



The Hon Joe Hockey MP  
Minister for Human Services

Address to the Committee for the Economic  
Development of Australia 2006

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Good afternoon ladies and gentlemen.

For the eight years I've been a Minister I've had an opportunity to speak to the Committee for Economic Development of Australia on a number of occasions and on each occasion I've enjoyed the robust debate and the honest and forthright questions. So feel free to take the opportunity at the end of a few words.

On the way here I was reflecting on the 1992 movie, Spotswood, where Anthony Hopkins went into a moccasin factory in 1960s Victoria and was asked to take over the factory and save it from insolvency. When I became Minister for Human Services, I didn't quite face a moccasin factory in the form of my agencies, but given that my agencies deliver \$3,000 every second of every minute of every hour of every day to Australians right across the board, I was facing some fundamental challenges.

So this morning when Wendell Sailor walked into Centrelink he would have been standing in the same queue that probably would have been there had he walked into Centrelink some years ago. Wendell would have faced similar questions, had to produce similar documentation, fill out similar forms and undergo similar treatment.

The good news is that he has a mutual obligation and with welfare to work, Wendell will be back at work soon.

However, it is a touch frustrating that at a time when I'm responsible for delivering services to every Australian, I still issue cards that are paper based, such as the Pensioner Concession card and the Health care card. Each card delivering thousands of dollars of benefits to individuals each year and yet paper based cards represent the horse and buggy era of card technology.

Even with Medicare, where we have a magnetic stripe and the Medicare card represents 25 points for the 100 points you need to open a bank account or undertake any other sort of activity, the card represents the Model T era of technology. Yet in Australia, we embrace and continue with the Model T Ford card at a time when the rest of the world seems to be rolling out a new and better technology in the form of chip based cards.

Chip based cards are pretty simple. It's a chip in a card. That sounds a little obvious, but it isn't to some because some chips can be activated and some can't. I applied on-line for a new credit card issued by an Australian bank with a hope that the chip would represent something useful in the Australian marketplace. Unfortunately it doesn't, but I'm reassured by the bank that the chip in the card can be used in the United Kingdom.

I take comfort in the fact that countries around the world have replaced paper based cards and magnetic stripe cards with chip based cards because that represents not only the opportunity to carry so much more information on the card, but to store it in a reliable and as secure a format as

possible. It also provides the opportunity to use the card off-line, which is very limited with magnetic stripes and importantly, importantly it represents the opportunity to provide so many more functions.

The functionality is the key benefit of the new health and welfare access card. How did this come about? Well, each day my agencies have face to face meetings with 250,000 Australians. Each day we send out 400,000 letters from my agencies. Each year we issue 17 million cheques from Medicare and each day I receive probably 1,000 letters of complaint about services.

Out of that, you say to yourself there has to be a better way. As I flagged at the National Press Club last year, if you were building an ideal system, it would be entirely on-line. However, the fact of the matter is that a large number of Australians are not familiar with the internet – are not comfortable with the internet and importantly, too many Australians still do not have access to the internet.

Therefore, we look at mezzanine technology, which has the capacity to rollout significant benefits in a secure form that Australians will be familiar with.

The obvious step forward is to replace the Medicare card – 11½ million Medicare cards. Half a million I might add that go missing every year. So it came as no surprise recently when an individual was reported in the newspaper as having been caught for alleged identify fraud and they had 10 Medicare cards in their possession – or 250 points, whichever way you chose to look at it.

So I laid down a challenge for my department. How can we come up with a better way of delivering services? The obvious step forward is to deliver a reliable and secure identifier that helps to remove one of the key challenges that we have right across human services and right across government. That is, to be able to identify the person who is interacting with us on a reliable and secure basis.

Four per cent of my activity is on-line – pitifully low – four per cent. One of the reasons why it is pitifully low is because we don't have faith that the person who is engaging with us on-line is in fact that person.

Smartcard technology allows us to go that one step further. It removes the heavy burden that individuals face of having to prove who they are every time they interact with government. Each year we turn away 600,000 people from Centrelink who have come with the wrong information to be able to prove who they are.

Each year we send out 50,000 letters to people who have not properly filled in the name and address details on the Medicare forms. This red tape, which is part and parcel of dealing with government, has been attractive to some Ministers in the past, because if you make it as hard as possible for people to access payments, you spend less. But for a Minister that is focused on

human services and a Minister that is focused on delivering better outcomes for consumers, I want to bypass the one and a half hours it takes Anthony Hopkins to identify in Spotswood that you need to focus on human beings, rather than just on financial outcomes.

Cabinet approved the access card, because it believes, as the whole of the government believes, we need to roll out new and vital infrastructure for Australia that is going to be the platform upon which we can build a secure identification system that enables people to access benefits in a friendly and fast manner.

The access card will replace 17 cards and vouchers across the human services portfolio. Each year we send out nine million cards. Obviously a vast number of them are used for fraudulent activity. KPMG estimate that the savings on the access card are up to \$3 billion dollars over the next 10 years. I view that as an extremely conservative figure. That represents 0.3 of 1% of outlays over the next 10 years, which is ridiculously low in my view.

However, each year just through existing measures we crack down on \$2 billion of fraud, which is about \$40 million a week and we prosecute 10 people a day for health and welfare fraud in Australia.

So it is that untapped area of fraudulent activity that will deliver us some of the most significant financial benefits and obviously deliver taxpayers the significant savings. It was a compelling business case when presented to cabinet. The estimated cost of the rollout of the access card is \$1.1 billion over the next four years and the good news is we're on budget – only a month out – which is quite rare. Well I know that you know that it's quite rare for IT projects to be on time and on budget, but so far so good.

Therefore, we are very focused in the structure of the access card working group, very focused on time and on budget. That means that the functions applicable for the access card need to be clearly defined and we will resist attempts to have function creep, unless my colleagues are prepared to pay for it and prepared to wait in turn until we roll out the infrastructure.

Why is it important to roll out a Smartcard technology at a national level? The Premiers and the Prime Minister met last year and identified that there was a danger with Smartcard technology that we end up with different rail gauges, similar to the mistake made at the turn of the twentieth century.

I am determined to avoid that mistake. We have set up a working group with Queensland and Western Australia who are very keen to be involved in our access card project. From my perspective, we will not rollout one card covering State and Federal services, however the States have indicated that they are very keen to jump on the back of our procurement to ensure that they get the best deal, predictably, but at the same time we are all keen to ensure that we rollout a single standard that is going to cover, not just the public sector, but I think importantly the private sector as well.

Of course the compelling standard is the globally recognised EMV. However, I want to have, within government, a robust debate about whether alternate standards should apply.

We need to consider that, but my instinct says that having the EMV standard is compelling because I want the card. In fact the card has to appropriately and satisfactorily interact with the financial system.

I do not want to be in the business of the payment system. That is not my inclination. Having said that, I think it is important when you are distributing \$100 billion that you consider all the appropriate ways of delivering services.

If I can digress for one moment, given that I am talking about payment systems. It is the case that the government is actively considering the electronic transfer of funds in relation to Medicare payments.

We are looking at electronic claiming of Medicare. We have been for years, apparently, but I have spoken with the banks in Australia and globally, about the opportunities to use the EFTPOS network to transact all of our Medicare payments.

I do not want to build a parallel competitive network payment system to EFTPOS. However, I also have an obligation to ensure that taxpayers are getting a good deal. If an on-line payment system set up in parallel to the EFTPOS network comes out far cheaper per transaction than the EFTPOS network, then the government will be inclined to go down that path.

It is the case that from a convenience perspective, for doctors in particular, having a single EFTPOS machine on a receptionist desk is far easier for consumers and for doctors and for their staff, so that people who go and visit a doctor and pay additional money can simply swipe their Medicare card and receive reimbursement directly into their bank account.

Common sense says that's a good way to go, but common sense doesn't always rule - especially when it comes to the wallet. Therefore it is vitally important that we continue to work closely with the banks to ensure that we can deliver Medicare services without people having to queue up in Medicare offices, send in forms or download forms from the net and send them in, or have doctors cheques or arrange for other - in fact there are 23 different ways you can claim Medicare. Most of you wouldn't be aware of that, but obviously some people are. But it is a very expensive way of delivering about \$10 billion worth of payments into the community.

So on that front, there is a compelling argument to look at the EFTPOS system and the government will make some decisions in the not too distant future that will hopefully provide clarity of the marketplace, but let me say that if we do go with an EFTPOS solution, we will be moving very fast, very fast and first in, first served, if you get the gist of that, right?

In relation to the access card, work is well underway. We appointed Booz Allen Hamilton as our lead advisors last week. Booz Allen have a record of achievement in Smartcard projects, particularly in relation to the Lombardia project in Italy.

We had a very rigorous process of assessing all of the lead contenders. It is a big contract – let me tell you – it is not a small contract. It is a significant contract and a very significant role and we went through a robust process to identify that Booz Allen were the most appropriate advisors for us in this project. They are relocating people from Italy and Germany and I think the United States as well, to Canberra to work on the project. That shows you how much money was involved in the project really, doesn't it?

We are also going to announce in the next 24 hours the appointment of the new head of the Office of access card. Someone with experience in the public sector, but also with a very direct incentive to be able to deliver the project on time and on budget.

We have yet to make appointments in relation to program monitoring and will announce that in the next few days, together with the chief technology architect which is a very important role. The chief technology architect will deal with functions, will deal with the application of the card, help us with standards and a range of other areas of activity.

The card ultimately will deliver massive benefits to consumers. The government actively considered an ID card and ruled it out. Australia does not need an ID card, particularly given that we have strong border control.

What we do need is a reliable, safe interaction with our citizens, particularly when they are claiming government benefits. So the access card only has on it your photo and your name. It may not even have a number on the card and in the chip, likely to be a 64 kilobyte chip, in the chip will be name, address, date of birth, and it will be like a series of pages. So each page can only be seen by the person that controls the card and the controller of the card is the individual – you.

You control the card. I have no ulterior motive for the card other than to be able to identify that you are the person who is using the card and importantly, for the government and state governments I might add, to be able to identify whether you are entitled to concessional benefits.

Why is that important? Well, the government spends around \$6 billion on the Pharmaceutical Benefits Scheme. Each year 80% of those people getting the most benefit from the Pharmaceutical Benefits Scheme, 80% are concession card holders; 25% of all concession cards are cancelled before the expiry date on the card. Now I'm sure a lot of people in good faith tear up their concession card, but I bet a lot don't. Especially when they're getting significant reductions on the cost of pharmaceutical benefits, of pharmaceutical goods.

This is one of the challenges that we have. It is how do we make sure that people who are entitled to concessions, claim concessions and no-one else does. It's a big industry, concessions. It applies to everything from movie tickets, with the private sector, through to banking services, right across the spectrum – public transport through to obviously Federal Government services.

One of the challenges we have is given that we are abolishing the paper based cards, how can a person with an entitlement be properly identified when the information is on the chip, especially by the private sector. These are the types of challenges which we are actively debating at the moment and will continue to debate and we continue to expect feedback from the community.

One of the areas that is of concern, which I openly recognise, is privacy. People are still a little hesitant about the access card becoming a national ID card. Let me tell you, an ID card from a national perspective, has displayed on the face of it – on the face on the card, your name, your address, your date of birth. In many countries, your race, in many countries, your religion. In many countries the colour of your eyes and hair.

The card must be carried at all times, so you go to the beach or go bushwalking, you've got to carry the card and it has to be presented on demand, by law.

This card, the access card, will not be mandatory. It will only have displayed on the face of it your name and your photo. So they can't tell whether you're over 18 or under 18. They don't know where you live unless they see your driver's licence and secondly, it will not have to be presented on demand. Only if you are demanding a government service and it is paid for by the government, the taxpayer, will you be required to present the card.

So you can still go and visit your doctor and instead of presenting your Medicare card you can pay in cash. You don't have to present your card and of course you don't have to carry the card with you and, if necessary, we will legislate to that effect. So it is vastly different to a national ID card. However the card will be mandatory if you are trying to access government services, particularly on-line services, and therefore we believe that this will represent significant infrastructure rollout for the nation.

Because there will be a compelling argument for people to have Smartcard readers on their PC at home. There will be a compelling argument for the banking system to have compatible technology, particularly given that we have already announced that one of the first things we will be doing as a function of the new card is emergency payments. That reminds me, you know people say how can you in a situation like Innisfail where there was a terrible cyclone earlier this year, how can you ensure people get benefits out of that?

Well, you know, I went up there shortly after the cyclone hit and there's the government agencies, State and Federal with wads of cash, handing it out to people, creating its own little micro economy – and that's a generous way of putting it. But even a week or two later, the

Queensland government still had money tins there and they were handing out cash, even when the bank was open down the road.

I thought to myself, there must be a better way of doing it. So yesterday, when I couldn't start my car and I rang up the NRMA and say, look I need a new battery. The guy comes around and says, you know its \$99, puts a new battery in and goes to the back of the van with all those batteries lined up, pulls out his hand-held device puts my Visa card in, or MasterCard, whatever card it may be, and you know I can get any card I want these days and the transaction occurs.

I thought to myself and it's something that I've seen before, I thought to myself well why can't we do that with vans taking food into these affected areas – bushfire affected areas; or cyclone affected areas in a short period of time and we can. We can, but we can't do it with the current Medicare card, because that Medicare card is unreliable – in that it can't store certain information, but the access card will provide us with that sort of opportunity and that opens a plethora of opportunities for the public and private sectors to deliver better services to Australians, which is the key focus of what we're about.

The infrastructure we rollout is a railway line. It's a railway line that over many years is going to provide the opportunity for different types of rolling stock to go along and service consumers better.

Quite frankly I don't care what sort of rolling stock it is. If it's a coal train, or a passenger train, or any other type of rolling stock, I don't care. What I do care about is that we rollout the railway line on time, on budget and that it goes to the destination that we want it to go to.

Our rolling stock, the health and welfare access card, will represent the first train along the line. But the important thing is the direction we take it is to the benefit of consumers and Australians as a whole.

On that basis, thank you again for the opportunity to speak to CEDA. It is a very important forum. It's a very important forum because CEDA has always represented the cutting edge of policy debate in Australia and I certainly welcome your questions across the whole of human services.

Thanks very much.