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**SUBMISSION**

**HOUSE STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT  
ISLANDER AFFAIRS**

**INQUIRY INTO COMMUNITY STORES IN REMOTE ABORIGINAL AND TORRES  
STRAIT ISLANDER COMMUNITIES**

**20 February 2009**

**Department of Human Services**

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## **Overview of the Human Services Portfolio**

### ***The Human Services Portfolio***

1. The Human Services Portfolio consists of:
  - the Portfolio Department of Human Services, which includes the Child Support Program (CSP) and CRS Australia; and
  - the Human Services Agencies:
    - Centrelink;
    - Medicare Australia;
    - Australian Hearing; and
    - The HSA Group.

Together, the Human Services Portfolio and the Human Services agencies work to improve government social and health related services to all Australians.

### ***The Portfolio Department***

2. The Portfolio Department of Human Services is the central policy and coordination department of the Portfolio. It is responsible for ensuring the Government is able to get the best value for money in service delivery while emphasising continuous improvement and a whole-of-government approach.

The Department:

- directs, coordinates and brokers improvements to service delivery and provides policy advice on service delivery matters to government;
- through the Child Support Program, ensures that children of separated parents receive financial support from both parents; and
- through CRS Australia, assists people with an injury or a disability to get a job or return to work by providing individualised vocational rehabilitation, and helping employers to keep their workplaces safe.

### ***Centrelink***

3. Centrelink is an Australian Government Statutory Agency, assisting people to become self-sufficient and supporting those in need. Centrelink delivers a range of government payments and services to Australians, including retirees, families, carers, parents, people with disabilities, Indigenous people, and people from diverse cultural and linguistic backgrounds, and provides services at times of major change.

### ***Child Support Program (CSP)***

4. CSP supports separated parents to transfer payments for the benefit of their children and works with government, community and private organisations.

### ***CRS Australia***

5. CRS Australia has been providing services to job seekers, employers, insurers and other industry partners for many years. Their range of services have been developed over time to meet the needs of our many different customers and include vocational rehabilitation, Job Capacity Assessments, employment services, return to work programs, workplace rehabilitation and injury prevention services. CRS Australia has a vast national footprint with over 170 offices Australia-wide.

### ***Medicare Australia***

6. Medicare Australia is an Australian government agency and plays an integral role in the Australian health sector. Its objective is to assist in improving health outcomes in Australia. Medicare Australia works in partnership with the Department of Health and Ageing to achieve the Australian Government's health policy objectives. Their activities are conducted within the government policy framework set by the Department of Health and Ageing, Department of

Veterans' Affairs, Department of Families, Housing, Community Services and Indigenous Affairs and relevant legislation.

### ***The HSA Group***

7. The HSA Group (Health Services Australia Limited) is a leading national provider of occupational and travel health services to government and corporate Australia. They offer a unique mix of services—occupational health, occupational rehabilitation and travel health—throughout their extensive operational network across Australia. Their services are delivered by a multi-disciplinary medical and allied health workforce.

### ***Australian Hearing***

8. Australian Hearing is one of the largest hearing service providers in the world with a reputation for innovation and world-leading practices. Australian Hearing is dedicated to helping people manage their hearing impairment so they have a better quality of life. They provide a full range of hearing services for children and young people up to the age of 21, eligible adults and aged pensioners, and most war veterans.

## **Role of the Human Services Portfolio – Community Stores**

9. The Portfolio notes the Inquiry's terms of reference to inquire into and report on the operation on the local stores in remote Aboriginal and Torres Strait Islander communities. This submission provides background information on the role of the Human Services Portfolio in remote service delivery, including interaction with local community stores. Within the Human Services Portfolio, the Core Department and Centrelink have primary lead on implementation of income management, including the BasicsCard, as part of the following measures:
  - Northern Territory Emergency Response;
  - Western Australian Child Protection and Voluntary Income Management trials; and
  - Cape York Trial.
10. Centrelink's relationship and interaction with remote community stores is mainly contained within the Northern Territory. However, Centrelink does have a number of contracts in place within other remote areas across Australia. The primary business of Centrelink across these remote areas is Income Management, BasicsCard and Centrepay. This submission outlines information on the current service delivery processes that relate to community stores:
  - Income management;
  - BasicsCard; and
  - Centrepay.

## **Implementation of Income Management**

11. In July 2007, the previous Australian Government announced major and urgent changes to its welfare payments system for approximately 20,000 customers in remote and vulnerable Indigenous communities. Most of these customers were located in central Australia. The program's objective was to encourage socially responsible behaviour by parents to enhance the well being of their children.
12. Income management is one of the measures of the Welfare Payments Reform package. The objective of the measure is to withhold a percentage of government income support and family assistance payments and direct those payments to priority and essential needs to ensure that children's needs are being met. The initiative involves Centrelink quarantining a portion of a customer's income support payments so that those funds can be used to purchase goods and services, such as food, clothing and other priority goods. For the majority of customers 50 percent of their income support is quarantined. Customers cannot use these quarantined

funds to purchase alcohol, pornography, tobacco products and gambling products. Following the passage of legislation underpinning income management in August 2007, income management was first implemented in several communities in the Northern Territory in September 2007 and was completed in October 2009.

13. Community stores are the main mechanism through which Income Management is delivered in prescribed communities. Part 7 of the *Northern Territory National Emergency Response Act 2007* (the Act) provides for the licensing of community stores. The FaHCSIA licensing regime of assessing the suitability of a store for Income Management along with the financial and technical support provided to lift their standards has brought about improvement in the quality and range of food and other household items sold by community stores.
14. There are currently 178 stores receiving Income Management funds and 75 community stores have been licensed by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). Registered stores include a general mix, for example butchers, clothing and supermarkets.
15. Other stores, which are not in a prescribed area, such as Foodland and other independent stores, participate in Income Management via Centrelink Third Party Agreements. These stores generally service residents of town camps and residents of prescribed areas who shop in major centres.
16. Centrelink has a total of 304 contracts in place with organisations throughout the Northern Territory. In addition to this, there are contracts in place across Australia in Western Australia, South Australia and Queensland to facilitate the implementation of the Cape York Trial, and Child Protection measures. Centrelink's Northern Territory Operations Group (NTOG) provided assistance to stores during the implementation of Income Management across prescribed communities in the Northern Territory. All community field visits incorporate regular community store engagement to ensure systems are running smoothly and effectively. Trip leaders are required to make contact with stores on arrival in a community and during the week of their service to the community.
17. Tables 1 and 2 show the distribution of organisations in that have a contract in place for Income Management.

**Table 1 Number of organisations with contracts for Income Management in remote communities<sup>1</sup>**

State	NT	QLD	SA	WA	Total
<b>Number of organisations</b>	304	7	5	9	325

18. 75 of the 304 Northern Territory stores in remote communities are Community Stores with a FaHCSIA and Centrelink Schedule 5 arrangement.

**Table 2 Total number of organisations with contracts for Income Management in each state<sup>2</sup>**

State	NT	QLD	SA	WA	Total
<b>Number of organisations</b>	374	103	38	133	648

<sup>1</sup> Data as at February 2009.

<sup>2</sup> Data as at February 2009.

## **Implementation of BasicsCard**

19. Prior to September 2008, funds were income managed in two ways:
  - various valued store cards from selected merchants (eg. Woolworths, Coles) on demand (requiring customers to regularly visit Centrelink offices to obtain further cards); and
  - direct deduction facilities referred to a specific merchant account at the customers request, requiring customers to either set up a regular or ad-hoc deduction whereby income managed funds are transferred.
20. The manual arrangements generated significant problems and limitations:
  - For Centrelink it was very labour intensive, expensive, error prone, and slow to deploy. For example, a simple end-to-end store card transaction without error from ordering through to reconciliation involved approximately forty steps. These steps were required to ensure appropriate security and audit controls.
  - For customers it lacked flexibility, was time consuming and restricted choice and access of where to shop. Store cards were not reloadable. Centrelink also had to reconcile any residual balance on the card against the customer's payments. New store cards had to be issued once the value of the card was spent or additional funds were required. Some customers were travelling significant distances to a Centrelink office 2-3 times per week to obtain store cards before being able to go to a supermarket to shop.
  - For merchants, it was an expensive and a time consuming administrative burden that was not scalable because of the level of manual book-keeping required. The merchant was required to keep records for each customer with a tally of the customers available income managed funds. Even when this record could be kept via computer, it was a highly manual process that required not only individual updates with each purchase but also the correct identification of the customer.
21. The expansion of income management exacerbated these issues and in response the Government was keen to find a more effective solution for the administration of income management. Working in conjunction with other stakeholders, the Department of Human Services developed a point-of-sale card solution, known as the 'BasicsCard'. The BasicsCard is PIN-protected similar to common debit card arrangements and based on financial industry standards. The card allows customers to use their income managed funds to purchase goods/services at approved merchants using existing EFTPOS functionality.
22. As part of the BasicsCard process, Centrelink assesses merchant applications against the FaHCSIA merchant criteria for BasicsCard approval and works with merchants to ensure sufficient practices are in place for the sale of goods and services and that customers are supported. The BasicsCard enables customers to shop at a larger variety of stores (both large and smaller merchants) and allows greater choice of where they want to shop. Customers can select to have a combination of allocation methods, which may include a direct allocation to a community store for food, and the usage of the BasicsCard for other goods and services.
23. BasicsCard has been rolled out to urban and remote locations in the Northern Territory and selected locations in Western Australia and Cape York in Queensland. The BasicsCard commenced in Katherine on 8 September 2008 and Beswick was the first remote community to receive the BasicsCard on 30 September 2008.
24. As at 11 February 2009 a total of 165 merchants have BasicsCard contracts in place for Income Management with Centrelink. Table 3 shows the distribution of merchants across all remote locations.

**Table 3 Number of Merchants with BasicsCard contracts for Income Management in remote communities<sup>3</sup>**

State	NT	WA	SA	QLD	Total
Number of Merchants	99	26	4	36	165

25. Table 4 shows BasicsCard distribution for each measure.

**Table 4 BasicsCard data as at 13 February 2009**

Total number of customers with a BasicsCard	15,430
Of customers with a BasicsCard – Total NTER	15,261
Of customers with a BasicsCard – Total Cape York	15
Of customers with a BasicsCard – Total Child Protection	8
Of customers with a BasicsCard – Total Voluntary Income Management	146
Total number of successful transactions	602,474
Total spent using the BasicsCard	\$35,450,575.10

### ***The impact of the BasicsCard***

26. The introduction of the BasicsCard has positively impacted on the operation of local community stores in remote Aboriginal communities by providing a secure, more automated access to income managed funds; boosting economies in smaller communities and providing greater access to quality goods and services for customers.

### ***Secure, automated process***

27. Feedback from large and small merchants on the new point-of-sale solution indicates that the new processes are easy for them and customers alike.
28. The BasicsCard solution has provided a better system for smaller merchants some of whom were disadvantaged under the former arrangements. Smaller merchants claimed that they were losing customers to the big supermarkets with store cards.

### ***Increase in Approved Local Merchants***

29. With the implementation of the BasicsCard solution there has been a broad uptake of the card by merchants in local communities. Since the inception of the BasicsCard, there has been a considerable increase in the amount of local merchants in the rollout areas who sell approved goods and participate in the scheme.
30. Prior to the implementation of the BasicsCard solution, there were 180 merchants where income managed customers could spend their non-discretionary funds. Customers could also spend their income managed funds with other merchants via one-off payments, however this process was inefficient for regular spending, resource intensive for Centrelink and burdensome for smaller merchants. Customers could also access stored value cards which

<sup>3</sup> Data as at February 2009

was again resource intensive for Centrelink, as the customer had to attend a Centrelink office and stored value cards were only redeemable at certain merchants.

31. As at the end of January, there are 648 activated merchants who accept BasicsCard, providing customers with a wide possible choice as to where they make their purchases.

### ***Increased Funds in Local Communities***

32. The BasicsCard solution was recently used in the delivery of the 2008 Australian Government Economic Stimulus Strategy payments to customers on income management. These allowed local merchants, large and small, to benefit from the stimulus package. The broad sign up of merchants in local communities has meant that a broader base of businesses benefited from the direct flow of much needed funds into the local economy.

### ***Access to Aggregate Information in Relation to Spending***

33. The BasicsCard system provides aggregate level information on the broad categories of goods and services purchased in the local communities. BasicsCard data as at February 2009 indicates that the majority of money (63%) has been spent in stores which primarily sell food. Table 5 shows the detailed distribution of BasicsCard expenditure across a range of priority needs.

**Table 5 Distribution of BasicsCard Expenditure<sup>4</sup>**

<b>Goods Category</b>	<b>Percentage</b>
Camping Goods	0.00%
Clothing	27.25%
Education	0.0452
Food	63.12%
Fuel	4.02%
Hardware	1.24%
Health	0.16%
Household Goods	2.34%
Motor Vehicles	0.00%
Transport	1.20%
Utilities	0.35%
Whitegoods	0.27%
<b>Total</b>	<b>100%</b>

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<sup>4</sup> Data as at February 2009



## **Conclusion**

34. The BasicsCard solution has substantially increased customer convenience, dignity and flexibility. Customers are able to use the card at a wider range of merchants than previous arrangements.
35. The BasicsCard's popularity with customers is demonstrated by a 97 percent take up rate as at 6 February 2009. Centrelink staff have regularly reported that customers are proactively requesting a BasicsCard having seen their friends and family use them. One of the most important learnings arising from the BasicsCard implementation was the dependency on the take-up of local merchants in the overall strategy to participate as 'approved' merchants to provide BasicsCard customers with the widest possible choice as to where they make their purchases. This is not only beneficial for customers, but has also had benefits supporting local economies.

## **Centrepay**

36. Centrepay commenced on 22 September 1998 to provide Centrelink customers with a free bill paying service that allows voluntary deductions for ongoing expenses direct from customers' Centrelink payments. Remote Indigenous community organisations have been a part of Centrepay since its commencement. Customer participation in the scheme is entirely voluntary and customers may withdraw from the scheme at any time without having to give a reason to either Centrelink or the Third Party Organisation.
37. Centrelink traditionally does not sign up retail food stores for Centrepay due to the quality of the goods, lack of regulatory control and negative feedback from the community and customer advocates. However, recently Centrepay has signed a number of contracts with community stores throughout Australia that are predominately located in remote areas. This will assist customers within the communities wishing to use the service. The vendors sell a variety of items ranging from groceries, household goods, clothing and bedding, both new and second hand.
38. The number of Centrepay contracts in place with organisations within the Northern Territory as at February 2009 is 473, of which 16 are for the provision of food. Table 4 below shows the number of remote stores with a current Centrepay contract in place for food provision.

**Table 6 Number of stores with Centrepay Contracts in remote communities<sup>5</sup>**

<b>State</b>	<b>NT</b>	<b>WA</b>	<b>SA</b>	<b>QLD</b>	<b>Total</b>
<b>Number of Stores</b>	16	3	1	1	21

39. The Australian Government recognizes the need to ensure people living in rural and remote Australia are provided the best possible access to government services. In the past 10 years there have been major improvements in how it delivers services to customers in rural and remote areas. The commitment to continue to improve service delivery is supported by the Human Services Portfolio.

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<sup>5</sup> Data as at February 2009