



minderoo
FOUNDATION

Perth, 29 September 2017

Committee Secretary
Community Affairs Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: community.affairs.sen@aph.gov.au

Senate Inquiry – Social Services Legislation Amendment (Cashless Debit Card) Bill 2017

Dear Committee,

Thank you for the opportunity to make comment regarding the proposed changes to the *Social Security (Administration) Act 1999* ('Act') outlined in the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017 ('Bill').

The Minderoo Foundation's submission will outline support for the Bill and its intent to repeal s-124PF from the Act thereby enabling the expansion of the Cashless Debit Card (CDC) into new regions.

The scope of the submission will include:

- a. Testimonials in support of the CDC;
- b. An explanation of alcohol and drug problems being experienced in many communities;
- c. Results from ORIMA's CDC Trial Evaluation Reports;
- d. Technological limitations and solutions for the current CDC; and
- e. Authority of the Minister to make determinations regarding trial sites.

With kind regards,

Bruce Mansfield
Chief Executive Officer – Cashless Debit Card

Annexure:

- A. Submission to the Senate Inquiry

ANNEXURE A – SUBMISSION TO THE SENATE INQUIRY

TESTIMONIALS

“We hear regularly that we should be listening to Aboriginal people on the ground to understand the complexities of the problems and to encourage us to find solutions for our horrific circumstances. Well, here is a video created by Aboriginal leaders in conjunction with the wider community, including the police and a mayor, pleading for the implementation of a practical measure to help curb the purchase of alcohol and drugs.”¹

Jacinta Nampijinpa Price – Alice Springs Councillor

“I support the card because it is time for accountability. We can no longer just hand money out without responsibility or accountability. The purpose of the delegation to the Minderoo Foundation in Perth was to explore options and gauge a better understanding of this new card and how it could fit into a large urban city, such as Logan. I was, however, pleased to hear from other mayors and local elders from various communities that the card had delivered real benefits in their communities.”²

Luke Smith – Logan Mayor

“I am very strongly in favour of the Cashless Debit Card. I have wanted to see just such an arrangement introduced in Australia for two decades now. Every day I see working-aged welfare recipients in hotels drinking and/or gambling. The only reason we do not have a greater drug problem in our town is because of the strong dedication of our local police. Alcohol, drugs and gambling is ruining the lives of young children who have a right to be fed, clothed and nurtured which many do not receive. Many younger people only have children to receive benefits and not because they want them. Others without children see welfare as a way of life because they have grown up in welfare recipient families. This must be stopped, and I sincerely believe that the Cashless Debit Card system, whilst not being a silver bullet, will gradually encourage young people to secure sustainable employment and thus gain a strong sense of self-esteem.”³

Faye Whiffin – Burrum District Community Centre President

“Targeting welfare is not, by itself, a panacea but it just might give Roebourne the circuit-breaker it needs to allow the state government to build a safe and resilient community.”⁴

Karl O’Callaghan – Former WA Police Commissioner

“We acknowledge that agreeing to the East Kimberley being a trial site for the restricted debit card may seem to some a rather drastic step. However, it is our view that continuing to deliver the same programs we have delivered for the past forty years will do nothing for our people and, besides wasting more time and money, will condemn our children and future generations to a life of poverty and despair. As leaders in the East Kimberley, we cannot accept this.”⁵

Indigenous Community Leaders – East Kimberley

“... if someone is spending more than 20% of their benefits on alcohol or gambling products, there is a serious financial management problem. This is something the card protects against. If you accept the government has an obligation to assist in ensuring a child’s right to be fed, clothed and sent to school, and also to help those on social security benefits make good financial decisions, then it makes sense that some conditions should apply to the card. My position and that of the leaders of these two towns is that the rights of the vulnerable, especially women and children, trump a social security recipient’s ‘right’ to drink grog or waste money meant for their families. The ability to gamble or purchase alcohol or illegal drugs is not a human right...”⁶

Marcia Langton – University of Melbourne Foundation Chair of Indigenous Studies.

INTRODUCTION

The Minderoo Foundation was established by Mr Andrew and Mrs Nicola Forrest in 2001. The Foundation's work was based on the mandate to give a hand up and that ethos remains today. Since its establishment, the Foundation has supported over 250 initiatives across Australia and internationally in pursuit of a range of causes. These include fighting modern slavery, ending Indigenous disadvantage, ensuring all children in Australia thrive by five, strengthening arts, culture and community through partnerships, eliminating cancer, and attracting the world's brightest minds to Western Australia.⁷

As a flagship program of the Foundation, GenerationOne focuses on ending the disparity between Indigenous and non-Indigenous Australians.⁸ In 2013, Mr Forrest was commissioned by the former Prime Minister to conduct a review of Indigenous employment services (*'Creating Parity – The Forrest Review'*). Released in 2014, the *Review* contained 27 interdependent recommendations designed to address the many and varied barriers to parity. Some of these recommendations were also made in a broader context as a mechanism for all Australians.⁹

More specifically, *Creating Parity* identified that, "almost half of all working-age first Australians rely on welfare payments as their main source of income ...". It also identified that a new way to distribute welfare was needed so that it better supported recipients to, "manage their income and liabilities, save for the occasional bigger expenses like Christmas or school camps, [and invest] ... in a healthy life". Recommendation 5 called on the Commonwealth Government to implement, "a Healthy Welfare Card scheme in conjunction with major financial institutions and retailers to support welfare recipients [to] manage their income and expenses".¹⁰

In 2015, the Government announced that it would trial a Cashless Debit Card (CDC) based on the Healthy Welfare Card in Ceduna, SA and in the East Kimberley, WA.¹¹ The trial was designed to, "test whether restricting discretionary cash can reduce the overall social harm which is caused by welfare-fuelled alcohol, gambling and drug abuse ...".¹² ORIMA Research's Interim Evaluation Report was released in February 2017, and the Final Evaluation Report was released in August 2017.¹³

ALCOHOL AND ILLEGAL DRUG PROBLEMS

Communities are suffering because of excessive alcohol consumption and illegal drug use. Australia's *Annual Overdose Report 2017* shows that Australians are dying from overdose at an increasing rate. Accidental death due to drugs has risen steadily over the past 15 years, from 981 in 2001 to 1,489 in 2015. The report highlights that accidental drug-related deaths are now more than double the number of deaths related to car accidents. The downward spiral of drug abuse is also worse in our regional areas with 7.3 deaths per 100,000 in comparison with 5.8 deaths per 100,000 in urban areas.¹⁴

In 2016, alcohol alone was thought to be the drug that caused the most deaths in Australia when compared to all other substances. At 34.7%, this was significantly higher than the second drug thought to cause the most deaths – tobacco (23.9%). Meth/amphetamine and heroin were the next highest rated drugs at 19.2% and 10.6% respectively, and all other drugs individually listed were under 4%.¹⁵ This perception is in keeping with the reality that during the same year, 4.4 million (22%) of people in Australia reported being a victim of an alcohol-related incident.¹⁶

This problem is not new.

Earlier in 2009, the Australian Institute of Criminology underscored the irrefutable link between alcohol consumption and violence: "... from 23 to as much as 73 percent of all assaults [involve alcohol] ...". In the same paper, it was stated that:

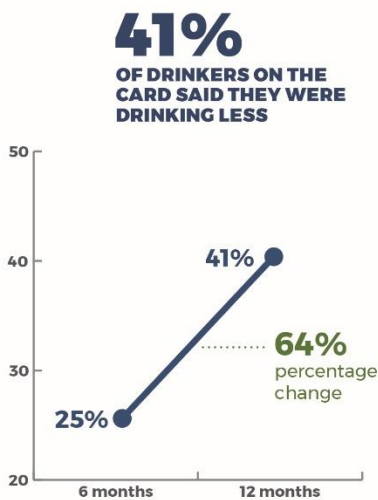
Alcohol is also a significant contributor to serious injury from assault. In a NSW study, two-thirds of patients presenting at an emergency department with injuries from interpersonal violence reported having consumed alcohol prior to the incident and three-quarters of these patients stated that they had been drinking at license[d] premises...

Even earlier in 2004–05, the Institute made conservative estimates suggesting that alcohol-related violence: (1) accounted for a total cost of \$1.7 billion; (2) (not including criminal justice figures) attracted a social cost of \$187 million; and (3) relating to the loss of life, amounted to a cost of \$124 million.¹⁷ Alcohol was also implicated in many incidents of child maltreatment, including “27% of physical, 12% of sexual, 39% of emotional and 35% of neglect cases”.¹⁸

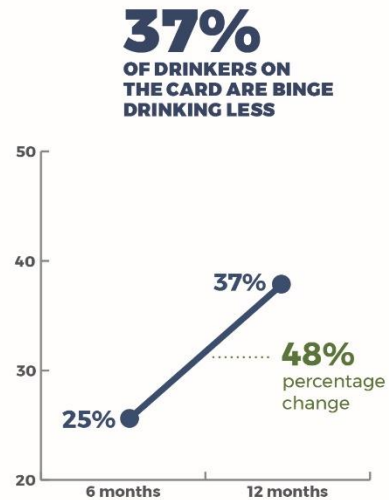
Regarding methamphetamine, research addressing the profile of user detainees demonstrated two critical points: (1) 88% of methamphetamine users indicated that they had no full-time or part-time work; and (2) 70% indicated that they were on welfare.¹⁹ The statistics make it clear – the Government has a direct responsibility to scrap outdated policies that have the potential to enable this type of toxic substance abuse. Through its innovative use of technology, the CDC achieves this. It strikes the appropriate balance between empowering welfare recipients to determine their own future and shaping them away from life-destroying habits.

CASHLESS DEBIT CARD TRIAL RESULTS

The Interim Evaluation Report showed remarkable results across a range of different areas after the first six months of the trial. The Final Evaluation Report confirmed these findings and showed that they had been sustained and broadened over 12 months. The data clearly shows that the CDC is a powerful tool in minimising the harm caused by excessive alcohol consumption, illegal drug use and gambling. ORIMA Research concluded that, “... the Trial has been effective in ... establishing a clear ‘proof-of-concept’ ...”.²⁰ The data showed that, on average across trial sites:¹

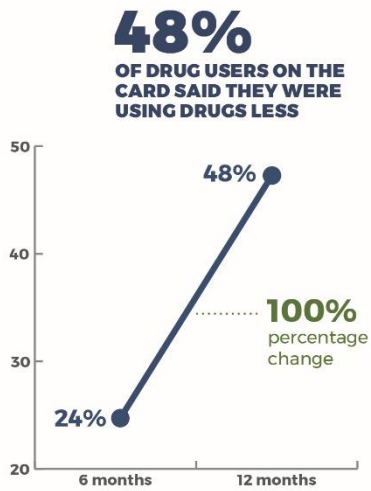


Data Set 1 – Alcohol Consumption²¹

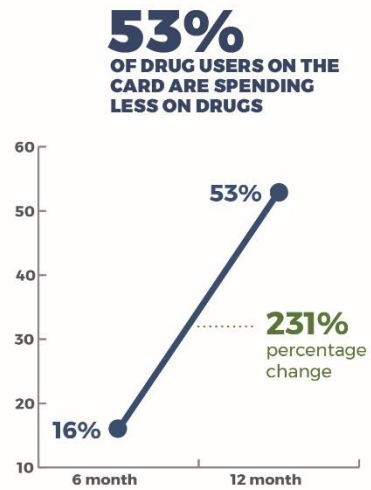


Data Set 2 - Binge Drinking²²

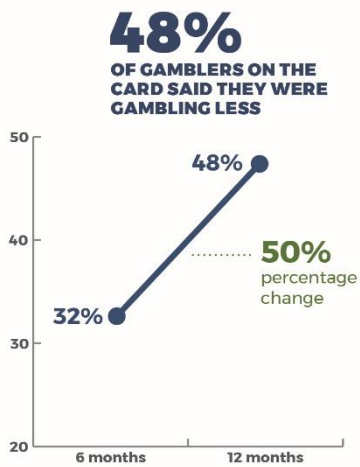
¹ The green ‘percentage change’ and ‘difference’ figures within the graphs listed were calculated by the Minderoo Foundation.



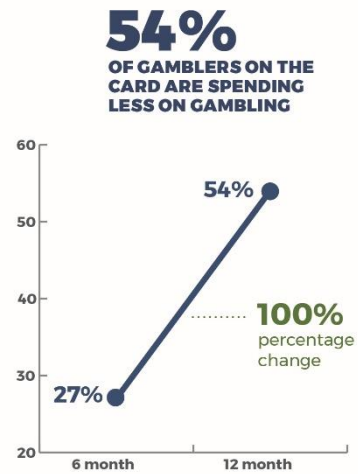
Data Set 3 - Illegal Drug Use²³



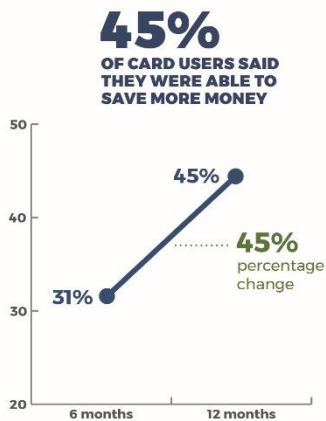
Data Set 4 - Illegal Drug Spending²⁴



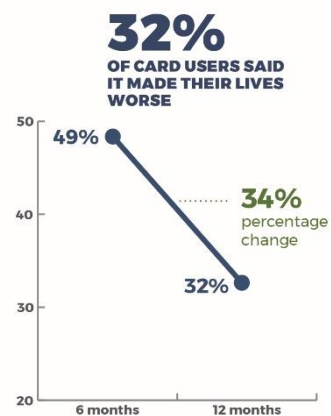
Data Set 5 - Gambling²⁵



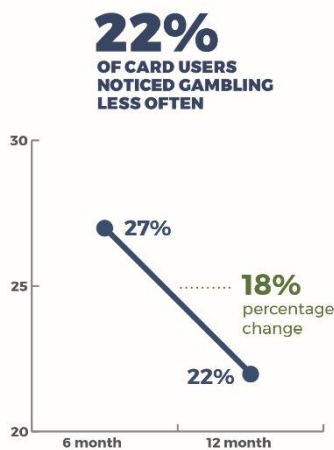
Data Set 6 - Amount Gambled²⁶



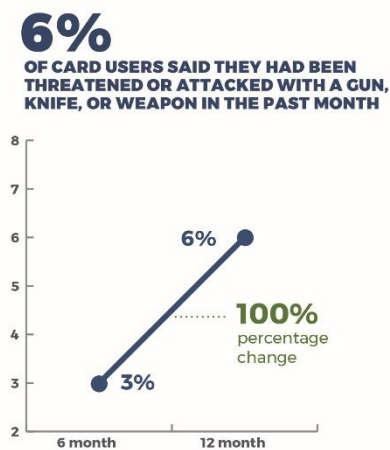
Data Set 7 - Ability to Save²⁷



Data Set 8 - Impact on Life²⁸



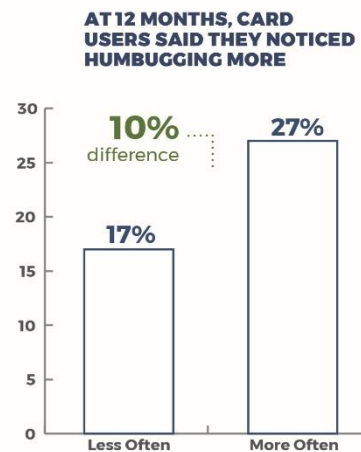
Data Set 9 – Gambling Perception²⁹



Data Set 10 - Threatened or Attacked³⁰



Data Set 11 - Violence Perception³¹



Data Set 12 - Humbugging Perception³²

ANALYSIS OF MIXED FINDINGS

Even though card users are becoming more accepting of the card over time, 32% claimed that the card made their lives worse. When asked to provide reasons as to why card users had this negative experience, some outlined that: (1) they were not able "... to buy the things they want/need or give cash to family/friends ...", (2) they did not have enough cash, and (3) that, "... using the card is a hassle/time consuming/frustrating ...".³³ The Minderoo Foundation acknowledges these concerns and, as discussed later in this submission, has committed to advocating for the improvement of the CDC through the formation of a technology working group and continued community engagement.

The Final Evaluation Report also showed that, despite a decrease in the percentage of card users noticing gambling less, when asked about their own gambling behaviour, more card users indicated that they were gambling less often. On average across the sites at 12 months, double the number of card users noticed gambling less (22%) when compared to those that noticed gambling more (11%). Further, over three times the number of non-card users noticed gambling less (18%) when compared to those that noticed gambling more (5%).³⁴

Regarding violence perception and the average increase of card users experiencing assault with a gun, knife, or weapon in the past month, data showed that the situation was worse in the East Kimberley. Ceduna had a much lower proportion of card-users indicating that they noticed more violence at 6 and 12 months. The reduction in more violence noticed was even more pronounced for non-card users falling from 17% at 6 months to 6% at 12 months.³⁵ In keeping with this, there was also an increase in less violence noticed by non-card users from 27% at 6 months to 37% at 12 months.³⁶

The Western Australian Minister for Police also recently tabled statistics in State Parliament showing that there was an increase in crime across the whole Kimberley region, including in many towns that do not have the CDC. Taken in context, it is not surprising that violence perception and assaults with a gun, knife or other weapon within East Kimberley CDC towns followed the broader trend in the region. However, it should be highlighted that the rate of increase for threatening behaviour offences was less in towns with the CDC when compared to the rest of the East Kimberley region.³⁷

Lastly, whilst card users noticed humbugging more (27%) when compared to those who noticed humbugging less (17%), the general trend still decreased over time (33% at 6 months and 27% at 12 months). This trend was replicated with non-card users as those noticing more humbugging decreased from 20% at 6 months to 17% at 12 months. The reverse proposition was also true for both cohorts. That is, the number of card users and non-card users saying that they had noticed humbugging less also increased over time (16% to 17%, and 16% to 18% respectively).³⁸

The Minderoo Foundation expected that some findings would be mixed. *Creating Parity* highlighted that, "... a heightened police presence [would be required] ..." and that the CDC, "... would need to be introduced sensitively and government would need to plan for circumstances in which individuals with existing addictions to alcohol, drugs or gambling would require professional support as they transition from their addictions to a healthier lifestyle".³⁹ We have always supported this idea and hold that the CDC must be accompanied with strong wrap-around services.

TECHNOLOGICAL LIMITATIONS

The CDC was designed to: (1) restrict users from purchasing alcohol and gambling products, and (2) prevent users from withdrawing cash. To effectively achieve these aims, the authorisation of checkout sales is contingent upon a merchant's category code and all cash withdrawals are blocked. If the merchant's category code indicates that they supply alcohol or gambling products, the transaction is automatically declined – regardless of the specific item being purchased.

This 'merchant-level blocking' approach works well for liquor and gambling outlets, but does not solve for mixed merchants that sell both unrestricted and restricted items, or merchants that sell secondary forms of credit (such as gift cards). Examples include a mixed-merchant pub that is categorised as a supplier of alcohol, but also has an attached bistro, or a supermarket that sells gift cards which can be redeemed next door at a bottle shop.

The Department of Social Services (DSS) has worked with gift card sellers and mixed merchants within the trial communities (supermarkets, service stations, pubs and clubs with a bistro, and other licensed restaurants) to implement operational controls as a fix to the limitations of 'merchant-level blocking'. This has included installing a separate payment device at the local pub for approved bistro purchases, and the training of supermarket staff to recognise a CDC at the point of sale and manually decline the transaction if it includes a restricted item or a gift card.

Whilst these operational controls have been effective at overcoming some of the technological limitations within the trial communities, it has reportedly been at great financial cost to the Government. In May 2017, the ABC published a story stating that, “the pilot program is costing up to \$18.9 million, excluding GST” which is, “about \$10,000 per participant”.⁴⁰

If the Government considers expanding the CDC to other vulnerable communities, including in more urbanised settings, it must invest in technological solutions that allow for ‘item-level (SKU) blocking’. This will not only allow DSS to prohibit specific items (such as gift cards) rather than blocking the entire merchant, but also dramatically reduce the cost of implementation and administration.

TECHNOLOGY WORKING GROUP

In response, the Minderoo Foundation called on senior executives from across the banking and retail sectors to attend a CDC Innovation Day on 13 July 2017. The purpose of the Day was to create a roadmap for the development and implementation of an ‘item-level (SKU) blocking’ solution, and to solve for some of the other issues hindering the Card’s acceptance, functionality and scalability.

The Innovation Day participants agreed to create a working group and produce a combined report outlining the necessary development work. Three key topics identified for the report included how best to: (a) maintain and improve social outcomes; (b) improve the user experience for merchants and customers; and (c) create a nationally scalable solution. More specifically, the report will explore ways to: reduce circumvention behaviours and costs; provide more insight to Government, allowing for more tailored support services; make the Card as widely accepted as possible; and improve Card products and services.

Considerable progress has been made against each topic and the Minderoo Foundation looks forward to presenting a report to Government on the most effective way to scale and improve the Card by the end of November 2017. With increased support and technological innovation, we firmly believe the second and third order negative effects that come from introducing a ‘merchant-level blocking’ and cashless card system can be minimised and overcome.

MINISTERIAL AUTHORITY

In the Explanatory Memorandum for the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, it states that, “[i]ndividual sites, once identified, will be determined by disallowable legislative instruments”.⁴¹ The Minderoo Foundation believes the Bill should go further and allow the Minister to determine individual sites at their discretion, but only after extensive consultation with all community members. Parliament must not unnecessarily inhibit progress and the Minister should be empowered to implement policy that clearly benefits all Australians. Once the technological and scalability issues with the CDC are fully resolved, this would allow for a much more streamlined expansion to other vulnerable communities.

CONCLUSION

The Minderoo Foundation has a long history of advocating for vulnerable people across all walks of life. Mr Forrest’s contribution to *Creating Parity – The Forrest Review* gives us good insight in to the landscape of issues impacting both Indigenous Australians specifically, and all Australians more broadly.

As demonstrated by years of research and from a variety of different sources, it is clear that Australia has a drug and alcohol problem. This is manifested in different ways, but the simple reality is that one death due to drug related violence is one death too many. ORIMA's CDC Trial Evaluation Reports conclusively show that the Card will help to address these issues and with further technological innovations, the Card is only destined to improve.

The Minderoo Foundation's Working Group has made significant progress in understanding the most effective way to reform the payment infrastructure used in Australia. We have also been working extensively with communities to understand their needs and to advocate for their ability to enjoy the benefits of the CDC now. We know that with the right support services and guidance, the CDC plays a crucially effective role in reducing social harm.

RECOMMENDATIONS

In closing, the Minderoo Foundation recommends that this committee:

1. **Fully support the Bill and its intent to repeal s 124PF from the Act;**
2. **Advocate for the Government to invest in the technology behind the CDC; and**
3. **Advise Parliament to remove the requirement for additional sites to only be determined by disallowable legislative instrument.**

This will support the roll out of the Card:

1. **To other vulnerable communities calling for it; and**
2. **For all those aged under 18 years in receipt of welfare.**

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³ Email from Faye Whiffin to Matthew O'Sullivan, 29 September 2017.

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- ¹³ Department of Social Services, Commonwealth Government, *Cashless Debit Card Trial – Evaluation Reports* (1 September 2017) <<https://www.dss.gov.au/families-and-children/programs-services/welfare-quarantining/cashless-debit-card-trial-evaluation-reports>>.
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- ¹⁵ The Australian Institute of Health and Welfare, *National Drug Strategy Household Survey 2016 – Key Finding* (June 2017) Table 41 <<https://www.aihw.gov.au/getmedia/04056fcf-72c2-4fec-88b8-59c847d0a24f/aihw-ndshs-2016-key-findings-tables.xlsx.aspx>>.
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- ²⁵ *Ibid* 4, 56.
- ²⁶ *Ibid* 4, 57.
- ²⁷ *Ibid* 5–6, 71.
- ²⁸ *Ibid* 6, 82.
- ²⁹ *Ibid* 55.
- ³⁰ *Ibid* 63.
- ³¹ *Ibid* 65.
- ³² *Ibid* 77.
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- ³⁴ *Ibid* 55.
- ³⁵ *Ibid* 65.
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- ³⁷ Western Australia, *Parliamentary Debates*, Legislative Council, 15 August 2017, 2754–6 (Stephen Dawson).
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