



P. 02 8335 3200
E. info@retaildrinks.org.au

PO Box 6261, Alexandria, NSW 2015
Suite W3G, Building 2, Sydney Corporate Park
75 O'Riordan Street, Alexandria, NSW 2015

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Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email: economics.sen@aph.gov.au

SUBMISSION: DIGITAL ID BILL 2023 AND THE DIGITAL ID (TRANSITIONAL AND CONSEQUENTIAL PROVISIONS) BILL 2023

To whom it may concern,

On behalf of Retail Drinks Australia (**Retail Drinks**), we appreciate the opportunity to provide feedback regarding the *Digital ID Bill 2023 and the Digital ID (Transitional and Consequential Provisions) Bill 2023 (the Bill)*. Our feedback reiterates the previous points made in our submission responding to the to the draft Bill in October 2023.

By way of background, Retail Drinks is the national industry association representing the interests of the Australian liquor retail sector, including both bricks-and-mortar and online-only businesses. Our interest in digital identity particularly relates to the sale of alcohol products through online retail channels and home delivery. In New South Wales (**NSW**), online liquor retailers are legally required to verify the age of a customer at the point of sale using a provider accredited under the Trusted Digital Identity Framework (**TDIF**) for same-day alcohol deliveries.

Since Retail Drinks' formation in 2018, we have played an active leadership role in online alcohol sale and delivery, particularly through our [Online Alcohol Sale and Delivery Code of Conduct \(Online Code\)](#) launched in July 2019, covering over 80 per cent of all online alcohol transactions in Australia. One of the major elements of the Online Code is a requirement to ensure that Signatories have adequate age verification procedures in place to prove that customers are aged over 18.¹ To this end, under the Online Code, age must be verified at some point between the point of sale and the point of delivery (i.e. the point at which the customer receives the goods).

In addition to creating the Online Code, recognised as globally best-practice by the International Alliance for Responsible Drinking (**IARD**), Retail Drinks also held the industry-first trial of online age verification technology for online liquor retailers in May 2021.

More recently, we published a comprehensive and groundbreaking research report in July 2023 titled [Online Alcohol Sales & Delivery in Australia](#), developed in partnership with Frontier Economics. The research was based on nearly 10 million actual sales transactions from the FY22 period from retailers, marketplaces, and delivery partners nationwide, providing new insights into how consumers utilise online platforms to purchase liquor and the projected growth of the sector.

As a result of these initiatives, we have gained significant expertise in digital identity and its application to online alcohol delivery.

¹ <https://code.retaildrinks.org.au/>



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Response to Legislation:

Retail Drinks supports the concept of digital identity and the overarching intention of the legislation in providing *“individuals with secure, convenient, voluntary and inclusive ways to verify their identity for use in online transactions with government and businesses”*. In expressing our in-principle support for the legislation, we however emphasise the practical needs of online liquor retailers reliant on digital identity solutions to verify the identity of their customers purchasing alcohol products.

In our view, it is critical that liquor retailers have access to a range of entities who can provide cost-effective and practical methods to verify a customer's identity online. The absence of both cost-effective and practical solutions in digital identity will be a significant disincentive to operators wishing to adopt online alcohol sales and delivery and may cause existing providers to cease providing online alcohol deliveries. Such an outcome would be an adverse result for both the industry (worth over \$16 billion to the Australian economy) as well as consumers, who have grown accustomed to the convenience of home delivery for a variety of household goods, including alcohol.²

Considering this, we support the voluntary nature of the digital identity system, as enunciated by the legislation. The adoption of digital identity services may not be economically viable for all online liquor retailers, particularly small, independently owned, and operated businesses, and therefore there is a need for manual verification at the point of delivery to continue to preserve a range of options for these retailers. Our Online Code has demonstrated a high level of compliance associated with manual age verification options by Signatories with over 24,000 independent third-party compliance audits conducted since January 2020.

Regulatory Oversight from ACCC:

As per our previous submission to the draft legislation, Retail Drinks supports the empowering of the Australian Competition and Consumer Commission (**ACCC**) with regulatory oversight of the digital identity sector. In doing so, we emphasise the need to ensure the ACCC is provided with adequate financial resources to ensure that it can sufficiently fulfil this role.

With the sector having experienced a rapid pace of change over the past several years, we believe it is also important for the legislation to allow flexibility for the ACCC in managing and assessing new technological innovations and solutions in digital identity as they become available.

To date, the digital identity sector has been constrained by delays in providers receiving TDIF accreditation, with only a handful of providers becoming formally accredited. Consequently, this has meant that there are limited options for online liquor retailers seeking to adopt digital identity services thereby adding to the costs and inconveniences involved in this process. We have received anecdotal feedback from members stating that age verification services amongst currently accredited TDIF-accredited providers range from \$0.50 to more than \$2.00 per transaction. There are also significant costs involved in integrating digital identity verification services with an online liquor retailer's IT system which add to the costs involved in adopting these systems.

Lastly, there are additional indirect costs to online liquor retailers in the form of cart abandonment by customers who may feel uncomfortable or unfamiliar in having to verify their identity at the point of sale rather than at the point of delivery.

² Frontier Economics (2023) *Online Alcohol Sales and Delivery in Australia*, p.14.



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Following the passage of the legislation, we would urge the ACCC to prioritise the processing of identity providers who have already submitted applications to the Federal Government to become accredited under the TDIF. As such, we support Clause 154 of the legislation which requires the Digital ID Regulator to prepare an annual report noting the number of applications received for accreditation and the number granted.

We anticipate that accrediting additional providers will place downward pressure on the costs involved in retailers requiring to verify the identity of their customers and reduce the likelihood of providers exiting the market due to the costs involved.

Protecting privacy of online liquor retail customers:

In addition, Retail Drinks previously emphasised in its response to the draft legislation, as well as our response to the Privacy Act, the need to ensure that customer's interactions with online alcohol delivery services, are not used by accredited entities in an unauthorised manner. For instance, information such as a customer's purchasing history or whether they have previously opted to self-exclude themselves from online alcohol deliveries is highly sensitive information which should not be used by identity providers in an unauthorised way. We therefore support the inclusion of Clause 55 in the legislation which "*prohibits an accredited entity using or disclosing personal information in their possession or control for marketing activities not related to their digital ID services.*"

Two-Year Legislative Review

Given the speed of technological innovation in the digital identity space, Retail Drinks also supports Clause 162 of the legislation establishing a requirement to ensure that "*the operation of the Act is reviewed within two years of commencing, with the report of the review to table in the Parliament by the Minister within 15 sitting days of having received it.*" Retail Drinks would be pleased to participate in this review process as a relevant stakeholder on behalf of the online liquor retail industry.

Implementation of the legislation:

Lastly, Retail Drinks would also be pleased to assist the Commonwealth Government in its implementation of the legislation following its eventual passage through the Parliament. As noted at the outset of this submission, our organisation has significant experience and expertise in the digital identity space in terms of its application to the online alcohol sale and delivery sector and would be well-placed to assist this implementation process.

Thank you for your consideration of the matters raised within this submission. If you wish to discuss the matters raised in this submission directly, I may be contacted on (P) 02 8335 3204 or (E) info@retaildrinks.org.au.

Sincerely

Michael Waters
Chief Executive Officer