



**Australian Government**  
**Department of Social Services**

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Deputy Secretary

Ms Jeanette Radcliffe  
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Dear Ms Radcliffe

**SOCIAL SERVICES LEGISLATION AMENDMENT (CASHLESS DEBIT CARD TRIAL EXPANSION) BILL 2018**

Thank you for the opportunity to make a submission to the Community Affairs Legislation Committee about the Social Services Legislation Amendment (Cashless Debit Card Trial Expansion) Bill 2018 (the Bill), referred for inquiry by the Senate on 21 June 2018. I am pleased to support the Committee's deliberations through providing information regarding the proposed amendments to Part 3D of the *Social Security (Administration) Act 1999* (the Act).

*The cashless debit card (CDC)*

The effects of alcohol and other drug misuse are long lasting and extensive. People from families where substance misuse occurs are more likely to come into contact with the criminal justice system, be diagnosed with a mental illness, be admitted to hospital, become a perpetrator of family violence, experience poverty and homelessness, and experience mental breakdown.

The objective of the CDC is to learn more about whether limiting the amount of welfare payments available to be spent on alcohol, drugs and gambling will lead to a reduction in community level harm. In the current sites, it applies to most people on welfare payments in order to reduce the cash available to spend on harmful goods at a community level. It is not designed as a punitive measure.

Under the CDC, 80 per cent of a participant's welfare payment is placed on a Visa debit card that can be used at any merchant that accepts EFTPOS. The CDC operates like a normal, mainstream banking product and also enables a range of flexible payment options including online transfers, BPAY, some online shopping, and recurring deductions. The only time the CDC cannot be used is for the purchase of alcohol or gambling products, or to withdraw cash.

Recognising that participants will still need cash for minor expenses, such as children's lunch money, local farmer's markets or bus fares, the remaining 20 per cent of the welfare payment is deposited into the participant's regular account and can be withdrawn as cash.

The CDC is currently operating in the three trial sites of Ceduna, South Australia, East Kimberley, Western Australia, and the Goldfields region, Western Australia.

### *Evaluation*

The final report of the first independent evaluation into the effectiveness of the CDC trial has shown that the trial "has been effective in reducing alcohol consumption and gambling in both trial sites and [is] also suggestive of a reduction in the use of illegal drugs" and "that there is some evidence that there has been a consequential reduction in violence and harm related to alcohol consumption, illegal drug use and gambling." In particular, the evaluation found that:

- of those who drank alcohol before the trial started, towards the end of the trial 41 per cent of participants surveyed said they are drinking alcohol less frequently, while 37 per cent of participants reported binge drinking less frequently;
- of those surveyed who said they gambled before the trial started, 48 per cent reported gambling less; and
- of those surveyed who said they were using illegal drugs before the trial started, 48 per cent reported using these less since the trial began.

A second evaluation of the CDC trial will be undertaken to further assess the ongoing effectiveness of the program. The second evaluation of the CDC trial will be conducted across the three current trial sites. A formal procurement process will commence soon with evaluation findings published online by late 2019. The second evaluation of the CDC trial will include data from a range of sources and will be informed by research methodologies informed by the University of Queensland and baseline measurement of social conditions in the Goldfields developed by the University of Adelaide.

### *The Bundaberg and Hervey Bay region*

On 21 September 2017, the Government announced the Bundaberg and Hervey Bay region of Queensland as the fourth trial site for the CDC. This region was selected following encouraging levels of support in the region, and calls from the community to help address the issue of youth unemployment and provide assistance to young families in meeting the needs of their children.

Bundaberg and Hervey Bay has a high level of long-term and intergenerational welfare dependency. Children born to parents who are welfare dependent are more likely to become welfare dependent themselves. Ninety per cent of the people in this region under 30 and on Newstart or Youth Allowance, had a parent or guardian who received income support at some point in the last 15 years. Further still, of that cohort, around 13 per cent had a parent or guardian who received income support at least once each year for the past 15 years.

Between May and December 2017, the Department of Social Services (the Department) conducted over 188 meetings, including three community information sessions, across the Bundaberg and Hervey Bay area. These involved a broad range of stakeholders,

including the community sector, service providers, community members, church groups, the business sector and all levels of government, which demonstrated strong levels of support.

In late 2017, a Community Reference Group was established in the Bundaberg and Hervey Bay region to work through local policy and implementation issues to ensure the CDC trial is implemented effectively in this region. Through the Community Reference Group, the Department will continue to monitor service demand to ensure the CDC trial is complemented by appropriate supports for people as they adjust to the CDC trial.

#### *Explanation of Bill provisions*

The CDC is limited to the trial areas specified in subsection 124PD(1) of the Act. The Bill will amend the Act to include the Bundaberg and Hervey Bay area, as defined by the boundaries of the Federal Division of Hinkler (in line with the electoral boundaries as at 31 May 2018) and allow the CDC trial to be implemented in this region of Queensland. The Bill also amends the trial dates, to allow the CDC to operate in Bundaberg and Hervey Bay until 30 June 2020. This will provide sufficient time for the rollout to this fourth site, and for the trial to operate for a minimum of 12 months.

The Bill updates the current limitations on the number of CDC trial participants from 10,000 to 15,000, recognising the increase that would come from implementing the trial in this area.

For the three current sites, the trial area and class of persons participating in the trial are specified within a legislative instrument. Amending the Act to include the Bundaberg and Hervey Bay trial arrangements allows greater oversight by the Parliament. The Bill specifies the criteria for trial participants in the Bundaberg and Hervey Bay trial site. Those persons living in this region aged under 36 years of age, and receiving Newstart Allowance, Youth Allowance (Jobseeker), Parenting Payment (Single), or Parenting Payment (Partnered) would be transitioned onto the CDC trial. The selection of this cohort in this area has occurred as a result of significant consultation with the impacted communities in the area. This is designed to help address key social problems identified during meetings with the community.

The criteria for trial participants also sets out some exceptions where a person would not be transitioned onto the card, drawing on policy parameters used in existing sites. This includes a provision for the Secretary to exempt a person where inclusion in the trial would pose a serious risk to the person's mental, physical or emotional wellbeing. The Bill also allows the Secretary to vary the rate at which a participant's payment is restricted, allowing the participants entire payment to be paid into their usual bank account, in response to a technological fault, malfunction with their CDC or account, or because of a natural disaster. These exemptions and discretionary powers will be used to ensure vulnerable people are not adversely affected by the trial.

The Bill would impact approximately 6,000 people, in the Bundaberg and Hervey Bay region and represents a more targeted approach to the one taken in Ceduna, the East Kimberley and Goldfields. If passed, it will be the largest of all the card trial sites.

This estimated number of participants is lower than the previous estimate of 6,700 participants, used by Government and the department. Ahead of the boundaries of the

Bundaberg and Hervey Bay site being finalised, the Department used statistical area level 2 (SA2) under the Australian Statistical Geography Standard. The initial estimate was an approximation based on persons receiving specified trigger payments in these larger SA2s that did not all align perfectly with the proposed trial site. Following the introduction of the Bill, the Department reviewed the participant estimate, using the smaller and more accurate statistical area level 1 (SA1). As such, although the redistribution of electoral boundaries for the Division of Hinkler has resulted in a small increase to the size of the electorate, the figure of 6,000 is a more accurate estimation of the number of people impacted.

It is estimated that 14 per cent of participants in the Bundaberg and Hervey Bay area will be Aboriginal and Torres Strait Islander people. With the addition of the Bundaberg and Hervey Bay area, the proportion of Indigenous participants across the CDC trial sites will be approximately 33 per cent.

Expansion of the CDC under these criteria will allow the effectiveness of the trial to be further tested and understood in the context of a larger urban population. It is also an opportunity to test the technology in a more diverse community. This area has a significantly different demographic composition than other sites currently operating.

The Bill also specifies that for the Bundaberg and Hervey Bay trial site, welfare recipients that are not included as trial participants may not volunteer for the CDC trial. This will allow the Government to test the impacts of the CDC trial exclusively for the selected group, as has been asked for by the community.

To support the CDC trial across all sites, the Bill will strengthen the provisions that enable merchants to block the sale of restricted goods to trial participants at the point of sale. Merchants in trial sites will more readily be able to service participants of the program, through the option to implement product level blocking solutions, automatically blocking transactions where a participant is attempting to purchase restricted goods with the card.

In doing so, the Bill also clarifies the restriction on 'cash-like' products, such as gift cards, vouchers, money orders, or digital currency, where these could be used to purchase alcohol and gambling products. These products are included as restricted goods, as has always been the intention of the program, and in line with existing cash withdrawal restrictions on the CDC account. Clarifying this provision to include 'cash-like' products will support product level blocking amendments, and help prevent participants from circumventing the program and spending their welfare payments on alcohol, gambling and drugs.

#### *Recent implementation experiences*

In rolling out the CDC in the Bundaberg and Hervey Bay region, the Department will draw on its previous implementation experiences in the first three CDC sites, in particular our most recent experience in the Goldfields region.

The implementation of the CDC to approximately 3,000 participants in the Goldfields region has progressed well and is largely complete. The vast majority of participants were able to self-activate cards and begin to use them independently. This service behaviour differed from the previous implementations in Ceduna and the East

Kimberley: in these prior implementations, the majority of participants accessed one of the Department's many shopfronts for regular assistance.

The high uptake of self-servicing of Goldfields participants has allowed for learnings to improve the implementation of CDC. These include:

- Clear, effective messaging about setting up direct debits and automatic payments
  - The Department continues to work with the card provider, Indue Ltd., and the Department of Human Services to ensure clear wording is provided for participants setting up their direct debits or automatic payments from their CDC rather than from their regular bank account.
  - This includes clear language explaining deductions and automatic payments when self-activating, to make sure any appropriate payments come out of the participants restricted account and avoid confusion.
  - Where the Department was notified, real-time immediate transfers were arranged and longer-term solutions put in place.
  - Where appropriate, the Department will consider refunding participants who were financially at risk due to fees associated with this process.
- Communication of the availability of external transfers in some circumstances
  - Participants may be granted transfers from their CDC to their regular bank account to pay for bills or items that cannot be paid or purchased on their CDC. As with standard banking practice, these transfers usually take 1-2 business days to reach a participant's regular bank account.
  - It is important to make participants who self-activate aware of the delay in the external transfer process.
  - The Department is investigating the options of the banking sector's New Payments Platform, which can facilitate instant transfers between bank accounts.
  - If this is available, the CDC will have further functionality to allow participants instant access to their funds in their regular bank accounts, where a genuine need for these funds can be demonstrated.
- Online merchant identification improvements
  - The Department continues to work with the card provider, Indue Ltd., to explore options around online merchants.
  - This includes streamlining processes for approval of online merchants and developing options when merchants introduce new terminals.
  - The Department has progressed to approving online merchants by their retailer ID, therefore ensuring all terminals under one retailer ID are approved. This addresses the issue and reduces any risks of appropriate transactions being declined.

The CDC has the same functionality as a normal Visa debit card and is accepted in the same way. However, the Department remains committed to exploring further enhancements to the CDC, to increase card functionality and support participants transition onto the CDC program.

The Department welcomes the opportunity to provide additional assistance or information that is required by the Committee to support their deliberations.

Yours sincerely

Barbara Bennett

12 July 2018