Committee Secretary
Senate Finance and Public Administration Committee
Department of the Senate
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Inquiry into the Human Services (Enhanced Service Delivery) Bill 2007

Responses to Questions on Notice

Dear Senators,

Please find following our responses to the two questions asked of us on notice at the hearings on 2 March 2007.

We have also taken this opportunity to clarify one other question we only answered in part, due to time constraints.

We consent to publication of this response on the Committee’s website.

Yours sincerely

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No ID Card Campaign Director,
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Responses to Questions on Notice
about the Access Card proposal, and associated legislation

1. Estimating the benefits: a response to the KPMG fraud estimates

We were asked a question about the KPMG estimates in relation to estimated savings to be realised from the Access Card in terms of reducing fraud and ‘leakage’ in the health and social services budgets.

We note earlier testimony from a KPMG representative involved in the preparation of the business case for the Department, who, as we understood it, suggested that their estimates of existing levels of fraud came from Medicare and Centrelink’s own estimates, rather than the Audit Office or KPMG’s own auditing activities. These therefore appear to be somewhat rubbery figures, sourced from the very agencies which seek to introduce this card. In the absence of independent verification, these figures could well be seen as self-serving.

Furthermore, as we understood their testimony, KPMG’s estimates of the possible savings to be achieved – between $1.6 billion and $3 billion over 10 years - are based on UK estimates of the percentage of fraud that could be prevented if various fraud-saving measures were adopted in the UK. No detail was provided about what those fraud-savings measures were, or whether they are validly applicable to the Australian experience.

In our written submission dated 28 February 2007, we noted that from what we can see of the KPMG report – noting that much of it is censored - it does not actually promise that between $1.6 billion and $3 billion of fraud or ‘leakage’ will be prevented by the Access Card. Indeed the report does not actually make the direct claim that the Access Card proposal will generate $1.6 to $3 billion in financial savings of any type for the Government.

For example, the KPMG Report states: “KPMG have provided ongoing advice to the Australian Government that fraud savings could range from at least $1.6 billion to $3 billion over a ten year period” (KPMG Report, p.12). Details are not provided of where those savings will come from. It is not clear whether the claimed $1.6 to $3 billion in savings relates only to this so-called Access
Card initiative, or to the sum total of savings that could be achieved if all fraud was resolved, using a variety of fraud-reduction techniques.

The Government’s own examples of how fraud will be fixed by the Access Card, used in debates on the Bill before you, have been fairly ludicrous. For example, the Hon Bruce Baird’s speech in Parliament on Monday 26 February 2007, in support of the Bill (Hansard p.67), used the well-worn example of a woman who claimed various benefits for 18 non-existent children – 9 sets of twins – by falsely registering their births.

However there is absolutely no evidence to suggest that this woman could not have done the exact same thing under the Access Card system. She was able to get genuine birth certificates for non-existent children. (From what we understand of that case from media reports at the time, the woman used her position as a nurse at a hospital with maternity services to steal some birth registration forms and fake a doctor’s signature on them, then register the fake births to get genuine birth certificates.)

Even under the Access Card system, and even if the Document Verification Service was already up and running, a person with genuine birth certificates for non-existent children could therefore still go to Medicare or Centrelink and get those non-existent children added to her Access Card, since, as the Department was at pains to note in its evidence before the Committee, there is no requirement for children to have their photographs taken for registration purposes.

This example actually makes me wonder: does someone have to get so blatantly improbable in their benefits fraud scam – claiming to have given birth to nine sets of twins - before Centrelink’s systems pick up that perhaps something is amiss? Would I get away with it if I only claimed to have 16 children instead of 18? Perhaps they need to recalibrate their fraud-monitoring systems instead of thinking the Access Card will fix their problems.

We suggest the Committee also look at the Hon Bruce Baird’s same speech on this Bill (Hansard p.68) for an unreferenced claim to estimate the value of entitlement fraud (the continued use of a cancelled concession card until the date the card itself expires). He says that $5 billion a year of Commonwealth money is claimed by people using concession cards. Then he notes that the Audit Office has said 25% of concession cards are cancelled before the expiry date on their card. Then he claims: “That means that at any given time there are 1.5 million Australians claiming heavily subsidised prescriptions they are not entitled to.”
We cannot see where that figure of 1.5 million people comes from. The example switched from dollar figures to people figures with no reference. We would ask: what is there to say that everyone with a cancelled card in their wallet is actually still using it - let alone using it to buy PBS medicines (defrauding the Commonwealth), as opposed to buying discount bus or movie tickets (defrauding someone else)?

To work out the actual dollar figure of entitlement fraud you can’t just say "it's a quarter of the whole entitlements budget because a quarter of all cards are cancelled early". That is bad maths. To even start to work out the cost of entitlements fraud on the Commonwealth budget, you would need to know:

(a) the average time period between card cancellation and card expiry (are we talking a day, a month, a year?), and
(b) what that time period is as a proportion of the total period of time the card is valid for (e.g. 10%, or 20% or 80%?), and
(c) the average discount given p.a. on PBS medicines to people with concession cards (in addition to the discounts any Medicare card holder gets anyway), and
(d) the proportion of people who will keep using a cancelled card to claim concessions to which they are not entitled (rather than more honestly throw it away).

We urge the Committee not to accept the KPMG or Government figures at face value. We believe the KPMG report has been very carefully written to give the impression that the Access Card will result in between $1.6 billion to $3 billion in savings over a ten year period, but it does not actually say that. We would encourage the Committee to seek an unequivocal guarantee from KPMG that the Access Card, on its own, will deliver between $1.6 billion to $3 billion in savings over a ten year period. [not sure that the committee could do this, but it’s a good ask! The Minister could equally be asked to make the guarantee as he’s the responsible agent for the program.]

The Australian people cannot weigh up whether the costs and risks of this scheme are worth the benefits until we are actually sure about the value of both the costs and the benefits. To date we are convinced of neither.
2. Estimating the costs: overseas experience

We were asked a question about examples of similar projects overseas, in terms of project costs.

We refer the Committee to the extensive work done by the London School of Economics (LSE) on the likely costs of the UK identity card project. Projected running costs have already increased from £3bn to £5.8bn over 10 years, with the LSE estimating it could rise to £18bn. Their research also includes an overview of the international landscape, with some details about card costs in other jurisdictions. See: http://identityproject.lse.ac.uk/identityreport.pdf (especially pages 56-91), and the more recent http://identityproject.lse.ac.uk/statusreport.pdf.

We also refer the Committee to a recent report from the United States Government Accountability Office, ELECTRONIC GOVERNMENT: Agencies Face Challenges in Implementing New Federal Employee Identification Standard. This report outlines the many difficulties in introducing a smartcard identity card system, including budgeting problems. A copy of the report is attached as an appendix to this response.

We also attach a number of press articles as appendices to this response:

- “$200M later, anti-terror ID plans starting over from square one”, Arizona Daily Star, 26 October 2006
- “ID card could cost Australia $15b: ACCI”, Sydney Morning Herald, 21 December 2005

3. Alternative models: information on the surface of the card

We were asked a question about alternative models, such as the possibility of removing the photograph, card number and digitised signature from the surface of the card. In our testimony we indicated our support for such an approach, as it would render the card useless for anything except the purpose for which it is intended – namely, accessing health and social service financial benefits. (This approach assumes that all outlets providing health and social service financial benefits, including private sector health service providers, are equipped with photo-readable card
readers, a more expensive option than standard card-readers. In my discussions with the former
Minister Joe Hockey, I understood the project budget could accommodate this approach.)

However I should acknowledge that this approach is less financially viable if the card is also
intended to be widely used by third parties to check concession status when providing goods or
services unrelated to health or social security benefits. Fitting photo-readable card readers to
every bus, movie ticket counter, local council, etc is a far more expensive option.

However to resolve this situation for concession card holders, it is also conceivable that the
photograph could remain on the surface of the card – but the name taken off. Again, the purpose
is to enable the stated objective to be achieved: the bus ticket seller can see that the person in
front of them matches the photo on the card, and the card says they are entitled to a pensioner
discount. However without a name, the card is useless as an all-purpose ID card, and thus all
temptation to use it as such is removed.

For further thoughts on alternative models I would like to draw to the Committee’s attention our
more comprehensive submission to the Consumer & Privacy Taskforce, in response to the
Taskforce’s Discussion Paper No.1. Our submission is available on the Taskforce website, as well

In that submission we provisionally supported a number of alternative approaches to the targeted
application of smartcard technology within the two distinct and separate areas of public
administration – social services and health.

These ideas are not mutually exclusive:

• Remove any identifying card numbers and signatures from the surface of the card/s, but
  store these details in the chip

• Upgrade the Medicare card to a smartcard, with either a name or a photo on the face of the
  card (but not both) – but maintain this as separate to any other DHS or DVA card, or any
  other agencies, initiatives or benefits

• Have a separate ‘proof of entitlement’ card for people entitled to one or more DHS / DVA-
  issued concessions, with a name or photograph (but not both) on the face of the card, with
  any permanent concession status printed on the surface of the card and any changeable
  concession status on the chip of the card, but maintain this as separate to the Medicare
card; and legislate to only allow people to ask to see or check the card where the person is seeking a concession benefit or discount

- Take the photograph off the face of any DHS / DVA-issued card, but make the photo readable from the chip for authorised people (relevant DVA and DHS staff, and health service professionals providing a DHS / DVA-related benefit)

- Alternatively, leave the photo on the face of any DHS / DVA-issued card, but take off the name – such that the mere existence of a person who matches the photo on their card means the carrier is entitled to the service, with all other entitlement and customer information to be on the chip instead

In any scenario, there should be legislation to prohibit anyone but an authorised person from even asking to see, copy or download information from any card.