

# THE CASHLESS DEBIT CARD

Lessons learnt and future technology opportunities

November 2021





# MINDEROO FOUNDATION

Minderoo Foundation is proudly Australian, and one of Australasia's largest philanthropies, with more than AU\$2 billion committed to a range of global initiatives. Minderoo has ten key initiatives ranging from ending modern slavery, to making cancer non-lethal, to creating Indigenous employment parity.

The Cashless Debit Card is a project that has been led by Minderoo's Generation One initiative and stems from a key recommendation in *Creating Parity – The Forrest Review*, published in 2014, which aims to create employment parity with and for Indigenous Australians within one generation. We believe all Australians deserve equal opportunity to reach their full potential - we should all have an equal shot at receiving an education, entering training and securing meaningful employment.

A critical step towards this goal is to break the welfare cycle and reduce the level of harm within those communities most in need.

The Cashless Debit Card is just one of a number of programs and services designed to support individuals and their families, by reducing the levels of harm fuelled by cash welfare, to help enable a healthy and safe environment.

This report focuses on technology-related insights arising from the collaboration between industry, government and Minderoo, and explores the pathway to an improved technology platform that will better support participants and communities using the Cashless Debit Card. Cashless Debit Card community members and participants have also informed the findings in this report.

We hope that this report will help inform stakeholders to support better decision-making – by industry, government, advocacy groups and communities and, most importantly, to support those Australians most in need of a hand-up.

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# EXECUTIVE SUMMARY

The use of welfare quarantining has been one of the most controversial policy issues Australia has faced in the past decade and the Cashless Debit Card (CDC) is the most visible representation of this policy. The potential benefits are clear: it gives participants the opportunity to protect their welfare payments – to prevent them being spent on gambling, alcohol and illegal drugs (‘restricted items’). It also equips users to take ownership of their finances – a critical step towards re-entering the workforce, and creating a safe home environment. Yet the CDC is also seen by some as a restriction on personal freedom, as only 20 per cent of the welfare payment can be taken out as cash or used to buy alcohol or gambling products, with the remaining 80 per cent “quarantined” – ringfenced for groceries, rent and other “everyday” expenses.

The CDC, which was first deployed in 2016, is already in operation – with 15,000 welfare recipients participating across three states, and four active trials in South Australia, Western Australia and Queensland. What’s more, the government is voluntarily transitioning users of the BasicsCard – a similar “cashless” card that prevents welfare money from being used to buy certain products – to the CDC. This transition, which is underway in the Northern Territory and Cape York, will boost the number of people using the system to 40,000 if all BasicsCard participants opt to migrate to the CDC. It is clear that the only way forward is to better understand, and openly discuss, the CDC’s pros and cons in an open and collaborative manner.

In this report, we present four key technology learnings from the CDC’s five-year trial period. The material has been gathered through the CDC Technology Working Group and contributions from CDC community members and participants who have shared their ideas and experiences.

## Our four key insights are that:

1. **We need to improve customer experience to enhance the CDC’s effectiveness.**  
Currently, there are a number of shops where the CDC can still be used to buy alcohol and other supposedly “blocked” products. We need to improve the cardholder and merchant onboarding and user experience within the CDC program areas.
2. **A single platform is critical.** The government’s plan to migrate BasicsCard welfare recipients to the CDC in the Northern Territory and Cape York regions will improve CDC acceptance, increase efficiency, reduce costs, and assist with data collection and program performance monitoring.
3. **The stigma associated with the CDC can be minimised.** Many participants continue to feel stigmatised by the CDC, partly a result of the cards being visibly identifiable in some cases, as well as a lack of choice in CDC providers. These concerns can be addressed by enabling a diverse array of financial institutions to issue the card.
4. **We need better access to data.** Data collection remains a challenge given privacy issues and the long-term nature of outcomes from the CDC. Improved data sharing will assist in determining the effectiveness of the CDC program and its impact on communities and participants.

The CDC has already made extraordinary progress and, in the communities where it has been deployed, it has significant support. For example, it's now simpler for participants to enter and exit the program. Users can accrue interest income on their account balance, and the card now has "contactless" or "tap and go" functionality. In addition, a small number of key mixed merchants in the program areas – which might sell groceries and alcohol, for example – now have automated product level blocking at the point of sale (PLB), which still allows the CDC to be used for purchases, but blocks the purchase of restricted items. But further improvements are possible and more can be done to learn from the trials. This report details how the Australian government can improve the CDC experience and ultimately help some of Australia's most vulnerable citizens become more financially stable, independent and secure. The CDC is an important component of Australia's welfare services platform – and it is in all our interests to use the next 12 months to build a platform that will benefit all Australians.

## Recommendations

Minderoo has six key recommendations to the Australian government that will improve the CDC platform and encourage more widespread adoption:

1. **PLB Acceleration and Expansion:** Implement PLB across all CDC program areas: 100% uptake among the mixed merchants in these trial locations will improve the CDC's effectiveness by automating the blocking of restricted items. The PLB "cloud-based" Mini Trial, which provides a solution for small merchants, should be implemented by a number of merchants across each of the program areas in order to expand PLB capability at mixed merchants who do not have integrated Point of Sale systems.
2. **BasicsCard Migration:** Provide all users of the BasicsCard in the Northern Territory the option to transition to the CDC, with an ultimate goal of 100% uptake in both the Northern Territory and Cape York regions. A single platform, rather than competing welfare delivery systems, will increase program efficiency and assist with future planning, data gathering and implementation of the CDC.
3. **CDC Platform Investment:** Broaden the range of financial institutions that can issue the CDC and related welfare bank account, in order to reduce current stigma attached to the card, and build further program efficiency and a better user experience.
4. **Data Collection and Sharing:** Develop an appropriate performance monitoring program to measure the socioeconomic impact of CDC uptake. The data platform must promote knowledge sharing while protecting the privacy of users.
5. **CDC Functional Requirements:** Review the current technology system design behind the CDC, identifying the minimum set of functions it needs to deliver maximum functionality, flexibility and performance, based on industry standards, best practice and current payment trends. This should include a review of existing process flows and card controls to deliver effective user onboarding and management.
6. **Legislation:** The CDC program must transition from trial to delivery of world-class welfare payment services – but this will only be achieved in phases over several terms of government with bi-partisan support.

The rationale behind these recommendations is explored further in this report and we believe there is a clear path forward to utilise the CDC to deliver greater positive social outcomes.

# FOREWORD

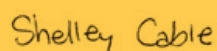
The Cashless Debit Card (CDC) is one of a number of social policy mechanisms that can be used to help reduce the levels of harm in community fuelled by cash welfare. It has the potential to help welfare recipients take more ownership of how their money is spent – both by themselves and by their dependents – and to reduce the social harm caused by alcohol and gambling, especially in a family context, where children can be impacted.

The CDC model has been refined and improved since its deployment in March 2016, including the development and introduction of automated “product level blocking at point of sale” (PLB) nationwide at major retailers, including Aldi, Australia Post, Coles and Woolworths. Nevertheless, improvements are possible, and technological challenges must be overcome for the CDC to more effectively deliver government-provided welfare payments to Australians in need.

Further developments in the Australian banking and payments landscape, such as cloud computing, mobile payments and open banking, will provide new ways to deliver payment and welfare services broadly and cost effectively. The CDC should include these innovations with the goal of improving the financial well-being and experience of welfare recipients to the same standard experienced by all Australians.

To assess the progress that has been made by the CDC, and its chief challenges, Minderoo Foundation and the Australian government reconvened the CDC Technology Working Group in 2020. Minderoo’s key insights from this work, provides six recommendations to create a welfare delivery platform that meets the needs and expectations of Australians today and into the future. We strongly urge the government to incorporate these recommendations into the CDC roadmap over the next 24 months.

We would like to thank the members of the Working Group for their ongoing participation, particularly given the other challenges that we all faced throughout 2020. By leveraging this collective knowledge and collaborating, our recommendations will improve CDC performance, efficiency and participant experiences across the existing program areas, and provide a platform for potential future program expansion.



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# INTRODUCTION

The CDC is an initiative of the Australian government borne from the 'Healthy Welfare Card' concept presented in *Creating Parity - The Forrest Review*, published in 2014 by Dr. Andrew Forrest AO at the request of the then Prime Minister. The report contained 27 recommendations which would help create parity between Indigenous and non-Indigenous Australians. Alongside recommendations relating to early childhood, education and employment, the report identified that a new and better way to distribute welfare payments was required to address a range of issues at the time with the government's BasicsCard program, and highlighted a number of ongoing concerns with regard to cash welfare delivery in communities. The CDC's main aim is to be a "circuit breaker" –alongside other measures – to help break cycles of drug, alcohol and gambling abuse, and improve the financial wellbeing of welfare recipients.

The CDC operates in the same manner as other bank-issued debit cards – however, it cannot be used to buy alcohol, gambling products, gift cards or to withdraw cash. Eighty per cent of a cardholder's regular welfare payment is deposited onto the CDC, with the remaining twenty per cent deposited into the recipient's nominated bank account, where there are no spending restrictions. The CDC is accepted at any store that accepts Visa and eftpos-branded debit cards, at approved online stores, and it can be used to pay bills.

Key differences between the CDC and BasicsCard programs include switching from BasicsCard-only merchant terminals to broad merchant acceptance, the types of items that can be purchased and those that are blocked, and the proportion of welfare payments quarantined into the restricted welfare account. The following sections provide an overview of the government's Income Management policy, the BasicsCard and the Cashless Debit Card.

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## Income management

Income management (or ‘welfare quarantining’) is a policy that compulsorily sets aside a portion of the welfare payments of certain individuals so that it cannot be spent on certain items (e.g. alcohol, gambling products, pornography and tobacco). The money that is not spent on restricted goods is therefore available to be spent on ‘priority needs’ (e.g. childcare, clothing, education, food, healthcare, housing, and utilities). The policy was first introduced by the Australian government in 2007 as a part of the Northern Territory Emergency Response (NTER). The policy is aimed in particular at “disengaged youth, long-term welfare payment recipients and people assessed as vulnerable.”<sup>1</sup>

The objectives are to:

- reduce immediate hardship and deprivation by directing welfare payments to the priority needs of recipients, their partners, children and other dependants
- help welfare payment recipients to budget so that they can afford their priority needs
- reduce the amount of discretionary income available to purchase alcohol, gambling, tobacco, and pornography
- reduce the likelihood that recipients will be subject to harassment in relation to their welfare payments, and
- to encourage socially responsible behaviour, particularly in the care and education of children.

Between 2008 and 2014, income management was expanded from Northern Territory (NT) Indigenous communities to other locations. These include: Indigenous communities in Cape York; selected communities in Western Australia (WA) for child protection initiatives; the entire NT under the Australian government’s ‘New Income Management’ scheme; five communities around Australia under a new ‘place-based’ model; and lastly, in selected areas across South Australia (SA) and WA. The BasicsCard was introduced in 2012 to support delivery of these income management services.

## BasicsCard

In keeping with the objectives of income management, the BasicsCard cannot be used to access cash, or to buy alcohol, pornography, tobacco, gambling products, home-brew kits and concentrates, or vouchers that can be exchanged for cash or credit. Purchases are limited to pre-approved stores such as general stores, medical centres, pharmacies, post offices, service stations and supermarkets. The BasicsCard operates on the national eftpos payment scheme infrastructure, and participants have the option of accessing their managed money through electronic payment facilities at these approved stores, businesses and outlets.

The BasicsCard is limited to a maximum balance of \$3,000 and is adjustable down to \$100 at the user’s request. The maximum daily spend is limited to \$1,500, and card users are able to adjust their own daily spend limits to any amount between \$20 and \$1,500. Indue provides the back-end infrastructure, processing service and scheme sponsorship, while Services Australia provides all customer-facing support. Like a typical debit card, the BasicsCard is protected by a 4-digit personal identification number (PIN).

Over the last decade, various income management evaluation reports have been undertaken and released. Whilst focusing on different income management measures, the operation, functionality and impact of the BasicsCard have been consistently highlighted in these reports. The three key issues with the BasicsCard raised across these evaluations relate to its inherently restrictive (or ‘closed-loop’) design, the stigma, shame and embarrassment experienced by some card users when using the card due to its visibly identifiable nature, and the cost of its administration.

Additionally, the payments world has evolved beyond the magnetic stripe technology used for the BasicsCard, constraining its use for modern conveniences like contactless payments and mobile payment wallets.

## Restrictive “Closed-Loop” Design

A major limitation of the BasicsCard is that it is only accepted by a select group of merchants, who must apply to the Government before being vetted and then added to the government’s list of approved BasicsCard merchants. This adds time and cost to the merchant approval process and significantly constrains the number of outlets that can accept the BasicsCard. In comparison, with a payment card such as MasterCard or Visa, the opposite is the case: any merchant can accept the card through arrangements with its existing bank or payment processor.

To illustrate, MasterCard and Visa cards are accepted at around 900,000 Australian outlets whereas the BasicsCard is only valid at around 15,500 outlets. This reduces choice and convenience for cardholders, lessens competition between merchants, and increases overall program costs. What’s more, the BasicsCard is a “prepaid” debit card, meaning that there is no separate or linked bank account, only the card account into which welfare benefits are paid. This limits the range of payment types and channels available for use. Further, the BasicsCard cannot currently be used for online shopping.

## Stigma

Many card users surveyed across the evaluation reports highlighted shame, stigma or embarrassment as a barrier to using the BasicsCard. The Final Evaluation Report for the Australian government’s ‘New Income Management’<sup>2</sup> for the NT showed that nearly 40% of respondents cited ‘stigma/shame’ as at least one of the reasons for why they had tried to remove themselves from income management. Given the consistent cardholder concerns associated with stigma around use of the BasicsCard, it is clear that much of the stigma can be eliminated with a more flexible, commercially accepted product platform. Our welfare payment system should not contribute to stigmatisation; rather it should empower its users.

## Cost

The Australian National Audit Office highlights that, “the service delivery approach required for New Income Management is resource intensive, differs from the day-to-day processes used for the majority of services provided by DHS, and consequently is a relatively higher cost service.”<sup>3</sup>

The same observation applies to the BasicsCard in that it does not operate in the same manner as a standard payment product. Banks leverage economies of scale with payment products and this can only be achieved when systems are aligned with industry standards and existing payment platforms.



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## Cashless Debit Card

On 14 October 2015, the Federal Parliament passed the Social Security Legislation Amendment (Debit Card Trial) Bill 2015, allowing the government to establish a 12-month trial of a Cashless Debit Card (CDC) based upon the Healthy Welfare Card concept. The CDC, unlike the BasicsCard, is a chip-based Visa Debit/eftpos card with a linked bank account. It uses an 'open-loop' model and quarantines 80% of a welfare payment. The open-loop design means that the CDC can be used at any Visa merchant that is not blocked (i.e. a supplier of excluded goods and services), regardless of whether they have entered into a contract with the Department of Social Services.

Unlike the BasicsCard, the CDC features a full transaction bank account which can facilitate online purchases, Direct Entry transfers (manually approved by DSS or to other restricted accounts) and BPAY transactions. The CDC also uses an EMV payment chip, whereas the BasicsCard uses a magnetic stripe, making the CDC inherently more secure and harder to counterfeit, in addition to enabling contactless functionality. Lastly, Centrelink does not determine and pay 'priority needs' for a welfare recipient on the CDC, so card users are empowered to make their own decisions about their personal payment needs.

## Deployment

After a competitive tender process, Indue Ltd was awarded the contract to issue CDC cards and manage the bank accounts linked to them in 2016. Indue is a not-for-profit, member owned service bureau that specialises in providing payment and banking infrastructure to smaller Australian banks, building societies and financial co-operatives. Indue also has a banking license and is a member of card payment schemes such as eftpos, MasterCard and Visa.

The Australian government commenced CDC deployment with 12-month trials on 15 March 2016 in Ceduna (SA) and on 26 April 2016 in the East Kimberley (WA). The trials were designed to "test whether restricting discretionary cash can reduce the overall social harm which is caused by welfare-fuelled alcohol, gambling and drug abuse."<sup>4</sup> ORIMA Research released its CDC Trial Interim Evaluation Report in March 2017<sup>5</sup> and its Final Evaluation Report in August 2017,<sup>6</sup> using the above two locations as the baseline. While some success was evident, it was clear that improvements could be made to the current program and that the CDC framework would not be scalable without a mechanism to automatically block restricted items at the point of sale.

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## Product level blocking

Arguably, CDC introduction and deployment solved one problem, but introduced another by moving to an “open loop” payment network. Rather than having the card only accepted at specific merchants recruited for the BasicsCard program, the CDC can be used at any store that accepts Visa cards to purchase any item unless it is classified as a ‘blocked merchant’ (i.e. a merchant that sells predominantly ‘restricted items’), or the operator intervenes to stop the sale of restricted items. Relying on shop assistants to enforce these restrictions is error and fraud prone, potentially creates friction at the point of sale, and introduces stigma and a range of customer service challenges for both the merchant and cardholder.

Merchants that sell predominantly restricted items, like bottle shops and betting agencies, are typically blocked entirely, and CDC cards are automatically declined for all transactions at those merchants. But merchant-level blocking is not appropriate for the tens of thousands of “mixed merchants” across Australia that sell both restricted and unrestricted items, or merchants

that sell secondary forms of credit such as gift cards. Examples include restaurants and bistros that sell meals and liquor, or supermarkets that sell gift cards, which can then be used to purchase restricted items.

The concept of automated Product Level Blocking at Point of Sale (PLB) was identified as a mechanism to allow the CDC to be used at mixed merchants without relying on intervention by sales staff. Put simply, the merchant’s Point of Sale (POS) system would be enabled to automatically identify restricted goods by their item code (usually called a stock-keeping unit or SKU) so that payment using a CDC could be prevented when restricted items are included in the goods being purchased.

Over the past three years, significant work has been undertaken in collaboration with the payments community to develop an automated solution for PLB at major merchants who have sophisticated scanning systems. The major supermarket chains, together with Australia Post, have led this innovation and already deployed PLB functionality across their networks.



# OUR KEY INSIGHTS

Minderoo has over the past four years called on senior executives from across the banking and retail sectors to come together to create a technology roadmap for the development and implementation of the CDC, and to work collaboratively with all stakeholders to solve issues hindering the card's functionality, merchant acceptance, user experience and scalability.

This work started with establishment of the CDC Technology Working Group (CDC TWG) in 2017, which, more recently, met in 2020 to:

1. Explore the technology required to expand and scale up the implementation of PLB to a large number of merchants, and their payment service providers ("acquirers").
2. Increase the number of organisations ("issuers") that offer restricted CDC accounts to welfare recipients as standard bank-branded debit cards.

The following insights surfaced as a result of this work, and also includes feedback directly from CDC community members and participants, including those who came together in December 2020 to share their views and first hand experiences, and to generate ideas on how to improve the CDC as one of a number of tools to achieve positive change in Australian communities.

## Insight #1

### IMPROVING CUSTOMER EXPERIENCE

Circumvention of purchase restrictions remains one of the most challenging issues with the CDC. A process that automates the blocking of restricted items at the point of sale, and continues to do so in an effective manner – thus avoiding disruption and embarrassment – will provide material benefit to all stakeholders. This automation also signals early on to welfare recipients where and how the CDC can and cannot be used legitimately.

The deployment of PLB technology was one topic considered by the Working Group. Currently, an off-the-shelf solution exists for major mixed merchants, which connects scanning systems with integrated PIN pads to block restricted items when the CDC is presented for payment. At the time of this report, PLB solutions were available for the majority of POS and PIN Pad solutions

in Australia, and pleasingly all major acquirers were implementing this as part of their standard terminal configuration.

An opportunity was identified and scoped to pilot a cloud-based PLB platform to improve performance, while at the same time future-proofing for technology advances, and enabling smaller merchants that use stand-alone PIN pads together with separate tablet devices to support PLB at these mixed merchant locations.

eftpos had previously developed a cloud based PLB proof of concept with a merchant acquirer, terminal vendor and POS solution provider, and proposed it for trialling within a program area. The PLB Mini Trial aimed to refine this concept further with plans to deploy it at a small number of merchants in a number of program areas over the coming year.

## Insight #2

# BUILDING PLATFORM EFFICIENCY

*The Social Security (Administration) Amendment (Continuation of Cashless Welfare) Bill 2020* was passed on 9 December 2020. It extends the sunset date of the four program areas in the Ceduna, East Kimberley, Goldfields and Bundaberg and Hervey Bay regions until 31 December 2022. Additionally, it facilitates optional transition from the BasicsCard to the CDC for participants in the Northern Territory, together with mandatory transition of Cape York BasicsCard participants. If all BasicsCard participants opt to transition to the CDC, there would be approximately 40,000 welfare recipients using the CDC across three states and one territory. Further legislative changes will be required to extend CDC activities beyond the current sunset date of 31 December 2022.

Given the above outcome, the government will be required to invest in and maintain two parallel programs – the BasicsCard and the CDC – for the next 24 months, which will lead to platform inefficiencies, increased cost and a sub-optimal outcome for welfare recipients. At the same time, the CDC's cost profile has been often criticised over the years. However, it should be

acknowledged that the CDC has been in trial mode since its introduction, with a limited number of participants, and for a specific timeframe with a short horizon. This has led to a sub-optimal cost base. Significant improvements can be made to improve the efficiency of CDC operations with scale and some certainty around the legislative framework and future of the CDC and BasicsCard programs beyond 2022.

There would be significant financial and economic benefits in the government setting itself a goal of migrating 100% of BasicsCard participants in the NT onto the more modern and flexible CDC platform over the next 24 months. This would make available a number of new features not supported by the BasicsCard, whilst at the same time providing scale and a benchmark to gather data across a number of agreed metrics to measure performance and effectiveness over a set period. The effectiveness of the BasicsCard and CDC should also be measured over the next 24 months to inform policy makers and government a future roadmap for welfare delivery.



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via Getty Images

## Insight #3

# REMOVING STIGMA

Stigma continues to be the most frequent concern raised by welfare recipients when using the CDC. Specific mention by CDC users is often made of the card branding and associated challenges that sometimes occur when paying for goods and services. In addition, the inconvenience that welfare recipients experience when onboarding to the CDC platform and the need to open a new restricted bank account further adds friction around card activation and subsequent use.

Since the CDC's inception, there have been numerous calls to solve this problem via the addition of new issuers to the CDC program beyond Indue, and simplifying the onboarding process.

To be able to add further Issuers to the CDC program, consideration should be given to how best to on-board financial institutions to offer a welfare restricted account and linked debit card to their existing customers with the minimum allocation of time and resources.

Key CDC issuing requirements that are unique and challenging fall into five specific categories covering:

1. **Account Management** – opening, maintaining, compliance, disbursements,
2. **Card Controls** – restricting purchases and cash withdrawals, transfers, online and phone usage,
3. **Account Controls** – transfers to other accounts, non-card payments,
4. **Transaction Controls** – stand-in processing, overdrawn, activity monitoring and reporting; and
5. **Other Requirements** – fees, interest, replacement cards.

When considering the most cost effective way for Issuers to implement the CDC alongside the current Indue system, a number of operating models are available. This included:

1. **an In-house Solution** – where the Approved Deposit-Taking Institution (ADI) modifies an existing product to provide a compliant CDC account;
2. **use of an External Processor** – where the ADI develops a new product in-house to provide a compliant CDC account, with the more difficult functions outsourced to an external processor; or
3. **a Shared Service Solution** – where the ADI leverages a shared service or similar to provide a compliant CDC account, with limited direct operational involvement by the ADI.

When considering the **Shared Services Solution** two variants, being **Outsourced** and **Branded** options, are available. The key difference between these two options is that for the Branded model, the issuer uses re-branded accounts and cards operated by an external service provider, whereas in the Outsourced model, the issuer operates their own accounts and uses the shared services solution for CDC infrastructure delivery.

Given the above, there is merit in exploring building the Branded solution on the current Indue system through trials with new issuers across the existing program areas. Consideration should also be given to procure further services down the track, which may include a Payment Services Hub and a welfare recipient Mobile Application and Web Portal to provide self-service payment, banking services and financial management tools. Of these enhancements, support for Mobile and Web Services should be considered a primary requirement, with the Payment Services Hub a secondary requirement.

## Insight #4

# EFFECTIVE MONITORING AND PERFORMANCE

The success of the CDC as a harm prevention tool relates to potential improvements in social outcomes – for example, less family violence, improved school attendance and healthier communities. These outcomes take a long time to measure and the definition of success can vary across communities. The number of possible causes and contributing factors can also make measurement difficult, and the low number of CDCs currently on issuance makes statistical correlation, and therefore conclusions about causality, challenging.

Now is the time to develop and implement a data collection framework to benchmark and validate CDC performance across all current program areas – to ensure that measurable, qualitative and quantitative data will be captured over the next 18 months of the CDC program. Voluntary migration of BasicsCard participants in the NT to the CDC provides an opportunity to capture performance to date with the BasicsCard, together with comparative data measuring future performance across both programs over the next 18-24 months to inform a decision with regard to the CDC and BasicsCard's future.

The current Department of Social Services CDC Issuing requirements are challenging.

There is merit in reviewing the current functionality and design of both the CDC and BasicsCard, considering a variety of inputs and with the long-term objectives of welfare recipients in mind. This review should always keep in mind the core functionality required within the CDC program, together with what has been learned over the past decade around deployment and use of the BasicsCard and CDC, plus the needs and expectations of those on the program, and that of the government, in the delivery of welfare services.

A circuit breaker is also needed to defuse issues that are preventing commitment, progress and bi-partisan support of the CDC for the benefit of all welfare recipients. Over the next 18 months, the aim should be to collectively develop and create a modern, world-class welfare payment system that benefits and protects all Australians, whether they are welfare recipients today or may become welfare recipients in the future. This work should be driven by the guiding principle of preventing harm to welfare recipients, their dependents and community members – and we would argue that this is paramount and above the political discourse.

# FUTURE OPPORTUNITIES

Minderoo Foundation recognises that the objective to minimise harm is self-evident in the government's welfare system. The question is not "*should* we minimise harm in our welfare payment system?" but "*how* should we minimise harm as we modernise the welfare payment system?" Having a collaborative approach to identifying, designing and prioritising requirements and features, and agreeing a roadmap of change can ensure this objective can be achieved with bipartisan support.

Our welfare system also needs to stay current and respond to the inevitable changes in the world around us. For example, COVID-19 has impacted where we shop, what we buy, how we pay and the number of people on welfare benefits; and the payments world is evolving based on new technologies, shifting consumer preferences and regulatory oversight. Minderoo's perspective is that even if we do not agree on the details of harm prevention, the payments welfare system should be modernised to align with changes in retailer and consumer behaviour and expectations. If harm can also be prevented on that journey and break cycles of dependency, then all the better.

Various reports have been published over the years which measure and reflect on CDC performance across communities. Some common findings and themes are present across these various reports, including the vulnerability of welfare recipients and the need to deliver services in a manner which recognises this and the ongoing stigma associated with being a participant on the CDC. In addition, the program should recognise the interdependence and importance of delivering the CDC program alongside other supporting welfare services to address the causes of this dependence.

The CDC program has been run as a trial for five years, going forward, the government must choose to continue or cancel it at the end of 2022. Consideration should be given to the wishes of those communities already involved in deploying the CDC, how to make it more accepted and effective in those communities, what the alternative to the CDC in those communities would look like, and the merit of building a technology platform capable of supporting expansion of the CDC in any community nationally where that community sees a need and benefit.

Likewise, consideration should be given to making the CDC technology more flexible in its operation to allow for approaches that are more targeted to the specific needs of the areas or individuals where it is established.

Minderoo acknowledges the CDC's imperfections but calls on the government to use the experience to date to develop a modern, functional welfare payments system that meets the needs of all stakeholders.

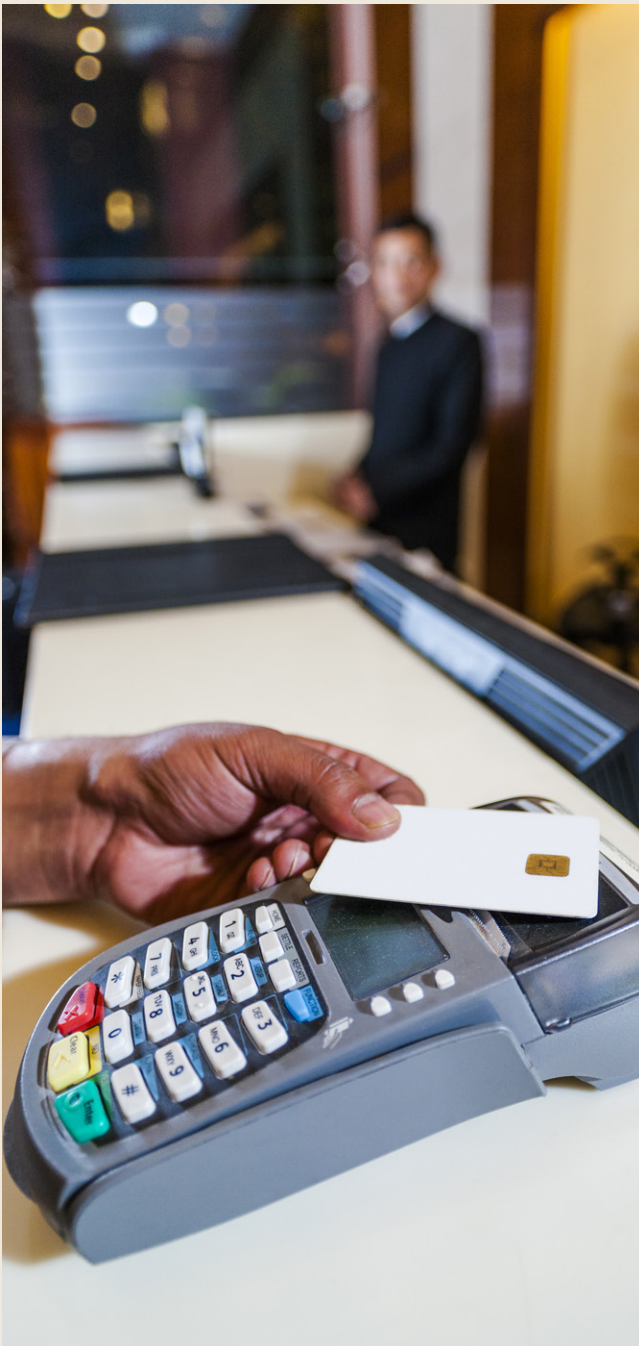
There remains further benefits to be realised from improvements to the CDC technology as part of the next stage of its implementation over the next 18 months. The payments industry has once again come together to discuss the most effective way to move forward with the program, recognising both the challenges in doing so, and also how best to collaborate with government to deliver these improvements in a cost-effective and efficient manner.



# OUR RECOMMENDATIONS

## Overview

Minderoo proposes the following recommendations over the next 24-month trial period and beyond:



1. Accelerate implementation of Product Level Blocking at Point of Sale (PLB) across CDC program areas such that 100% of mixed merchants implement PLB within these locations. In addition, the PLB cloud-based Mini Trial should be implemented as a priority across each of the program areas at a number of mixed merchants who do not have integrated scanning systems.
2. Set as a target that 100% of BasicsCard users in the Northern Territory transition to the CDC and use this voluntary migration to assist with future CDC planning, data gathering, baselining and performance measurement.
3. Enhance the current CDC platform and investment to date to allow any Australian Deposit-Taking Institution to join the CDC program and offer a branded payment card and related welfare account, recognising differences between major banks, regional banks and smaller institutions.
4. Adopt a pragmatic approach regarding the collection and sharing of transactional and community data from CDC program areas in line with privacy protocols to measure effectiveness of the CDC.
5. Review the current CDC technical requirements to identify the minimum set of functions that delivers the maximum functionality and flexibility. These functions should achieve controls, efficiency and scalability through simplicity and automation, and alignment with industry standards, best practices and payment trends.
6. Consider and adopt a legislative framework for the CDC that commits to principles, objectives and targets that can be evaluated by an independent government authority.

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via Getty Images

# RECOMMENDATIONS IN DETAIL

## 1. PLB Acceleration and Expansion

The benefits of implementing PLB are well documented and include an improved service experience for cardholder and merchant. Significant progress has been made technically in this regard, with PLB functionality now available on the majority of device and acquiring platforms. With this commitment to implement PLB at mixed merchants by all Acquirers, improvements can be made to streamline adoption and implementation of PLB by all mixed merchants within program areas.

Minderoo recommends that the government adopt a target such that all Australian acquirers and 100% of mixed merchants that sell restricted items within program areas implement PLB by the end of 2022. To achieve this, in addition to the major retailers and Acquirers who already support PLB, the four major Australian banks should offer PLB as a standard service offering to their merchants in all program areas by June 2022. The government should support the implementation of the PLB Mini Trial with one acquirer and 10 merchants within a minimum of two, but preferably all, of the program areas during 2021.

## 2. BasicsCard Migration

The legislative framework adopted in December 2020 mandates that BasicsCard participants in Cape York migrate over to the CDC, and that BasicsCards participants in the Northern Territory can choose to migrate across to the CDC or remain on the BasicsCard. This presents both a risk and an opportunity from an operational and cost efficiency perspective. The risk is that the BasicsCard must continue to be supported for a reducing number of participants, however, the opportunity is that we can learn much from this voluntary migration from BasicsCard to the CDC and what factors are important to participants when making this choice, and use the migration to capture important performance data.

Minderoo recommends that the government adopt a target of 100% migration from the BasicsCard to CDC in the Northern Territory, with subsequent retirement of BasicsCard by the end of 2023.

## 3. CDC Platform Investment

The current CDC technology platform provided by Indue represents a material investment by taxpayers in specialised CDC capability, which should be leveraged to support expansion and enhancement of the CDC program. At the same time, there remains significant merit in expanding the number of financial institutions able to issue the CDC as part of the current program and for future welfare delivery. The current CDC technology platform should be enhanced to include new issuers under a **Branded Shared Services** solution. In addition, consideration should be given to the development of a **Payment Services Hub** to support effective deployment of CDC technology in the future, including automated product level blocking, multiple CDC issuing and data analysis from a centrally operated data services platform.

Minderoo recommends that the Government invests in the current CDC technology platform to onboard new financial institution issuers into the CDC program, specifically to support the BasicsCard migration to CDC in the Northern Territory, and to provide choice of financial institution into one additional existing program area in the first instance, with Bundaberg and Hervey Bay the preferred location, given economies of scale. Further work should be undertaken to quantify the benefits of a Payment Services Hub to accelerate the deployment of product level blocking for mixed merchants nationally before any decision is made with regard to its development.

## 4. Data Collection and Sharing

The CDC platform captures transaction level detail from participating cardholders. This information is managed on a confidential basis by the government in line with privacy legislation and principles. There is a wealth of information and learnings that could be analysed in support of measuring the effectiveness of the CDC from a policy and welfare perspective. The challenge remains to develop an environment such that this data could be used in an effective manner to make effective policy decisions, and what appropriate entities should be custodians of this data and be tasked with undertaking the work.

Minderoo recommends that the government develop a performance measurement dashboard with key stakeholders to measure the effectiveness of the CDC in communities where deployed.

## 5. CDC Functional Requirements

The requirements associated with the CDC linked bank account, from creation through to spending controls, were particularly problematic for participant banks to implement, as they are outside the scope of what is found in their existing retail products and systems. As such, before committing to any major new development the government should review CDC requirements to formally validate them against an agreed framework. This will help the process of formulating a roadmap and will inform the order in which functionality could be deployed in stages to achieve outcomes.

Minderoo recommends that as a prerequisite to further technical planning, CDC requirements should be reviewed and costed using a formal methodology that can inform other planning activities for the development of a staged, cost-effective and scalable welfare payments system architecture.

## 6. Legislation

The CDC's legislative framework is relevant to technology planning because it affects the way the CDC can adapt and change, given the long lead times required by various stakeholders to introduce large scale technology changes and upgrades. In addition, the lack of certainty and tenure regarding the future of the CDC provides further barriers to this technology work, particularly given the fact that new CDC legislation will be required before the end of 2022.

Minderoo recommends that the government adopt a legislative framework for the CDC with a focus on objectives and outcomes to deliver a fair and efficient welfare system in those communities where there is demand for reform.

# CONCLUDING REMARKS

Minderoo Foundation's six recommendations contained within this report are a pragmatic approach to improve both the participant and merchant experience with the CDC, whilst at the same time building a foundation and evidence base to successfully implement the CDC over the next two years. It also provides a platform for the government, as well as other stakeholders, to be in a position to make an informed decision with regard to the future of the CDC beyond 2022, and to implement this decision as is appropriate.

This technology approach and supporting recommendations, which include both improvements to the current CDC platform, and flexibility with regard to the future operation of the CDC and BasicsCard, will ensure that whatever decision is made in the future, government will have a reliable, scalable and flexible payments platform to support this decision.

We look forward to the government adopting the recommendations in this report, engaging constructively with industry to ensure a seamless rollout of an improved CDC model, and providing certainty to ensure that industry participants can prioritise the required technology investments as part of their planning roadmap for the CDC into the future. This is required to improve user experiences and outcomes and build a safer welfare system that supports all Australians, and especially those most in need.

# ENDNOTES

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- 4 Department of Social Services (Oct 2018). *Cashless Debit Card – Aim and Impact*. Australian Government. Available from: [https://www.dss.gov.au/sites/default/files/documents/11\\_2018/cashless-debit-card-factsheet-aim-and-impact.pdf](https://www.dss.gov.au/sites/default/files/documents/11_2018/cashless-debit-card-factsheet-aim-and-impact.pdf)
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