister of State advised the Committee that regulations against people or organisations using the Card for non-prescribed purposes would be unenforceable. This point is illustrated by reference to the US experience where legislation enacted to limit compulsory divulgence of the social security number has had little impact on its use.¹⁵

3.15 The Privacy Committee claims that, despite the legislative restrictions on use of the Card proposed in the Government submission, the progressive use of an Australia Card is considered desirable by its proponents. The opinion polls carried out by ANOP show that, of those in favour of a card, a large proportion wish to use it as an identifier in a variety of situations. Frequent use of the Card will reduce the risk of it being lost, stolen or misplaced unnoticed, and will facilitate cross-checking on the register for changes in personal circumstances.

3.16 The Privacy Committee also claims that consultations with the business community have been recommended to discuss possible trade-offs - such as permissible uses by business - to offset business compliance costs associated with the introduction of a card. Already the private sector will be able to:

- (i) request (as opposed to demand) the Card number from clients; and
- (ii) record and use the number as an identifier.

(b) Dossier capability

3.17 One of the major fears about the proposed national identification system is that it is a necessary first step towards the creation of a national dossier system. Housekeeping data - particularly audit trail information (which indicates when and by whom a change of data was made and where the source documents for the change are located)¹⁶ and the user agency update flags (which indicate those approved agencies wishing to be informed of any change in data on a particular record) - together with the information required to establish and validate identity and eligibility form the kernel of the register's dossier capability.

3.18 With this information, the register is capable of identifying agencies with which a person deals or has dealt and of locating precisely where documents relating to an individual may be found. An individual's dossier need not consist of one discrete file because information concerning any person can be retrieved easily by a computer from the sources indicated in the register.

(c) Access to register

3.19 Once the proposed system was operative, it is likely there would be increased demands for access - from Federal, State and private agencies. Quarantining the use of the system would be difficult, if not impossible. Already, the number of Federal agencies nominated for access has risen from eight (in the second IDC report of August 1985) to thirteen (in the Government submission of February 1986). These thirteen agencies between them employ more than 75 000 full time staff.

3.20 Although access to the register is to be limited to authorised officers only¹⁷, computer terminals are generally operated by junior staff so this authority will be widespread, although it is possible for access to be restricted to those contents of a data base relevant to an agency's particular functions. The Privacy Committee also expressed concern at the information available to counter staff at those offices where people would be able to check their records (ie. Medicare counter staff). Any Government staff with access to confidential material should undergo security checks.

(i) Logging

3.21 Of principal concern is the real likelihood of unauthorised access to the register. To allay this concern, the Privacy Committee recommends that all accesses to any national computerised register be logged.

3.22 Logging is seen by the Privacy Committee as the only effective means of ensuring the security of the register and thus is an essential element of privacy protection. Logging provides a record of what file was accessed and by whom, thereby deterring unlawful access and enabling subjects to know how and to what extent their record is being used and whether it is being used properly. This point was also made in the Privacy Report of the Australian Law Reform Commission.

3.23 Although the Government submission states that all accesses will be logged¹⁸, the HIC planning report makes a distinction between 'logging' and 'monitoring'. All accesses are to be 'monitored', however only anomalous attempts to access the system will be logged.¹⁹

3.24 As a matter of principle, record subjects have a right to know of all cases of access to their records (this is done automatically in Sweden²⁰). Logging is a significant security

device to guard against abusive access to personal records. The largest private sector data bank, the Credit Reference Association, logs each enquiry on its system and makes available to record subjects a copy of their record on request. As registration for the Australia Card will be compulsory under the proposal, and access to the register widespread, logging is a vital security and privacy feature. To emphasise this point, the Privacy Committee refers to cases where officers of the Department of Social Security have been accused of supplying confidential personal information to debt collectors and private inquiry agents. As the information net spreads, scope for this abuse will increase. This Committee therefore believes that any national computerised register should require all accesses to be logged and the record to be readily available for scrutiny by the record subject.

(c) Uses

3.25 Concern has been expressed at the proposed and possible uses of the register, including:

- (a) location of individuals;
- (b) as a basis for research; and
- (c) computer matching/data linkage.

(i) Location

3.26 The Government submission states that, under certain circumstances, access to the register will be permitted to ascertain the current whereabouts of a person²¹ while the HIC Report indicates that approved user agencies will be able to be informed of any change in data on a particular record.²² A simple extension of the register's locator function would be the

use of the register to determine who shares the same address - information of possible value to the ATO and benefit paying agencies.

3.27 The Committee considers that the proposed location use of the register is neither necessary nor desirable. In evidence to the Committee, the Australian Federal Police agreed that sufficient resources are available to allow it to establish the physical location of people with whom it wishes to get in contact.²³ In addition, the introduction of direct crediting of benefits to accounts and the fact that each agency with whom a person deals would have an address for that person anyway, leads the Committee to conclude that there is no need to include address on the register at all.

3.28 The inclusion of address on the register also represents a significant threat to privacy, health and safety: all historical data and documents used to establish identity, including previous names and addresses, would be able to be linked with current addresses. Recent decisions of Parliament have moved to reduce location information about individuals on the public record for these very reasons²⁴ and the Committee concurs with this resolution.

(ii) Research

3.29 It is a fundamental principle of privacy that information about a record subject should not be used or disclosed for a purpose other than that for which it was collected without the record subject's consent. The Privacy Committee claims that the proposed use of the register for epidemiological studies would effectively remove any opportunity for patients to exercise control over the use and disclosure of their medical information.

3.30 This Committee considers that the use of and access to centralised, data-linked personal information for research purposes, as proposed by the Government²⁵, is a multi-faceted issue with many sensitive aspects which should be separated from the current proposal. Should this use of personal information be considered desirable by the present or a future Government, the Committee recommends that the proposal first be formally referred to the Australian Law Reform Commission for report, be made the subject of wide community debate, and require legislation before implementation.

(iii) Computer matching/data linkage

3.31 Data linkage is the essential basis for the revenue gains anticipated from the introduction of the Australia Card.²⁶ In addition, the identification number for every individual will facilitate data linkage between government agencies for other purposes. Mr Roger Clarke describes computer matching as 'a powerful, error-prone, dangerous and dubiously legal mechanism'.²⁷

3.32 The Privacy Committee identifies four major criticisms of computer matching, arguing that these represent a fundamental departure from information privacy principles:

- (i) the technique effectively is a warrantless 'search and seizure';
- (ii) it effectively reverses the onus of proof;
- (iii) it allows the construction of profiles and, from these, the construction of computer-based hypotheses of criminal behaviour which place whole categories of persons under suspicion; and
- (iv) it violates fundamental privacy principles from the OECD Guidelines to which Australia is party.

3.33 The Privacy Committee claims the technique of matching unrelated computer tapes is intentionally designed as a general search and is not based on any pre-existing evidence to direct suspicion of wrong-doing to any individual or group. It suggests that escalating cost pressures will increase the temptation to rely on automated assessments via computer matches with possible adverse consequences. Examples from the US are given at pp 54-56 of its submission. Of course, whether such consequences as the automatic termination of benefits following a data match could occur in Australia would rely on the procedures and programs adopted by the benefit-paying agencies and the policy of the government of the day.

3.34 A sophisticated example of the basic technique is the system developed by the Costigan Royal Commission, explained in Volume 2 of its Final Report.²⁸ Systematic interrogation of a wide variety of sources, including public records, government records, private sector records (solicitors', TAB, accountants', unions', employers' records, etc), credit card vouchers, address books, diaries and oral evidence and the cross-matching of this data enabled the establishment of comprehensive profiles and the targeting of criminals.

3.35 The technique of computer matching offends central tenets of privacy protection as set out in the OECD Guidelines to which Australia adheres. The important principles from the Guidelines with particular relevance for computer matching are the 'purpose specification principle', which restricts use of data to purposes specified at time of collection, and the 'use limitation principle' which prohibits the disclosure or use of personal data for purposes other than those specified unless with the consent of the data subject or by authority of law. The OECD Guidelines are reproduced at Appendix 6. The identification system embodied in the Australia Card proposal put forward by

the Government is obviously meant for general use and cross-checking between all files; however, as noted above, this activity already occurs and is authorised under existing legislation.²⁹

(e) Display of information on Card

3.36 The major objections put to the Committee about the proposed Card itself concern the display of name, citizenship status, sex and date of birth, and a photograph.

3.37 Although the issue of a Card for each legitimate identity of an individual but bearing the same number is possible, the Government submission and HIC report argue strongly against issuing more than one Card for security reasons.³⁰ The Committee believes, however, that if the Australia Card proposal were to proceed, a Card should be issued for each legitimate identity of an individual, thus protecting the traditional common law right of the individual to choose the name by which he or she will be known. The Committee recognises that an individual may have valid professional, commercial or personal grounds for wishing to operate alternate identities, and considers that this right should not be restricted unless fraudulent intent is proven.

3.38 As the distinction between citizen and permanent resident has no legal or social relevance in Australia, the Committee considers that recording and displaying on an Australia Card an individual's citizenship status - as proposed in the HIC Report³¹ - is neither necessary nor desirable. A visitor to Australia could have his or her Card so marked, although the validity dates displayed on the Card would show the holder as having only temporary entitlements.

3.39 Sex and date of birth need not be displayed on the Card to ensure identification of the holder: government agencies concerned with issuing benefits, passports or registering the unemployed would have access to this information via the central register while, for private sector use, age is difficult to gauge from appearance and sex would generally be indicated by name. The Committee believes that there is no need to display sex and date of birth on the Card, regardless of whether or not a photograph is included.

3.40 The Committee believes that the less information displayed on the actual Card, the greater the integrity of the overall system. Whatever information is displayed on the Card becomes worthless as a security check; anyone coming into possession of a lost or stolen Card with such personal information displayed would immediately know those key identifying factors about the legitimate holder and could pass the Card to an accomplice with matching characteristics. Thus the less information is displayed on the Card, the greater the risk that someone attempting to use it for fraudulent purposes would not match key characteristics of the legitimate holder.

3.41 If a Card is to indicate that the holder is a minor, it is clearly directed at law-enforcement applications such as curbing under-age drinking. This sets a precedent for application to other areas of law-enforcement, particularly as it seems unreasonable to allow publicans to demand/request production of the Card but deny police the same privilege. While the Committee believes that any extension of the proposed uses of the Australia Card is undesirable, it sees no reason why any card could not be produced voluntarily as proof of age. The Committee therefore agrees that, if the proposal were to proceed, a Card held by a minor should be able to be distinguished as such.

3.42 Objections to the display of a photograph on the proposed Australia Card are made for practical and cultural reasons, although the Committee believes most problems in relation to matching photograph with appearance could be overcome by proper motivation and training in recognition of basic facial features such as nose, mouth, and jawline. The Committee notes that there is likely to be cultural or religious reluctance to have photographs taken by some groups, eg. Moslem women, some Aboriginal groups. The Committee supports the need for sensitivity and discretion in this area.

3.43 Advice from the Department of Foreign Affairs (DFA) is that all Australian passports - including those of Moslem women - require a photograph showing full facial features. This is part of the international format for passports. Of course, DFA can refuse to issue a passport if this rule is not complied with - it has no figures on the number of people who may have decided against travelling because of the rule. Compliance with the rule after initial reluctance is considered by DFA to be due to the perception of a passport as desirable, as a benefit.

3.44 The resistance to a photo by some Aboriginal groups may be overcome by special arrangements - such as destruction of the Card and any other photos upon the death of the holder. Evidence from the Department of Aboriginal Affairs indicated there were no insuperable problems, but that the assistance of Aboriginal facilitators, education and some special arrangements would be necessary.

Endnotes

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9. Evidence, pp. 1231-2.
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12. Evidence, pp. 1203-4.
13. Submission No 13, pp. 109-112.
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18. TFE, paragraph 14.3.8.
19. FPR, paragraph R5.2.1.
20. Evidence, p. 3271.

21. TFE, para. 14.3.7.
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23. Evidence, p. 2759.
24. Commonwealth Electoral Legislation Amendment Act 1983, Section 30.
25. TFE, Section 5.13, pp. 75-76.
26. TFE, paragraph 15.1.2.
27. Submission No. 8b, p. 14.
28. Royal Commission on the Activities of the Federated Ship Painters and Dockers' Union Final Report Vol 2 (1984).
29. TFE, paragraph 3.4 et seq.
30. FPR, paragraph J2.2, p. 112 and Appendix G.8.1 p. 87.
31. FPR, paragraphs J3.3 and K6.5.

ALTERNATIVES

Introduction

4.1 After lengthy consideration of the Government's proposal and the arguments and explanations put forward in its support, and with due regard to all the evidence before it, the majority of the Committee opposes the introduction of the Australia Card system. This opposition has two major bases:

- (i) concern at the effect of a national identification system on the nature of Australian society and the civil liberties of individuals in that society (see Chapter 3 and Addendum); and
- (ii) fundamental doubts as to the cost-effectiveness of the proposal, and whether it is an appropriate solution to the twin problems of tax avoidance and evasion and the many other fraudulent activities which it claims to cover.

4.2 On this second point, the majority of the Committee was persuaded by the evidence of Mr Frank Costigan QC, the former Royal Commissioner, whose work pioneered the modern-day fight against tax evasion. Mr Costigan told the Committee:

... I am bemused at the attempt to correct what are articulated as problems in the community by a solution such as the Australia Card. I have read what Roger Clarke said in one of his submissions and I agree entirely that it is using a jackhammer to crack a nut.

We are setting up what is on any view, an extraordinarily expensive system justified by additional revenue that is going to come in through stopping tax avoidance and tax evasion. There are much cheaper and effective ways of coping with the problem which arises from tax evasion and tax avoidance. There is no perfect solution - you are never going to stop it all - but you can put in place mechanisms that will make it more difficult in the first place to avoid or evade and, secondly, easier to identify and collect.¹
[emphasis added]

4.3 The majority of the Committee is of the view that the reforms recommended in Chapter 2 of this Report, particularly the computerisation of birth, death and marriage registers and the improved controls on financial institutions recommended by the Costigan Royal Commission - reforms which are unanimously supported by this Committee - will significantly redress problems arising from the use of false identities. It further believes that a number of reforms in the procedures and operations of the Australian Taxation Office (ATO) are not only more appropriate means of combating tax evasion but are also obvious and long overdue. Many of the reforms recommended by the majority of the Committee as an alternative to the Australia Card proposal are included in that proposal as essential components, although officers from the ATO were reluctant to admit that these reforms could proceed independently of the introduction of the Australia Card system, as the following lengthy exchange with Mr James Killaly, Assistant Commissioner, on the information reported by non-bank interest-paying entities shows:

Mr Killaly - Bear in mind, though, that banks only account for a portion of the interest that is paid in the community. There are other avenues for earning interest, for example, a private citizen can enter a mortgage arrangement through the local solicitor's trust account. He can invest money and it can be done that way. Government

bonds, for example, are another way, and bearer bonds. There are all sorts of things that at the moment we find very difficult to bring within the system, not just because of our technology problems but also because our access powers are being very vigorously debated.

...

Mr PORTER - How will that be resolved by ID card?

Mr Killaly - What we are saying in this proposal, and it is a work that has to be backed up by a legislative package, is that those positive obligations to report would be placed on payers of interest. It would overcome any access problem that people would argue that we have now.

...

Mr Killaly - The legislative package that would be required to back up the Australia Card would require the imposition of a duty on payers of interest to pass over that information to us.

CHAIRMAN - Why can you not do that now?

Mr Killaly - We can do it now in two ways: Regulation 11(2) is the first way and that applies only to companies. It applies only to companies that have to lodge income tax ...

Mr PORTER - No, he means why can we not change the legislation now.

Senator HAINES - If we are going to change it anyway, why cannot we change it now?

Mr SAUNDERSON - If banks are required, by legislation, to report that information to you, why cannot you simply change that to extend to all payers of interest?

Mr Killaly - You could, but you still have the problem with integrity of information.

Mr SAUNDERSON - So the argument that the Australia Card is going to enhance it simply because you can legislate for the payment is not necessarily a valid one, is it?

Mr Killaly - No, it is an incidental advantage that you would get from putting the program through.

Mr SAUNDERSON - So the fact that you are going to have to pass legislation is something that ought to be done anyway, irrespective of whether you have a card. The problem of matching the information later is something else, is it not?

Mr Killaly - That gets down to a question of policy.

...

Mr SAUNDERSON - I just want to come back to the question of the banks. You said that the requirement to raise the money from other interest paying institutions would mean that you would have to change the legislation anyway - that is to extend it beyond banks and any other recognised areas.

Mr Killaly - No, we have not said that. What we have said is that under the present legislative framework we would have to do it on a case by case, entity by entity basis, rather than have a systematic annual reporting of information where the onus was on the payer of the income.

Mr SAUNDERSON - What we are saying is that you could change the legislation to place that onus on them, could you not?

Mr Killaly - Yes.

Mr SAUNDERSON - Without a card, you could do it today.

Mr Killaly - Yes.

Mr SAUNDERSON - You could say that all organisations that are involved in interest payments will be required under law to make submissions to the Taxation Office.

Mr Killaly - Parliament could certainly do that.

Mr SAUNDERSON - So it does not need a card to do that.

Mr Killaly - No.²

4.4 The majority of the Committee sees no reason why reforms such as extending the information reporting requirements on interest paid to all payers of interest, could not be introduced immediately. It believes that this and the other reforms discussed below are appropriate, cost-effective and minimally privacy invasive methods of protecting the revenue from tax evasion and avoidance. The central recommendation relates to the reporting of information.

4.5 Given that the ATO operates on a system of information reporting in order to assess the full liability of taxpayers, central to the question of the efficiency of the system is the quality of the information provided and the quality of the matching process. Evidence to the Committee has shown that information provided to the ATO is extremely limited (for example, only 18-20 per cent of all interest paid is reported); of that which is provided very little is checked; and of that checked, only about 50 per cent is successfully matched - more would require tedious manual checking with low cost-benefits.³

4.6 Tax evasion is commonly achieved through two main practices: the non-disclosure of assessable income and the overstatement of expenses. In the unincorporated business sector, the loss to government revenue from these practices is estimated to be \$1000 million per annum. Tax evaded by companies through these practices is estimated at \$500 million per annum.⁴ So long as the ATO continues to experience serious difficulties in checking the information it does receive, there can be no foreseeable improvement in the situation and substantial losses will continue through tax evasion.

4.7 While certain measures have been proposed and are gradually being implemented to redress the present problem - measures such as staffing increases, re-equipment of ATO's computer facilities and the extension of tax deduction at source arrangements, all of which are discussed later in this Chapter - primary attention has been focused on the need for a numbering scheme of high integrity to facilitate the processing of information and its matching with taxpayers' returns. Of course, the national identification scheme embodied in the Government's proposal for an Australia Card would provide such a high integrity numbering system, however, the majority of the Committee recommends a system based on a high integrity tax file number.

Upgrading the tax file number

4.8 The present tax file number has very low integrity - there is no proof of identification required before assignment of the number. The number is used merely as an identifier within the ATO to enable taxpayers' returns to be matched with their computer records, however, there has never been a wide scale requirement for taxpayers to use their number, nor have employers had to include it on statements of earnings supplied to the ATO.

4.9 Even where the current tax file number is used, the matching process is of limited value. For example, tax instalment declarations are seldom matched with income tax returns. According to the Commissioner for Taxation, the instalment declaration system 'was never designed so that there would be a total match between those forms and other information within the system'.⁵ In the initial years of the Prescribed Payments System, approximately 10 per cent of the numbers quoted were invalid.⁶

4.10 Information presently provided to the ATO by financial institutions is matched essentially on the basis of common name and address. A basic difficulty in effecting the match, highlighted by the ATO in evidence to the Expenditure Sub-Committee, is that the institutions do not generally provide the information in a way that can be physically matched with taxation records. A common numbering system, used by the ATO and the institutions, would overcome this difficulty - particularly if the information was also provided in a format which facilitated matching.

4.11 At the request of the Committee, the ATO provided information on the expected revenue gains from the use of a tax file number instead of an Australia Card number. Three options were identified:

1. use of the existing tax file number;
2. use of an improved tax file number, ie. with moderate integrity; or
3. use of a tax file number with the same integrity as the proposed Australia Card number.

(a) Existing tax file number

4.12 While use of the existing tax file number could be expected to improve the ATO's ability to process and match the information received with tax returns lodged, it would not seriously affect those evaders using false names or invalid file numbers. Consequently the ATO estimated revenue gains from use of the existing tax file number to be only \$6-9 million.⁷

(b) Moderate integrity tax file number

4.13 Table 4.1 below sets out the revenue gains estimated by the ATO from use of a moderate integrity tax file number compared with the use of an Australia Card number. As the level of integrity of such a number would be lower than that of an Australia Card number, the estimated tax revenue benefits would be less than those estimated for the Australia Card without photograph option. The reasons put forward by the ATO in explanation of the lower integrity and consequent reduced gains is that the proof of identity procedures appropriate for ATO use would be less stringent than those adopted by the Department of Social Security and contemplated by the HIC.⁸ Further, the ATO believes that it is inappropriate for it to refuse to issue a tax file number to someone wishing to pay tax.

Table 4.1 Estimate of recurring gross tax revenue benefits

	AUSTRALIA CARD		MODERATE INTEGRITY INCOME TAX FILE NUMBER
	WITH PHOTO \$M	WITHOUT PHOTO \$M	\$M
SALARY AND WAGES	77	57	31
INTEREST	208	163	83
RENT	27	21	11
BUSINESS TAXPAYERS BETTER AUDIT SELECTION	16	13	6
REDUCTION IN THE TIME PER CASE	19	19	8
NON-LODGERS	85	69	34
INCREASED RANGE OF CASES	263	183	105
CORPORATIONS	29	27	12
TOTAL	724	551*	290

* Discrepancy in total due to rounding

4.14 The costs associated with the widespread issue of moderate integrity tax file numbers to persons who do not now have a number would be additional to the ATO costs included in the Government submission. Offsetting savings would be realised however, for example, by the obviated requirement for computer systems and equipment to access the Australia Card register. Further significant savings would occur if the tax file number were linked to computerised births, deaths and marriage registers. Overall, the ATO costs associated with the issue of taxation file numbers would be less than for the Australia Card option. The cost-benefit ratio estimated by the ATO for use of a moderate integrity taxation file number is approximately 1:12. This compares with the cost-benefit ratios calculated for overall tax uses of the Australia Card - 1:27 without a photograph and 1:35 with a photograph.⁹ Of course, a tax file number with high integrity would also be expected to have a cost-benefit ratio of 1:27.

4.15 While the revenue gains predicted for a moderate integrity tax file number are much lower than those claimed for an Australia Card with or without a photograph, the ATO warned that there is no certainty that the recurring revenue benefits of \$290 million estimated for this improved tax file number would be maintained over time due to its lesser integrity. The ATO recommended that, if this system were introduced, an ongoing program to maintain and improve the integrity of the tax file number be conducted to ensure the gains remained locked in.

(c) High integrity tax file number

4.16 In response to questions by the Committee, the ATO agreed that a tax file number with a level of integrity similar to that proposed for the Australia Card would produce similar

revenue gains to those estimated under the Australia Card without photo option, with similar staff and equipment costs.¹⁰

4.17 The majority of the Committee sees no reason why the integrity of an improved tax file number could not approach that of the Australia Card and hence attract similar revenue benefits as those estimated for the Australia Card without photograph. If all the procedures proposed for issue of an Australia Card were followed for the issue of new tax file numbers, with current holders of tax file numbers required to confirm their identities under the same procedures over a period of time, then the level of integrity of the tax file number would be equivalent to that of the Australia Card number, and the same benefits - as estimated under the without photo option - could be anticipated. The Committee was surprised at the reluctance of the ATO to admit this fact.¹¹

4.18 The ATO informed the Committee that the improved taxation file numbers could be fully issued by 31 March 1988, with revenue gains commencing from the 1988/89 financial year. This commencement date is one year earlier than that under the Australia Card proposal. To achieve this date, the ATO believes a Government decision would be required by mid-May 1986, with enabling legislation passed by the Parliament in the 1986 Budget sittings. Resource and equipment acquisition, negotiations for agency arrangements, systems development, etc. would occur from mid-May 1986 until end March 1987, and issue and verification of tax file numbers would begin from 1 April 1987. Mandatory use of tax file numbers would be required from 1 April 1988, with the first annual reporting of information based on the numbers from 30 June 1988.

4.19 The majority of the Committee considers as an appropriate option the upgrading of the tax file number to a level of integrity equivalent to that of the Australia Card

number, and its use in the ten ATO uses proposed for the Australia Card number. The Committee also considers that the legislation enacted to require financial institutions to use the tax file number should include a requirement that the information reported to the ATO be provided in an acceptable format. Such a requirement applies in the United States, where institutions exceeding a threshold volume of transactions must supply the information in acceptable magnetic media or be subject to sanctions.¹²

4.20 Recommendation: That legislation be enacted to require financial institutions to provide information reported to the Australian Taxation Office in an acceptable format.

Withholding tax

4.21 A withholding tax is an arrangement whereby tax is withheld or deducted at source; credit may be given against individual taxpayers' final liability at end-of-year assessment.

4.22 Officers of the ATO appearing before the House of Representatives Standing Committee on Expenditure Subcommittee reviewing efficiency audits of the ATO admitted that a withholding tax could be more effective than other methods of tax collection.¹³ The Commissioner of Taxation, Mr Trevor Boucher, said that 'an appropriate system of deduction at source could raise more revenue than an information reporting system'.¹⁴

4.23 Mr Brian Norris, Chairman of the Tax Panel, Institute of Chartered Accountants in Australia, strongly supported the deduction of appropriate taxation from income at source wherever possible, and suggested the extension of forms of withholding tax.¹⁵ A factor identified by Mr Norris as encouraging

compliance with a withholding tax is that a person (the payer) is less likely to take a chance on another person's (the payee's) behalf. Of course, this theory would not apply to small jobs performed for cash, as the casual employer would likely pay less for a job if no tax was deducted.¹⁶

4.24 The Committee notes that Australia already has several forms of withholding tax:

Pay As You Earn (PAYE) -
tax instalment deduction system requiring tax to be deducted from salaries and wages and remitted to the ATO by the employer.

Prescribed Payments System (PPS) -
tax is deducted at source in respect of certain payments (in prescribed industries where tax evasion is known to be significant) for work and services not subject to the PAYE system.

Imputation on Company Dividends -
company income distributed to resident individual shareholders is to be taxed at the company tax rate and credited against personal tax liability. System to commence in 1987-88.

Non-Resident's Interest and Dividends -
interest and dividend payments remitted overseas are taxed at 10 per cent by the paying institution as a final liability.

Bearer Debentures -
interest paid by companies on bearer debentures is taxed at the maximum personal rate unless the name and address of the payee is supplied to ATO (this does not apply to payments made by the Reserve Bank).

4.25 The only major areas where there is no withholding tax at present are:

- . domestic interest
- . primary production
- . business income outside the PPS.

Deduction at source arrangements are therefore an accepted part of the Australian taxation system. The Committee notes that a withholding tax at the maximum personal marginal tax rate is included in the Government proposal as a sanction where an account is not associated with an Australia Card number. The Committee considers that withholding tax on interest payments at the maximum personal marginal tax rate may be an appropriate penalty to ensure compliance with this aspect of the tax file number system.

4.26 Recommendation: That irrespective of whether a tax file number or an Australia Card number is introduced, a withholding tax on interest payments be imposed on interest-bearing accounts which are not associated with a number.

(a) Dividends and interest

4.27 Both the Australian Audit Office and the ATO estimate that the amount of tax revenue foregone because of undisclosed interest and dividends is in the range of \$308m to \$512m per annum. However, the ATO considers the contribution of undisclosed dividends to this sum to be negligible because rebates are available on most dividends.¹⁷ The ATO informed the Committee that only 18-20 per cent of the total interest paid in Australia is reported; of this reported information, approximately half of the transactions processed remain unmatched.¹⁸ As the value of unmatched transactions exceeds

the value of matched transactions, it is possible that less than 5 per cent of the value of interest paid is matched to taxpayers' returns.

4.28 The system of dividend and interest checking currently practised by the ATO was the subject of an efficiency audit conducted by the Australian Audit Office and transmitted to the Parliament in December 1984. In 1983-84, dividend and interest checks raised an extra \$14.2m in tax assessed; in 1984-85 (with an additional 115 staff specifically for checking activities) the increase was \$18.7m.¹⁹ However, this figure represents only approximately 6 per cent of the lowest estimate of tax revenue foregone.

4.29 Mr Antony Minchin, Acting Assistant Auditor-General, told the Expenditure Subcommittee that the Audit Office suggested consideration of a withholding tax in its Report because of its low opinion of the dividend and interest checking system in the ATO.²⁰ He added that a withholding tax system has a far more favourable cost-benefit ratio than the kind of internal checking the present system involves,

eg. PAYE	CBR	1:100
D&I check	CBR	1:10

and reported a 1985 Treasury estimate that a withholding tax could realise 2/3 of the amount of tax evaded on undisclosed income.²¹

4.30 While undisclosed dividends should no longer cause a loss to revenue once the imputation system is operative in 1987-88, the matter of undisclosed interest is of concern. The linking of interest bearing accounts to a tax file through use of a common number should promote greater voluntary disclosure of interest income and will facilitate checking - but only of

the information received. If the information is not provided, or, if provided, cannot be processed, then the gain to revenue relies on greater voluntary compliance and possibly some audit activities.

4.31 Bearer bonds: An obvious loophole in the present system of tracking interest paid on bearer bonds is the exclusion of the Reserve Bank from the system as it is not considered a company.

4.32 Interest paid on Commonwealth Bearer Bonds has increased significantly in recent years:

1981-82	\$7.7m
1982-83	\$13.2m
1983-84	\$23.6m
1984-85	\$35.6m ²²

This interest may be paid in cash and so evade the present taxation system.²³

4.33 The Committee believes this anomaly will be addressed by the House of Representatives Expenditure Subcommittee in its forthcoming Report, and looks forward with interest to its recommendations.

(b) Prescribed Payments System

4.34 The apparent success of the Prescribed Payments System (PPS) seems a favourable indicator of the effectiveness of a withholding tax in the business area. The magnitude of the problem of tax avoidance and evasion in this area is described by the following quote from the March 1986 Report of the Auditor-General:

In respect of unincorporated businesses, the ATO has estimated that only 63% to 75% of reportable farm income and 70% to 75% of reportable non-farm income is disclosed in returns. In particular industries, unincorporated businesses disclosed in returns as little as 60% of reportable income. Tax evaded by understatement of income and overstatement of expenses by unincorporated businesses was estimated to amount to \$1000 million per annum.

Companies were considered to disclose a higher proportion of income than unincorporated businesses. Tax evaded by understatement of income and overstatement of expenses by companies was estimated to amount to \$500 million per annum.²⁴

4.35 Although the PPS is directed only at a specific range of industries, since its introduction the ATO has detected approximately 22 000 non-lodgers representing some 20 000 businesses - mainly in the building and labour industries.²⁵ The ATO estimates that the increase to revenue from the introduction of the PPS will be \$300m for the 1984-85 year.²⁶ Collections this year from the PPS already approach \$500m, although this is not entirely an increase.²⁷

4.36 Changes to the system announced by the Treasurer in September 1985 are expected to achieve a net revenue gain of \$105m in 1986-87 and \$45m in subsequent years.²⁸ The PPS itself is the subject of an audit, and its extension to some other industries is possible.

(c) UK System

4.37 In the U.K., deductions at source (from salary and wages and dividends and interest) generally meet the end of year liability of the taxpayer. Taxpayers believing that their total liability has been covered are not required to lodge returns, hence the amount of forms processed is reduced. Taxpayers can

elect to lodge a return if they believe a refund is owing, while those who are liable to a surtax because of higher income are required to lodge returns or else risk substantial penalties.²⁹

4.38 The Commissioner of Taxation, Mr Boucher, believes this system is resource-intensive even with the aid of computers.³⁰

Upgrading the resources of the ATO

4.39 Serious deficiencies in the resources of the ATO have been identified both by the ATO itself (eg. in Annual Reports of the Commissioner of Taxation) and by external agencies (eg. the Australian Audit Office in its Report of December 1984).

4.40 Some current practices of the ATO can best be described as obsolete: manual checking of data and other labour-intensive procedures, and use of computer systems based on analysis and design work of the mid 1960s combine to severely retard the efficiency with which the ATO can perform its functions. In evidence to the Expenditure Subcommittee, the Commissioner of Taxation, Mr Trevor Boucher, recognised the need for the ATO to move to up-to-date computer hardware and software, but added that the shortage of appropriately skilled staff was a severe constraint.³¹

4.41 The introduction of new procedures and improvements in ADP capabilities are anticipated to free up significant numbers of staff for redeployment in highly productive areas such as auditing and taxation investigation activities. For example, the introduction of self-assessment should release approximately 1200 staff from technical assessing duties over a two year period.³² Productivity gains resulting from greater application of ADP processing will also permit redeployment of

staff. The Australian Audit Office estimates the Cost Benefit Ratio (CBR) of compliance activities to be 1:5 as opposed to the CBR of assessing activities 1:1 or 1:2.³³

4.42 In addition, the ATO has had a steady increase in its staffing levels over recent years:

30 June 1983	14268	
1984	14866	
1985	15889	(AOSL* 15617)
AOSL 1986	16500	

* AOSL - Average Operative Staffing Level

Although the above figures show a substantial increase (15 per cent) in staffing levels, new functions such as the PPS, 'bottom of the harbour' schemes, and even Freedom of Information, combined with the increasing natural workload of the ATO, have absorbed most of the increase. The ATO also claims to have been inadequately staffed at the base of comparison.³⁴

4.43 The 1984/85 Annual Report of the Commissioner of Taxation reports an increase of 727 staff for that year, 392 of which were specifically recruited for audit and internal compliance. For the 1985/86 year, an increase of 504 staff were approved specifically for compliance work, plus an additional 100 staff for one year to work on collecting unpaid tax from the 'paper' avoidance schemes of the late 70s and early 80s.³⁵

4.44 Recruitment is a major problem for the ATO for a number of reasons:

- (a) the widespread shortage of skilled staff, particularly accountants, tax lawyers and systems people, but including the chronic shortage of stenographers;

- (b) the low level of pay scales relative to the private sector causing high 'wastage' of staff (over 2000 separations occurred in 1984-85 although the ATO could not provide a breakdown showing the proportion due to resignations);
- (c) the large numbers of staff which need to be recruited and trained each year (over 3000 recruited in 1984-85); and
- (d) the lack of attraction for computer staff - analysts and programmers - to work on antiquated systems such as those held by the ATO.

4.45 Suitably qualified and experienced staff are not available in the numbers required by the ATO. While its intensive training program attracts what it regards as its 'fair share' of law and accounting graduates, once experienced, these staff are susceptible to the more attractive remuneration packages offered by the private sector. This is exacerbated by the nature of the tax officers' work, ie. frequent contact with prospective employers.

4.46 Another problem the ATO has in retaining staff is the 'promotions bottleneck' which applies particularly in the States. Rapid advancement to the class 8 or 9 level (\$31 609-35 489) can be achieved, but opportunity for further progress within a State Office is then extremely limited.

4.47 A point made unofficially in relation to the Australia Card proposal is that the HIC has already flagged its anticipated need for large numbers of systems/program staff in the marketplace. The view is that it will have little difficulty in meeting its need for qualified people simply because it

boasts the latest IBM equipment (provided for the Medicare scheme) - the opportunity to work on what is perceived to be the best equipment available is regarded as a great attraction. If the ATO had such equipment, the same attraction could be expected. However, the ATO claims that the speedy assembly of sophisticated equipment would require waiving certain APS guidelines (eg. tendering requirements, etc). The HIC as a statutory authority may have had more flexibility in this regard.

4.48 In evidence to the Expenditure Subcommittee, the ATO estimated that it could take 4 to 5 years to successfully plan, develop and implement a more appropriate computer network.³⁶ However, in his Report of December 1984, the Auditor-General stated that the ATO had 'failed to take full advantage of technological advances that should permit computerised processing, particularly of interest data being obtained from financial institutions and other bodies'.³⁷ In fact, evidence to the Expenditure Subcommittee showed that the ATO was using very little of the information with which it is presently being provided. Further, in recent years, the ATO's expenditure on ADP has fallen far short of its appropriations:

	Appropriation	Expenditure
	\$	\$
1982-83	14.8m	10.4m
1983-84	28.0m	9.0m
1984-85	21.0m	10.9m
1985-86	12.9m	1.2m to date ³⁸

4.49 According to the ATO, greater use was not made of the funds available because of delays in the supply of equipment.³⁹ In evidence to the Expenditure Subcommittee, the Department of Finance noted that there were some management problems in the ATO in the area of computerisation, although these have

been overcome to some extent.⁴⁰ These management problems were also brought up by the Auditor-General's Office in its evidence, which highlighted a major deficiency as being a lack of organisational ability in the ADP area: 'Had it had more resources, it might have made a bigger mess'.⁴¹

4.50 The Committee considers that the ATO does recognise many of its limitations and notes that last year it conducted some in-house efficiency audits with the assistance of an outside management consultant. The ATO regards the full realisation of the savings identified in that process as dependent on computer re-equipment and the establishment of new systems.⁴²

4.51 In response to the proposal that a system be adopted based on high integrity tax file numbers, the ATO noted that an essential part of the decision would be that it 'be given the resources to develop and carry out its plans and authority to acquire and have installed outside the usual acquisition procedures the necessary computer equipment to issue file numbers. Also essential will be the need to acquire and fit out suitable accommodation for the computing system'.⁴³

Conclusions and Recommendations

4.52 These conclusions and recommendations are supported by a majority of the Committee comprising Mr James Porter, MP (Deputy Chairman), Senator Janine Haines, Senator Christopher Puplick, Mr Charles Blunt, MP and Mr John Saunderson, MP.

4.53 Having considered the Government's proposal for a national identification system, as well as alternatives such as the use of photographic cards and the extension of the use of the current tax file system, the majority of the Committee rejects all proposals for the issuing of identity cards, with or without a photograph.

4.54 The majority of the Committee takes this view because such proposals fail to address the major problems which were to be overcome by the introduction of the national ID system, namely:

- . to combat tax evasion;
- . to reduce welfare fraud; and
- . to identify illegal migrants.

4.55 The majority believes the creation of a new bureaucracy of 2000 public servants within the HIC, with the sole task of identifying every man, woman and child in Australia, is a wasteful exercise which will not address the problems of tax evasion and social security fraud but will provide the mechanism by which the very fabric of our society will be irreversibly altered, opening the way for the greatest attack on the privacy of individuals as the 'Identity Bureau' identifies, monitors, and updates information on every person in Australia.

4.56 The Committee recognises, however, that there is a serious problem in Australia with losses in tax revenue. The majority believes that this is best solved by attacking the problems within the current system. The majority has therefore opted for an extension of the tax file number system in order to reduce tax evasion as well as to assist in attacking social security fraud.

4.57 The majority of the Committee unequivocally rejects the Government proposal for an ID system. It proposes the following outline for the extension and upgrading of the tax file number system:

- . In order to minimise disruption to the community, delays in implementation and costs, we believe that it is reasonable to accept that current tax files, with a

continuous tax record exceeding five years, have sufficient integrity to not require personal interviews or new applications in order for them to receive formal confirmation of their tax file number. However, these files should be the first to be verified under the normal audit processes, thereby confirming their legitimacy over a period of time.

- . Current tax file numbers with less than five years continuous tax record (as well as those citizens who do not possess a current tax file number) would be checked for legitimacy by a process of personal interview and the production of verifying documents in the same way as the Australia Card proposal. These interviews would be carried out by Social Security officers (or nominated departments where Social Security offices are not easily accessible) as agents for the ATO.
- . The Department of Social Security would not issue tax file numbers, but the information gathered by the Department would be sent to the Australian Taxation Office where, following the necessary validation - including reference to the computerised birth, death and marriage registers - and recording, the tax file number would be issued to the applicant.
- . Where it is necessary for an urgent payment to be made to the Australian Taxation Office by a person not in possession of a tax file number, then the issuing of a temporary number, subject to a personal interview within four weeks of issue should be introduced (this provision is identical to that provided for in the opening of accounts with financial institutions under the Australia Card proposal.⁴⁴

4.58 Recommendations:

- (i) That the use of the tax file number be extended to cover all the financial transactions proposed in the Government submission for use of the Australia Card number by the Australian Taxation Office, as well as for social security purposes.
- (ii) That all other Departments (ie. other than the Australian Taxation Office and Department of Social Security) be barred from access to and use of the tax file number.
- (iii) That the Medicare system continue to operate as a separate entity, but that the method of issuing new Medicare numbers and cards, be they new or replacement, be altered in order to improve the integrity of the system and reduce the issuing of multiple cards.
- (iv) That the integrity of the tax file number be upgraded to that of the proposed Australia Card number based on the following premises:
 - . that taxpayers with a continuous tax record exceeding five years not be required to make an application;
 - . that the file numbers of these taxpayers be verified by normal audit processes over a period of time;
 - . that all other taxpayers and persons who do not currently possess a tax file number verify their identity to the same level of integrity as proposed under the Australia Card program;

- . that the interview process for verifying identity be conducted by the Department of Social Security or nominated agents; and
 - . that temporary arrangements be made where necessary to facilitate payment of tax before verification of identity.
- (v) That a Parliamentary Committee be established within three years of the introduction of the upgraded tax file number system with the express task of reviewing the implementation of these recommendations. The Committee to report to Parliament on these matters and to recommend further action where necessary.

4.59 The use of the tax file number in the way recommended along with the other recommendations of the report will attack tax evasion and fraud against the Government in a much more positive way than that proposed by the Government.

4.60 We accept that the ATO will need to provide formal notification to each individual of their registered tax file number. This can be done in a variety of ways, however, it may be most convenient for this notice to be provided annually when the ATO issues taxpayers with their notice of assessment.

4.61 Given that the integrity of the tax file number is upgraded in the way recommended by the Committee, then savings achieved will be similar to that of the Government's proposal. The Government will need to ensure that the ATO has sufficient and appropriate resources to implement the Committee's recommendations, however, the time taken to implement and the cost of implementation will be substantially less than that of the Government's proposal.

Terry Aulich
Chairman

Parliament House
Canberra
May 1986

Endnotes

1. Evidence, pp. 1204-5.
2. Evidence, pp. 1898-1905.
3. Evidence, p. 1894.
4. Estimates from the Draft White Paper Reform of the Australian Tax System (AGPS, June 1985), p. 37.
5. House of Representatives Standing Committee on Expenditure Sub-Committee reviewing efficiency audits of the Australian Taxation Office. Transcripts of 12, 13 and 18 March 1986 [Hereafter 'REC transcript'], p. 238.
6. Evidence, p. 1914.
7. Letter to Committee Chairman from the Second Commissioner of Taxation, dated 6 March 1986; see Appendix 4.
8. Evidence, p. 3957.
9. HIC Final Planning Report, p. 217 and evidence, pp. 3955-6.
10. Letter to Committee Chairman from the Second Commissioner of Taxation, dated 25 March 1986; see Appendix 4.
11. Evidence, pp. 3960-1.
12. REC transcript, p. 265.
13. *ibid.*, p. 48.
14. *ibid.*, p. 236.
15. *ibid.*, p. 99.
16. *ibid.*, p. 110.
17. Evidence, p. 2072.
18. Evidence, p. 1894.
19. Commissioner of Taxation Annual Report 1984-85, (AGPS, 1985) PP. No. 250/1985, p. 52.
20. REC transcript, p. 191.
21. *ibid.*, p. 193.
22. *ibid.*, p. 266.
23. *ibid.*, p. 199.

24. Report of the Auditor-General upon audits, examinations and inspections under the Audit and other Acts (AGPS, 1986) P.P. 30/1986; p. 143.
25. Evidence, p. 1916.
26. REC transcript, p. 274.
27. *ibid.*, p. 32.
28. Statement by the Treasurer, The Hon. Paul Keating, M.P. Reform of the Australian Taxation System (AGPS, 1985), p. 13.
29. REC transcript, pp. 99 and 233.
30. *ibid.*, p. 235.
31. *ibid.*, p. 8.
32. *ibid.*, p. 11.
33. *ibid.*, p. 217.
34. *ibid.*, p. 21.
35. *Op. cit.*, pp. 7-8 and 33.
36. REC transcript, pp. 15-16.
37. Report of the Auditor-General on Efficiency Audits (AGPS, 1984) PP. No. 1/1985, p. ii.
38. REC transcript, pp. 66-7.
39. *ibid.*, p. 254.
40. *ibid.*, p. 68.
41. *ibid.*, p. 230.
42. *ibid.*, p. 294.
43. Evidence, p. 3966.
44. Submission by the Government of Australia to the Joint Select Committee on an Australia Card Towards Fairness and Equity: The Australia Card Program (February 1986), paragraph 5.2.44 et. seq.

ADDENDUM

SENATOR CHRISTOPHER PUPLOCK

(Liberal, New South Wales)

Introduction

1 Throughout the lengthy and often complex hearings which have been held by this Joint Select Committee, and as a result of my own researches, I have been impressed that a number of matters have been brought to light which I believe need to be put clearly before the Parliament. There are several issues, some central, some less so, which I believe need to be aired publicly and more clearly understood as the Parliament and the wider community deliberate upon the Committee's Report and Recommendations and the Government's eventual responses to them. This is the purpose of my writing a personal Addendum to our Report.

Concurrence

2 I wish to express my personal support for the conclusions and the recommendations contained in the body of the Report and agreed upon by a majority of Committee members. They have the support of representatives of the four principal parties represented in the Parliament. As such, I believe they truly represent the opinions of the overwhelming majority of informed Australians, and most certainly the overwhelming majority of those Australians (other than the official representatives of Departments) who appeared before the Committee or submitted material for our consideration.

Surreptitious Social Engineering

3 Proponents of the Australia Card have claimed an enormous range of alleged 'benefits' which would flow from its introduction. These range from the elimination of taxation fraud, welfare cheating, and illegal immigration on the one hand, through to improvements in the health care system and the elimination of organised crime on the other.

4 Taken as a whole the proposal seems superficially attractive, and has been presented in this superficial guise by both government and various pollsters to produce allegedly 'overwhelming' community support for the proposal - a claim demonstrably false under analysis.

5 However, the more each individual claim is tested, the more clearly each is exposed to be far less than it seems, and collectively the whole proposal grows weaker.

6 The term 'social engineering' I have borrowed from the writings of the British philosopher Sir Karl Popper. He uses it to describe any system which seeks to make wholesale changes in our social institutions and relationships enacted by governments in order to achieve some alleged greater good or benefit. He characterises it as an approach based on always appealing 'to our emotions rather than to reason', surely a correct description of the propaganda for the Australia Card. He concludes however that:

Even with the best of intentions of making heaven on earth it only succeeds in making it a hell - that hell which man alone prepares for his fellow-men.¹

7 A similar point was made by the famous American Supreme Court Justice, Brandeis, who wrote:

... experience should teach us to be most on our guard when the Government's purposes are beneficent. Men born to freedom are naturally alert to repel invasion of their liberty by evil-minded rulers. The greatest dangers to liberty lurk in insidious encroachments of men of zeal, well-meaning, but without understanding.²

8 One does not need to rely however upon British philosophers or American jurists to make this point. It was made to us forcefully by several distinguished witnesses.

9 The very predicate of the Australia Card seeks to effect fundamental change in the premises of Australian society.

10 Professor Geoffrey Walker, Professor of Law at the University of Queensland, told the Committee:

Originally the Government's announcements said that the system was basically to be established as a record of entitlement to Commonwealth benefits and as a record for tax purposes but now in the HIC report we see that the system is now seen as a record of "Those identities that are entitled to operate in the Australian community". I repeat: Entities entitled to operate. We see a shift of emphasis away from merely entitlement to government benefits to an entitlement to exist if you like.³

11 This language, rightly described by several witnesses and commentators as 'Orwellian', the turning of Australian citizens into 'entities entitled to operate' is symptomatic of the whole approach of the Australia Card.

12 What is proposed is a significant shift in our social relationships. No longer is the onus upon the Government to prove its legitimacy to the people, we will now have to prove that we are 'entitled to operate' to the Government. What is

more, there will be major penalties imposed upon us if we fail to do so. Such an attitude may be acceptable to some people but I reject it. It is totally antithetical to my liberal beliefs.

13 This question was further addressed by His Grace the Right Reverend Michael Challen, Bishop of the Anglican Diocese of Perth and Chairman of its Social Responsibilities Commission. His Grace told us:

A fundamental point we would want to make - you would not be surprised about that - is the impact of an identity card and information system on a fundamental reality about human relationships, namely the matter of trust. No family, no community and no nation can really work very happily except on the basis of trust, and trust is not a commodity which one gives to another. Trust is a quality and a response which you evoke out of another by, in fact, entrusting yourself to that person or group. If that sounds a bit theoretical I think it is far from theoretical. It is absolutely basic, whether you want to talk about family life, marital relationship or community life. At the moment our society, by and large, operates on the basis of trust. Now and then people are asked to identify themselves. It is the Commission's expectation that once a universal identity card system is established, that order will be reversed. That is to say, notwithstanding provisions against the misuse of the card, it will require the card to be produced on demand for purposes beyond the Government's intention. We believe that people will require the card to be produced as a normal practice and therefore people will not be trusting one another, and therefore the quality of trust will not be fostered or strengthened in our social relationships. What is abnormal at the moment, we suspect, would become normal. I do not know whether you have heard of that from other submissions, but I want to emphasise that very basic point to the Committee.⁴

14 His Grace further warned of the eventual consequences for our society in these words:

Certainly it is imperative upon us all to try to order our society on the basis of commonly accepted moral values primarily, rather than through legislation, through insistence. The more we have taken the second route, the more we minimise the moral imperative. I think we get into a downward spiral.⁵

15 Another witness, Mr Frank Costigan Q.C., the former Royal Commissioner, after describing the whole proposal as 'a significant intrusion into individual privacy',⁶ went on to discuss this reverse onus of proof inherent in the proposal and its propensity to alter society thus:

Mr SAUNDERSON - One can argue that the feeling that one can develop with the card is that everybody is guilty and the only way you prove your innocence is by the production of cards when you are doing your dealings and that sort of thing. So it is the reverse.

Mr Costigan - It is worse than that really, because you ultimately have to prove that the computer is wrong and you can just imagine the problems if something has gone wrong and you have to persuade the person across the counter that you are right and the computer is wrong.

...

Mr Costigan - I think it really is a big change in the way in which we have lived in our society. If you introduce something like a national identity card - again, going down the track 10 or 20 years, seeing it as it would be then - I think you really have changed the kind of society we have. You have got to be pretty satisfied that the benefits you are getting out of that justify that. I certainly am not satisfied.⁷

16 His Honour Mr Justice Michael Kirby, President of the NSW Court of Appeal and former Chairman of the Australian Law Reform Commission has been a trenchant critic of the Australia Card proposal. He has drawn attention to its defects in several papers.⁸ Centrally he says:

If there is an identity card, people in authority will want to put it to use. Those of you who have visited Europe where people must always carry such cards, will have noticed the very real difference between the relationship of authority to the individual and that which has hitherto existed in the English speaking countries. What is at stake is not just catching a few tax avoiders. It is not even the efficiency of policing. It is not the defence of innocent and law abiding citizens from law breakers. What is at stake is nothing less than the nature of our society and the power and authority of the state in relation to the individual.⁹

17 In attacking the falacious use of public opinion polls to boost acceptance of the Card, his Honour has warned that 'sadly ... the public is all too frequently willing to participate in the destruction or erosion of its own liberties', but that:

... it remains for those who are aware of the special relationship that exists in countries of the common law between authority and the citizen to point to the dangers. A dentist who survived Auschwitz may declare that the best thing of living in Australia (it could equally be Canada, the United States or England) is that he is never liable to be stopped on the corner by someone in uniform with the demand "Papieren!". Yet provide an ID card and the risk exists that the data base will be enhanced and that more and more officials will seek access to it, in the name of efficiency. And that in due course of time carrying the card will be obligatory. And producing it will become a commonplace and, ultimately, in response to some outrage, obligatory.¹⁰

18 His Honour's comments are prophetic when one considers that in the wake of the Russell Street bombing, proposals are now being put forward for significant increases in the powers of bodies such as the National Crime Authority¹¹ and State Police Forces despite clear Government statements that these moves were not in contemplation.¹²

19 The Government's (and even more grossly, the Health Insurance Commission's) lack of sensitivity about potential changes in our fundamental social arrangements has been pointed up by a number of even its own Members, in papers, or most eloquently in a speech in the House of Representatives by Mr Lewis Kent MP. He said:

I also reject the necessity for the introduction of the card. That it is called an Australia Card is an exercise in cynicism in itself. Nothing can be more un-Australian than the need to prove one's identity on the call of an official, be it a policeman or a bureaucrat. It would be much more appropriate for the proposed card to be called a Hitlercard or Stalincard, as the whole exercise smacks of authoritarianism.

The proposal to introduce an identification card system and computerised data bank on individuals is a sinister attack on our civil liberties by the bureaucracy.

... It was of no concern to the small minds of the bureaucracy that in the process of mopping up the petty amounts from average Aussies who are reluctant to pay taxes on inflation, by the use of identity cards our traditional liberties and our way of life which respects the privacy of the individual will be jeopardised.

...

I can tell honourable members of more extreme uses of systems of identification. I have many friends who have their numbers, not imprinted on a plastic card, but tattooed on their forearms. They have told me that if it were not for the use of ID cards overseas, the nazis would have found it much more difficult to find them and herd them into concentration camps. I mention this only to show the extremes to which systems of identification can be taken. I am not suggesting for one moment that such a use of ID cards would ever be contemplated by the Australian bureaucracy. Nonetheless, I refuse to be numbered and branded.

There is no doubt that once the ID card is introduced it can be used for any purpose, legitimate or sinister, depending on the Government of the day - or, even worse, on the bureaucracy. Irrespective of assurances by the Treasurer, would anyone seriously suggest that the police will not use it as one of their tactics to intimidate individuals, by asking them to produce their ID card at every opportunity? One would have to be born in cuckoo land to believe that they will not.¹³

20 The insensitivity of the bureaucracy is best exemplified in three instances. The first has already been referred to in the evidence of Professor Walker, namely the characterization of people as mere 'entities entitled to operate'.

21 The second appears minor, but quite illustrates how bureaucratic minds lack sensitivity in dealing with social and personal issues.

22 The right to change one's name, or indeed to 'operate' under any name of one's choice (provided it is not for fraudulent purposes) is well established in English law. Halsbury notes that it dates back well over two centuries; it is affirmed by the Courts and in most Australian States it requires no formal step to be taken.¹⁴ Nevertheless, for mere purposes of bureaucratic convenience, the Health Insurance Commission proposes to take it upon itself to determine if changes to one's own name are 'frivolous' or not, and where the HIC decides they are 'frivolous', a 'financial penalty to discourage'¹⁵ such a change of name on one's own Australia Card is proposed.

23 A third example is relevant to hundreds of thousands of Australians. Many people came to Australia from the United Kingdom and Ireland prior to 1984, and under the provisions of the Australian Citizenship Act 1948 they were entitled to

exercise all the legal rights of Australians without having to be formally naturalized. These provisions were only altered by passage of the Statute Law (Miscellaneous Amendments) Act 1981, taking effect in January 1984. Under the HIC proposals these people will be required to have Australia Cards bearing the words 'permanent resident' on the front whereas other people who have no greater or indeed different rights will have the word 'citizen' on theirs.¹⁶ I can see no reason for this, indeed the distinction is one totally void of any legal or social relevance. It is a mere example of bureaucratic insensitivity to the feelings of individuals.

Why the proposal is fundamentally flawed

24 I have already drawn attention to the attack which the Australia Card proposal makes on our social arrangements, but its fundamental flaw lies in its failure to understand the legal basis of Australian society.

25 Our society and our laws are based upon the principles of the common law. I had thought that that much was understood and appreciated by people in the most senior levels of government. Apparently this is not so. In evidence before the Committee I put several questions to the Health Insurance Commission, to Mr C.R. Wilcox (the General Manager) and to Mr K.J. Hazell (Assistant General Manager, Australia Card Division). These officers had a primary responsibility for drawing up the details of the Government's proposals, and Mr Hazell visited several countries to investigate Identity Card systems. The following exchange took place:

Senator PUBLICK - I wish to direct a question to Mr Hazell, as the person who was responsible for the overseas visit. Which countries did you visit which have legal systems based on British common law principles?

Mr Hazell - Could you explain what you mean by that?

Senator PUBLICK - Which common law countries did you visit as distinct from civil law countries?

Mr Hazell - I am afraid I do not understand what you mean.

Senator PUBLICK - It is, in fact, in some ways quite a critical distinction. There are certain countries which operate on the basis of the common law, and Australia, Canada and New Zealand are examples. There are also countries such as France, Belgium, Israel, Germany and the Scandinavian countries which operate on the basis of civil law. The underlying principles of the legal system are absolutely and fundamentally different. I want to know which common law countries you visited as part of your stay.

Mr Hazell - I believe the only one would be Hong Kong.

Mr Wilcox - Would you run through the countries that were visited?

Mr Hazell - In Europe we went to France and Belgium. Then we visited Israel, Hong Kong, the USA and Canada. Canada and the USA have very common systems but I am afraid the implication of your question is still lost on me.

Senator PUBLICK - This is one of the things that really does concern me because the whole basis on which a country's legal system is built is of significance to the sorts of things that you can do in terms of introducing new schemes.¹⁷

26 I find it quite unbelievable that senior officers of the public service are in such ignorance about so fundamental a matter and are quite unable to understand the implications involved in this point. The fact that ALL common law countries

have rejected a system of national ID cards seems to have made no impact upon the HIC or the Government in this regard; indeed this point and the selectivity of the overseas data gathered as a result was remarked upon by several witnesses.

27 This attitude, a lack of concern about fundamental common law principles leads to a degree of cynicism about how the 'merits' of the cards are to be promoted. When asked how he would respond to the concerns expressed by State Premiers such as Sir Joh Bjelke-Petersen, the Minister for Health (Dr Blewett) merely replied:

State Governments are infinitely bribable.¹⁸

The proposal fails all key tests

28 Both at the 1985 Tax Summit and in subsequent discussions the Government sought to identify three principal purposes for the Australia Card, namely

- . to combat tax evasion
- . to reduce welfare fraud
- . to identify illegal migrants¹⁹

29 In each case the Government proposal fails to do anywhere near everything that is claimed for it.

(a) **Tax:** In relation to the impact of the Australia Card system on the problems of tax evasion I note:

- (i) many of the Tax Office figures on losses of revenue are speculative, depending on the various systems used to assess losses which can never be precise.²⁰

- (ii) many of the ATO estimates of revenue loss have been challenged by reports as authoritative as that of the Auditor-General who indicated that various ATO estimates contained 'strong elements of conjecture and the need for heavy qualification'.²¹
- (iii) the Government has been most selective in which areas of tax evasion it is seeking to pursue. In recent weeks several comments have been made on this matter. Kenneth Davidson for example wrote:

We have a Government running itself into a lather over capital gains tax, modifications to the company vehicle perk and the Australia Card which together, will be lucky to net \$100 million in their first year, while ignoring a \$1 billion-plus a year erosion of the corporate tax base through negatively geared takeovers.

If Mr Keating can't see and won't act to protect the tax base when Australia's largest company is the target for tax stripping, then he is simply not up to the job of Treasurer
-22

and similarly expressions of concern were made by Maximillian Walsh.²³

- (iv) there have been no satisfactory explanations by the Government as to why some of the areas initially proposed for inclusion in the Australia Card system to combat tax evasion were dropped in subsequent submissions, much to the obvious disapproval of the ATO, as is seen in the following extract of evidence:

Senator PUBLISHICK - In the original interdepartmental committee report on the national identity system of August 1985 there was reference to the use of the card for all cash

transactions in excess of a specified amount. In this current report, there is an adjustment shown on page 115 of a decline in revenue of \$46m due to the removal of the use in relation to cash reporting. I wonder whether you could explain the rationale behind removing that requirement from the original proposal through to this proposal. Was it a Taxation Office idea or did it originate somewhere else, to exclude that from the original list of proposed uses of the card?

Mr Killaly - It is a policy question. I think that is the best answer to that.

Senator PUBLICK - If so, it was determined by Cabinet. Would you like to tell me who made the policy, as a matter of interest?

Mr Killaly - You promised not to ask these questions about policy.

Senator PUBLICK - I did not promise not to ask you questions about who made policy. If that is an embarrassment I can appreciate the problem.

Mr Killaly - We were fairly keen on that use; I would say that.

CHAIRMAN - I think it might be a good idea to get on to the next session.²⁴

- (v) there is an admission in every quarter that the proposals would do nothing significant about the cash or 'black' economy, itself estimated at an equivalent of anywhere from 5 to 15 per cent of the value of GDP.²⁵ It is equally of note that the cash economy in places such as Sweden, often cited as a model for the Australia Card system still flourishes and denies the revenue there up to 20 per cent of current revenue which should be gathered.²⁶

- (vi) in recent years Governments have moved vigorously to close tax loopholes wherever possible. From 1977 to 1982 the previous Government enacted 18 pieces of legislation designed to eliminate tax evasion.²⁷ The current Government has already moved to prevent abuses via the system of dividend imputation and in relation to redeemable preference shares.²⁸
- (vii) government powers, previously thought not to be available in relation to taxation offences (such as access to safety deposit boxes in banks²⁹) are now being found to be available, obviating the need for the Australia Card in certain areas.
- (viii) there is no evidence that tax evasion through companies and corporate structures can be effectively tackled even with the 'companion entities' system proposed.³⁰
- (ix) even those most concerned to assist in the protection of the revenue and those best placed to comment on the proposals have cast doubts on its tax-effectiveness. Dr Ian Spry QC, Editor of the Australian Tax Review, has concluded:

On a full analysis it appears that the alleged necessity for an Australia Card does not exist. Accordingly the various dangers that would accompany its introduction appears to render it markedly undesirable.³¹

- (x) no evidence was given to the Committee that, even with the Card in place, the ATO was contemplating the sort of radical revision in its internal procedures which is clearly required in the light of several

adverse comments by the Auditor-General.³² Specifically attention should be drawn to the evidence recently given to the House of Representatives Expenditure Committee indicating that in recent years the ATO has spent only some 41 per cent of the funds actually allocated to it for computer equipment,³³ a matter to which public attention has also been drawn.³⁴

(b) **Welfare fraud:** Many quite extravagant and unsubstantiated claims about the level of welfare fraud have been made. On the evidence of the Department of Social Security, which was closely examined in two public and one in-camera sessions, I accept that only 0.6 per cent of overpayments are attributable to identity fraud and that some 61 per cent are attributable to income variations - which cannot of course be picked up by the Card proposal.³⁵ I accept also that many of the so-called 'Saturday-night myths' (to use the Department's phrase), on investigation turn out to be quite false.³⁶ Finally I accept the point made by the Department to the Subcommittee of the House of Representatives Standing Committee on Expenditure that a card system of itself poses threats to the integrity of the welfare system and opens the door for greater fraud.³⁷ In saying what I have, I would not want to give the impression of being satisfied with the systems currently used by the Department of Social Security, although like the Auditor-General's report³⁸ I recognise they are being improved.³⁹ I merely seek to make the point that the alleged benefits of the Card in relation to welfare fraud are, on close inspection, revealed to be quite illusory.

(c) **Illegal migrants:** No evidence given to the Committee was as unpersuasive as that given by the Department of Immigration and Ethnic Affairs.⁴⁰ Reference to paragraphs 1.52 to 1.55 of this Report will demonstrate what I mean. The claims of savings to revenue in the order of \$1292 million over a ten year period simply cannot be taken seriously.

30 I thus believe that, on the tests proposed by the Government itself for the introduction of the Card, no case can be made out.

Cost/benefit questions

31 Over a period of time not only has the Australia Card proposal been modified on numerous occasions, so have the issues of both the cost of its introduction and the purported revenue gains.

32 At the time of the Tax Summit the original proposal envisaged establishment costs of \$297 million; annual operating costs of approximately \$100 million and eventual revenue gains rising to \$454 million annually after 1992/3.⁴¹

33 At various times establishment costs varied from \$38 million, through \$266.9 million to \$297 million.⁴²

34 Annual operating costs were variously given as \$49 million through \$100 million to \$111.8 million.⁴³

35 Revenue gains by the seventh year varied from \$454 million through \$574.7 million up to \$980 million.⁴⁴

36 In the Government's major report 'Towards Fairness and Equity', prepared by the Australia Card Secretariat and dated 6 February 1986, total costs were presented as being \$1046.574 million and total benefits as \$4480.25 million over a ten year period.⁴⁵

37 However, within that submission it is also possible to note costs of \$726.595 million and benefits of only \$2459.646 million if one takes the cumulative discounted benefits which were clearly favoured by the Department of Finance in its evidence to the Committee.⁴⁶

38 Within a matter of days, however, these figures were yet again revised so that the Final Planning Report of the Health Insurance Commission reduced costs to \$733.346 million by reducing HIC costs.⁴⁷

39 I wish however to draw attention to the following matters which cast grave doubts upon all of these claims:

Benefits

- (i) the alleged benefits of \$1292 million arising in relation to the Department of Immigration and Ethnic Affairs cannot be taken seriously as already noted; however, Professor C.J. Barter, the Professor of Computer Science at the University of Adelaide, in his evidence explained how it might be possible that the unintended consequences of the use of the card in immigration matters could turn out to be not a saving, but a cost to revenue.⁴⁸

- (ii) the Tax Office itself has produced contradictory figures of revenue which will flow from higher levels of 'voluntary compliance' which are alleged to follow the Card's introduction, ranging from \$137 million through \$112 million down to \$105 million.⁴⁹

- (iii) the Department of Finance was anxious to remind the Committee that all the figures given were those calculated in the Department of Health, and that the Department of Finance (where the chief source of government expertise in this matter lies) was anxious not to be held responsible for the figures given.⁵⁰

Costs

- (iv) despite the fact that this programme is to operate over a ten year period, in the calculations presented, there is no cost given for the replacement of any equipment during that period in the HIC. This was admitted in evidence by the HIC⁵¹ which appeared quite unconcerned about it. On the other hand this failure to provide the replacement of any sophisticated computer equipment over a ten year period was described as 'ludicrous' by Professor Barter in his evidence.⁵²
- (v) there appears to be a very serious underestimate of the number of transactions (and thus costs) which will be involved in keeping the records up to date. In evidence, Dr Colin Hughes, the Australian Electoral Commissioner, said:

The final point to be made by way of a footnote is in respect of the volume of transactions that we experience in keeping the rolls up to date. The numbers are very large indeed. They appear to be considerably larger than in the anticipated correcting activity of the Australia Cards so far which may merely mean that we are looking at different standards of requiring updates in terms of changes of name, changes of address and the like. A factor of four or five seems to be involved that we put through in a year, four or five times would seem to be the number of transactions that are being contemplated at the moment for the card.⁵³

Given the experience of the Australian Electoral Commission these criticisms must be taken seriously. In response to a request from me the Commission provided data indicating that on average somewhere in the vicinity of some 1.12 million such changes to the electoral rolls had to be made each year,⁵⁴ and it is to be borne in mind that the Electoral Rolls relate only to adults whereas the Card system is to include several million children; plus large numbers of people entitled to medical benefits or required to pay tax who are not eligible to be on the Electoral Rolls.

- (vi) as one simple example of failure to examine government costs I direct attention to evidence given by the Australian Archives in Senate Estimates Committee hearings that the Australia Card proposal would mean significant costs for them - a matter not referred to in any Government document to date.⁵⁵

- (vii) no costs are included for the levels of compliance required by State and Local Governments. These will be considerable. They involve most aspects of State Government activities especially those of an economic nature. It is clear that there has been no meaningful consultation on cost questions with the States.⁵⁶ In the case of Local Government there will be costs involved for it as an employer, in real estate transactions and the like.⁵⁷ In submissions and in evidence, bodies such as the Northern Territory Government and the Australian Council of Local Government Associations⁵⁸ indicated that they would expect their costs to be reimbursed by the Federal Government.⁵⁹

- (viii) no proper costs are included for compliance by the private sector⁶⁰ and such as are attempted were characterised by Dr Bruce Felmingham of the University of Tasmania as 'confused and confusing'.⁶¹ The Retailers Association estimated costs for the private sector to be at least \$160 million. The Confederation of Australian Industry in evidence claimed that private sector costs would be some \$377 million. It is reported that for these reasons the Department of Industry, Technology and Commerce opposed the ID Card proposal in its Cabinet submission.⁶²
- (ix) one major cost to the private sector not addressed by the Government is the cost involved in allowing all employees to report at least twice to HIC offices for their interviews and subsequent issue of Cards. The time lost to industry and the private sector generally would be enormous, as indeed would be the cost, estimated by the CAI in their submission to be at least \$17 million.⁶³
- (x) the banks who appeared before us indicated that their compliance costs would be very high, that they would have real difficulty in meeting proposed demands and that they would expect the Government to reimburse their costs in full.⁶⁴
- (xi) a further area of significantly increased costs to the private sector was raised with the Committee by the Law Council of Australia.⁶⁵

40 I thus conclude that in the Government's figures there has been:

- (a) a gross and deliberate over-estimation of benefits;
- (b) a gross and deliberate underestimation of costs; and
- (c) a deliberate exclusion of costs which will be incurred (with little or no corresponding benefits) by State and Local Governments and the whole of the Australian private sector.

The unaddressed issue of privacy

Privacy is thus not a luxury for organizational life; it is a vital lubricant of the organizational system in free societies.⁶⁶

41 At a federal level Australia has an appalling record in terms of the protection of personal privacy. Governments of all persuasions have ignored it as an issue. Zelman Cowen's 1969 Boyer Lectures, 'The Private Man', raised issues which remain unaddressed.⁶⁷ The 1973 report of Professor Morison is unattended to.⁶⁸ The Courts have failed to give any meaningful protection to personal privacy rights.⁶⁹ The 1983 recommendations of the Australian Law Reform Commission have not been acted upon.⁷⁰

42 In relation to the Australia Card proposal the Government has put forward a totally Alice-in-Wonderland timetable - 'the Card first, then a Data Protection Agency and last of all Privacy Legislation'. This order of priorities is entirely the reverse of what it should be. I find that quite unacceptable as indeed does the whole Committee.

43 As an example of the Government's attitude to privacy I draw attention to recent reports that it is proposing amendments to the Companies Regulations to require listed companies to

disclose the names and salaries of their five highest paid executives.⁷¹ I shall discuss in detail the Government's assault on privacy with its proposed amendments to the Health Insurance Regulations, since disallowed in the Senate, at a later stage.

44 The primary concern of those anxious to protect privacy derives from the consequences of creating one centralised national data bank. The Government has sought to deny that it is creating such a bank. This may well be true in a purely physical sense but it is untrue in an operational sense.

45 Mr Chris Bushell, the Governor of the Community Affairs Board of the Australian Computer Society explained this in his evidence to the Committee. He said:

The next point that I want to make is that there seems to be the feeling that there will be no centralised data base set up by the Government. This statement appears in its submission. The problem is that the minute you have a common number which appears in a number of different files or data bases - call them what you will - whether you like it or not, you have a centralised data base if the links exist, whether or not it is physically centralised. There is quite a common concept in the computing world of distributed data bases but it has no difference in use from a centralised data base.⁷²

46 His proposition was agreed to when raised in our discussions with Professor Barter,⁷³ the Western Australian Branch of the Australian Computer Society⁷⁴ and others.

47 Central data bases pose two unacceptable (to me) threats to privacy. In the first place, they may contain erroneous data, quite unbeknown to the individual concerned until it is too late. Evidence from the United States

demonstrates that data error is a serious problem. In studies, up to one-third of social security cases put under investigation as possible frauds were found to result from data input error, as were 24 per cent of cases in a Massachusetts bank survey.⁷⁵ Information supplied by the WA Branch of the Australian Computer Society at the request of the Committee provided further details of numerous studies (including the criminal files held by the US FBI) of data error and their consequences.⁷⁶

48 In 1984 one American journal carried details of how people had been removed as welfare benefit recipients, had their careers adversely affected and even been arrested and held for long periods in detention because of data errors in computers which had been linked for various purposes.⁷⁷

49 Improper linkage is the second threat, carrying with it as it does the associated problem of unauthorised access. If the Government proposal is accepted, some 50 000 bureaucrats could have access to the Australia Card register.

50 In its submission to the Committee, the Government of South Australia drew attention to the work of John Shattuck. It quoted him as follows:

What makes computer-matching so fundamentally different from a traditional investigation is that its purpose is to generate the evidence of wrongdoing that usually is required before a traditional investigation can be initiated ... Computer-matching can turn the presumption of innocence into a presumption of guilt.⁷⁸

51 Shattuck makes two further points: first, that the history of computerised data systems has one clear trend, namely they are always adapted to purposes other than those for which

they were originally intended; and secondly, matching exercises are not limited to individuals but include whole categories of people because they are of particular or momentary interest to governments.⁷⁹

52 Of course it may be said that this is not the purpose of the Australia Card, nor are such exercises practiced here.

53 The evidence is to the contrary.

54 Dr Blewett (the Minister for Health) has written:

The key to the system is not the card itself, but the generation of one number which will act as a linkage number, between for example social security and tax records.⁸⁰

55 Dr Blewett also admits that:

It is true that it makes it somewhat easier to do cross matching within the system ...⁸¹

56 Our fears are supposed to be allayed by guarantees and protections written into the proposed legislation, but all instances of limited uses of such records have turned out to be unlimited uses a few years down the track.

57 At least one major cross-matching exercise has already taken place in direct relationship to the Australia Card proposal. The HIC Final Planning Report reveals:

As foreshadowed in the Commission's Interim Planning Report in August 1985, a pilot study has been undertaken to test the extent to which computer matching might be successful and reliable and might assist in the Australia Card registration process. This pilot study compared the Medicare enrolment file with the Australian Electoral Commission's electoral roll and the

Department of Immigration and Ethnic Affairs' citizenship file. Subsequently, a further comparison with some Department of Social Security files was conducted.⁸²

58 The Government's bona fides must be called into question when one considers that both this exercise and the proposals advanced for the Card as a whole are in breach of the OECD guidelines to Protect Privacy to which Australia is supposed to adhere.⁸³

59 This was pointed out by Mr Bushell in relation to the Government Submission when he said:

Paragraphs 5.16 and 15.4.6 are quite appalling statements, almost throwaway lines or throwaway paragraphs saying: "Once we have got the Australia Card with its data then afterwards by appropriate legislation I am sure we will find new ways of using it." That is all fine. It must be pointed out that the OECD guidelines specifically prohibit that and one would hope the privacy legislation when it comes before Parliament also prohibits that. The point is that you cannot find - you may not find - additional uses for data after that data have been collected. That is quite a clear prohibition. It is very depressing to see a document, with the Government's imprimatur upon it, which quite blandly states that intention.⁸⁴

60 This view was strongly endorsed by several subsequent witnesses and in particular by the New South Wales Privacy Committee.⁸⁵

61 A further major threat to privacy is apparent when one looks at the proposals relating to the 'companion entity' system advanced by the Tax Office.

62 The following exchange between myself and Mr Foster (Acting Assistant Commissioner, ATO) illustrates the possibilities inherent in the 'companion entity' system as

originally proposed which would require the placing of some individual's Australia Card number on the bank accounts of clubs, societies, businesses and other bodies with which that individual might have some connection.

Senator PUBLICK ... I am concerned with whether in fact information now exists in the Australian Taxation Office as a result of this proposal which allows you to say that Chris Puplick is authorised to operate a Liberal Party account, a Friends of the Colo Valley account, an account in the name of the Right to Life Association, or an account for the Businessmen Against Socialist Intervention which is going to campaign in a political campaign sense. I am not saying that you would want to do that, I am simply saying that for the first time that information is available to you if the procedures under proposed use (2) are fully given effect to.

Mr Foster - I would have to agree that it would permit us to draw that information together.

Senator PUBLICK - But you are currently not in a position to do it?

Mr Foster - To do it at the moment we would have to do a very resource intensive search around the banks and one thing and another.

Senator PUBLICK - And that is despite the fact that I personally may gain no benefit whatsoever from any of the transactions involved, because none of the actual money is mine?

Mr Foster - No, you are not the beneficial owner of the funds involved.

Senator PUBLICK - But I am recorded, nevertheless, as being linked with all of this?

Mr Foster - As having some connection with that account.⁸⁶

B.63 Such problems are not merely prospective, they exist at the moment with government data. Mr David Fisher (Director, Australia Card Secretariat, Department of Health) blandly told the Committee in relation to some current programs:

That linkage, or the matching, in whatever form it is done, is legitimate; it is not actually subject to direct external scrutiny at present, and many individuals probably do not even know that it is going on and would want to complain about it - if they did want to.⁸⁷

64 Data, especially when in the wrong hands, can be improperly used. This prospect becomes more acute with a centralised data bank. The Banks themselves gave evidence of the problems of fraud once people improperly had access to data such as Bankcard or Credit Card numbers at ATMs.⁸⁸ A Queensland report noted recently that people in Brisbane:

have worked out a formula to find Telecom customers' secret Personal Identification Numbers once they know their Telecard number.

...

Told it was possible to work out a Telecom customer's PIN code, Telecom's Queensland public relations Manager, Mr Ian Cain, said: "That may be so".⁸⁹

65 Apart from worries about fraud arising from improper access, there are concerns about deliberate 'leaks'.

66 On 29 April 1985 during a major dispute between the Government and several doctors in NSW, information about those doctors' incomes was leaked to certain newspapers which published them in detail.⁹⁰ The details were quite intrusive on the privacy of the individuals concerned. The data could only have come from HIC files. The Health Minister, Dr Blewett,

called for an investigation.⁹¹ Needless to say, nothing came of it - no source of the leak was discovered, no one was punished. The Australian Federal Police in reported advice to Cabinet and in its evidence to the Committee admitted openly that there was nothing that could be done about leaks and that rules designed to prevent such things were virtually unenforceable.⁹²

67 The inherent dangers of this situation were clearly outlined in a letter signed by twelve public servants in the Department of Social Security in the following terms:⁹³

ID card immoral

Sir: As public servants in the Department of Social Security, we are concerned at the proposed Australia Card.

Dr Blewett (Letters, February 26) does not point out that the computer records of Social Security already hold the following data: a person's name, date of birth, residential address, postal address, bank account, branch and number, sex, marital status, family composition, and details of any financial income and assets. If this proposed Australia Card number was added then we would indeed have a "centralised computer data bank holding large amounts of information".

We are concerned about the pressure put on various officers by outside agencies such as debt collectors attempting to gain information. Cases of this nature have already occurred. While there may be a "watchdog" authority set up, it will not stop information being leaked. It will only provide a source of retribution after the event.

We question the need for this card at all. Proof of identity procedures already in existence are adequate, the only problem being a shortage of staff to fully investigate possible abuses of the welfare system.

We also object to the Australia Card on moral grounds; we don't want to become a number in a system.

Anyway, what is to stop any future government legislating to amalgamate all computer records of the Department of Social Security, the Police Department, the Taxation Office and all other government bodies?

Keith Hall and 11 others,
Ellis Street,
Concord.

March 6

68 Despite protestations to the contrary, the Government itself plans one centralised area of data linkage now, and although it appears a mere matter of sound record-keeping it is also an indication of things to come.

69 The HIC Final Planning Report announces:

Q2.2 It is proposed that approved user agencies will be able to indicate on the Australia Card register for their clients their interest in receiving an automatic update in changes of information, whether this be due to error or a change initiated by the applicant. Changes of data will then be advised to user agencies on a regular basis to be arranged between the Commission and each user.

70 There is no doubt that this area will grow. There will always be excuses for other 'relevant' data to be 'shared' - it may be criminal records, health data, maintenance (Family Law) arrangements or the like.

71 Finally I draw attention to a recent publication by Hugo Cornwall entitled The Hacker's Handbook.⁹⁴ A reading of this 'do-it-yourself' crack the computer system manual issues warnings that are quite unaddressed by the Government to date.

B.72 As Professor Arthur Miller stated:

In the past, dictatorships have always come with hob-nailed boots and tanks and machine guns, but a dictatorship of dossiers, a dictatorship of data-banks can be just as repressive, just as chilling and just as debilitating ...⁹⁵

Organised crime

73 All the expert witnesses who appeared before us agreed that the Australia Card would have no significant impact on organised crime in Australia. This view was put by the former Royal Commissioner, Mr Frank Costigan QC, by his former Counsel Assisting, Mr Doug Meagher QC, and by the Australian Federal Police. A former AFP officer has also recently attacked the currently proposed system as in no way being fool-proof because of the lack of integrity in documents proposed to be used to establish identity for the issue of the Card in the first place.⁹⁶ They and the Banks in fact raised the question of major new areas of criminal activity starting up in the forging of Australia Cards just as recent reports have indicated that fraudulent birth certificates and drivers' licences have been created, even inside prisons themselves.⁹⁷

74 Major American studies have specifically rejected the introduction of national identity card systems because of the extent to which they could benefit rather than combat organised crime (see below).

75 Because the Card would have intrinsic value in itself it would be worth forging. It is also to be borne in mind that this Card is to be issued to non-Australians, including visitors from countries with whom we have reciprocal health agreements.⁹⁸ These already include New Zealand, the United

Kingdom and Italy, with Greece, Spain, Ireland, and Yugoslavia in prospect. Cards returned to those countries could easily be exchanged for use by others or else forged and used for quite improper purposes.

Overseas lessons

76 Much has been made by the Government and the HIC of the advantages of Identity Cards overseas. The full picture has not been told.

(a) **Common law countries:** I have already raised the issue of the failure of the HIC to appreciate the distinctions of importance raised by the existence of the common law system. No common law country has a comprehensive ID system such as is proposed for Australia.

(i) **United Kingdom:** Proposals for a Unique Personal Identifier (UPI) were investigated by the Committee on Data Protection (the Lindop Committee) in 1978. It emphatically rejected the introduction of a UPI, and commented:

As regards the implications for privacy, there can be no doubt that the UPI would greatly reduce the British citizen's traditional anonymity, because his identity number would remain with him for life and be used in most transactions, making it easier in principle for the state to trace his changes of name and address. Anonymity would, of course, suffer even more if the citizen were required to notify such changes to a population register.⁹⁹

(ii) In 1981 the Canadian Privacy Commissioner reported to the Government on the Use of the Social Insurance Number. The Commissioner drew attention to two facts causing concern. The first was that the SIN had grown into being used for a host of reasons never contemplated or approved of when it was introduced for purely welfare purposes. The second was that

... prohibition of the collection and use of the social insurance number will not eliminate sharing of information on computerized data banks.¹⁰⁰

(iii) USA: While not entirely a common law country, the USA has much in common with Australia in terms of this question of identity cards. Three major studies are relevant.

77 In 1976 the Report of the Federal Advisory Committee on False Identification (one of whose members was a witness before the Committee) concluded:

It is certain that any new system designed to verify and store identity information on over 200 million people would be extremely expensive and require a major national effort. It is highly probable that proposals for such a system would be opposed politically. If such a system were implemented despite these difficulties, it would be subject to defeat by imposters or counterfeiters taking advantage of careless inspection of documents or through corruption of officials. Occasional errors would also occur in such a system that could adversely affect innocent people. Organized crime would take advantage of any national ID system because of the presumption of validity surrounding such a large system. Criminals could reap benefits far greater than they obtain under the current multifaceted system of identification.

The FACFI therefore strongly opposes any new type of state, or local government-issued ID intended to supersede existing documents. In short, FACFI opposes any so called "National ID card".¹⁰¹

78 In short the Report held that a national ID Scheme would be of primary benefit to criminals and would add to what was already a 'multibillion dollar national problem' of the criminal use of false identification.¹⁰²

79 In 1977 the Report of the Privacy Protection Study Commission endorsed these views. It warned of the effects of such systems

... on the balance of power between government and the rest of society. Accumulations of information about individuals tend to enhance authority by making it easier for authority to reach individuals directly.¹⁰³

especially as

... government has enormously broadened its opportunities both to help and to embarrass, harrass and injure the individual.¹⁰⁴

80 Finally, in 1980 the General Accounting Office issued a report on tamper-resistant social security cards which concluded that such a system was not viable, but which also drew attention to the growth out of all proportion of the required and actual use of the SSN for Americans since its modest and allegedly limited use introduced decades ago.¹⁰⁵

- (b) **Civil law countries:** Not all civil law countries allow the use of ID cards - some, like the Netherlands, very forcibly reject their use, largely due to their experiences under occupation in wartime.¹⁰⁶ However it is to be noted that in countries such as France where such systems are in use, they exist alongside an

established body of administrative law which is quite unlike anything known to the Australian legal system.¹⁰⁷ It is interesting to note that the HIC visited countries such as Israel and Hong Kong where ID systems are used without drawing attention to the particular problems relevant there such as constant threat of war or terrorist attacks in one or the massive problem of large-scale illegal immigration in the other.

81 Bishop Challen noted in his submission how the HIC officers had confined their attentions to talking in those countries with the bureaucrats who were running the ID systems and who were direct beneficiaries of the existence of the schemes in question.¹⁰⁸

82 There was also no mention of the fact that in West Germany it has recently been decided that the citizens of that country will be required to carry the ID card at all times as from the middle of 1987.¹⁰⁹

83 Sweden has often been held up as a model, and Mr Lars Tegnhed of the Swedish Tax Board gave evidence to our Committee. He revealed a position in which personal privacy has virtually no meaning in Sweden.¹¹⁰ In recent months in Sweden there has been growing opposition to the levels of personal data held on Swedish citizens. A project called 'Metropolit' has been halted because it was revealed that a major study was being undertaken on citizens of Stockholm without their knowledge.¹¹¹ A major medical institute is found to have done studies on women (again without their knowledge) matching medical records on cancer and abortions.¹¹² The Central Bureau of Statistics has proposed abandoning its census in favour of simply linking seventeen existing population registers.¹¹³ As one commentator has noted:

Every Swedish citizen is caught in a cobweb of computerised information, just waiting for the spider.¹¹⁴

84 If there are any lessons for Australia from overseas data it is surely that common law countries reject ID systems and most of the western European countries with such a system are either watching them grow apace or else now trying to wind them back.

Incrementalism: A well founded fear

85 I have already drawn attention to the fact that numerous witnesses expressed before us a fear that the use of the Card and the level of access by the bureaucracy would certainly grow. Similarly I have drawn attention to the incremental use of card systems or numbering systems in Canada, the USA, West Germany and Sweden.

86 The Government itself clearly admits this to be the case. Its submission to the Committee states boldly:

While the Government cannot rule out categorically the possibility that at some future date additional uses may suggest themselves as being desirable or essential to meet emerging problems ...¹¹⁵

87 The Department of Health Report on the National Identity System of August 1985 listed seven Commonwealth Departments which might use the Card.¹¹⁶ By February 1986 one potential user (the Electoral Commission) had withdrawn but there were by then 13 Departments cleared for access, with another listed as a 'possible' user (Attorney-General's).¹¹⁷

88 In submissions, bodies as diverse as the Australian Hotels Association, the Tasmanian Police Department and the Bureau of Statistics¹¹⁸ asked for access.

89 In a speech in October 1985 Dr Blewett promised that:

Within the ambit of those functions, the Australia Card itself will be needed in only three situations:

- . in connection with employment;
- . when conducting specified financial dealings and other matters with tax implications; and
- . when claiming Commonwealth benefits.

No other uses of the Card will be permitted by law.¹¹⁹

90 However, by February 1986 the Australian Institute of Health ¹²⁰ for example had been included which could hardly claim justification under any of the points previously announced by the Minister.

91 The drift to incremental use is world-wide. Even in the U.K. this presented a problem until in 1951 it was left to the Courts, not the Government to call a halt to the incremental usage of identity cards which had been introduced as an 'emergency' measure at the outbreak of war in 1939. The Court noted that ID cards and indeed the whole of the relevant Act (the National Registration Act 1939) were being misused by the Authorities. It is noted the Act 'was never passed for the purposes for which it is now apparently being used'.¹²¹

92 A paper by the Parliament's Legislative Research Service has noted that:

the US social security number is an example of how easily an identification system and its centralised data and information facilities can be used for purposes other than the original one.¹²²

B.93 As Shattuck writes:

The history of computerized data systems over the last decade shows one clear trend : they have always been adapted to purposes other than their originally intended use.¹²³

94 There is every reason to hold those same fears for Australia.

Community attitudes

95 Much has been made of the allegedly high level of public support for the Australia Card proposal revealed in public opinion polls. This data was challenged persuasively by the South Australian Chamber of Commerce and Industry and by Professor Barter in their evidence.¹²⁴

96 Both indicated the unsatisfactory nature of the questions posed and the quite problematic interpretation of the data derived. Neither was alone in making such challenges, and as Senator Haines pointed out, much the same could be said of public opinion data on the Bill of Rights, an issue currently before the Senate.¹²⁵

97 I am impressed by the fact that numerous community groups came before the Committee to voice their concern.

98 Councils of Civil Liberties, the Law Society, the International Commission of Jurists, the New South Wales Privacy Committee and various Computer Societies opposed the introduction of the Card.¹²⁶

99 Professors of Law, and Computing Science appeared to add their opposition. Leading jurists have opposed the Australia Card as have other leading academics, and representatives of Church organisations, including the Anglican Diocese of Perth and the Australian Catholic Social Welfare Commission.¹²⁷

100 Three major unions, the Administrative and Clerical Officers Association, the Federated Clerks Union and the Victorian Teachers Union have opposed the Australia Card as has the Confederation of Australian Industry, and the SA Chamber of Commerce.¹²⁸

101 The Federal Council of the Liberal Party, and Liberal Party Divisions in New South Wales, Victoria and the Young Liberal Movement have voted to oppose the scheme.¹²⁹

102 Expressions of opposition have been made by the Queensland Division of the National Party.¹³⁰

103 The Legal and Administrative Policy Committee of the Australian Labor Party; the ALP's Victorian Branch and the Society of Labor Lawyers - Victoria made submissions to the Committee in opposition to the Government's proposal which was also opposed by a resolution of the Labor Women's Conference.¹³¹

104 The Government of Queensland flatly opposed the scheme and the Governments of South Australia and the Northern Territory indicated their significant concerns with the proposal.¹³²

105 The Opposition Shadow Cabinet announced that it would oppose the scheme if it did not adequately address the issues of cost/savings; the combatting of fraud and the protection of privacy; none of which concerns I believe has been adequately addressed.¹³³

106 There is no doubt that the overwhelming weight of evidence from sources other than the Government and the bureaucracy has been hostile to the whole proposal. Even within the bureaucracy it is clear that great opposition to the

Australia Card exists, although the Minister for Health has on two occasions refused to release documents expressing such concerns (from bodies including ASTEC) to the Committee for our examination.¹³⁴

107 Finally those primarily concerned with law enforcement and the fight against organised crime have made clear either their hostility or their total scepticism about the efficacy of the whole proposal.

108 I believe that sound decisions in Government need to be based upon the consideration of the weight of evidence from informed opinion and that informed opinion in Australia, reflected in submissions, evidence, resolutions and editorials¹³⁵ is overwhelmingly against the Government's proposals in its current form.

It can't happen here - who said?

109 Proponents of the Australia Card scheme have sought to infer that the types of concerns expressed by opponents are somehow far-fetched and unrealistic in the Australian context. This claim should be tested on the basis of real evidence, and this I propose to do.

- (1) The Australian system will work because of our experience with Medicare cards. This claim has been made by the HIC and others. However, one needs to bear in mind that the HIC has already issued more Medicare Cards than it should have. My colleague, James Porter MP, has established from the HIC that there are already 20 000 cards 'suspected' of being duplicates, and that the total number of cards on issue is already 1.7 per cent greater than the population projection.¹³⁶ The Commission's Final Report admits to a loss or theft

rate of 6 per cent, or 670 000 cards over the last two years,¹³⁷ and I have drawn attention to the concerns about fraud overseas, fraud found by Mr Costigan and the Federal Police, and the problems associated with the issue of cards to foreigners in line with reciprocal health care arrangements.

- (2) We will be able to resist the pressures for increased use of and access to the Card and the Data Base. I believe I have dealt with this already and that Government claims to the contrary have been shown to be untenable.
- (3) Records are not misused in Australia. An example of the hollowness of this claim is provided from South Australia, where in 1983, the State Cabinet used computer records of its own employees and directed State Government agencies to provide trade unions on a quarterly basis with lists of employees who did not have trade union subscriptions deducted from their pay.¹³⁸
- (4) Records in Australia would not be used for improper political purposes. In my discussion of the 'leaking' of data from the HIC (the proposed operator of the Australia Card system) relative to the income of individual doctors involved in a direct political dispute with the Government, I think I have laid this myth to rest.
- (5) There will not be linkages of data. From evidence drawn from existing practice, from work undertaken preparatory to the introduction of the Card, from the clear pronouncements of both the Minister for Health and the Health Insurance Commission itself, I think this claim can also be discounted.

- (6) There will be no penalties imposed on people who opt to stay out of the system.¹³⁹ This claim has been refuted in detail by the NSW Privacy Committee. It has listed some 50 new offences or penalties provided for non-production of the Australia Card to various authorities¹⁴⁰ and has described the consequences of non-registration thus:

An important aspect of the proposed national identification system which is omitted from the brochure is that failure to register or to produce the Australia Card - the government issued identity - will have very serious consequences. In fact, more than 50 offences, sanctions and similar disabilities are proposed for the enforcement of the Australia Card system.

The following scenario illustrates the practical effects of non-registration on the average Australian citizen.

If a person is unemployed, he/she will not be given assistance by the Commonwealth Employment Service to find a job, and will not receive unemployment benefits. Should he/she wish to improve job prospects by undertaking a tertiary course, enrolment in the tertiary institution will not be permitted and educational allowances, such as TEAS, will not be paid.

If this person is fortunate enough to find a job, 49 per cent of gross income will be withheld for tax purposes. What little is left of earnings cannot be deposited in a bank or invested with any financial institution as all investments (whether interest bearing or not) are prohibited under the national identification system in the absence of an Australia card. The earnings cannot even be kept in a safety deposit box as this facility will only be available to people who can produce the Card.

If, as might be expected, a person in this situation experiences financial difficulty it will be extremely difficult, if not impossible to obtain credit, as no account can be held with a financial institution. Saving to put a deposit on a home would be a pointless exercise as housing loans will be impossible to obtain, First Home Owners Scheme assistance will not be available, and buying or selling a home without the Australia Card will be prohibited anyway.

Should the non-registrant fall ill, Medicare benefits will not be paid although "entitlement" to those benefits will not be affected.

If, as a result of all these prohibitions a person wishes to leave the country, he/she will have to leave by stealth as a passport will not be issued without an Australia card.

All these consequences follow even if a person has no intention of defrauding the Commonwealth and is willing and able to produce sufficient evidence of identity as would have conferred eligibility for an Australia Card. There can be no doubt, then, that the real effect of the proposed national identification system will be to deny important rights to Australian citizens not because of criminal conduct or intent, but simply on the basis of non-registration.¹⁴¹

- (7) Medical data in particular will be protected. This has ceased to be believable as a claim as a result of legislation introduced by the NSW Labor Government (which does in fact have a Privacy Committee Act) in relation to the reporting to various authorities of the results of AIDS anti-body tests¹⁴² and as a result of activities of the Queensland National Party Government in relation to the police seizure of medical files relating to abortions carried out in that State.¹⁴³

- (8) Only the guilty have something to fear. This line has been pushed by the Government, however exactly the reverse situation was put to us by Professor Walker in his evidence. After a lengthy and penetrating analysis of possible scenarios involving such issues as data error, bureaucratic subjectivity, psychiatric assessments misused by employers, the effect of surveillance on workers and the reconstruction of unrelated data to fit certain patterns, he concluded that:

One must repeat that the evidence from other countries does not give the slightest reason to believe that a system of compulsory identity numbering and ID cards will have noticeable success in putting an end to the depredations of serious wrongdoers. It is only the amateurs who will be caught, those who do one stupid thing in their lives, have learned their lesson, and would like to make a fresh start. It would almost be truer to say that the innocent, and the relatively innocent, will be the only ones who will have anything to fear.¹⁴⁴

He further says:

Indeed I would suggest that the innocent are perhaps the only people who have anything to fear because the guilty will get away with it anyway.¹⁴⁵

- (9) The Minister caught in the act. I have left until last the most compelling evidence of how shallow are the claims of adequate privacy protection advanced by the Government. On 17 April 1986 the Senate Standing Committee on Regulations and Ordinances presented its Seventy-ninth Report relating to the disallowance (by

effluxion of time) of the Health Insurance Regulations made under Statutory Rule No. 290 of 1985.¹⁴⁶ These Regulations inserted a single line (eight words) and no more into the Health Insurance Regulations. In informing the Senate of what had occurred, the Chairman of the Regulations and Ordinances Committee said:

The Health Insurance Regulation (Amendment) provided that the Secretary of the Department of Social Security was to be a prescribed person to whom could lawfully be given, otherwise confidential information in the trusteeship of the Health Insurance Commission.

The Commission administers Medicare and as the report indicates it is the recipient and the repository of vast amounts of computerised medical information about the health of millions of Australians.

The Health Insurance Act contains secrecy provisions designed to protect the privacy of this very sensitive material. It is a serious criminal offence for officers acquainted with information to reveal it outside the Commission.

However the Minister for Health can suspend the operation of these secrecy provisions to some extent by prescribing persons to whom the information may be given.

In the past the Minister has prescribed official medical and medical-legal investigators as appropriate to receive information.

These Regulations appear to be a major departure in that they prescribe, as a recipient of secret material, a person who has no official involvement or connection with the Health Insurance Commission or the investigation of medi-fraud.

In addition, the prescription is totally open-ended in that in theory it makes lawful the release to social security of any information held by the Commission. Clearly this could include medical information.

The Commission has such sophisticated computer hardware and software that it would be theoretically possible to compile and release intimate and embarrassing medical profiles on identifiable individuals, families and groups in society.

It would be unthinkable that the Minister for Health would allow this, or that the Minister for Social Security would wish it.

However a dangerous situation is created when the legal possibility exists that medical information could be released without breaking the Act or the Regulations.

We would be astounded if the Taxation Office were legally permitted to circulate full details of the tax returns of every Australian to other areas of the bureaucracy.

Yet the potential invasion of privacy represented by the power to circulate medical details is much more serious since our state of physical and mental health is a source of our most intimate weaknesses.

Improper revelation of medical information exposes us to humiliation, ridicule, contempt, embarrassment, blackmail and great stress.

We have a system of health insurance that for good and honourable reasons is designed to identify, and apply to, every citizen in the Nation.

However, when married up with modern computer technology and a tendency towards the centralisation of

bureaucratic and governmental power we have a recipe for potential abuse of privacy that is breathtaking in its scope.

I have no doubt that these implications have arisen inadvertently and incidently from the Minister's genuine concern to assist with detection of social security fraud.

Fraud on the public revenue, whether it be tax evasion or making false welfare claims, is a corrosive crime that affects everyone of us by unfairly depleting our pooled resources. No less than tax evasion, it is a crime that is particularly offensive when used to defraud welfare revenue because by diminishing our pooled resources it places unfair pressures on honest and genuinely needy claimants.

The Committee supports the Minister for Health and the Minister for Social Security in their efforts to tackle these frauds but the end does not justify any means.

The Health Insurance Regulations were prepared without proper regard being given to their legal implications for millions of ordinary Australians who use Medicare and have a legitimate expectation that the privacy of their medical histories will be respected by a sensitive bureaucracy and powerful legal protections.

It is with some regret that I report that both the sensitivity and the legal protections appear to have succumbed to the imperatives of detecting fraud.

I accept, and I think the Committee accepts, that the Minister and his officials had no intention to release anything but identity details which Social Security could use to check the identities of claimants. The Committee considered that the release of such innocuous materials would not be an undue trespass on rights.

A balance must be struck between the detection of fraud and the protection of privacy.

The drafting of these Regulations did not reflect that balance although the Ministers intentions of course did so.¹⁴⁷

110 This saga is a most instructive one. It shows how bureaucratic zeal coupled with what amounts to Ministerial over-sight can lead to significant intrusion upon civil liberties and on privacy in an area as sensitive as personal health records collected (compulsorily in effect) by the Government. It was only the vigilance of a Senate Committee which prevented this abuse. Correspondence with the Minister for Health reveals that even when this matter was first drawn to his attention he sought to persist with putting the challenged Regulation in place notwithstanding the Senate Committee's expressed concerns, and even claimed that the decision was made with the full consideration of such issues in mind.¹⁴⁸

111 Here we have both the Minister responsible for the Australia Card proposals and the Department designated to put the proposals into effect proposing to operate in a manner that a Senate Committee charged with responsibility to protect individual civil liberties finds to be repugnant.

112 Here we have an Act (the Health Insurance Act 1973) which allegedly protects sensitive personal data from disclosure being subverted by regulatory action taken without the direct knowledge or consent of the Parliament.

113 Here we have every concern expressed by witnesses before the Committee about the possibility of insidious subversion of our civil liberties and our right to privacy being totally borne out and justified at the very same time as the

Joint Select Committee is being asked to give its imprimatur to a massive scheme extending bureaucratic intervention in our lives and authorising the gathering, storing and dissemination of personal data on a scale never before proposed in any free western democracy.

There is a better way

114 The majority of the members of the Joint Select Committee share many of my concerns about the Australia Card proposal. As a result they have decided on balance to recommend against adoption of the Government's proposal in its present form. However, we realise that this casts upon us a clear responsibility to recommend some alternative which addresses at least the area of principal concern, namely tax evasion.

115 The Report of the Joint Select Committee thus proposes as its central recommendation the use of an improved and upgraded system based upon a tax file number of higher integrity than that currently used.¹⁴⁹ There are several consequential recommendations, such as those having to do with resource allocations for the Tax Office and improvements in procedures for other Departments. There are also subsidiary recommendations on such issues as the upgrading and co-ordination of the Births, Deaths and Marriages Registers. Finally, there are significant recommendations addressing matters such as the long overdue need for privacy legislation and Parliamentary oversight of these proposals.

116 These recommendations have my support. I believe they adequately address areas of prime concern without at the same time posing the threats to privacy and civil liberties which I see as inevitable consequences arising from the Australia Card.

CHRISTOPHER PUPLOCK
Senator for New South Wales

Endnotes

1. Popper, K., The Open Society and its Enemies (Routledge, 1945); Vol. 1, p. 168.
2. Olmstead v. U.S. 277 US 438 (1927).
3. Evidence, pp. 3405-6.
4. Evidence, pp. 3032-3.
5. Evidence, p. 3044 (all underlined quotes from Evidence have my emphasis added).
6. Evidence, p. 1203.
7. Evidence, pp. 1231-2.
8. Kirby, J., 'Access to Information and Privacy' National Forum on Access to Information and Privacy; Canada, (6 March 1986); 'Privacy Protection in Australia', *ibid.* (7 March 1986).
9. Kirby, J., 'Living with the New Surveillance', Macquarie University Graduation Ceremony, 2 May 1985, p. 8.
10. Kirby, J., 'Access to Information and Privacy': *loc. cit.*, pp. 13-14.
11. Sydney Morning Herald, 29.3.86; Melbourne Sun, 8.4.86.
12. This is a perfect example of 'incrementalism'. In reply to a question in the Senate, Senator Evans, on behalf of the Government, indicated that it was opposed to the extension of phone tapping powers 'at the federal level'. Senate Hansard, 15.4.86, p. 1725. The power is, however, to now be extended to State Police, see Sydney Morning Herald, 10.4.86. On 15 April Senator Evans said:

The Government has made clear its position in the past - that it does not think that it is appropriate to extend the power (i.e. to tap telephones) at the Federal level ...
(Senate Hansard, p. 1725).

On April 16 Senator Evans said:

... the Commonwealth is now finalising legislation ... to extend intercept powers to ... the National Crimes Authority ...
(Senate Hansard, p. 1784).

in addition to the State Police. Thus within 24 hours the whole philosophy of incrementalism is seen at its clearest.

13. Hansard, House of Representatives, 13.2.86, p. 451. The dehumanising effect of personal numbering was remarked upon by the Nagle Royal Commission into Prisons in NSW in 1978 where the abolition of such a practice was recommended.
14. Halsbury's Laws of England, 4th ed. Vol. 35, para. 1173; see also Earl Cowley v. Countess Cowley (1901) AC 450 and letter submitted by Department of Attorney-General to Committee, 13.3.86.
15. Health Insurance Commission: Final Planning Report (hereafter FPR), February 1986, para. Q2.4.
16. HIC: FPR, para. K6.5 and J3.3.
17. Evidence, pp. 3720-21.
18. Transcript, 'A.M.', 1.11.85, p. 3.
19. Blewett, N., 'The Australian Identity Card - A Threat to Liberty?' address to A.G.M. South Australian Council for Civil Liberties, 31.10.85, p. 8.
20. Evidence, p. 1901 (McDermott, ATO).
21. Report of the Auditor-General on Efficiency Audits (ref. Tax Office); AGPS, December 1984, p. 30.
22. Age, 17.3.86.
23. Sydney Morning Herald, 17.3.86.
24. Evidence, p. 2235. (ATO).
25. Evidence, pp. 3539-40 (Groenewegen); US News and World Report, 19.4.82.
26. US News and World Report, 8.3.82; Evidence, p. 3258 (Tegnhed)
27. Acts Nos. 57, 126 of 1977; Nos. 57, 87, 123, 172 of 1978; Nos. 146, 149 of 1979; No. 19 of 1984; Crimes (Tax Offences) Act 1980; Nos. 108, 110, 112 of 1981; Nos. 29 76, 106, 109 of 1982.
28. Treasurer, Press Release No. 30, 7 April 1986.
29. Commissioner of Taxation v. J.J. Kerrison; Banich Management P/L; Baiber Kerrison and National Australia Bank Ltd. Supreme Court of South Australia (unrep) per Bollen J., No. 579/1985, Judgment No. 8339, delivered 17 February 1986.

30. Evidence, p. 189, et seq.
31. Spry, I., 'The Australia Card - Is it Really Necessary?', Defence 2000, Vol. 12, 24.2.86, p. 7.
32. See fn. 21; also Auditor-General: Report, March 1986, pp. 144-149.
33. House of Representatives Standing Committee on Expenditure, Reference: Review of Efficiency Audits of the Australian Taxation Office; transcript of evidence (12.3.86), pp. 67-68.
34. Jane Hutchison: 'Tax Office Nears the Point of No Return', Business Review Weekly, 20 September 1985, pp. 42-61.
35. Evidence, pp. 1985 and 2000.
36. Evidence, p. 3618.
37. House of Representatives Standing Committee on Expenditure: Reference Review of efficiency audit on control of prohibited immigration. Transcript of evidence, 23.5.1985, p. 90.
38. Report of the Auditor-General, September 1985 (PP. 263/1985), p. 118.
39. See Statement by Minister for Community Services: Senate, Hansard, 12.2.86, p. 219 ff.
40. Evidence, p. 2105. See also Department of Social Security comment on these figures at Evidence, p. 3618.
41. These figures are from Statement by Treasurer: Reform of the Australian Taxation System (September 1985), pp. 25-31.
42. Respectively figures from Report of the Inter-Departmental Committee on a National Identification System (June 1985) para. 8; Report of IDC entitled 'The National Identity System' (29 August 1985) para. 212; Treasurer's Statement (September 1985). Hereinafter I shall refer to these as IDC; NIS and Treasurer.
43. Respectively IDC; NIS and Treasurer.
44. Respectively Treasurer; NIS and IDC.
45. Department of Health: Towards Fairness and Equity (6 February 1986), submission to Joint Select Committee (hereafter TFE), pp. 121 and 123.
46. Evidence, pp. 2747-8.

47. Health Insurance Commission: Final Planning Report (FPR); February 1986, p. 214.
48. Evidence, P. 2968.
49. High figures appear in Submission by P. Foster, Acting Second Commissioner of Taxation to Joint Select Committee, dated 3 January 1986 at Attachment A. Lower figure is from a speech by Mr P. Foster, 'Australia Card : Impact on Tax Evasion' (December 1985) at p. 19, provided in Department of Health submission, 28.2.86.
50. Evidence, p. 2722. Finance particularly raised questions about Immigration estimates - Evidence, p. 2754.
51. Evidence, p. 3719.
52. Evidence, p. 2972.
53. Evidence, pp. 2794-5.
54. Material supplied in writing by A.E.O. to Committee, 8.4.86.
55. Hansard, Senate Estimates Committee D, 10.4.86, pp. 62-3.
56. Evidence, p. 1877.
57. Evidence, p. 3934.
58. Northern Territory submission (No. 101), para. 4(7); Evidence, p. 3938.
59. *ibid.*
60. Evidence, p. 1878.
61. Evidence, P. 3195.
62. Evidence, p. 3457 (Retailers) and p. 4004 (CAI). Views of the Department of Industry, Technology and Commerce are reported in Financial Review 7.2.86. The Department or its Business Regulation Review Unit are reported as casting doubt on the value of the HIC analysis of costs and benefits. The Minister for Health has denied the Committee access to this information regarding the Department of Industry analysis of the proposal.
63. Evidence, p. 4003.
64. National Bank, Evidence, p. 1008; Commonwealth Bank, p. 1079; ANZ Bank, p. 1249; Westpac Banking Corporation, p. 1408.

65. Evidence, p. 3905 ff.
66. Westin, A.F., Privacy and Freedom (Atheneum, N.Y., 1967), p. 51.
67. Cowen, Z., The Private Man (ABC, Sydney, 1969), p. 41.
68. Morison, W.L., Report on the Law of Privacy (February 1973), pp. 85/73.
69. Senate Standing Committee on Constitutional and Legal Affairs: A Bill of Rights for Australia? (AGPS, 1985), para. 2.69.
70. A.L.R.C., Privacy, Report No. 22 (AGPS, 1983).
71. Daily Telegraph, 17.3.86.
72. Evidence, pp. 2928-9.
73. Evidence, p. 2949.
74. Evidence, p. 3119.
75. Marx, G.T., and Reichman, N., 'Routinizing the Discovery of Secrets', American Behavioural Scientist, Vol. 27(4), March/April 1984, p. 435.
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79. Shattuck, J., 'In the Shadow of 1984 : National Identification Systems, Computer Matching and Privacy in the USA', Hastings Law Journal, Vol. 35, July 1984.
80. Australian Financial Review letter, 17.7.85.
81. Age, interview, 28.9.85.
82. HIC - FPR, para. 2.7.1.
83. Kirby, J., International Guidelines to Protect Privacy in Trans Border Data Flows, ANZAAS Jubilee Congress, 15.5.80, pp. 26-7.

84. Evidence, p. 2925.
85. Submission, 013b, Chapters 9 and 10.
86. Evidence, pp. 2080-81.
87. Evidence, p. 2695.
88. Much of this evidence was given in writing on a 'confidential' basis, which basis I respect.
89. Courier - Mail, 15.2.86.
90. Canberra Times, 30.4.85; Sydney Morning Herald, 30.4.85.
91. ibid.
92. Age, 12.9.85; Evidence, pp. 2785-7.
93. Sydney Morning Herald, 17.3.86.
94. Century Communications, London, 1985. See also: 'Raiders snoop on business secrets' Today's Computers April 1986, pp. 25-30; "Hackers found guilty after cracking Duke's code" The Australian 29.4.86 - details of hackers entry into computer files of HRH the Duke of Edinburgh.
95. See United States Senate: Report of the Committee on Government Operations: 'Protecting Individual Privacy in Federal Gathering, Use and Disclosure of Information', September 1974. Report 393-1183, p. 7.
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97. Sun Herald, 14.7.85 (forgery in jail); Sydney Morning Herald, 13.7.85; Melbourne Sun, 4.12.85 (forged licences); Sydney Morning Herald, 9.10.85 (credit card forgery). See also 'The art of forging ID cards is losing its simple charm' by Gareth Powell, Sydney Morning Herald 13.1.86.
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99. Report of the Committee on Data Protection: Cmmd. 7341 (December 1978) para. 29.19.
100. Report of the Privacy Commission on the Use of the Social Insurance Number (January 1981), p. 3.

101. Report of the Federal Advisory Committee on False Identification, US Department of Justice: The Criminal Use of False Identification, November 1976 at xvii (Also Evidence, Mr O'Connor (Polaroid)).
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105. US-General Accounting Office : Re-issuing tamper-resistant cards will not eliminate misuse of social security numbers : Report (1980). It is to be noted that one commentator has already observed that the Australia Card proposal, even at the Tax Summit 'could well go beyond the North American systems'. Kesselman, J.R. : Assessing Australian Tax Reform Proposals' Economic Papers Vol.4(3), September 1985.
106. Clarke, R., Submission 86, 'Identification - Identification Schemes', p. 17.
107. Evidence, p. 3414 (Professor Walker); p. 719 (Mr O'Hair).
108. Evidence, p. 3029, in para 4 of Submission which describes the HIC Report as involving 'a biased sample of witnesses'.
109. The Australian, 4.3.86.
110. Evidence, pp. 3235 et seq.
111. Computer World Australia, 21.2.86; The Advertiser, 12.2.86.
112. International Herald Tribune, 13.3.86.
113. Transnational Data Report, Vol. VII (4), June/July 1984.
114. Thoor, A., 'The Invisible Eye', Forum (Stockholm) v.4 (1983), p. VIII.
115. TFE, p. 79, at 5.16.4.
116. NIS, pp. 14-18.
117. TFE, Chapter 5.
118. Evidence, p. 1560 (AHA); Submission 126 (Tasmanian Police); Evidence, p. 2337 (ABS). See also concerns on this matter expressed by Law Council of Australia, Sydney Morning Herald 30.4.86.

119. cf. fn. 19.
120. TFE, p. 75.
121. Willcock v. Muckle, (1951) 2 KB 851.
122. 'Identity Cards - The Major Issues', Current Issues Brief, No.1, 1985-6 Legislative Research Service, Department of Parliamentary Library.
123. Shattuck, loc. cit., p. 1000.
124. Evidence, p. 2950.
125. Evidence, p. 2844.
126. Submission opposing the Australia Card: Victorian CCL (No. 6); New South Wales CCL (No. 9); Queensland CCL (No. 16); South Australian CCL (No. 106); Tasmanian CCL (Evidence, p. 3166); Law Institute of Victoria (No. 5); Queensland Law Society (No. 80); Law Council of Australia (Evidence, p. 3905); International Commission of Jurists (letter, 25.6.85); NSW Privacy Committee (Submission No. 13, 136); Australian Computer Society - National (No. 104); SA Branch (No. 48); WA Branch (Evidence, p. 3128); Bar Association Queensland (No. 63).
127. Submission opposing: Professor Walker (Qld : Law) (No. 39); Professor Barter (Adelaide : Computer) (No. 49); Professor Webster (UNSW : Community Medicine) (No. 19); Dr E. Emberson (University of WA) (No. 45); P. Butler (Qld : Law) (No. 46); Dr D. Walsh (Sydney : Anthropology) (No. 47); Dr R. Krever (ANU : Law) (No. 105); Professor R. Johnson (University of Wollongong : HPS) (Australian, 29.7.85); Anglican Diocese of Perth (No. 84); Catholic Social Welfare Commission (No. 73); Mr Justice Kirby (No. 97).
128. Submissions opposing: ACOA (No. 95); FCU (No. 7); VTU (No. 18); CAI (No. 119); SA Chamber (No. 15).
129. Financial Review, 18.7.85; Australian, 18.11.85; resolutions of various Divisions.
130. Senate Hansard, 3.12.85, p. 2754 (Senator Sheil). See also Shiel, G., 'ID Cards - The Implications', Civil Liberty, No. 120, January/February 1986, pp. 29-30.
131. Letter to Committee from National Legal Policy Committee (4.3.86); Submission Nos. 121 and 122; Sun-Herald, 6.10.85. See also John Saunderson M.P., (ALP), 'ID Cards - The Case Against', Civil Liberty, No. 120, January/February 1986, pp. 24-29; Senator Nick Bolkus (ALP:SA) 'ID Cards - Many Unanswered Questions', (Submission, No. 111).

132. Submissions, listed in Appendix. Letters, dated 28.1.86 (Qld) and 10.1.86 (SA).
133. Clarke, R., 'The National Identification Scheme', C.I.S. Policy Forum, No. 14B, 22.1.86 at fn. 50. Also J.J. Carlton, MP (Shadow Treasurer), Statement, ID CARDS (17.9.85).
134. Sydney Morning Herald, 4.12.85. Letters from Minister for Health denying access dated 10.3.86 and 23.4.86.
135. Most perceptively 'Tear Up the Australia Card' editorial, Financial Review, 12.9.85.
136. Evidence, p. 3611.
137. HIC: FPR at Q3.2.
138. Bushell, C.J., 'Privacy Versus Policy, Precedent and Expediency', Australian Computer Journal, Vol. 15 (4), November 1983, p. 151.
139. See claim by Dr. Blewett, The Bulletin, 13.8.85, p. 26.
140. Submission 13, pp. 109-112.
141. ibid., pp. 15-16.
142. Public Health (Proclaimed Diseases) Amendment Bill 1985 (NSW). For the consequences of this breach of privacy see Sydney Morning Herald, 8.4.86. This was despite earlier firm guarantees from the NSW Health Minister that such breaches of the confidentiality of medical records would never take place.
143. National Times, 7.2.86 and 24.5.85; The Age, 7.2.86.
144. Evidence, p. 3380.
145. Evidence, p. 3423.
146. Senate Standing Committee on Regulations and Ordinances, Seventy-Ninth Report, April 1986.
147. Senate Hansard, 17 April 1986, p. 1893 ff. (Senator Cooney).
148. Report, p. 37-8.
149. Support for the use of the tax file number in preference to the Australia Card was expressed by Kenneth Davidson, 'A better way than ID cards', Age 25.7.85 which drew attention to the tax file numbers' superiority as a system already in place, harder to subvert and less threatening to civil liberties.

DISSENTING REPORT OF SENATOR TERRY AULICH,
MR BOB BROWN, M.P., AND MR JOHN BRUMBY, M.P.

Index to Dissenting Report of
 Senator Terry Aulich, Mr Bob Brown, M.P.,
 and Mr John Brumby, M.P.

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OVERVIEW

1. It is our firm belief that the Australia Card proposal is an effective, innovative approach to the problems of tax evasion, social security fraud and illegal immigration. The proposal has quite justifiably received widespread public support. After five months of closely examining the issues and the extensive evidence presented to us we also lend the concept our full support.

2. Contained within the Australia Card proposal are a number of important legal and administrative reforms. These include:

- . the establishment of a Data Protection Agency;
- . the computerisation of births, deaths and marriages registers; and
- . the application of the proposed information privacy principles to the Australia Card program. By implication, the Government submission supports the introduction of Privacy legislation.

Each of these reforms are long overdue and we advocate their immediate introduction.

3. We also support the following recommendations contained in the body of the Report:

the implementation of the House of Representatives Standing Committee on Expenditure recommendations on illegal immigrants.

- . the transfer from the Department of Education to the Department of Social Security of the responsibility for processing applications and payments under the education assistance schemes.
 - . the introduction of improved controls by financial institutions as recommended by the Costigan Royal Commission.
 - . administrative reforms within the Department of Social Security to minimise fraud in relation to false identities.
4. We reject the tax file number proposal outlined in the body of the Report for the following reasons:
- . tax file number systems lack integrity and can only achieve moderate levels of success in combating fraud.
 - . The integrity of the tax file number system is not capable of being upgraded to the standard of the Australia Card, with or without a photograph. There will be less rigorous checks on the issue of a tax file number and, accordingly, it will be easier to use such a number to defraud the revenue.
 - . The fact that no card will be issued (and hence the tax file notice issued will have no security features) means it will be relatively simple to fake the document, or use stolen or lost tax file numbers.
 - . The proposed administrative arrangements whereby the Department of Social Security (DSS) or its nominated agents interview applicants, yet the Australian Taxation Office (ATO) issues the numbers, is cumbersome and inefficient. The public will be considerably

inconvenienced and expected to travel large distances for DSS interviews. DSS has only 204 branch offices, whereas under the Government proposal some 356 Medicare offices will administer the Australia Card Scheme. Furthermore, there is an inherent incompatibility in linking a benefit-paying Department with a revenue-gathering authority. This is likely to cause conflicts both within and outside the Department of Social Security in relation to its perceived role in the community.

- . The establishment and operating costs of the tax file number registry will actually be far higher than estimated in the majority report. The proposal for one tax file number registry and another independent registry for Medicare, represents a costly duplication of time, effort and money.
- . Compliance costs for the non-Government sector will be higher than for the Australia Card proposal. Because there is no direct link between the tax file number and proof of the identity of the person it has been issued to, banks, employers and other financial institutions may find it necessary to call up the ATO to validate each file number presented. Even this validation procedure will not ensure that the person presenting the number is in fact the person to whom that number was issued.
- . The ATO revenue gains from the tax file proposal over ten years will compare most unfavourably with the Government estimates of \$3.115b for the Australia Card proposal (without photo), or at a very conservative minimum, \$4.074b with photo (see Table 8.7 Government Submission, p. 123).

5. We strongly support the introduction of an Australia Card with a photograph. We propose that this Card be used and recorded by only four Departments: the Australian Taxation Office, the Department of Social Security, the Health Insurance Commission and the Department of Immigration and Ethnic Affairs. However, we propose that access to the Australia Card Register be limited to the first three Departments. The reasons for our support of this amended proposal are:

- . The use of a Card with photo will maximise revenue gains, at little additional cost.
- . The tightly restricted use of the Card to four Government agencies, will in fact increase revenue above that estimated in the Government's proposal and diminish threats to civil liberties.
- . The freedoms and privacy of Australians will be more than adequately protected by the introduction of the Data Protection Agency and Privacy legislation. Indeed, with the eventual expansion of the Data Protection Agency to cover private sector data bases, we believe that individual civil liberties in Australia will actually be enhanced as a result of these measures.
- . Our proposal offers considerably greater financial benefits than the tax file number proposal, with less inconvenience to the general public and lower compliance costs for the non-Government sector.
- . The introduction of such a high integrity identification card will enable Government agencies such as ATO and DSS to more easily detect organised tax evasion and fraud, and hence assist in the fight against organised crime.

The Australia Card proposal is keenly supported by many prominent community organisations, lawyers and individuals, and nationwide opinion polling confirms that more than seven out of ten Australians strongly support the introduction of the Card.

Finally, we are convinced that no other proposal before the Government promises such massive inroads into tax avoidance and other revenue/benefits fraud. With estimated revenue benefits in the order of \$8 billion over ten years, it is highly unlikely that any other project will ever present itself to Government which offers such a high benefit to cost ratio.

MAJOR RECOMMENDATIONS

1 We have been persuaded by this and other evidence to recommend as a minority, that the Australia Card program proceed but on a more restricted basis than that proposed in the Government submission.

2 We recommend that the use of an Australia Card and its register be restricted to four departments only: the Health Insurance Commission, which will operate the System; the Australian Taxation Office; the Department of Social Security; and, on a strictly limited basis, the Department of Immigration and Ethnic Affairs.

3 We also recommend severe penalties, to apply in both the public and private sector, for the unauthorised recording of the Australia Card number and for the transmission of that number to unauthorised persons, organisations and other institutions, public or private.

4 We recommend that the Australia Card program include ATO use(s) 1-10 (as set out in the Government Submission to the Joint Select Committee on an Australia Card¹⁸) and the associated sanctions.

5 We recommend that the Department of Social Security use the Australia Card and associated register to:

- . identify persons claiming social security benefits, including those benefits formerly administered by the Education Department which we have recommended be transferred to the Department of Social Security;
- . identify clients on an on-going basis after their eligibility has been established;

- . verify the existence of claimed dependants;
- . detect undisclosed income; and
- . deter other fraudulent practices.

6 We recommend the adoption of the Government proposal that, from March 1987, the Medicare benefits card be progressively replaced by the Australia Card.

7 We recommend that the Australia Card Register have access to the files of the Department of Immigration and Ethnic Affairs although, in the normal course of events, the DIEA would not be an authorised user of the Australia Card Register.

8 We recommend that Australia Card numbers be assigned to the relevant DIEA records.

9 We recommend that any future extensions of use should require full Parliamentary and public discussion of the merits of the proposal. An extension of use should require amendment to the Australia Card Act by the Parliament of the Commonwealth.

10 The Government submission states that there should be no requirement for any individual to carry his or her Australia Card (or similarly, to carry the card of any dependents).²⁰ We agree and recommend accordingly.

11 We recommend that the requirement to present the Australia Card should be mandatory only for the purposes specified in the legislation.

12 We recommend that

- (a) all access to the Australia Card register be logged as a security measure. Invalid requests for access which are refused should be logged separately; and
- (b) the type of security and secrecy provisions that prevail in respect of tax records at the Australian Taxation Office be applied to the three Departments which will have access to the register.

13 We recommend the establishment of a Register to give high integrity to the Australia Card and to minimise the creation of false identities. The Register should contain the basic personal, program management and other information set out in the HIC Planning Report.³²

14 We recommend that all access to the Register by Government agencies be recorded and that the record be made available, subject to the access provisions of the legislation, to the record subject.

15 We recommend that a colour photograph be included on Australia Cards issued to persons over 18.

16 We recommend that a digitised black and white photograph be included on the Register.

1. Introduction

1.1 It is our firm belief that the Australia Card proposal is an effective innovative approach to the problems of tax evasion, social security fraud and illegal immigration.

1.2 From the time the Australia Card concept was first proposed, it has received widespread public support. Mr Eric Risstrom, the National Director of the Australian Taxpayers Association, referred to the community support for an identity card with a photograph at the time of the 1985 Taxation Summit. At public meetings held by the Association the support was such that: 'On a show of hands we were getting consistently, in all States but Queensland, nine out of 10 favouring a card'¹ Opinion polling in 1985 and 1986 has also revealed consistent support for the card among approximately seven out of ten Australians.²

1.3 At the public hearings held by the Joint Select Committee on an Australia Card and in submissions and letters sent to it, there is abundant evidence of widespread support, including support from organisations such as:

- . The Returned Services League of Australia³
- . The Australian Taxpayers Association⁴
- . The Australian Retailers Association⁵
- . The Australian Hotels Association⁶
- . The Salvation Army⁷
- . The Sydney City Mission⁸

1.4 We also received evidence in favour of the proposal from such informed individuals as:

- . Professor Douglas Whalan, who was the Chairman of the Australian Government's Committee of Enquiry into the Protection of Privacy and the author of its report tabled in the Parliament in 1973.⁹
- . Associate Professor Robert Hayes, the Commissioner in Charge of the Australian Law Reform Commission reference on Privacy.¹⁰
- . Professor Peter Groenewegan of the Department of Economics at Sydney University and the author of many books and articles on tax policy and tax reform.¹¹
- . Mr Richard Krever, a tax law specialist from Monash University.¹²

1.5 We have been persuaded by this and other evidence to recommend that the Australia Card program proceed, but on a more restricted basis than that proposed in the Government submission. We recommend that the use of an Australia Card and its Register be restricted to four departments only: the Health Insurance Commission, which will operate the System; the Australian Taxation Office; the Department of Social Security; and, on a strictly limited basis, the Department of Immigration and Ethnic Affairs. We have decided on this approach because we have serious concerns about the possible intrusion of privacy and breaches of civil liberties under a widespread system of national identification. Our restrictions on the Departments able to use the Card and the Registry, combined with the Government commitment both to establish a Data Protection Agency and to legislate for privacy when introducing the Australia Card program, will, we believe, answer those concerns. With Professor

Whalan, we believe that an Australia Card system, with very carefully circumscribed limits on its use and an independent protective body such as the DPA, may well mean that 'our privacy may be better protected than it is now'.¹³

2. Privacy, Civil Liberties and the Common Law

A. The Australia Card and Privacy

2.1 We acknowledge the concerns of many witnesses about the purported invasion of privacy posed by the introduction of an Australia Card. We do, however, draw to the Parliament's attention some of the areas in which it would be safe to assume little or no privacy currently exists. Compared with many data bases already in operation, the Australia Card would appear to represent at most a minor intrusion into the average citizen's privacy.

2.2 The Australian Taxation Office, for instance, has extraordinary and comprehensive powers under the Income Tax Assessment Act to seek details about individuals, in some cases without those individuals being aware of the Tax Office's intrusion. Sections 263 and 264 of the Income Tax Assessment Act provide virtually unlimited powers to the Commissioner of Taxation for full and free access to all buildings, places, books, documents and other papers for any of the purposes of the Act. It is ironic, to us, that the majority report makes no mention of these extensive powers, which already exist, or their potential threat to civil liberties.

2.3 Many commercial enterprises keep detailed records of an individual's credit-worthiness; others rely on access to data bases. The information kept on such data bases is usually unknown to the individual concerned. In some cases, a two-way sharing of information between retailers, for example, and credit-worthiness companies has been a long-standing practice. It is well-known that the information obtained by some companies is sold to other companies interested in sending out unsolicited material. In all cases, the individual concerned has little or

no say in the process. Banks appearing before the Joint Select Committee indicated that they routinely double check information given on loan application forms with other banks-without customer approval.¹⁴ Few individuals ever are given the opportunity to see data kept on them by private companies, let alone make corrections to any information contained on those files. The consequences of this are not trivial: it is obvious that a poor credit rating constitutes a severe handicap in a society where access to credit is an integral part of our lives. If that credit rating is based on incorrect information, it can have serious consequences for the affected individuals.

2.4 Government Departments also maintain data bases on citizens. Evidence heard before the Joint Select Committee on an Australia Card indicated that the Medicare card number is only an external number and that there is already a universal identity number associated with each individual. This fact was revealed by a witness, Mr M.G. Parsons, Assistant General Manager, Claims and Membership of the Health Insurance Commission.¹⁵ We are surprised that the opponents of a national identification card system who sat on the Joint Select Committee did not pursue this matter further. We believe it is likely that they chose to ignore the existence of such a numbering system because widespread knowledge of its existence might serve to strengthen public acceptance of the Australia card, on the basis that a universal identifier already exists and no harmful consequences have been perceptible as a result of its operation. The Department of Social Security in its evidence gave a full picture of the computer matching and extended uses of data base material which enables that Department to seek out fraud or merely check eligibility for benefits. It was apparent from the evidence that a number of other Departments also regularly engage in data matching. These Departments include the Australian Taxation Office, the Department of Immigration and Ethnic Affairs and the Health Insurance Commission.

2.5 Computers in State and local government have been used to compile extensive data bases that help build up profiles of individuals. Land data systems being established in Victoria and New South Wales will enable those individual profiles to be established, with the potential for real estate agents, solicitors and accountants to gain access on request.

2.6 To protect themselves from organised crime, insurance companies are now establishing computer programs to draw together disparate information about claimants.

2.7 In short, absolute privacy does not exist in a society which has up-to-date technology and accepts the use of that technology. If one is born, marries or begets children, if one buys or sells a house or land, if one borrows money, if one votes or receives an award wage, and if one pays tax, one is on a file somewhere and technology is already being used to draw those separate items of information together.

2.8 We believe the question of privacy is an important matter, but the key issue is not whether or not the Australia Card will invade privacy - the question is, at what point do we set the limits? The Joint Select Committee's proposal for a Data Protection Agency and privacy legislation will help to provoke discussion about the degree of privacy invasion that we are prepared to accept. Similarly, proposals to log every access to the Australia Card data base should prevent unauthorised access.

2.9 At the end of the day, the protective mechanisms contained in privacy legislation, a Data Protection Agency and an Australia Card may well provide a framework for the protection of civil liberties and privacy that is far superior to that which we have now. As Professor Whalan of the Australian National University said in evidence:

... it is inevitable in our community that we are going to have complex, complete, intertwined computerised records. What we do not have at present is a completely adequate protection against the use or misuse of those records, and that need for some sort of protection I believe exists quite independently of the proposal for an Australia Card. If we do have an Australia Card it is vital, I believe, that we have both very carefully circumscribed limits on its use and a protective body with similar independence to that possessed by the Ombudsman. Perhaps one irony would be that if we do have an Australia Card with all those protections ... our privacy may be better protected than it is now.¹⁶

2.10 Professor Whalan is a key figure in the debate. As one who was influential in the introduction of the Ombudsman concept in this country, and a noted civil libertarian, Professor Whalan's view that the Australia Card may well help to advance the protection of civil liberties and privacy is, we consider, an important contribution.

B. The Australia Card, Civil Liberties and the Common Law

2.11 Opponents of the Australia Card proposal have stated that a universal identification system is unlikely to be accepted in any of those countries which have a common law judicial system. The clear implication is that common law countries such as the United Kingdom, Australia, Canada and New Zealand, are, per se, more protective of the civil rights and liberties of their citizens than countries such as France, Germany and Switzerland which operate under a civil law system.

2.12 We believe this to be, at best, mythical and at worst, a case of Anglo-Saxon condescension. The common law did not protect twenty-year-olds in Australia from a two year conscription into the defence forces, in some cases to fight in

an immoral war in Vietnam. It has not protected suspects in Northern Ireland from arbitrary arrest and detention. Nor has it prevented the passage in Australia of statutes that specifically remove the right of citizens not to incriminate themselves - a right universally considered sacrosanct in the common law system. The former Royal Commissioner, Frank Costigan, QC, found that the removal of privilege against self-incrimination is not a novel concept. In discussing the powers granted to a Royal Commission, Mr Costigan noted that, leaving aside the courts of law, Commonwealth legislation alone grants the power to conduct and examine witnesses to no fewer than 79 different authorities and office holders:

Out of the 79 cases where a witness may be summonsed and questioned under Federal law, in 69 cases (or some 87%) the witness is compelled to answer notwithstanding.¹⁷

Mr Costigan considered that a study of State legislation would reveal a similar situation.

2.13 Further, there is significant evidence to show that the courts can not keep up with the sheer volume of Acts passing through our Parliaments. To contend that courts have the time or the resources to develop law as they may have in the past is to ignore the changes that are taking place in the framework of common law countries. To contend further that the introduction of an Australia Card will be at odds with a long-cherished common law system which has protected our freedoms is to rewrite modern history for partisan purposes.

C. The Data Protection Agency

2.14 It is our view that the proposed Data Protection Agency (DPA) and privacy legislation will be suitable mechanisms to protect civil liberties and safeguard against the invasion of privacy. We have strongly supported their establishment in the

body of this Report, and believe that their application should be extended to an Australia Card Register. Further, we propose the tightening of security procedures in relation to the Australia Card Register in those departments which will have access to or will be associated with the system. In our view, security should be as tight as that presently existing in the Taxation Office in relation to tax records. We also recommend severe penalties, to apply in both the public and private sector, for the unauthorised recording of the Australia Card number and for the transmission of that number to unauthorised persons, organisations and other institutions, public or private. Finally, we recommend logging all accesses to the Australia Card Register to preserve a full record of its use and to discourage unauthorised access, including frivolous access.

3. Uses of the Card and Associated Register

3.1 We propose strict limitations on the uses to which the Australia Card and its associated register may be put. Their uses should be restricted to the following four Departments: the Australian Taxation Office, the Department of Social Security, the Health Insurance Commission (Medicare) and the Department of Immigration and Ethnic Affairs.

A. Australian Taxation Office

3.2 We recommend that the Australia Card program include Australian Taxation Office use(s) 1-10 (as set out in the Government Submission to the Joint Select Committee on an Australia Card¹⁸) and the associated sanctions.

3.3 There should be no deletions to this list, and at this stage we do not believe that there should be additions to the list.

3.4 We believe that the Card and the register will significantly reduce tax evasion and enhance the administration and enforcement of the tax laws by efficiently matching information reported to the ATO. With the achievement of these aims, community confidence in the fairness and equity of the tax system will increase with a corresponding rise in voluntary compliance.

B. Department of Social Security

3.5 We recommend that the Department of Social Security use the Australia Card and associated Register to:

- * identify persons claiming social security benefits, including those benefits formerly administered by the Education Department which we have recommended be transferred to the Department of Social Security;
- * identify clients on an on-going basis after their eligibility has been established;
- * verify the existence of claimed dependants;
- * detect undisclosed income; and
- * deter other fraudulent practices.

3.6 We accept the Government proposal that registration for the Card, with the associated ability to present the Card or provide the number, be a prerequisite for the payment of all welfare benefits and payments for which the Card/number is required.¹⁹

3.7 We also accept that the effectiveness of the Australia Card/Register for social security purposes will depend upon the integrity of the overall system. For this reason the system must be of the highest integrity.

C. Medicare

3.8 We recommend the adoption of the Government proposal that, from March 1987, the Medicare benefits card be progressively replaced by the Australia Card. Throughout the 2-year issue period for the Australia Card, Medicare benefits cards should be withdrawn from individuals as they are issued with Australia Cards. Production of an Australia Card will then be the means by which to obtain Medicare benefits. The Australia Card Register will be accessed by the Health Insurance Commission to establish eligibility for benefits.

3.9 The adoption of this proposal will give increased confidence that Medicare benefits will be paid only to those so entitled. We believe that the use of the national identification system not only will help combat fraud in this area, but also will realise a saving in resources (since the Australia Card will have multiple uses) without detriment to the level of service or the confidentiality of medical records. The sanctions outlined in the Government proposal under 3.3.2 should apply.

D. Department of Immigration and Ethnic Affairs

3.10 We recommend that the Australia Card Register have access to the files of the Department of Immigration and Ethnic Affairs although, in the normal course of events, the DIEA would not be an authorised user of the Australia Card Register. We recommend that Australia Card numbers be assigned to the relevant DIEA records.

E. Extension of Current or Future Uses

3.11 In principle, we believe that the uses of the Card and associated Register should be as limited as possible. On these grounds we believe that the Australia Card Register should not be used for the location of maintenance defaulters.

3.12 We recommend that any future extensions of use should require full Parliamentary and public discussion of the merits of the proposal. An extension of use should require amendment to the Australia Card Act by the Parliament of the Commonwealth.

F. Voluntary Uses of the Card

3.13 We consider that the Australia Card should be able to be used by individuals on a voluntary basis to establish their identity for a wide variety of transactions. This use should be at the absolute discretion of the individual.

G. Carrying the Card

3.14 The Government submission states that there should be no requirement for any individual to carry his or her Australia Card (or similarly, to carry the card of any dependents).²⁰ We agree and recommend accordingly.

H. Legislation to Prohibit Demand for Presentation of the Card Outside Prescribed Uses

3.15 We recommend that the requirement to present the Australia Card should be mandatory only for the purposes specified in the legislation. No Department, Statutory Authority or other Government Agency should demand the production of the Australia Card or record the Card number for purposes of identification other than those prescribed by the legislation. We concur with the Government proposal that the Australia Card legislation should prohibit demands for production of the Australia Card or the Card number to establish identity for purposes not sanctioned by the legislation. In particular, legislation should prohibit law enforcement agencies demanding production of the Card. It should be a serious offence for any organisation, either public or private, to record the Australia Card number unless they are a prescribed user under the Australia Card legislation. It should be an offence for any prescribed user to transmit that information to any unauthorised person or agency.

I. Companion System for Entities

3.16 We accept that a companion system for entities will be necessary to ensure that there is no leakage of revenue from the Australia Card system. ["Entities" is defined here to mean any organisation or association of persons, whether incorporated or unincorporated, and including persons engaging in transactions in joint names].

3.17 We accept the proposal outlined in the Government submission as the best method of implementing such a companion entity system.²¹ The reporting of the Australia Card number of a natural person associated with an entity as well as the name and tax file number of the entity when that entity engages in a prescribed transaction, has the advantage of maintaining the integrity of the Australia Card system (since multiple entity cards will not be required) and reducing the possibilities of fraud. Moreover, this method will produce negligible additional costs for the Government.

4. Administrative and Operational Arrangements

A. Integrity

4.1 Integrity is at the heart of the Australia Card proposal - the system must be sound, reliable and relatively incapable of being corrupted. In our view, the Health Insurance Commission (HIC) is correct to argue that integrity 'is critical to the success of the [Australia Card] program in terms of both the achievement of its objectives and its acceptance by the general community'.²² We believe a tax file number system is a poor alternative because it must have a lower integrity than the Australia Card system. Not only would a tax file number system have lower integrity, it would have less acceptance, less utility and less reliability.

4.2 Nonetheless, perfect integrity is an impossible goal and we agree with the Government that the procedures adopted to ensure the integrity of the system will need to be balanced against considerations of public convenience and cost. We believe that the proposal detailed in the Government submission and HIC Final Planning Report represent a reasonable compromise between these conflicting aims.²³

B. Procedure for Initial Proof of Identity

4.3 We approve of the general Government strategy to establish identity. This strategy is set out in the Government's submission at Chapter 11²⁴ and is given in detail in the HIC Planning Report.²⁵ It involves an amalgam of methods including an interview and a three stage process of data matching by computer in order to validate identity against existing Government records. This computer matching will make use of data supplied by an applicant as well as information contained in

computerised registries of births, deaths and marriages. If an applicant is successfully matched against relevant Government databases then the level of documentation required from the applicant at the interview is reduced. In cases where the matching proves partially or wholly unsuccessful, applicants will be informed in advance of additional documentation that will be required at the interview. We agree that this strategy will reduce demand for primary documents from State Registries of Births, Deaths and Marriages and improve public convenience. The strategy should also reduce the risk that false identities will be established on the Register, since the Government will have the ability to check the source of an identity independent of documents supplied by the applicant.

C. Registration - Special Arrangements

4.4 In general we accept the measures outlined in the Government submission²⁶ and in the Health Insurance Commission Planning Report²⁷ for special groups, including the frail aged, those in institutions, some disabled persons, homeless or destitute persons, some ethnic groups and persons living in remote areas.

4.5 In the case of Aborigines and Torres Strait Islanders living in remote areas, the Health Insurance Commission Planning Report makes clear that more detailed planning, in consultation with relevant Government Departments and representatives of Aboriginal communities, would be required²⁸ We recommend that such planning and consultation be carried out forthwith.

D. Security of Data on the Register

4.6 We are generally satisfied with the security procedures outlined in the HIC Planning Report.²⁹ These procedures cover security vetting and training of staff, security of telephone

access lines to the central computer, the physical security of terminals and the central computer, and the security systems in the computer software.

4.7 We recommend that

- (a) all access to the Australia Card register be logged as a security measure. Invalid requests for access which are refused should be logged separately; and
- (b) the type of security and secrecy provisions that prevail in respect of tax records at the Australian Taxation Office be applied to the three Departments which will have access to the register. The files of the Department of Immigration and Ethnic Affairs in relation to the Australia Card numbering system will also need to be secure. We recommend this measure to limit the use of the Australia Card number as far as is possible even within user Departments.

E. Arrangements for Changes to Data

4.8 There should be provision for a co-ordinated system by which the public can conveniently notify the Health Insurance Commission of changes to address, citizenship status or other relevant matters. This system must also ensure that the integrity of the data on the register is maintained.

4.9 We agree to the exchange of information between the Health Insurance Commission and user agencies in order to maintain and update the records, provided that information accessed from user agencies is of a high level of integrity and that user agencies have access to information only on their own clients.

F. Individuals Access to data on the Australia Card Register

4.10 We are satisfied with the Government proposal for access by an individual to the data on the Register that relates to him or her.³⁰ At this stage we agree that one free access per year is sufficient to protect individual privacy and civil liberties. Any additional copies of the personal information record should be made available on the payment of a fee based on the cost to the Health Insurance Commission of providing the data.

G. The Card: Eligibility

4.11 Eligibility for the issue of an Australia Card should extend to Australian citizens, residents of external territories, foreign nationals who are entitled to work or study in Australia, and visitors in Australia for longer than six weeks who may require the use of an Australia Card. Special provision may be needed for some shorter term visitors.

4.12 We accept that some children will need to be issued with cards in their own right because of special circumstances. The eligibility for such cards should be based on the criteria set out in the Health Insurance Commission's Planning Report.³¹

H. The Register

4.13 We recommend the establishment of a Register to give high integrity to the Australia Card and to minimise the creation of false identities. The Register should contain the basic personal, program management and other information set out in the HIC Planning Report.³²

4.14 We recommend that all access to the Register by Government agencies be recorded and that the record be made available, subject to the access provisions of the legislation, to the record subject. This provision will help deter unlawful access and enable record subjects to know how and to what extent their records are being used and if the use is proper. (See also Chapter 3 of the Committee Report).

I. Photographs on the Card

4.15 We recommend that a colour photograph be included on Australia Cards issued to persons over 18. This will help enable an individual to be identified as the rightful holder of a Card as easily and as with as much confidence as is possible. It will add to the integrity of the system by making fraudulent use of lost or stolen Cards more difficult and give additional public confidence in the system.

J. Digitised Photographs on the Register

4.16 We recommend that a digitised black and white photograph be included on the Register. With photographs on the Card and in the Register it will be much easier to control counterfeiting and fraudulent use of the Card. Black markets in lost or stolen cards would also be discouraged.

4.17 There should be very few exceptions to the policy of including photographs on the card and the Register if the integrity of the Australia Card is to be maximised. We agree with the policies set out in the HIC Planning Report³³ with respect to exceptions.

4.18 Civil liberties issues are raised by the policy of including photographs on the card and in the Register. While there are groups in the community with cultural and/or religious objections to having photographs taken, these objections may not

amount to a refusal to have a photograph included on the Australia Card and recorded in the Register when the benefits that the Australia Card will confer are explained. Where individuals still object to the inclusion of a photograph, we believe that the Health Insurance Commission should consider these on a case by case basis. Exceptions should be granted only under the most stringent conditions to ensure that the integrity of the Australia Card remains as high as possible.

K. Display of Information on the Card

4.19 The Australia Card should include in the case of adult citizens:

- . a colour photograph
- . the Australia Card number (embossed)
- . name (embossed)
- . signature
- . validity date

For security and social reasons, sex, date of birth and citizenship status should not be included on the card.

4.20 Children's Cards, issued to responsible adults, should display:

- . the Australia Card number (embossed)
- . name (embossed)
- . date of birth
- . sex

- . validity dates

- . responsible adult (name and Australia Card number)

There will be no need for a child's Card to include a photograph, but sex and date of birth information should be on the Card, both as a check on identity without the photograph and as a way of checking on eligibility of the child for age-related benefits.

4.21 Cards issued to visitors should be visually distinct from those issued to Australian citizens. In addition to the information displayed on an adult's Card, a visitor's Card should note whether the visitor is entitled to Medicare benefits or authorised to work in Australia.

L. Emergency Information on the Register

4.22 We believe that the Register should not contain optional emergency information. Our grounds for this belief are the need to restrict the uses and purposes of the Register, the danger that too much information on the Register might facilitate the creation of dossiers on record subjects, and practical difficulties in keeping emergency information up to date. Not only would it be difficult to ensure that optional emergency information was kept current, outdated information may be dangerous if used as a basis for treatment. Also, in situations where identity is difficult to establish, the information would be of no use. Finally, the proposal would generate significant additional costs: information would need to be available on a 24 hour basis but present HIC planning is for 12-13 hour/day access for computers, linked by a dedicated line. Since most inquiries would not be possible over a direct dedicated line, it would be necessary to set up a

telephone-based access system and, in order to preserve the security of the system, this would require a 'bankcard' style operation. Given our other reservations we do not believe that these additional costs can be justified.

M. Emergency Information on the Card

4.23 For similar reasons, we believe that the Australia Card should not display emergency information. The Card should be used only for the limited purposes specified and its use should not be extended unduly. The placing of emergency information on the Card may facilitate data linkage and help in the production of individual dossiers. The potential invasion of privacy is also a concern because the Card would give access to private information in the course of its normal use. Furthermore, the Card would not be the best way to make emergency information available as Cards would not always be carried and, even if carried, may become easily separated from the cardholder. In addition, those under 18 would not usually have their own Cards.

4.24 In the future, the Government may wish to institute an inquiry to determine the best means of making emergency information available.

N. Additional Names on the Register

4.25 Provision should be made in the Register for more than one name to be recorded against each identification number in order to retain the common law right of individuals to choose the name by which they will be known. For security reasons, individuals should be issued with only one Card showing only one identity. This policy will help ensure the integrity of the Australia Card system.

O. Additional Security features on the Card

4.26 The Government may wish to consider the inclusion of a digitised signature in machine-readable form on the Card as an additional security check to enable automated matching of user signatures with the signature stored on the Card. At this stage, we believe that such a feature may be regarded as odious and therefore we do not favour its introduction.

P. Control of Lost or Stolen Cards

4.27 In order to restrict the use of lost or stolen Australia Cards, the Health Insurance Commission (HIC) has proposed that the Australia Card number include a two digit issue number. This will enable the HIC to store information about particular Cards (eg, those which have been lost, stolen or replaced) in the Register. When user organisations check the Register for Card status, they will be advised whether the Card in question has been lost, stolen or is otherwise invalid. Action can then be taken to recover such Cards.³⁴ We are in favour of this proposal.

4.28 We also approve of a nominal fee being charged by the HIC for the replacement of lost, stolen or otherwise damaged Cards. We believe that this will discourage people from reporting misplaced cards as having been lost and will therefore help reduce the number of persons with more than one Card in their possession.

Q. Distribution of Cards

4.29 We accept the Health Insurance Commission (HIC) plan for the distribution of Australia Cards and believe it is a responsible compromise between the demands of convenience to the public, reasonable cost and maintenance of high security and integrity of the Card.

5. Costs and Benefits of Our Proposal

5.1 In its submission to the Committee, the Government claims that introduction of the Australia Card (without photo) would produce cumulative revenue benefits over a ten year period of \$4.48b against cumulative costs of \$1.046b. Chapter 2 of this Report makes detailed reference to these estimates. In summary, the Committee as a whole considers that taxation estimates were generally reliable but very conservative, that social security benefits were understated and that immigration benefits were overstated.

5.2 On the basis of evidence received by the Committee, it is our view that the estimated revenue gains arising from the proposed ATO uses are conservative in the extreme. As the Second Commissioner of Taxation, Mr J.P. McDermott, pointed out, the ATO estimates take no account of additional back taxes and penalties; take no account of amendments to prior returns; and are based on overall estimates of tax evasion which are extremely low.³⁵ We are firmly of the belief that the likely benefits of the ATO uses of the Australia Card proposal would be at least double the estimates provided in the Government submission.

5.3 On this basis, we would therefore expect the cumulative revenue gains from the Taxation Office uses of an Australia Card without photo to be in the order of \$6.2b, and the gains for a Card with photo to be in the order of \$8.1b. It is worthy of note that the revenue gains available from the ATO uses of a Card with photo (\$8.1b) alone would finance tax reductions for average PAYE taxpayers at a rate approaching \$8 per fortnight for the next ten years.

5.4 As is noted elsewhere in this dissenting report, we have recommended introduction of an Australia Card with photo, but with uses confined strictly to those proposed for ATO, DSS (including education allowances), Medicare and DIEA. Under our proposal, the Australia Card would not be used by the Departments of Housing and Construction, Veterans' Affairs and Community Services, the Australian Institute of Health or the Australian Bureau of Statistics. Our reasons for not recommending usage in these areas relate to questions of data protection and privacy, as well as revenue cost/benefits. Information provided to the Committee by the Government clearly shows that, under the above-mentioned Departmental uses, the estimated costs of introducing the Card over the ten year period are approximately \$27m, whereas estimated revenue gains are only \$5m.³⁶ By adopting our proposal for restricted use of the Card, overall net benefits would therefore exceed those estimated under the Government's proposal by some \$22m over the ten year period.

5.5 The overall cumulative benefits and costs of our proposal are shown in the following table.

TABLE

Minority Committee Australia Card Proposal (with photo)
Cost/Benefit Summary
1986/7 to 1995/6

	<u>Cumulative</u> <u>Costs</u> <u>\$m</u>	<u>Cumulative</u> <u>Benefits</u> <u>\$m</u>	<u>Cumulative</u> <u>Net Benefits</u> <u>\$m</u>
ADMINISTERING AGENCIES			
HIC	858.5	-	(858.5)
Health Aust Card Sec	2.0	-	(2.0)
Data Protection Agency	21.3	-	(21.3)
USER AGENCIES			
ATO	94.585	8,148.0	8,053.415
HIC-Medicare	3.075	68.9	65.825
DSS (including Educational Allowance	18.543	19.518	0.975
Immigration (DIEA)	21.159	1,291.957	1,270.798
TOTAL	<u>1,019.162</u>	<u>9,528.375</u>	<u>8,509.213</u>

Notes:

- (i) All figures represent cumulative ten year totals, and are not adjusted for annual discount.
- (ii) Revenue benefits for DIEA are probably overstated, however those for DSS are significantly understated.
- (iii) Although DIEA will not be a 'user' of the card and register, financial benefits in this area will result from detection and deterrence of illegal immigrants.

5.6 Using a conservative steady state and a 10 per cent annual discount rate, it is clear that the Benefit Cost Ratio (BCR) of the proposed ATO uses of the Australia Card would be in the order of 65:1, while that for all uses would be in the order of 7:1.

5.7 A more realistic analysis using the same 10 per cent discount rate, but allowing for a 3 per cent per annum increase in the level of economic activity and a population growth of 1.29 per cent per annum, would yield even higher BCRs.

5.8 It is rare indeed for any Government to have before it a proposal which offers such a high benefit to cost ratio. We believe it would be totally irresponsible for the Government not to proceed with this proposal, providing as it does massive revenue gains in the tax avoidance/evasion area at minimal cost to the community, both in financial and civil liberties terms.

A. Compliance Costs for the Private Sector

5.9 Evidence presented to the Committee included some estimates of the compliance costs for the private sector of the Australia Card proposal. These cost estimates ranged from a low of \$160 million over 10 years (reported by the Australian Retailers Association³⁷) through \$377 million over 10 years (given by the Confederation of Australian Industry³⁸) to a high of \$516 million over seven years (given by Mr Roger Clarke³⁹) The disparity in these estimates has led the Committee to concur with the conclusion of Professor P.D. Groenewegen, of the Department of Economics at the University of Sydney, that

... it would be exceedingly difficult to calculate compliance costs for industry unless you know precisely the details which are going to be required ... If you do not

have this precise information, I cannot see how you can calculate and estimate compliance costs of any reasonable nature ...⁴⁰

5.10 It is self-evident that all the above figures are guesstimates and that some are based on very shaky assumptions indeed. For example, Mr Clarke estimates that it would cost employers \$60 million for each of the first two years, and \$24 million annually thereafter, in time lost while employees attend a HIC office to register and later collect their Card.⁴¹ This estimate relies on the assumption that every employee would need to register in worktime. This is patently a false assumption since the HIC proposes that Commission offices operate for extended hours during the registration phase. During implementation, Australia Card offices would be open for 12 hours per day as well as on Saturday mornings where appropriate. Other offices will be open for up to nine hours per day where warranted.⁴²

5.11 Nevertheless, it is clear that there will be some costs for the private sector, especially for banks which will need to change their customer account systems to allow information to be supplied to the Australian Taxation Office (ATO) in the form the ATO requires. We do not believe, however, that these costs will be proportionally large and agree with the point made by Mr N.J. Meers, National Executive Director of the Australian Retailers Association, in evidence before the Committee that compliance costs,

... when you relate them in percentage terms to the profitability, the sales and the general importance of the private sector, are not a significant amount. It will have to be borne and it may well be passed on. It may even have a small inflationary effect. But that is something to be considered against the enormous problem we have of a society which now has a substantial activity that is anti-social.⁴³

5.12 We also point out that the compliance costs of the Government proposal for the private sector will be considerably less than that for the upgraded tax file number system, as explained elsewhere in this Report.

6. Arguments against the Proposed Tax File Number System

6.1 We wish to record our strong opposition to the tax file number system recommended by the majority of the Committee. We are concerned that the majority decision to reject the Australia Card proposal is primarily a political decision aimed at denying the Government: (a) significant revenues and (b) a chance to implement a system which is manifestly popular in the electorate at large.

6.2 We believe the tax file number system is a weak alternative to the Australia Card proposal and is, in fact, a watered-down version of the proposal. Despite the public posturings of the signatories to the majority report and their explicit assertions that they have rejected the Government proposal, the tax file number system clearly adopts major elements of the proposal:

- . it embraces a unique personal numbering system (based on a tax file number which will have very little security and will be easy to falsify);
- . it endorses the compulsory use of the number in relation to taxation matters, employment, social security, banking and other financial transactions; and
- . it proposes, in effect, a central number register which will be within the Australian Taxation Office instead of the Health Insurance Commission.

6.3 Unfortunately, while accepting and endorsing major elements of the Government's proposal, the majority of Committee members has chosen to recommend procedures which are grossly inadequate to achieve the objectives of that proposal.

6.4 We believe the majority report has been cobbled together and is demonstrably lacking in the thought and consideration needed to build a workable system to combat tax evasion, social security fraud, and certain other frauds. For example, there has been no examination of the operation of systems based on tax file numbers elsewhere, nor of the mechanisms needed to make such systems work effectively. The absence of such an examination is plainly evident in the failure of the majority to endorse the issuing of a tax card. Consideration of the problems encountered in countries such as Canada and the United States, which both utilise a low-integrity identification number system, would have led the majority to see the wisdom of establishing a high integrity system from the outset.

6.5 The majority proposal arose out of questions addressed to representatives of the Australian Taxation Office (ATO) during their appearances before the Joint Select Committee. It is fair to say that the tax file number option was not initiated by officers of the ATO, nor did they appear enthusiastic about that as an alternative to an Australia Card.

6.6 The reasons for the ATO's reluctance to sponsor the tax file number alternative is obvious when that alternative proposal is examined. First, the security and integrity of the system will not be capable of being upgraded to the standard of the Australia Card: it will be easier to obtain a tax file number and easier to use it in a fraudulent way.

6.7 This is because tax payers with a continuous tax record of more than five years standing will be accepted as genuine identities (unless and until audit checks reveal otherwise). We believe that this one step alone will allow the continuation of a significant number of false names and numbers in the tax system - significant enough to begin the proposed new tax file number system with a fatal flaw.

6.8 Second, the security and integrity of the tax file number system will be breached. The tax file notice issued will have no security features so it will be relatively easy to fake the notice or to use stolen or lost tax file numbers. The majority report does not address this problem in any way.

6.9 Third, while the interviews will be conducted by the Department of Social Security or nominated agents, the Australian Tax Office will issue the tax file numbers and maintain the Register of identities. Once responsibility is split in this manner, problems of coordination, communication and control are inescapable.

6.10 Further, the Australian Taxation Office has had little experience in the near universal registration of citizens and the use of computer equipment required for such registration. The Health Insurance Commission has the necessary experience. Those who criticise the HIC for the multiple issue of Medicare cards conveniently overlook the fact that the existing universal identity numbers and other safeguards in the system inform the HIC of the multiple possession of Medicare cards. Nor do these critics take into account the further consideration that Medicare was established within the constraints of cost and compromises in relation to the integrity of the cards issued.

6.11 It is also significant that the Australian Taxation Office has consistently underspent and undergeared its allocation for computer based equipment. The Health Insurance Commission, on the other hand, has equipment currently in use which can service the population universally.

6.12 The proposal of the majority of the Committee to allow officers other than those from the Department of Social Security (DSS) to carry out interviews when DSS offices are not easily accessible is likely to lower the integrity of the tax file number system even further. Management problems are likely to arise in training staff in common requirements and criteria when the staff do not belong to the same Department. While it is true that the Health Insurance Commission (HIC) will also need to consider appointing agents in some country areas, it is likely to require far fewer than the DSS since the HIC plans to extend its network of branch offices to 356 for the implementation process.⁴⁴ The HIC will thus have less of a problem than the DSS which has only 204 branch offices and only modest plans to expand the network.⁴⁵

6.13 We confidently predict that if the upgraded tax file number scheme is adopted it will be so flawed that tax evasion and social security fraud will not be reduced to the same level as is achievable under the Australia Card proposal. As a result, the Commonwealth revenue will suffer unnecessarily.

6.14 Apart from the problems of integrity outlined above, we believe that the scheme will not be a cheaper alternative to the Australia Card proposal. In spite of its assertion that this will be the case, the majority of the Committee has not carefully costed its proposal or taken detailed evidence on costs. In fact, a comparison of the two proposals shows that the cost of Medicare registration, administration and card issue should be added to the costs of the tax file number scheme. This is an area where the majority recommendation, if adopted, will cause a costly duplication of time, effort and money.

6.15 Additionally, there are two other matters in relation to costs which concern us. Firstly, there is likely to be a large increase in the staff of the Department of Social Security in order to carry out the registration of people applying for tax file numbers. This growth is likely to be larger than necessary because of the requirement for people to apply in person. Demand is likely to be unpredictable and, as a consequence, there will be inefficiencies in the allocation of staff, problems with office administration and an overall unpredictable growth in costs. This aspect of the tax file number scheme should be compared to the system proposed by the Government, where letters will be sent to persons inviting application for an Australia Card. The Government's proposed system will allow the efficient utilisation of resources and staff.

6.16 Second, costs to the private sector will rise if it becomes necessary to guard against fraud through the verification of tax file numbers at the time of presentation. This could only be done by a phone-up system similar to that operated by Bankcard. The costs of operating such a system are likely to be large.

6.17 When taken together, these factors make the assertion of the majority - that the tax file number system will have substantially lower costs - extremely doubtful. Certainly the compliance costs for employers, banks and other financial institutions will be much higher than under the Government's proposal. This is a direct consequence of the lower integrity and security of the tax file number system compared with that of the proposed Australia Card. Because there is no direct link between the tax file number and the person to whom it has been issued, the employers, banks and other financial institutions will need to examine additional documentation to establish that the identity claimed is genuine.

6.18 These considerations make it impossible for us to support the introduction of a tax file number system.

Endnotes

1. Evidence, p. 118.
2. Health Insurance Commission Final Planning Report Canberra, 1986 [hereafter FPR]; paragraph B3.1 et seq. p. 53 ff.
3. Evidence, p. 3838 ff.
4. Evidence, p. 118 ff.
5. Evidence, p. 3455 ff.
6. Evidence, p. 1537 ff.
7. Evidence, p. 1433 ff.
8. Submission, No. 108.
9. Evidence, p. 3816 ff.
10. Evidence, p. 595 ff.
11. Evidence, p. 3483 ff.
12. Evidence, p. 3770 ff.
13. Evidence, p. 3826.
14. Evidence, pp. 1265-67.
15. Evidence, p. 3591.
16. Evidence, p. 3826.
17. Royal Commission on the Activities of the Federated Ship Painters and Dockers Union, Final Report Volume 2 (Canberra, 1984); p. 18
18. Submission by the Government of Australia to the Joint Select Committee on an Australia Card Towards Fairness and Equity Canberra, 1986 [hereafter 'TFE']; paragraphs 5.2.4-5.2.40; pp. 53-63.
19. TFE, paragraph 3.3.2, p. 40.
20. TFE, paragraph 4.4.1, p. 49.
21. TFE, paragraphs 6.1-6.8, pp. 81-91.
22. FPR, paragraph 2.33, p. 19.

23. TFE, Chapter 6, p. 81 ff; and FPR, Appendix E, pp. 73-4.
24. TFE, pp. 149-151.
25. FPR, see Appendix G, pt 3, p. 82, Appendix H, pts 2 and 3, pp. 91-95 and Appendix N pp. 147-157.
26. TFE, paragraph 3.5, pp. 44-45.
27. FPR, Appendix P, pp. 163-165.
28. FPR, paragraph P3.7, p. 168.
29. FPR, paragraph 2.16, p. 33 and Appendix R, pp. 173-177.
30. TFE, paragraphs 14.8.3, 14.8.4 and 14.11.10 on pp. 181 and 185; and FPR, paragraph G4.3, p. 84.
31. FPR, paragraph K5.1, pp. 123-124.
32. FPR, paragraph J3.1.1, p. 114; paragraph J4.1, p. 116; and paragraphs J6.1-6.4, pp. 118-120.
33. FPR, paragraph Y4.4, pp. 220-221.
34. FPR, paragraph G6.2.2, p. 86.
35. Evidence, pp. 1888-9.
36. TFE, tables 8.6 and 8.7, pp. 121-123.
37. Evidence, pp. 3456-7.
38. Evidence, pp. 4003-4.
39. Evidence, p. S299.
40. Evidence, pp. 3519-20.
41. Evidence, p. S297.
42. FPR, paragraph 2.11.8, p. 28 and paragraph U4.5, p. 198.
43. Evidence, p. 3457.
44. FPR, paragraph U4.1, p. 197.
45. Department of Social Security Annual Report 1984-85 (AGPS, 1985); p. 56.

Appendix 1

Individuals and organisations who made a written submission to the Committee

A number of individuals and organisations presented more than one submission to the Committee. These later submissions have been allocated the same number as the original submission. Some submissions were incorporated into the transcript of evidence on the day the individual or organisation appeared before the Committee. All remaining submissions were incorporated into the transcript of evidence at the final public hearing and will appear in a separate bound volume.

	Submission Number
Administrative & Clerical Officers' Association Sydney, N.S.W.	95
Aboriginal Affairs Department of, Canberra, A.C.T.	123
Anglican Social Responsibilities Commission, Perth, W.A.	84
ANZ Banking Corporation, Melbourne, Vic.	44
Associated Electronic Services Ltd., Perth, W.A.	83
Attorney-General Northern Territory, Darwin, N.T.	101
Attorney-General, South Australia, Adelaide, S.A.	26
Attorney-General's Department, Canberra, A.C.T.	58
Australian Association of Permanent Building Societies, Canberra, A.C.T.	81
Australian Bureau of Statistics, Canberra, A.C.T.	86
Australian Catholic Social Welfare Commission Canberra, A.C.T.	73
Australian Computer Society Inc., Adelaide, S.A.	48
Australian Computer Society (National), Canberra, A.C.T.	104

Australian Council of Local Government Associations, Canberra, A.C.T.	78
Australian Democrats (Menzies Branch), Melbourne, Vic.	79
Australian Family Association, Melbourne, Vic.	71
Australian Hotels Association, Sydney, N.S.W.	30
Australian Labor Party, Cowper Federal Electorate Council, Scotts Head, N.S.W.	94
Australian Labor Party (Ivanhoe Branch), Melbourne, Vic.	20
Australian Labor Party (National Secretariat), Canberra, A.C.T.	109
Australian Labor Party (Victorian Branch) Melbourne, Vic.	121
Australian Pensioners' Federation, Newcastle, N.S.W.	128
Australian Retailers' Association, Sydney, N.S.W.	56
Australians for Social Responsibility in Computing Sydney, N.S.W.	116
Bar Association of Queensland, Brisbane, Qld.	63
Barter, Professor C.J., Adelaide, S.A.	49
Blewett, The Hon. Neal, MP, Minister for Health Canberra, A.C.T.	1
Bolkus, Senator Nick, Canberra, A.C.T.	111
Bowyer-Smyth, Sergeant I.W., Baulkham Hills, N.S.W.	36
Brisbane City Council (Department of Transport) Brisbane, Qld.	75
Butler, Mr P.A., Auchenflower, Qld.	46
Cayon Para-Physical Research Centre, Garbutt, Qld.	92
Chamber of Commerce and Industry S.A. Inc., Adelaide, S.A.	15
Chase Security Consultants Pty Ltd, Malvern, Vic.	41
Chetwood, Mr P., Melbourne, Vic.	114
Clarke, Mr F., West Heidelberg. Vic.	100

Clarke, Mr R., Canberra, A.C.T.	8
Coalition Against IDs, Glebe, N.S.W.	10
Combined Community Legal Centres Group, Marrickville, N.S.W.	31
Commonwealth Banking Corporation, Sydney, N.S.W.	35
Computer Power Pty Ltd, Canberra, A.C.T.	118
Confederation of Australian Industry (Commerce and Industry Council), Canberra, A.C.T.	119
CPE Data Card Limited, Bankstown, N.S.W.	112
Crispin, Mr K.J., Canberra, A.C.T.	87
Dawes, Mr L.A., Smithfield, N.S.W.	91
De La Rue Identity Systems Limited, Hampshire, England	125
Emberson, Dr E.J., Wembley Downs, W.A.	45
Federated Clerks Union of Victoria, Melbourne, Vic.	7
Francis, Mr R.D., Armadale, Vic.	3
Goschnick, Mr S., Belgrave, Vic.	50
Goss, Mr W. (Opposition Justice Spokesman, Labor Party), Newstead, Qld.	17
Government of Australia, Canberra, A.C.T.	82
Graham, Mr P., Nathan, Qld.	124
Greenleaf, Mr G., Kensington, N.S.W.	77
Groenewegen, Professor P.D., Beecroft, N.S.W.	103
Gyulai, Mr S., Darlinghurst, N.S.W.	64
Hamilton, Mr D.J., Taringa, Qld.	42
Hayes, Mr P., Moreland, Vic.	59
Health Insurance Commission, Canberra, A.C.T.	2
Health Insurance Commission, Canberra, A.C.T.	89
Henderson, Mr P.M., Winston Hills, N.S.W.	85

Holywell, Ms S., Elsternwich, Vic.	115
Honeywell Pty Ltd, Sydney, N.S.W.	96
Hosking, Mrs R., Canberra, A.C.T.	88
Human Rights Commission, Canberra, A.C.T.	129
IBM Australia Ltd., Canberra, A.C.T.	74
Inatey, Mrs G., Bathurst, N.S.W.	25
Interagency Migration Group, Parramatta, N.S.W.	67
James, Mr A.E., Lara, Vic.	22
Jeffery, Mr B.W., Marsfield, N.S.W.	28
King, Mr B.M., Chadstone, Vic.	98
Kirby, Mr Justice M.D., Sydney, N.S.W.	97
Krever, Dr Richard, Clayton, Vic.	105
Laidlaw The Hon. Diana, M.L.C., Adelaide, S.A.	34
Laser Information Systems Technology, Crows Nest, N.S.W.	127
Laser Light Expressions, Chatswood, N.S.W.	102
Law Council of Australia, Canberra, A.C.T.	113
Law Institute of Victoria (Administrative Law Committee), Melbourne, Vic.	5
Lawrence, Dr L.G., South Curl Curl, N.S.W.	12
Local Government Association of N.S.W., Sydney, N.S.W.	107
Management Information Systems Pty. Ltd. Melbourne, Vic.	24
MAS Advertising, Canberra, A.C.T.	90
Medical Record Association of Australia, Sydney, N.S.W.	65
National Australia Bank Limited, Melbourne, Vic.	33
National Business Systems, Crows Nest, N.S.W.	52
National Consumer Affairs Advisory Council Canberra, A.C.T.	72

N.S.W. Council for Civil Liberties, Glebe, N.S.W.	9
N.S.W. Privacy Committee, Sydney, N.S.W.	13
O'Callaghan, Dr H., Homebush, N.S.W.	14
O'Callaghan, Mrs C., Homebush, N.S.W.	40
O'Hair, Mr R., Bowen Hills, Qld.	93
Odermatt, Mr B., Leigh Creek South, S.A.	23
Ovens Valley Electors Association, Myretelford, Vic.	76
Parker, Mr G.F., Alderley, Qld.	38
Paterson, Mr D., Cremorne Point, N.S.W.	11
Peake, Mr M.C., Fulham Gardens, S.A.	69
People Against Identity Numbers, Melbourne, Vic.	4
Polaroid Australia Ltd., Sydney, N.S.W.	70
Police Association of Tasmania, Hobart, Tas.	126
Queensland Council for Civil Liberties, Brisbane, Qld.	16
Queensland Law Society, Brisbane, Qld.	80
Queensland Premier's Department, Brisbane, Qld.	66
Returned Services League of Australia Canberra, A.C.T.	54
Ridley, Mr D.M., Darra, Qld.	27
Rumney, Mr W.L., Boronia, Vic.	117
Salvation Army, Sydney, N.S.W.	37
Samson, Dr D., Doncaster East, Vic.	29
Society of Labor Lawyers - Victoria, Melbourne, Vic.	122
South Australian Council for Civil Liberties Inc Adelaide, S.A.	106
Stanhope, Mr J., Parkdale, Vic.	51
Stanley, Mr P., Canberra, A.C.T.	43
State Bank of Victoria, Melbourne, Vic.	61

Sydney City Mission, Sydney, N.S.W.	108
Syscorp Pty Ltd, Sydney, N.S.W.	21
Tallack, Mr N.W., Greenacre, N.S.W.	62
Technical Standards Association of Australia Sydney, N.S.W.	57
Turnbull, Mr J.S., Turramurra, N.S.W.	32
Tutt, Mr C.W., Rockhampton, Qld.	53
Vernon, Mr P., Newtown, N.S.W.	60
Victorian Council for Civil Liberties Inc. Melbourne, Vic.	6
Victorian Teachers Union, Camberwell, Vic.	18
Walker, Professor G.de Q., St Lucia, Qld.	39
Walsh, Dr D.S., Sydney, N.S.W.	47
Watson, Ms R., Hawthorn, Vic.	120
Webb, Mr M.J., Dalkeith, W.A.	110
Webster, Professor Ian W., Kensington, N.S.W.	19
Westpac Banking Group, Sydney, N.S.W.	68
Whalan, Professor D.J., Canberra, A.C.T.	99
Wright, Mr F.P., Tennyson, Qld.	55

Appendix 2

Individuals and organisations who appeared before the Committee

Individuals/Organisations	Represented by	Page
Administrative and Clerical Officers Association, Sydney, N.S.W.	Mr I.C. Latham	3296
Alcohol and Drug Foundation - Tasmania Inc., Moonah, Tas.	Mr D. Wills	3171
ANZ Bank, Melbourne, Vic.	Mr P.D. Bearsley	1233
Associated Electronic Services Ltd, Morley, W.A.	Mr C.M. Moss	2974
	Mr G.R. Grieve	2974
	Mr J.P. Chin	2974
Attorney-General's Department, Canberra, A.C.T.	Mr H. Burmester	2362
	Mr E. Willheim	2362
	Mr N. Foster	2362
	Ms S. Martyn	2362
	Mr C. Creswell	2362
		2394
	Mr E.M. Haddrick	2362
Ms S.M. Bromley	2362	
Australian Bureau of Statistics, Canberra, A.C.T.	Mr F.D. Bagley	2330
Australian Computer Society Inc., Darlinghurst, N.S.W.	Mr C.J. Bushell	2912
	Mr M. Rosenberg	3084
	Mr T.L. Woodings	3084
	Mr P.R. Sumner	3084
	Mr B.J. Low	3084
Australian Council of Local Government Associations, Canberra, A.C.T.	Ms L. Cutts	3931
Australian Electoral Commission, Canberra, A.C.T.	Dr C.A. Hughes	2792
	Mr A. Cirulis	2792
	Mr B.A. Friend	2792
	Mr M.C. Maley	2792
	Mr R.H. Turnbull	2792
	Mr E.I. Arsanis	2792

Australian Federal Police, Canberra, A.C.T.	Det. Chief Super. A. Brown Chief Inspector P.R. Kirby	2758 2758
Australian Hotels Association Sydney, N.S.W.	Mr C.R. Walker	1537
Australian Institute of Health, Canberra, A.C.T.	Ms E. Clark Dr L.R. Smith Mr P.H. Garvin	2347 2347 2347
Australian Retailers Association, Sydney, N.S.W.	Mr N.J. Meers	3455
Australian Retired Persons Association, Melbourne, Vic.	Mr R.W. Parry	3322
Australian Taxation Office, Canberra, A.C.T.	Mr P.L. Foster Mr J.P. McDermott Mr J.M. Killaly Mr W.W. Reed Mr G.R. Seymour Mr R.G. Mills	1887 2057 2211 3941 1887 2057 2211 3941 1887 2057 2211 1887 2057 2211 3941 3941
Australian Taxpayers Association, Melbourne, Vic.	Mr E. Risstrom	118
Australasian Society of Engineers, Tasmanian Branch, Hobart, Tas.	Mr J.E. Forster	3186
Barter, Professor C.J., Kensington Park, S.A.		2948
Butler, Mr P.A., Auchenflower, Qld.		698
Chamber of Commerce and Industry SA Inc., Adelaide, S.A.	Mr R.A. Nettle	2810
Chase Security Consultants Pty Ltd Malvern, Vic.	Mr P.W. Backman	802
CPE Data Card Limited, Highett, Vic.	Mr P. Wybrow Mr J. Oldfield	3555 3555

Clarke, Mr R., Chapman, A.C.T.		312
Coalition Against IDs, Waterloo, N.S.W.	Mr W.A. Mann Mr R. Childs	475 475
Commerce and Industry Council, Confederation of Australian, Industry, Canberra, A.C.T.	Mr W.J. Bracken	3994
Commonwealth Banking Corporation Sydney, N.S.W.	Mr R.J. Switzer	1076
Costigan, Mr F.X., QC, Melbourne, Vic.		1200
De La Rue Identity Systems Ltd, Basingview, Basingstoke, Hampshire, England	Mr J.P. Terry	4025
De La Rue Techway Pty Ltd, Milsons Point, N.S.W.	Mr A.A. Thompson Mr J.C. Lane	4025 4025
Department of Aboriginal Affairs, Canberra, A.C.T.	Mr D.J. O'Rourke Mr W.E. Miller Mr L.N. Owens Mr R.A. Morony Mr D. McDonald Mr S.K. Wisdom	3969 3969 3969 3969 3969 3969
Department of Community Services, Canberra, A.C.T.	Mr I.K. Lindenmayer Mr R.I. Campbell Mr B.A. Strutt	2297 2297 2297
Department of Education, Canberra, A.C.T.	Mr B. Milligan Mr D.W. Moss	2269 2269
Department of Employment and Industrial Relations, Melbourne, Vic.	Mr A.B. Lovell Mr G. Nooney	2191 2191
Department of Finance, Canberra, A.C.T.	Mr M.J. Danaher Mr E.J. Mann Mr R.A. Cobcroft	2722 2722 2722
Department of Foreign Affairs, Canberra, A.C.T.	Mr I.E. Nicholson Mr N.R. Allanson	2156 2156
Department of Health, Canberra, A.C.T.	Mr M.M. Clarke Mr D.S. Fisher Mr W.T.L. Taylor Mr I. Marshman Mr J.G. Burt	1576 2394 3737 1576 2394 3737 2322 2394 2394

Department of Housing and Construction, Canberra, A.C.T.	Mr W.E.J. Butler Mr C.J. Pickett Mr R.H. Gibson	2259 2259 2259
Department of Immigration and Ethnic Affairs, Canberra, A.C.T.	Mr W.A. McKinnon Mr A.J. Goward Mr P. Judd Mr C.G. Hansen	2104 2104 2104 2104
Department of Social Security, Canberra, A.C.T.	Mr M.E. Cunliffe Mr T.C. Murphy Mr A. Main Mr B. Pacey	1984 3615 1984 3615 3615 3615
Department of the Special Minister of State, Canberra, A.C.T.	Mr W.J. McCann Mr S.B. Shearer	2758 2758
Department of Veterans' Affairs, Canberra, A.C.T.	Mr K.W. Pearson Mr P.R. Watson Mr K.N. Bell	2313 2313 2313
Emberson, Dr E.J., Wembley Downs, W.A.		3061
Federated Clerks Union, Victorian Branch, Melbourne, Vic.	Mr K.Y. Harvey Mr A. O'Brien	290 290
Felmingham, Dr B.S., Blackmans Bay, Tas.		3195
Goss, Mr W., Newstead, Qld.		725
Greenleaf, Mr G., Lilyfield, N.S.W.		1454
Groenewegen, Professor P.D., Beecroft, N.S.W.		3483
Hayes, Professor R.A., Sydney, N.S.W.		595
Health Insurance Commission,	Mr M.G. Parsons Mr G.M. Lewis Mr C.R. Wilcox Mr A.P. Coates Mr K.J. Hazell	3578 3679 3679 3705 3705 3705
Honeywell Pty Ltd North Sydney, N.S.W.	Miss N. Newell Mr R.J. Exton	892 892
IBM Australia Ltd, West Pennant Hills, N.S.W.	Mr P.G. Singleton Dr D.F.A. Bright	1372 1372

IBM Australia Ltd, Sydney, N.S.W.	Mr P.M. Mitchell	1372
Krever, Mr R., Syndal, Vic.		3770
Laidlaw, The Hon. D., North Adelaide, S.A.		2860
Laser Light Expressions Pty Ltd, Chatswood, N.S.W.	Mr J.A. Tobin	3544
Law Council of Australia, Canberra, A.C.T.	Mr P.A. Hawke Mr R.A.F. Stewart Mr H.H. Jackson	3882 3882 3882
Law Institute of Victoria, Melbourne, Vic.	Mr E. Rodan Mr S. Amendola	210 210
Lawrence, Dr L.G., South Curl Curl, N.S.W.		515
Management Information Systems Melbourne, Vic.	Mr D.L. Collins	1106
Mas Advertising Pty Ltd, Curtin, A.C.T.	Mr A.G. Muldoon Mr W.R. Cooper	3853 3853
Meagher, Mr D.R., QC, Melbourne, Vic.		1158
Medical Record Association of Australia, Sydney, N.S.W.	Miss J.M. Fisher Ms J.A. Young	3431 3431
National Australia Bank Melbourne, Vic.	Mr G.L. Cupples	978
National Business Systems Pty Ltd Crows Nest, N.S.W.	Mr G.M. King Mr M.L. Lissing	1023 1023
National Tax Board, Solna, Sweden	Mr L.A. Tegnhed	3208
New South Wales Council for Civil Liberties, Glebe, N.S.W.	Ms B. Schurr	435
New South Wales Council of Social Service, Surry Hills, N.S.W.	Ms C. Chesterman	509
New South Wales Privacy Committee, Sydney, N.S.W.	Mr J. Nolan Ms M. Tangney	536 536
O'Callaghan, Dr M., Homebush, N.S.W.		620
O'Hair, Mr R., Bowen Hills, Qld.		698

Paterson, Mr D., Cremorne Point, N.S.W.		496
People Against Identity Numbers West Melbourne, Vic.	Mr D.A. Ball Mr B.K. Piper Mr T.J. McCoy Ms N. Sheldon Ms W. Smith	148 148 148 148 148
Polaroid Australia Pty Ltd North Ryde, N.S.W.	Mr J. Shanley Mr G.P. Blockley	1290 1290
Polaroid Corporation of the United States of America, C/- Polaroid Australia Pty Ltd, North Ryde, N.S.W.	Mr R.R. O'Connor	1290
Queensland Council for Civil Liberties, Brisbane, Qld.	Mr T.P. O'Gorman	662
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APPENDIX 4

Letters to the Committee from the Australian Taxation Office

-6 MAR 1986

Senator T. Aulich,
Chairman,
Joint Select Committee on the
Australia Card,
Parliament House,
CANBERRA A.C.T. 2600

Dear Senator Aulich,

QUESTIONS ON THE AUSTRALIA CARD PROPOSAL

Tax officials who gave evidence before the Joint Select Committee on 24 February 1986 were asked by Mr J.R. Porter MP whether further information could be supplied in relation to three matters. Two of these related to dividend and interest checking (in relation to one of which Mr J. Saunderson MP also sought information) and the third involved a consideration of the scale of net revenue gains which would accrue if taxation file numbers were used in lieu of the Australia Card. A fourth question raised by the Committee related to the use of charitable institutions and other tax exempt bodies for tax avoidance purposes. I shall discuss first the third point raised by Mr Porter.

Tax File Number/Revenue Gains

At one end of the scale, if we followed the Australia Card identification requirements before allocating tax file numbers (and purified existing records on that basis), we would expect to achieve similar revenue gains to those under the Australia Card option without a photograph - with similar staff and equipment costs.

At the other end of the scale, the use of the existing tax file number with its very low integrity would produce relatively little extra revenue.

Having regard to the existing level of reporting and checking for interest and dividend payments, the addition of a tax file number could be expected to improve our ability to process and match the information received with tax returns lodged. However, this would not seriously affect those evaders who use false names or invalid file numbers. The increased revenue gain is estimated at between \$6 million and \$9 million.

The general enforcement activities currently undertaken by this office do not give a guide to any firm estimate of revenue gains that might be expected from wider information reporting as proposed in the Government submission but linked to existing tax file numbers. Some revenue gains could accrue from the more extensive and systematic reporting of external source information, including dividends and interest. As with the advent of an Australia Card, the extensive use of the tax file number in various transactions could also be expected to act as some sort of deterrent to tax evasion and as an incentive to voluntarily comply with taxation obligations.

However, while the revenue gained in the short term might therefore be marginally above what would be expected from traditional enforcement activity, it is difficult to see how such gains could be maintained over time once the low integrity of a tax file number became obvious.

TO

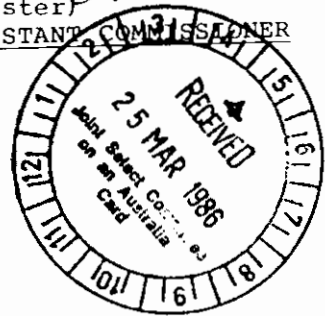
Mr T. Dodson
Secretary
Joint Select Committee on an Australia Card
Parliament House
CANBERRA ACT 2600

25 MAR 1986

File No. 16.L85/55-3 Copy for your information.

Senator T. Aulich,
Chairman,
Joint Select Committee on an
Australia Card,
Parliament House,
CANBERRA, A.C.T. 2600

P.L. Foster
(P.L. Foster)
A/g ASSISTANT COMMISSIONER



Dear Senator Aulich,

USE OF TAXATION FILE NUMBER

Officials from the Department of Health who gave evidence before the Joint Select Committee on 28 February 1986 passed on to the Australian Taxation Office a request made on that day by Mr J. Saunderson, M.P. for additional information concerning the possible use of the taxation file number in lieu of the Australia Card. With your approval, Mr R. Mills and Mr P. Foster from this office clarified with Mr Saunderson the further information being sought.

As we understand the position, the Committee is interested in exploring the benefits and associated costs that would accrue from using taxation file numbers with a higher level of integrity than they have at present instead of the Australia Card.

A paper outlining a possible plan to build into the taxation file number a moderate level of integrity is at Attachment A. Attachment B sets out the expected revenue gains from the use of this improved file number while Attachment C sets out the Australian Taxation Office's associated costs.

I hope the information in the Attachments meets the Committee's requirements. We will be pleased to provide any further information you may require. I am sure you will understand that we have tried to respond as best we can in the shortest possible time to a request to provide estimates of costs and benefits based on suppositions that are highly speculative.

A POSSIBLE PLAN FOR THE WIDESPREAD ISSUE OF
TAXATION FILE NUMBERS WITH A MODERATE LEVEL
OF INTEGRITY

Before discussing a possible plan to improve the level of integrity of the taxation file number and the associated "improved" revenue and costs it should be reiterated that the taxation file number as it is presently allocated and used has a very low integrity. Accordingly, its widespread use in its present form in the fight against tax evasion would produce relatively little extra revenue. If, however, a level of integrity similar to that proposed for the Australia Card was to be built into the file number its widespread use would produce similar revenue gains to those under the Australia Card option without a photograph. Of course staff and equipment costs would be similar to the Australia Card option.

"Improved" taxation file number

Since having heard of the Committee's interest in exploring the file number alternative we have been developing a possible plan to improve the current low level of integrity of the taxation file number. The proof of identity procedures we have been considering are along the lines of those adopted by the Department of Social Security in identifying its clients. At this initial stage however we are not contemplating tests as stringent as those carried out by Social Security. Accordingly, the level of integrity we think could reasonably be achieved would be below that of Social Security's but well above where the taxation file number is now.

An outline plan

The current Australian population is approaching 17 million persons. There is however a need to allocate about 9 million taxation file numbers at any one time. Of the file numbers presently allocated about 3 million have been in existence for five years or less. Current file numbers held for more than five years amount to about 6 million. It would seem a reasonable proposition that the identity of taxpayers who have been regularly lodging tax returns and paying tax for more than 5 years could be accepted at face value at the commencement of any upgraded identity check procedures. The 3 million taxpayers with a taxation record of 5 years or under would be invited to confirm their identity along with the other 8 million people in the country who currently do not have a file number.

This of course is a daunting task. One means by which the number of people to be initially identified could be reduced would be to allow children to make use of the file number of an associated taxpayer until such time as the child had a need to lodge a taxation return in his or her own right e.g. on entering

the workforce. This move would, we think, reduce the numbers to be initially identified by about 4 million. If this course was to be adopted we would have to confirm the identity of the 3 million five year and under taxpayers and identify about 4 million people who presently do not lodge tax returns.

It is our strong preference that a file number be allocated to all persons. A unique number for each person would facilitate the handling and matching of information gathered under the reporting systems. In any event children who might initially come under the cover of an associated adult's file number will eventually become taxpayers in their own right and will need to apply for a file number. Thus the savings that might now accrue would be absorbed by the later issue of an individual file number. The real advantage in allowing children to make use of the file number of an associated adult is the significant reduction in the number of people who would need to be identified before any numbering system could commence. We suggest that children not be separately identified at this initial stage.

In order that 7 million people can identify themselves to the Australian Taxation Office it would be necessary to establish a network of contact points throughout the country. Currently, the ATO has about 35 offices located in capital cities and other major population centres. Rather than expand our network of offices we would seek to enter into an arrangement with other Commonwealth agencies that are represented widely around the country to have that agency carry out our identity requirements and/or to accommodate a taxation officer for that purpose. The agency arrangement we have in mind would be along the lines of that between Australia Post and the Department of Foreign Affairs for the handling of passport applications.

The above outline plan has been prepared in a very short time. There are a number of matters of detail that require much development work.

One significant problem that we have not yet found a solution to is how to ensure that taxpayers who are to either confirm their identity (3 million) or the persons who are to be identified (4 million) present themselves in a phased and orderly manner through the registration period. It would of course be unmanageable if a significant number of people were to wait to just before the date for use of a file number to apply for the issue of a number.

A possible commencement date

It is our firm belief that the earliest possible date that taxation file numbers could be fully issued would be 31 March 1988. That date is one year earlier than the Health Insurance Commission expects to have 96 per cent of the Australia Cards issued. However, to achieve the 31 March 1988 date it would be essential for an almost immediate decision by

Government to proceed with a taxation file number system in lieu of the Australia Card proposal. This would permit an early start to the arranging for the issuing of file numbers which we think would need to commence by 1 April 1987. Enabling legislation for the taxation system would be required to be passed by the Parliament during the 1986 Budget Sittings.

It would also be essential that as part of the decision to adopt taxation file numbers the ATO be given the resources to develop and carry out its plans and authority to acquire and have installed outside the usual acquisition procedures the necessary computer equipment to issue file numbers. Also essential will be the need to acquire and fit-out suitable accommodation for the computing system.

REVENUE GAINS

A taxation file number system based on the issue of numbers after proof of identity procedures along the lines of those adopted by the Department of Social Security could be expected to produce recurring annual taxation revenue gains in the order of \$290 million when the associated taxation reporting systems were fully implemented (1992/93).

It is understood from discussions with Mr J. Saunderson, M.P. that the Committee would wish to know the likely revenue gains that would accrue from the use of a taxation file number with a level of integrity that might result from the use of Social Security type identity procedures.

As it is expected that the necessary taxation file numbers would be fully issued by 31 March 1988 the taxation revenue gains would commence from the 1988/89 financial year, one year earlier than under H.I.C.'s Australia Card proposal. Further details concerning the expected revenue gains are at Annexures B1 and B2.

It should be recognised, however, that because the level of integrity that would apply to an income tax file number system would be lower than that of the Australia Card there is no certainty that the recurring revenue benefits could be maintained over time once the low integrity of the file number became known. To ensure the gains remained locked in there would need to be an ongoing programme to maintain and improve the integrity of the taxation file number.

ESTIMATE OF RECURRING REVENUE BENEFITS

	AUSTRALIA CARD		INCOME TAX
	WITH PHOTO \$M	WITHOUT PHOTO \$M	FILE NUMBER \$M
SALARY AND WAGES	77	57	31
INTEREST	208	163	83
RENT	27	21	11
BUSINESS TAXPAYERS BETTER AUDIT SELECTION	16	13	6
REDUCTION IN THE TIME PER CASE	19	19	8
NON-LODGERS	85	69	34
INCREASED RANGE OF CASES	263	183	105
CORPORATIONS	29	27	12
TOTAL	724	551	290

INCOME TAX FILE NUMBER - ESTIMATED TAXATION REVENUE GAINS
BASIS: 85/6 PRICING (\$ MILLION)

	USE 1	USE 2	USE 3	USE 4	USE 5	USE 6	USE 7	USE 8	USE 9	TOTAL
	IDENTIFYING ACCOUNT-HOLDERS WITH BANKS & FINANCIAL INSTITUTIONS	IDENTIFYING INVESTORS WITH GOVT/ SEMI-GOVT BODIES ETC.	IDENTIFYING INVESTORS WITH UNIT, CASH MANAGEMENT & PROPERTY TRUSTS	IDENTIFYING i) PP INCOME THROUGH MARKETING AUTHORITIES ii) RENTAL INCOME FROM REAL ESTATE AGENTS iii) PROFESSIONAL INCOME THROUGH GOVT. AGENCIES	OVERSEAS REMITTANCES	REAL ESTATE	SAFETY DEPOSIT BOXES	PUBLIC COMPANY SHARE-HOLDERS & DEALERS ON FUTURES EXCHANGES	EMPLOYMENT [INCLUDING PPS]	
88/89	14	6	1	5	-	1	-	-	33	62
88/90	45	29	6	24	2	5	1	8	51	171
90/91	71	50	12	38	3	9	1	14	55	259
91/92	76	54	17	48	4	13	2	20	56	290
92/93	76	54	17	48	4	13	2	20	56	290

AUSTRALIAN TAXATION OFFICE COSTS

The costs associated with the widespread issue of taxation file numbers to persons who now do not have a file number would of course be additional to ATO costs included in the Government's Submission to the Committee. There would however be some offsetting savings. For instance, ATO would not have to develop computer systems and acquire equipment to access the Australia Card register.

Further, very significant savings and benefits would occur if the taxation file number could be linked to any computerised births, deaths and marriage system that may be decided upon.

Full details of the ATO's costs are at Annexures C1, C2 and C3. These costs do not take into account costs for the issue of taxation file numbers to about 4 million children. If it was decided to issue children with their own taxation file number further costs in the order of \$28 million would be incurred.

Conclusion

As an alternative to the Australia Card proposal taxation file numbers could be used to produce about one half of the expected Australia Card taxation revenue gains. This revenue would commence one year earlier than taxation revenue produced under the Australia Card programme. The costs associated with the issue of taxation file numbers with moderate integrity would be considerably less than the Australia Card option. The use of taxation file numbers would produce taxation benefits of around \$12 for each \$1 outlaid.

The short time available since the preparation of the benefits and costs has not permitted our calculations to have been given to the Department of Finance. Should the Committee wish Finance to see our calculations we would supply all material to that Department.

COST BENEFIT ANALYSIS (Discounted Cost Totals)

AUSTRALIAN TAXATION OFFICE COSTS

(\$,000's)

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96
A.										
<u>Australia Card</u>										
	336	1266	8489	2554	19356	17596	8522	1267	1151	1047
<u>Less: Tax File Number</u>										
B.										
- Savings										
	112	1073	675	234	34	31	28	25	23	21
	224	193	7814	2320	19322	17565	8494	1242	1128	1026
<u>Add: Tax File Number</u>										
C.										
- Costs										
	11054	65858	6264	4944	4494	4086	3714	3376	3069	2790
- Compliance Staff Adjust.				10165	-8429	-11991	-7128			
D.										
<u>Total Cost</u>										
	11278	66051	14078	17429	15387	9660	5080	4618	4197	3816
E.										
<u>Cumulative</u>										
	11278	77329	91407	108836	124223	133883	138963	143581	147778	151594
F.										
<u>Revenue</u>										
			62000	171000	253000	290000	290000	290000	290000	290000
G.										
<u>Cumulative</u>										
		62000	233000	486000	776000	1066000	1356000	1646000	1936000	
H. Benefit Cost Ratio - 12.7										

Note: A. ATO Costs contained in Government submission
 B. ATO savings from work not required in connection with HIC's proposals
 C. ATO costs for the widespread issue of file numbers

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<hr/>								
1. Capital Dev. Cost								
<hr/>								
1.1 Equipment								
<hr/>								
1.1.1 Devel. Costs								
1.1.2 From 3.1.6	438							
1.2 Accomodation								
<hr/>								
1.2.1 Devel. Costs								
1.2.2 From 3.2.3	20							
1.3 Software & Other								
<hr/>								
1.3.1 Devel. Costs	120							
1.3.2 From 3.3.4	30							
<hr/>								
	578	0	0	0	0	0	0	0
<hr/>								

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<hr/>								
2. Recur. Dev. Costs								
<hr/>								
2.1 Equipment								
<hr/>								
2.1.1 Devel. Equip.								
2.1.3 From 4.1.16	-23	-23	-23	-23	-23	-23	-23	-23
2.3 Software								
<hr/>								
2.3.1 Devel. Costs.								
2.3.2 From 4.3.3		4	4	4	4	4	4	4
2.4 Staff								
<hr/>								
2.4.1 Data Prep.	1301	3749						
2.4.2 ADP Staff	728	168						
2.4.3 Non ADP Staff	2771	4254						
2.4.4 From 4.4.6	204	26	43	43	43	43	43	43
2.5 Lab. Based Costs								
<hr/>								
2.5.1 Devel. Costs.	120	49000						
2.5.2 From 4.5.4		60						
2.6 Consums. & Oths.								
<hr/>								
2.6.1 Devel. Costs	10	12008	1500					
2.6.2 From 4.6.6	-1	-1	-1	-1	-1	-1	-1	-1
	5110	69245	1523	23	23	23	23	23
<hr/>								

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<hr/>								
4. Recur. Opn. Costs	<hr/>							
<hr/>								
4.1 Equipment	<hr/>							
4.1.1 Computer Maint	393	393	393	393	393	393	393	393
4.1.2 Plant M'tance	12	12	12	12	12	12	12	12
4.1.3 Equip. Mtce.	3	3	3	3	3	3	3	3
4.1.8 Data Trans'n.	5	5	5	5	5	5	5	5
4.1.16 MINUS Devel.	-23	-23	-23	-23	-23	-23	-23	-23
4.2 Accomodation	<hr/>							
4.2.1 Accomod. Mtce.	<hr/>							
4.2.3 Accom. Clean.	<hr/>							
4.2.4 Electric Power	5	5	5	5	5	5	5	5
4.2.5 Security	<hr/>							
4.3 Software	<hr/>							
4.3.1 Software Maint		20	20	20	20	20	20	20
4.3.2 Apps Maint.		20	20	20	20	20	20	20
4.3.3 MINUS Devel.		-4	-4	-4	-4	-4	-4	-4
4.4 Staff	<hr/>							
4.4.1 Data Prep.		94	374	374	374	374	374	374
4.4.2 Computer Ops.	204	204	204	204	204	204	204	204
4.4.3 Apps mtce.		56	224	224	224	224	224	224
4.4.4 Other ADP	<hr/>							
4.4.5 Non ADP		323	1291	1291	1291	1291	1291	1291
4.4.6 MINUS Devel.	-204	-26	-43	-43	-43	-43	-43	-43
Sub-total 4.1 to 4.4	395	1082	2481	2481	2481	2481	2481	2481

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<hr/>								
4.5 Lab. Based Costs								
<hr/>								
4.5.1 Consult. Costs	840	2640	3360	3360	3360	3360	3360	3360
4.5.4 MINUS Devel.		-60						
4.6 Consums. & Other								
<hr/>								
4.6.1 Input Forms.	3	17	17	17	17	17	17	17
4.6.2 Record'g Media	2	2	2	2	2	2	2	2
4.6.3 Output Forms	3	196	196	196	196	196	196	196
4.6.4 Specials	2	2	2	2	2	2	2	2
4.6.5 Publicity				500	500	500	500	500
4.6.6 MINUS Devel.	-1	-1	-1	-1	-1	-1	-1	-1
	1244	3878	6057	6557	6557	6557	6557	6557
<hr/>								
5. Revenue & Resid.								
<hr/>								
5.2 Residual Values								
<hr/>								
5.2.1 Equipment		-680						-814
5.2.2 Building Value								-40
5.2.3 S'ware & Other								-60
	0	-680	0	0	0	0	0	-914
<hr/>								
Total Costs	11054	72443	7580	6580	6580	6580	6580	5666
Cumulative Costs	11054	83497	91077	97657	104237	110817	117397	123063
<hr/>								
Discounted Costs	11054	65358	6264	4944	4494	4086	3714	2908
Cumul. Disc. Costs	11054	76912	83176	88120	92614	96699	100414	103321
<hr/>								

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

To extend to 10 years, include the amount deducted as residual credits in the 93/94 year (items 5.2.1,2,3). This new cost for 93/94 remains constant for subsequent years.

	93/94	94/95	95/96
Total Costs	6580	6580	6580
Cumulative Costs	129643	136223	142803
Discounted Costs	3376	3609	2790
Cumulative Disc. Costs	106697	110306	113096

COST BENEFIT ANALYSIS
USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS : - \$,000's

Proportion of Costs for each Proposed Use.

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<u>Use 1 (72.5%)</u>								
Discounted Costs	8014	47747	4541	3584	3258	2962	2693	2108
Cumulative Costs	8014	55761	60303	63887	67145	70107	72800	74908
<u>Use 2 (2.7%)</u>								
Discounted Costs	298	1778	169	133	121	110	100	79
Cumulative Costs	298	2077	2246	2379	2501	2611	2711	2790
<u>Use 3 (0.8%)</u>								
Discounted Costs	88	527	50	40	36	33	30	23
Cumulative Costs	88	615	665	705	741	774	803	827
<u>Use 4 (4.8%)</u>								
Discounted Costs	531	3161	301	237	196	196	178	140
Cumulative Costs	531	3692	3992	4230	4445	4642	4820	4959
<u>Use 5 (0.3%)</u>								
Discounted Costs	33	198	19	19	13	12	11	9
Cumulative Costs	33	231	250	264	278	290	301	310
<u>Use 6 (0.4%)</u>								
Discounted Costs	44	263	25	20	17	16	15	12
Cumulative Costs	44	308	333	352	369	385	400	412
<u>Use 7 (negligible)</u>								
<u>Use 8 (6.0%)</u>								
Discounted Costs	663	3951	376	297	270	245	223	174
Cumulative Costs	663	4615	4991	5287	5557	5802	6025	6199
<u>Use 9 (12.2%)</u>								
Discounted Costs	1349	8035	764	603	548	498	453	355
Cumulative Costs	1349	9383	10147	10751	11299	11797	12250	12605

Use 10 (0.3%)

Discounted Costs	33	198	19	19	13	12	11	9
Cumulative Costs	33	231	250	264	278	290	301	310

TOTALS

Discounted Costs	11054	65858	6264	4944	4494	4086	3714	2908
Cumulative Costs	11054	76912	83176	88120	92614	96700	100414	203736



COMMISSIONER OF TAXATION

CANBERRA A.C.T. 2600
TELEPHONE 63 9111
TELEX 62187

REFERENCE 16.L85/55-3

1 May 1986.

Senator T. Aulich,
Chairman,
Joint Select Committee on an
Australia Card,
Parliament House,
CANBERRA. A.C.T. 2600

Dear Senator Aulich,

USE OF TAXATION FILE NUMBER

In response to a request from the Committee my letter of 25 March 1986 outlined a possible plan for the use of taxation file numbers instead of the Australia Card.

Included with the material provided to you were estimates of the expected revenue gains from the use of file numbers with a higher level of integrity than they have at present (Attachment B to the letter) and of the Taxation Office's associated costs (Attachment C).

Item H of Annexure C1 indicated there would be a benefit/cost ratio of 12.7:1. This figure was arrived at by comparing the cumulative revenue with the discounted cumulative costs. No attempt was made to discount the cumulative revenue figure as it seemed logical that, as a result of changing money values, revenue in dollar terms would be more likely to increase rather than decrease.

Later discussions with the Department of Finance revealed that the basis of our calculations differed from that used in the Government's Submission to your Committee. The Department of Finance, in accordance we understand with its usual practice in arriving at a benefit/cost ratio, compared the cumulative revenue discounted by an annual rate of 10% with the cumulative costs discounted on the same basis.

To enable your Committee to compare the benefit/cost ratio of the taxation file number option with the Australia Card proposal, we have recalculated our figures on the same basis as that used in the Government's Submission. The recalculated benefit/cost ratio for the taxation file number is 7.26:1. The revised schedules are attached. The Department of Finance is in agreement with the methodology adopted.

You might consider it appropriate to substitute the revised schedules for the Annexures to Attachment C of my letter of 25 March: this would necessitate the final sentence of the penultimate paragraph of Attachment C being modified accordingly.

A copy of this letter has been forwarded to the Department of Finance.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J.P. McDermott", written in a cursive style.

(J.P. McDermott)
SECOND COMMISSIONER OF TAXATION

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE DISCOUNTED COSTS - \$,000's

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96
<hr/>										
A. Costs for Australia Card.										
<hr/>										
	336	1266	8489	2554	19356	17596	8522	1267	1151	1047
<hr/>										
B. Savings for Tax File Number.										
<hr/>										
	112	1073	675	234	34	31	28	25	23	21
<hr/>										
Remaining Australia Card Costs.										
	224	193	7814	2320	19322	17565	8494	1242	1128	1026
<hr/>										
C. Costs for Tax File Number.										
<hr/>										
	11142	65838	6304	4980	4527	4115	3742	3401	3092	2811
			plus Compliance Staff Adjustments,							
			10165	-8429	-11991	-7128				
<hr/>										
D. Total Costs for Tax Administered System.										
<hr/>										
	11366	66031	14118	17465	15420	9689	5108	4643	4220	3837
<hr/>										
E. Cumulative Costs.										
<hr/>										
	11366	77397	91515	108979	124399	134089	139196	143840	148060	151896
<hr/>										

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE DISCOUNTED COSTS - \$,000's

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96
<u>F. Revenue.</u>			62000	171000	253000	290000	290000	290000	290000	290000
<u>G. Cumulative Revenue.</u>			62000	233000	486000	776000	1066000	1356000	1646000	1936000
<u>H. Discounted Revenue.</u>			51241	128479	172809	180076	163707	148826	135298	122999
<u>I. Cumulative Discounted Revenue.</u>			51241	179720	352529	532605	696312	845138	980436	1103436
<u>H. Benefit Cost Ratio:</u>										7.26

NOTES:-

- A. ATO costs for Australia Card proposals as contained in Government Submission to H.S.C..
 B. ATO savings from work not required in conjunction with HIC proposals.
 C. ATO costs for the widespread use of File Number.
 Compliance figures are adjustments from Aust. Card to File Number System.
 F. - I. Revenue from widespread use of File Number.

ALL FIGURES ARE DISCOUNTED 10% PER ANNUM.

COST BENEFIT ANALYSIS

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94

1. Capital Dev. Cost								

1.1 Equipment								

1.1.1 Devel. Costs								
1.1.2 From 3.1.6		408						
1.2 Accomodation								

1.2.1 Devel. Costs								
1.2.2 From 3.2.3		20						
1.3 Software & Other								

1.3.1 Devel. Costs		120						
1.3.2 From 3.3.4		30						
	578	0	0	0	0	0	0	0

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<hr/>								
2. Recur. Dev. Costs	<hr/>							
2.1 Equipment	<hr/>							
2.1.1 Devel. Equip.								
2.1.3 From 4.1.16	23	23	23	23	23	23	23	23
2.3 Software	<hr/>							
2.3.1 Devel. Costs								
2.3.2 From 4.3.3	4	4	4	4	4	4	4	4
2.4 Staff	<hr/>							
2.4.1 Data Prep.	1301	3749						
2.4.2 ADP Staff	728	168						
2.4.3 Non ADP Staff	2771	4254						
2.4.4 From 4.4.6	204	26	43	43	43	43	43	43
2.5 Lab. based Costs	<hr/>							
2.5.1 Devel. Costs	120	49000						
2.5.2 From 4.5.4		60						
2.6 Consums. & Oths.	<hr/>							
2.6.1 Devel. Costs.	10	12008	1500					
2.6.2 From 4.6.6	1	1	1	1	1	1	1	1
	5162	69293	1571	71	71	71	71	71
<hr/>								

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<hr/>								
3. Capital Opn. Cost								
<hr/>								
3.1 Equipment								
<hr/>								
3.1.1 Comp. H'ware	3924							
3.1.2 Data Storage								
3.1.3 Plant	121							
3.1.4 Other Equip.	25							
3.1.5 Installation	10							
3.1.6 MINUS Devel.	-408							
3.2 Accomodation								
<hr/>								
3.2.2 House Equip.	200							
3.2.3 MINUS Devel.	-20							
3.3 Software & Other								
<hr/>								
3.3.1 System S'ware								
3.3.2 Appl'ns S'ware	300							
3.3.4 MINUS Devel.	-30							
	4122	0	0	0	0	0	0	0
<hr/>								

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<u>4. Recur. Opn. Costs</u>								
<u>4.1 Equipment</u>								
4.1.1 Computer M'tce	393	393	393	393	393	393	393	393
4.1.2 Plant M'tce.	12	12	12	12	12	12	12	12
4.1.3 Equip. M'tce.	3	3	3	3	3	3	3	3
4.1.8 Data Trans.	5	5	5	5	5	5	5	5
4.1.16 MINUS Devel.	-23	-23	-23	-23	-23	-23	-23	-23
<u>4.2 Accomodation</u>								
<u>4.2.1 Accomod. M'tce</u>								
<u>4.2.3 Accom. Clean.</u>								
4.2.4 Elecuric Power	5	5	5	5	5	5	5	5
<u>4.2.5 Security</u>								
<u>4.3 Software</u>								
4.3.1 Software M'tce	20	20	20	20	20	20	20	20
4.3.2 Appl'ns M'tce.	20	20	20	20	20	20	20	20
4.3.3 MINUS Devel.	-4	-4	-4	-4	-4	-4	-4	-4
<u>4.4 Staff</u>								
<u>4.4.1 Data Prep.</u>								
4.4.2 Computer Ops.	204	204	204	204	204	204	204	204
4.4.3 Appl'ns M'tce.		56	224	224	224	224	224	224
<u>4.4.4 Other ADP</u>								
<u>4.4.5 Non ADP</u>								
4.4.6 MINUS Devel.	-204	-26	1291	1291	1291	1291	1291	1291
Sub-total 4.1 to 4.4	431	1012	2481	2481	2481	2481	2481	2481

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<u>4.5 Lab. based Costs</u>								
4.5.1 Consult. Costs	840	2640	3360	3360	3360	3360	3360	3360
4.5.4 MINUS Devel.		-60						
<u>4.6 Consums. & Other</u>								
4.6.1 Input Forms	3	17	17	17	17	17	17	17
4.6.2 Record'g Media	2	2	2	2	2	2	2	2
4.6.3 Output Forms	3	196	196	196	196	196	196	196
4.6.4 Specials	2	2	2	2	2	2	2	2
4.6.5 Publicity				500	500	500	500	500
4.6.6 MINUS Devel.	-1	-1	-1	-1	-1	-1	-1	-1
	1280	3808	6057	6557	6557	6557	6557	6557
<u>5. Revenue & Resid.</u>								
<u>5.2 Residual Values</u>								
5.2.1 Equipment		-680						-814
5.2.2 Building Value								-40
5.2.3 S'ware & Other								-60
	0	-680	0	0	0	0	0	-914

COST BENEFIT ANALYSIS

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
Total Costs	11142	72421	7628	6628	6628	6628	6628	5714
Cumulative Costs	11142	83563	91191	97819	104447	111075	117703	123417
Discounted Costs	11142	65838	6304	4980	4527	4115	3742	2932
Cumul. Disc. Costs	11142	76980	83284	88263	92790	96906	100647	103580

To extend to 10 years, include the amount deducted a residual credits in the 93/94 year (items 5.2.1, 2, 3). This new cost remains the same for subsequent years. (in fact constant for 89/90 onwards)

	93/94	94/95	95/96
Total Costs	6628	6628	6628
Cumulative Costs	124331	130959	137587
Discounted Costs	3401	3092	2811
Cumul. Disc. Costs	104049	107141	109951

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<u>Use 1 (72.5%)</u>								
Total Costs	8078	52505	5530	4805	4805	4805	4805	4143
Cumulative Costs	8078	60583	66113	70919	75724	80529	85335	89477
Discounted Costs	8078	47733	4570	3610	3282	2984	2713	2126
Cumul. Disc. Costs	8078	55810	60381	63991	67273	70257	72969	75095
<u>Use 2 (2.7%)</u>								
Total Costs	301	1955	206	179	179	179	179	154
Cumulative Costs	301	2256	2462	2641	2820	2999	3178	3332
Discounted Costs	301	1778	170	134	122	111	101	79
Cumul. Disc. Costs	301	2078	2249	2383	2505	2616	2717	2797
<u>Use 3 (0.8%)</u>								
Total Costs	89	579	61	53	53	53	53	46
Cumulative Costs	89	669	730	783	836	889	942	987
Discounted Costs	89	527	50	40	36	33	30	23
Cumul. Disc. Costs	89	616	666	706	742	775	805	829
<u>Use 4 (4.8%)</u>								
Total Costs	535	3476	366	318	318	318	318	274
Cumulative Costs	535	4011	4377	4695	5013	5332	5650	5924
Discounted Costs	535	3160	303	239	217	198	180	141
Cumul. Disc. Costs	535	3695	3998	4237	4454	4651	4831	4972
<u>Use 5 (0.3%)</u>								
Total Costs	33	217	23	20	20	20	20	17
Cumulative Costs	33	251	274	293	313	333	353	370
Discounted Costs	33	198	19	15	14	12	11	9
Cumul. Disc. Costs	33	231	250	265	278	291	302	311

COST BENEFIT ANALYSIS

TAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBER

STEADY STATE COSTS - \$,000's

Cost Item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<u>Use 6 (0.4%)</u>								
Total Costs	45	290	31	27	27	27	27	23
Cumulative Costs	45	334	365	391	418	444	471	494
Discounted Costs	45	263	25	20	18	16	15	12
Cumul. Disc. Costs	45	308	333	353	371	388	403	414
<u>Use 7 (negligible)</u>								
<u>Use 8 (6.0%)</u>								
Total Costs	669	4345	458	398	398	398	398	343
Cumulative Costs	669	5014	5471	5869	6267	6665	7062	7405
Discounted Costs	669	3950	378	299	272	247	224	176
Cumul. Disc. Costs	669	4619	4997	5296	5567	5814	6039	6215
<u>Use 9 (12.2%)</u>								
Total Costs	1359	8835	931	809	809	809	809	697
Cumulative Costs	1359	10195	11125	11934	12743	13551	14360	15057
Discounted Costs	1359	8032	769	608	552	502	456	358
Cumul. Disc. Costs	1359	9392	10161	10768	11320	11822	12279	12637
<u>Use 10 (0.3%)</u>								
Total Costs	33	217	23	20	20	20	20	17
Cumulative Costs	33	251	274	293	313	333	353	370
Discounted Costs	33	198	19	15	14	12	11	9
Cumul. Disc. Costs	33	231	250	265	278	291	302	311

COST BENEFIT ANALYSISTAXATION USES OF AUSTRALIA CARD WITH TAX FILE NUMBERSTEADY STATE COSTS - \$,000's

Cost item	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
<hr/>								
GRAND TOTALS								
<hr/>								
Total Costs	11142	72421	7628	6628	6628	6628	6628	5714
Cumulative Costs	11142	83563	91191	97819	104447	111075	117703	123417
Discounted Costs	11142	65838	6304	4980	4527	4115	3742	2932
Cumul. Disc. Costs	11142	76980	83284	88263	92790	96905	100647	103580

Appendix 5

Report of the House of Representatives Standing Committee on Expenditure - 'Who Calls Australia Home', November 1985

LIST OF RECOMMENDATIONS

- Recommendation 1: The Committee recommends that in future, recommendations made by the Audit Office in any report should be consecutively numbered in that report (paragraph 22).
- Recommendation 2: The Committee recommends that as far as possible, Audit should include time frames for implementation of its recommendations (paragraph 24).
- Recommendation 3: The Committee recommends that efforts by the Department of Immigration and Ethnic Affairs and the Australian Customs Service be increased to ensure that the issue of control of passenger cards at Sydney Airport is resolved by 31 December, 1985 in favour of the Department of Immigration and Ethnic Affairs (paragraph 29).
- Recommendation 4: The Committee recommends that a system of bail be considered urgently by the Department of Immigration and Ethnic Affairs in conjunction with other appropriate authorities with a view to introducing a pilot scheme in the second half of 1986 (paragraph 53).
- Recommendation 5: The Committee recommends that before any new Commonwealth detention facility is erected in Brisbane or elsewhere, careful investigation be undertaken to determine whether a more cost-effective solution can be found in terms of entering into joint arrangements with the appropriate State authority (paragraph 55).
- Recommendation 6: The Committee recommends that an eligibility test on residence grounds be introduced for legal aid and that at the time of application for legal aid, a person must be able to demonstrate that he/she is in Australia lawfully (paragraph 68).

- Recommendation 7: The Committee recommends that persons who are not authorised to work in Australia should be prohibited from using Commonwealth Employment Service (CES) services. The CES should use its contacts with job seekers and employers to publicise this fact (paragraph 74).
- Recommendation 8: The Committee recommends that the Health Insurance Commission urgently review its procedures and practices both in terms of issuing Medicare cards and cancelling those which are held by ineligible persons (paragraph 80).
- Recommendation 9(a): The Committee recommends that the Department of Social Security review its procedures to ensure that where residence is an eligibility criterion benefits are paid only to legal residents (paragraph 84).
- Recommendation 9(b): The Committee also recommends that a clear statement explaining the meaning of the Australian residence requirement should appear on the appropriate application forms and in associated publicity (paragraph 84).
- Recommendation (10): The Committee recommends that a new and separate category of entry permits be created for tourists and short-term visitors to Australia to distinguish them from temporary residents. The Committee further recommends that this category be prohibited from seeking change of status (paragraph 100).
- Recommendation 11: The Committee recommends that children born to temporary residents, to the proposed tourist/visitor category and to prohibited non-citizens in Australia do not become Australian citizens unless they would otherwise be stateless (paragraph 103).
- Recommendation 12: The Committee recommends that the Department of Immigration and Ethnic Affairs should examine the Torres Strait Treaty in detail with a view to promoting changes which do not deprive those who take up Australian citizenship of traditional rights (paragraph 104).

Organisation for Economic Cooperation and Development
Guidelines on the Protection of Privacy and Transborder Flows of
Personal Data (Paris 1981)

Extract

PART 2
BASIC PRINCIPLES OF NATIONAL APPLICATION

Collection Limitation Principle

7. There should be limits to the collection of personal data and any such data should be obtained by lawful and fair means and, where appropriate, with the knowledge or consent of the data subject.

Data Quality Principle

8. Personal data should be relevant to the purposes for which they are to be used, and, to the extent necessary for those purposes, should be accurate, complete and kept up-to-date.

Purpose Specification Principle

9. The purposes for which personal data are collected should be specified not later than at the time of data collection and the subsequent use limited to the fulfilment of those purposes or such others as are not incompatible with those purposes and as are specified on each occasion of change of purpose.

Use Limitation Principle

10. Personal data should not be disclosed, made available or otherwise used for purposes other than those specified in accordance with Paragraph 9 except:

- a) with the consent of the data subject; or
- b) by the authority of law.

Security Safeguards Principle

11. Personal data should be protected by reasonable security safeguards against such risks as loss or unauthorised access, destruction, use, modification or disclosure of data.

Openness Principle

12. There should be a general policy of openness about developments, practices and policies with respect to personal data. Means should be readily available of establishing the existence and nature of personal data, and the main purposes of their use, as well as the identity and usual residence of the data controller.

Individual Participation Principle

13. An individual should have the right:

- a) to obtain from a data controller, or otherwise, confirmation of whether or not the data controller has data relating to him;
- b) to have communicated to him, data relating to him
 - i) within a reasonable time;
 - ii) at a charge, if any, that is not excessive;
 - iii) in a reasonable manner; and
 - iv) in a form that is readily intelligible to him;
- c) to be given reasons if a request made under subparagraphs (a) and (b) is denied, and to be able to challenge such denial; and
- d) to challenge data relating to him and, if the challenge is successful, to have the data erased, rectified, completed or amended.

Accountability Principle

14. A data controller should be accountable for complying with measures which give effect to the principles stated above.