# Centre for Digital Business©

# No Welfare Reform

# without

# Digital Payments Transformation and Digital Identity Strategy

A Submission to the McClure Welfare Reform Consultation

and the

Murray Financial Services Inquiry

**The Centre for Digital Business Pty Limited**

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**About the Centre for Digital Business**

The Centre for Digital Business is an Australian-based organisation connected globally with thought leaders and practitioners in the field of digital transformation and innovation. We are experienced practitioners in the field of digital transformation.

Our mission is to be a trusted strategic advisor – providing expert advice and thought leadership to governments, policy makers, business, technology firms and academic institutions on the forward posture, innovation and new capabilities essential to meet the challenges and opportunities arising from the digital era and pervasive technologies.

Our global public and private sector experience covers key industry sectors including government; revenue; business and industry; immigration; law enforcement; defence; health and social services; infrastructure; rail; aviation; air traffic management; electricity and water utilities; oil and gas; chemicals; and mining.

Our capability areas includes digital strategy; business and technology strategy; identity; payments; ERP; logistics; supply chain management; business transformation; whole-of-government transformation; and board and independent expert advisory roles.

**About the Author**

Marie Johnson is the Managing Director and Chief Digital Officer of the Centre for Digital Business, with extensive public and private sector experience in Australia and internationally in technology and innovation. Marie established the Centre for Digital Business to continue her advocacy and thought leadership as a trusted strategic advisor to government leaders and businesses globally in innovation and digital transformation.

Previously, at Microsoft, Marie led Microsoft's Public Services and eGovernment strategy worldwide, including Microsoft's Identity Strategy in Government.

For 5 years Marie has been a member of the Accenture Global CIO Council Advisory Board. The Advisory Board provides a significant role in the governance of the Council, and developing insights and perspectives on the direction, content and research programming for the Accenture Global CIO Council activities.

From a government transformation perspective, Marie has led the strategy and implementation of very significant reform programs to the digital machinery of government involving identity, payments, architecture and data exchange.

For 5 years Marie was responsible for the Business Entry Point (a digital initiative of the three levels of government); encompassing the whole-of-government business authentication framework, and digital credentials. Jointly with the ATO, Marie led the implementation of the Australian Business Number (ABN).

As the Chief Technology Architect of the $1 billion Access Card program, Marie was responsible for the technology and operating model design for the Health and Human Services Access Card. This involved collaboration on digital identity, authentication, smartcard interoperability and biometrics across levels of government, international standards bodies, and commercial sectors. Responsibilities also included the development of the commercial strategy for the engagement of national point of sale (POS) terminal operators (such as the banks and retailers) to enable the Access Card to be used for payments and proof of identity at all point of sale terminals nationally.

Following the cessation of the Access Card program, Marie initiated the BasicsCard program, and together with a cross-agency effort developed a new capability for government - a card based system able to operate nationally, to access quarantine or controlled benefits through the payments system, which has become a key tool in the delivery of income management.

During this period, Marie and her team continued to investigate significant opportunities presented by payment delivery reform more broadly in government; and led a strategic industry examination on payment and information services through the industry discussion paper – "Better Dealings with Government: Innovation in Payments and Information Services" Sept 2009. This involved extensive consultation across government and industry; collaborated with Reserve Bank of Australia (RBA) on payment delivery reform; and collaboration with the Australian Payments Clearing Association (APCA) on the development of payments standards to meet government drivers for payments and service delivery innovation.

Marie subsequently initiated and led a program that delivered a significant service delivery transformation and revenue innovation for government at the Department of Immigration and Citizenship: the Visa Pricing Transformation (VPT) initiative. This involved, for the first time, applying differential pricing to visas, channels, and visa products benchmarked internationally, in conjunction with a comprehensive digital business model and electronic payments strategy. Announced in the Mid-Year Economic and Fiscal Outlook (MYEFO) 2011-2012, this innovation attracted a $100 million investment from government on additional revenue projections for government of $700 million.

Marie was named "Innovative CIO of the Year 2006-2007 – Australia" by the Australian Financial Review MIS Magazine.

In 2009, Marie and her team at the Department of Human Services received the "Prime Minister's Award for Excellence in Public Sector Management – Gold Award" for the BasicsCard Project.

In October 2013, Marie was named one of Australia's "100 Women of Influence" by the Australian Financial Review & Westpac Group.

Marie is a Board Director of the Australian Information Industry Association (AIIA), which sets the agenda for the ICT industry in Australia.

In 2014, Marie was appointed as a member of the NSW Government ICT Advisory Panel, which provides expertise from the business and research sectors on transformation and ICT strategic directions for the NSW Government.

Marie has an MBA from the Melbourne Business School; a Bachelor of Arts; has completed the Harvard University John F Kennedy School of Government Senior Executive Fellows Program; and is a Graduate of the Australian Institute of Company Directors.

## INTRODUCTION

This submission from the Centre for Digital Business is provided to both the McClure Welfare Reform consultation and to the Murray Financial System Inquiry Interim Report, as these are related and intersecting inquiries.

The Centre for Digital Business submission is focused on innovation in digital payments and a whole-of-government payment delivery reform strategy as both a delivery platform and a policy lever for the proposed welfare reform architecture.

Innovation in payments is one of the major digital disruptors in all sectors and all economies.  The innovations go far beyond driving down the transactional cost of payments, to new digital payment mechanisms and information services that can help shape, inform and give rise to new policy options.

The Australian Government is a significant player in the financial system, and in 2012-2013, provided more than $110 billion in cash transfer payments. (McClure Welfare Reform Report, June2014).  As further noted by the Murray Financial System Inquiry more broadly:

> *…For the Australian Government, spending on social security and welfare comprises over one-third of total expenditure. Spending on health, defence and education together accounts for close to another third…*

However, welfare reform will not be achieved without an accompanying whole-of-government transformation of payment delivery together with a digital identity strategy.  The payment arrangements in government are siloed activities, propped up by significant manual, complex and repetitive identity processes.

There is currently an historic and possibly serendipitous convergence of strategies – the recasting of the welfare reform architecture at the time when the Reserve Bank of Australia (RBA) is implementing a new payments architecture through the New Payments Platform (NPP) following the RBA Strategic Review of Innovation in the Payments System – against the backdrop of the inquiry into the future of Australia's financial system.

However, at the same time that the proposed McClure welfare reforms are being considered and the RBA work on the NPP is being implemented, there are very significant investment processes underway across Commonwealth Government agencies that directly relate to payments and information services.

These investments are made in the absence of a whole-of-government transformation strategy; in the absence of whole-of-government technology strategy; and in the absence of a whole-of-government strategic payments capability architecture.

This is akin to building a town without a town plan.

Such fragmentation of payment arrangements affects all social welfare delivery.

System wide benefits will only accrue if the paradigm of program by program, and agency by agency design, is replaced by a regulated whole-of-government strategic payments architecture.

According to the RBA, "*If implemented effectively, the NPP will place the Australian payments infrastructure at the global frontier.*"

This will enable very significant transformation and innovation in payment delivery and information services and make possible welfare reform for the decades ahead.  The significance of this new architecture of the Australian payments

system needs to be carefully considered and factored into the policy, service delivery design and administrative reforms currently under consideration or underway.

However, there appears to be no governance mechanism specifically for government service delivery and administration, to investigate and deliver these benefits.

In the drive for evidence based policy, the fragmented and bespoke payments arrangements and the lack of a strategic payments capability architecture is a very significant capability gap in government administration. Government is missing out on innovative and agile payment delivery options, and insights from payment data analytics to inform policy and evaluation.

This submission proposes a strategic whole-of-government strategic payments capability architecture that is regulated and subject to independent governance – a "Government Payments Board". Without this independent governance, the Australian Government approach to payments will remain a fragmented transactional agency-by-agency activity, losing the opportunity for system wide innovation and strategic insight from big data analytics. In proposing a strategic payments capability architecture, this submission strongly advocates for an over-the-horizon view by government of innovations in payments including in emerging markets.

Also highlighted in the Murray FS Inquiry and the NCOA report is the lack of a digital identity framework in Australia. This has significant implications for welfare reform.

At this point in time – the intersection between the repetitive process manual world and the digital world - the lack of a digital identity framework drives two dimensions of dis-benefits: excessive and unnecessary costs, and cyber security and identity theft risks.

Welfare reform, innovation in digital payments and digital identity can only be achieved with a cohesive posture and strategy of digital transformation and a progressive forward looking agile whole-of-government technology strategy.

*Welfare reform together with innovation in digital payments and a digital identity strategy are inseparable strategies.*

This submission is made with reference to the following related reviews, reforms and strategies.

- Reserve Bank of Australia – "Strategic Review of Innovation in the Payments System" 2010.
- Reserve Bank of Australia - Implementation of the New Payments Platform (NPP).
- National Disability Insurance Scheme (NDIS).
- The Financial System Inquiry 2014 (Murray) - Interim Report - released 15 July 2014.
- The Report of the National Commission of Audit - Towards Responsible Government. February 2014.
- Coalition's Policy for eGovernment and the Digital Economy. August 2013.

**DISCUSSION**

All sectors – including retail, financial services, broadcasting and media – are going through disruptive change brought about through the impact of digital technologies, digital operating models and digital platforms of engagement. This digital disruption has been fermenting over the past decade or more, with the impact magnified in recent years through the historic convergence of factors – increasing pace of innovation, demographics, and unsustainable government budgets.

Innovation in payment technologies and models has been both a major disruptor of traditional sectors and a generator of new models of economic activity.

Government is not immune from this digital disruption. Government has not kept pace with the innovation in digital payments and information services, the result being service delivery rigidity, locked in costs and constrained policy options.

In setting the context of this submission, a perspective on the "long tail" of inter-related reform initiatives in digital payments and information services and digital identity is presented. This perspective is presented with the objective of learning from previous initiatives, avoiding duplicated efforts, and potentially driving breakthrough approaches from them.

## ACCESS CARD

Given the comments and recommendations in the National Commission of Audit (NCOA) Report and the Murray FS Inquiry (each highlighting issues around digital credentials and authentication) and the current status and paradigm of the service delivery arrangements (see page 24) – it is worth reflecting on the objectives of the Access Card program to appreciate the importance of a bold whole-of-government strategy to deliver breakthrough transformation.

This submission does not necessarily advocate for a re-run of the Access Card program, but rather a bold strategy of transformation that is centrally driven, to break through the intractable issues driven by the current agency-by-agency paradigm, in the absence of a whole-of-government strategy and architecture.

In the 7 years since the cessation of the Access Card program, the world economy has been transformed by technology and new economic models in digital payments and digital identity. However, the lack of a digital identity framework and overly complex and rigid payment arrangements remain as the common root cause of both inefficiencies and lack of innovation in government service delivery.

To recap:

On 26 April 2006 the Australian Government announced the introduction of a health benefits, veterans' and social services access card to replace up to 17 existing Australian Government benefits cards and vouchers.

The new access card system was designed to utilise smart card technology to streamline and modernise the delivery of Australian Government health benefits and veterans' and social services. It was to enable people to obtain Australian Government benefits in a straightforward, convenient and reliable way without having to re-register and repeat the same information each time they visit an Australian Government office.

The KPMG Access Card Business Case (Public Version) stated:

> *…KPMG considers that there are three key drivers for this initiative which are:*
>
> - *The upfront access arrangements for health and social services are unnecessarily inefficient, complex, fragmented and inconvenient for consumers.*
> - *The service systems, and in particular, inconsistent POI arrangements, provide significant opportunities for fraud. Given the size of expenditure, this represents a present and ongoing risk and exposure to Government.*
> - *There are major changes in technology forecast over the next decade which will ultimately drive some rationalisation in the present system*

The KPMG Access Card Business Case (Public Version) went on to describe the problems with the (then) current services system.  It is worth reading this alongside the observations and recommendations of the NCOA, the Murray FS Inquiry, and facts on the current stats of the service delivery system (see page 24):

> *Whilst there have been significant improvement to services, access arrangements for health and social services are still characterised by fragmentation, duplication and unnecessary inconvenience to consumers.  Many of the recent reforms, whilst effective, have been focussed on agency specific systems or back office functions, or are voluntary and do not have uniform coverage.  To illustrate:*
>
> - *Consumers are confronted with an array of different service standards, different service access points and different standards of POI in each agency.*
> - *There are multiple registration points and some consumers having to repeat the same information to different agencies and often provide the same proof of identity (POI) information to the same agency if they want a different service.*
> - *There are 520 forms in Centrelink alone, all of which require the consumer to provide information on their identity.  This makes the system onerous of customers and inherently prone to error.*
> - *There are multiple cards for different concessions and entitlements, many are paper based.  As well as documented by DHS agencies, there are 24 cards in use in the DHS services system. Implementation of the HHS (*Access Card*) initiative will see 17 cards eliminated immediately.  It is important not to overstate the problems of multiple cards, some of them serve a very specific purpose.  However, they are symptomatic of an unnecessarily complex system from a services access and entitlement perspective as follows:*
>   - *Whilst no one will have 24 cards, some people will certainly have more than one card.  Aged pensioners for example are highly likely to have three to four cards.  There are 1.9 million aged pensioners in Australia.*
>   - *Many of the cards perform the same function, 11 out of the 24 cards are forms of concession cards to obtain additional benefits under the Medicare system.*
>   - *Fundamentally all of the cards contain the same information ie name, some form of registration identifier and a person's entitlement to different services.  Multiple cards and records to hold the same information make the system prone to error.*
>   - *When a person changes these personal details they often need to be issued with a new card.  A chip based technology would allow information to change without having to replace the card.  A total of 1.3 million cards are replaced every year.*
>   - *DHS agencies are overly reliant on face-to-face interviews with 110 million face-to-face transactions each year.  [Note:  That figure is now 170 million face to face transactions each year to prove identity – see page 24.]*

Notwithstanding the service delivery improvement efforts that have been made since 2007, when the Access Card program was terminated, the service delivery paradigm remains complex, repetitive and overly manual – and many of the 170 million face-to-face interactions (currently) is to prove identity.  Many of the physical cards still remain – with additional cards now such as the BasicsCard and NDIS payment card – and a number of the physical cards now also exist as a digital representation as an app.

To understand what this submission proposes, it is important to understand the broader systemic innovations that were driven by the Access Card program – as what is needed to move beyond the current paradigm and intractable siloed problems goes beyond technology – to a new operating model that enables the implementation of the McClure welfare reform proposals.

The Access Card was not intended or planned to be an identity card: and this was widely misrepresented and misreported in the media and by commentators. It was however, an *identity service* that was to be part of a broader ecosystem of standards and reciprocity. This concept is now starting to be understood in the context of a digital identity framework, which is discussed further on page 18 – 23.

I was the Chief Technology Architect for the Access Card program and one of the design innovations was that the Access Card was architected to be able to be used as a payment card in different scenarios, including significantly in situations of crisis or emergency. Significant collaboration occurred with the RBA, financial services industry, retail sector and with the broader ecosystem of payment and information services providers. The Access Card was designed to be interoperable across the payments system, including in offline and remote environments.

Much of what is proposed in the Murray FS Inquiry was advanced under the Access Card program, and whilst technology has advanced (although not quickly in government), the innovative policy and solutions designed at that time provide a platform to kick-start a strategic approach to digital payments and digital identity in support of the current welfare reform proposals.

The strategies and innovations of the Access Card program included the following:

- Smartcard interoperability standard ISO 24727. The Access Card collaborated with Queensland Transport (which at the time was developing its smartcard driver's licence); AGIMO; and the US Government National Institute of Standards and Technology (NIST). The Queensland smartcard drivers licence was based on the Smartcard Licence Interoperability Protocol (a protocol agreed by all states and territories). The importance of ISO 24727 was that it would underpin service delivery infrastructure interoperability and enable an ecosystem of services interoperability.
- The smartcard interoperability standard ISO24727 was developed in conjunction with a framework of reciprocity. This meant that any smartcard compliant with the interoperability standard (such as a smartcard driver's licence or smartcard bank card) and issued within the identity framework would be reciprocally accepted for the purposes of POI, and potentially payments. Furthermore, this interoperability framework also meant that compliant smartcard credentials could be used for the purposes of online authentication to both government and financial services. This still remains an opportunity to be realised.
- The Access Card was designed to be a payment card compliant with EMV standards, which meant that the Access Card could be used at any smartcard EFTPOS (and in time) ATM terminal. This would have enabled a far more sophisticated and agile delivery of payments and non-payment benefits than has been possible under the BasicsCard initiative; and would have avoided the proliferation of various payment cards and repetitive associated processes.
- The Access Card was designed to be internationally interoperable on the basis of the smartcard and EMV standards. The Access Card program collaborated with the US and UK and other international programs, and was successful in having the ISO standard 24727 ratified.
- The Access Card conceptual architecture was applied in the development of the Reliance Framework, upon which the myGov service was developed. (However, this submission argues that myGov should not be considered as the "centrepiece" of any transformation effort, as this alone does not solve or resolve the myriad of identity issues. myGov should be one of a number of services in a framework of reciprocity – see pages 18 - 23.

One of the foundational innovations of the Access Card program, was the development of an operating model grounded in common data, identity and payments. On the basis of this, of a commercial model was developed for the strategy of the engagement of national point of sale (POS) terminal operators (such as the banks and retailers) to enable the Access Card to be used for payments and proof of identity at all point of sale terminals nationally. This commercial model was not a "contract for services" but an economic model based on service innovation.

The Centre for Digital Business strongly supports the recommendations of the Murray FS Inquiry Interim Report – and strongly encourages the Murray FS Inquiry and the Welfare Reform process to further look into the ground-breaking work which was done under the Access Card program 7 years ago particularly in the areas of standards; interoperability; identity; reciprocity frameworks and payments models.

## BASICSCARD

Following the termination of the Access Card program by the incoming Labor government in 2007, there was a significant and unique opportunity to retain the experience gained on the Access Card program on policy and interoperability design, card and payments and apply this to the challenges of the manual processes of income management in the Northern Territory. Income management was part of the suite of measures implemented by the Commonwealth Government in 2007 as part of the Northern Territory Intervention. The work on payment delivery reform initiated during the Access Card program, specifically in relation to income management became the BasicsCard program.

As the Chief Technology Architect of the Basics Card program, I led a cross-agency effort of talented officials and specialist payment advisors that developed this new capability for government: a model of controlled payment delivery through the flexible targeting and quarantining of welfare payments. This continues to the present time as a strategic capability for government, a capability to be explored in the context of welfare reform beyond income management as currently defined. That is, BasicsCard is not an "income management" card, but a capability that could be used in any policy setting. The broader utilisation of this strategic capability will be explored later in this submission.

The BasicsCard initiative involved leveraging the financial services infrastructure and point of sale infrastructure so that the card could be used and accepted by national and local retailers approved by (then) FaHCSIA. At the time, BasicsCard was neither a debit card nor an EFTPOS card. It was a new product operating across the payments system to access withheld value - and required tax rulings; regulatory approval of BasicsCard as a financial product; collaboration with the Reserve Bank of Australia (RBA); and the participation of the Department of Human Services (DHS) on the committee of the Australia Payment Clearing Association (APCA).

The current public commentary as to whether or not the banks or other providers could deliver the BasicsCard, fails to realize that this is not just about transaction processing outsourcing. The BasicsCard was a new operating model and a new financial product, requiring a trust account mechanism to be created for the quarantined funds of the benefits recipients as well as significant policy and regulatory approval for this innovation to be delivered. This is a very significant point: it could be said that with the heavy lifting done, the delivery of income management payment services is now seen to be an attractive contestable market. (But there is a far more significant whole-of-government picture to be considered, and this is discussed further under "Recommendations and Conclusions" on page 29.)

Of course, BasicsCard from the outset has been delivered on a commercial basis by different providers.

BasicsCard enabled income management to be delivered efficiently by the bureaucracy – the initial manual processes were not only extremely costly but unscaleable and in reality, unsustainable. In my personal view, if not for the swift implementation of the BasicsCard, the policy of income management within the difficult policy and political environment at the time, would have failed. This was truly a remarkable effort by dedicated officials, specialist payment advisors and the service providers across Australia.

In addition to efficiency and scalability, a further broader benefit delivered from the BasicsCard initiative, was a more even distribution of the income managed funds and economic stimulus funds in the local remote economies where the funds were spent. The initial arrangement involved income managed clients being provided with Coles and Woolworths gift cards to purchase food and essential goods at those stores – essentially a closed market. This was in every respect,

an unacceptable arrangement. The introduction of the BasicsCard opened up the local economy to the income managed funds beyond Coles and Woolworths, through a framework of authorised merchants, and importantly including small retail operators.

The BasicsCard initiative was implemented with constrained management information reporting, due largely to the limitations and gaps of the payments system at the time. These limitations included a limited ability to send anything more than a minimal amount of information with an electronic payment. Notwithstanding these constraints, the BasicsCard initiative provided government with a limited aggregate level visibility of transaction trend data of the broad categories of goods that the income managed funds were being spent on (food, clothing, whitegoods etc) as evidence to support the objectives of the policy. Whilst not real time, the availability and visibility of this aggregate level transaction data provided a lead indicator of the efficacy of the policy – in contrast to the standard lag indicator reporting generated by various other reporting mechanisms of localised purchasing patterns.

The BasicsCard initiative provided insight into what could be possible and the limitations and rigidity of the payments system.

A strategic approach to payments and related information services would clearly be a new capability for government – a capability beyond the current paradigm service delivery. A strategic and innovative approach to digital payments and information services could shape policy itself – through big data and analytics.

The BasicsCard was also criticized for not using "smart" technology – it was a mag stripe card with less functionality than a smartcard. Certainly, the Access Card would have had more functionality and be future proofed. However it is important to understand that the real innovation and success of the BasicsCard was in the operating model – an operating model that took into account the challenging technology and infrastructure conditions in remote towns and communities. However, with the advances in digital payments technology and the work of the RBA on the NPP, it is time to look to the future and take a more strategic "platform" approach to payments, as discussed in this submission.

There were other administrative constraints which at the time limited the full potential of the BasicsCard concept – procurement.

The BasicsCard initiative could be seen as a specialised bespoke capability delivering a specific transactional service. In reality, the BasicsCard was a strategic new capability and platform for government, the strategic potential of which is yet to be fully realised. Part of the reason for this lies in the constraints of the original procurement framework – that is, where the policy authority, costs of the BasicsCard initiative and ROI were defined vertically in the context of the policy parameters of "income management".

However, as a new strategic payments capability, the BasicsCard has the potential to be used in policy settings beyond income management, for example, where conditional or targeted payments are determined. A strategic payments capability architecture would take a "platform capability" view as opposed to a "vertical" policy or agency view.

The benefit of a "platform" perspective is greater agility and more holistic data and information services associated with the payment. The challenge is that current payment capabilities such as BasicsCard are procured vertically through program funds. The strategic payments capability architecture would rationalise the siloed approaches to the capability development and acquisition of payments and information services. The concept of a strategic payments capability architecture is explored throughout this submission.

**THE EDUCATION TAX REFUND**

It is useful to look at a policy setting where the payment delivery model I believe constrained the policy outcomes.

The Education Tax Refund was a Federal Government election commitment that was announced as part of the 2008-2009 Federal Budget. The purpose of the refund was to provide all eligible families with a 50% refund for relevant education related expenses incurred during the calendar year up to a capped amount.

In the absence of a strategic and targeted payment delivery capability architecture, the policy design had this "assistance" constructed as a "refund" through the tax system. The effect of this was that some customers did not have sufficient funds of their own in the first place to spend on the items in order to make a claim – effectively disadvantaging people that the policy was intended to assist. Furthermore, the initial delivery arrangements involved complex manual processes, receipts, paperwork and a compliance regime. These manual processes and paperwork are not only excessively administratively costly, but the data produced is not sufficiently granular or timely to produce insights into program performance and policy effectiveness. (This submission will also highlight these same manual processes in respect of the National Disability Insurance Scheme (NDIS) see page 28.)

The move to a "bonus" payment model is easier to administer than a "refund" model and avoids some of the unintended consequences of a refunds model. However, a "bonus" payment model is a blunt instrument where the linkage to the policy setting can be lost in the myriad of other government payments and entitlements. It is difficult if not impossible for governments to measure if in fact a "bonus" is used for the intended purpose – that is, if there has been a public policy benefit derived.

In the drive for evidence based policy, the fragmented and bespoke payments arrangements and the lack of a strategic payments capability architecture is a very significant capability gap in government administration. Government is missing out on innovative and agile payment delivery options, and insights from payment data analytics to inform policy and evaluation.

**2009 – AUSTRALIAN COMMONWEALTH DEPARTMENT OF HUMAN SERVICES LOOKS AT INNOVATION IN PAYMENTS AND INFORMATION SERVICES**

The experience in the preceding years through the Access Card program, the BasicsCard initiative, the experience with the original model of the Education Tax Rebate, and other payments and benefits arrangements, indicated that there was a rigidity and a capability gap in the Australian payments system. This capability gap in the underlying Australian payments system was in addition to the fragmented and lack of strategic payment capability model across government. This rigidity and gap constrained both policy and payment delivery options, at a time when consumers were experiencing new and innovative methods of payment.

Service Delivery Reform as a strategy would be constrained without Payment Delivery Reform.

(The potential for broader welfare reform as currently proposed will also be significantly constrained without a strategic approach to digital payments and information services, and a digital identity framework.)

The Department of Human Services was and is a significant payments player and so it was logical for an industry-wide and whole-of-government examination of innovation in payments and information services (as this relates to service delivery) to be led by DHS. As the Chief Technology Architect, I led an expert team that undertook broad-ranging consultation together with the RBA across government and industry, through the industry discussion paper:

*Better Dealings with Government: Innovation in Payments and Information Services. Discussion Paper for Industry Consultation. September 2009*

In the context of the McClure welfare reform proposals, it is indeed important to take a re-look at the purpose of the Industry Discussion Paper. The purpose of the discussion paper was to:

> *…invite comment from industry on innovative ways of delivering government payments and collecting and sharing required information such as customer income details.*

> *… (that)…social, financial and policy developments and changing customer expectations are driving a growing need for more citizen-centric, efficient and cost effective service delivery options within the Human Services Portfolio.*

> *Advances in technologies and evolution in the private sector may well represent opportunities to collaborate with industry to deliver better government services.*

> *The government must find new and improved ways to deliver payments and associated information services that support the intent of government policy and meet customer needs.*

Significantly, the industry discussion paper also highlighted the many legacy systems and stand-alone payment arrangements of government agencies that impact cost, agility and policy:

> *Governments have introduced many new payment services over the years. The development of individually tailored payment systems as stand-alone or one-off solutions has resulted in some duplication of effort, administrative inefficiencies, and increased operating costs. It has also limited opportunities to use common systems for a range of payment services and impedes the ability to deploy new payment services as the need arises.*

Key Areas of Interest of the Industry Discussion Paper

The Industry Discussion Paper highlighted a number of key areas of interest and invited suggestions from industry in the following areas:

- *New payment and information service delivery methods made possible by technical and industry developments.*
- *New forms of public-private partnership for delivering payment and information services.*
- *Ways industry could assist the Government to establish standardised, modular and re-usable components for both the public and private sector to use in payment and information service delivery.*
- *Ways to improve payment and information service delivery in emergency response situations.*

Linking Payments to Policy Outcomes

In light of the proposed McClure welfare reforms, it is important to also re-visit some of the constraints highlighted in the Innovation in Payments and Information Services Industry Discussion Paper in 2009, and in particular the constraints linking payments to policy outcomes.

> *The policy landscape for benefit payments has changed significantly over past decades. There is an increasing need for sophisticated payment and information services which are better aligned with policy goals and more responsive to social welfare policy.*

*There is a general trend away from unrestricted payments towards payments which are in some way targeted or conditioned – for example by the eligibility of the recipient, the range of purposes for which the payment can be used, or the time the payment can be claimed.*

*Conditional payments are a way of targeting priority needs and better managing the way recipients spend their payments. Recently, the concept has expanded to include direct income management of a customer's benefit payment via the BasicsCard, which can only be used at approved merchants and cannot be used to purchase excluded goods and services.*

*It has also been extended to include targeted payments such as those made to particular groups on income managed payments or for specific purposes, for example rebates linked to specific educational, environmental or other policy goals.*

The scenarios outlined in the Industry Discussion Paper not only highlighted the opportunities – which still remain opportunities to be realised – but the significant constraints and costs as a result of the fragmented bespoke agency systems.

The large number and broad-ranging responses from industry also identified the capability gap and rigidity of the Australian payments system, which limited the ability of Government to take up innovative solutions, and thus significantly constraining policy and service delivery options.

The context of the Innovation in Payments and Information Services Industry Discussion Paper led by DHS was clearly on welfare and related payments.

The RBA would subsequently take a broader economic look into innovation in the Australian payments system.

**RESERVE BANK OF AUSTRALIA: STRATEGIC REVIEW OF INNOVATION IN AUSTRALIA'S PAYMENTS SYSTEM**

In May 2010, the RBA announced the Strategic Review of Innovation in the Payments System.

The purpose of the review, according to the press statement was to:

*…identify areas in which innovation in the Australian payments system may be improved through more effective co-operation among stakeholders and regulators. It will take a medium-term perspective, looking at trends and developments overseas in payment systems and potential gaps in innovation in the Australian payments system.*

In November 2010, the RBA released details about the objectives and scope of the review:

*. . . The objective (of the Review) is to identify areas in which innovation in the Australian payments system may be improved through more effective co-operation between stakeholders and regulators. It will take a medium-term perspective, looking at trends and developments overseas in payment systems and at possible gaps in the Australian payments system that might need to be filled through innovation over a time horizon of five to ten years. The goal is ultimately to identify projects that the Bank and other stakeholders could work on co-operatively to enhance the payments system in Australia.*

*To meet this objective, the review will:*

- *review how payment instruments, including cash, are currently being utilised in Australia and how this has changed over the past few years;*
- *review payments system innovation in Australia and other countries and identify the factors driving that innovation;*
- *identify areas where Australia appears to be lacking innovation and potential gaps in payments system services over the next five to ten years;*
- *assess whether difficulties with co-operation in the Australian payments industry are likely to make filling these gaps difficult; and*
- *identify ways in which any such gaps in payments services can be addressed.*

RBA Strategic Review of Innovation in Payments June 2012 - Conclusions

In June 2012, the RBA reported on the conclusions of the Strategic Review of Innovation in the Payments System.

The Review found:

> *The conduct of this Review does not imply that there is a lack of innovation in payments per se in Australia. Indeed, some significant innovations are currently underway and it seems likely that customer facing innovations will have a very significant impact on the payments market over the next few years.  As has been stated on a number of occasions, during the course of this Review, the Reserve Bank's focus is on areas of system-wide or cooperative innovation, where decisions are not just in the hands of a single player.*

(This last sentence should be contemplated carefully by government, as to how a similar cooperative and architectural approach – rather than the current singular agency by agency approach - could be taken in respect of a whole-of-government payments capability.  More on this later in the submission.)  The Review further stated:

> *Innovations of this nature have proved difficult to achieve.  While a significant concern in its own right, the difficulty of achieving cooperative innovation also constrains the innovative solutions that can be built upon common systems by individual players on a proprietary basis. Therefore, addressing these issues has the potential to unlock significant future innovation, resulting in ongoing improvements to the efficiency of the payments system.*

> *It is the Board's view that the market failures noted above have meant that decisions about the payment services provided by the industry have not sufficiently accounted for some key factors valued by end users.  For consumers, the availability of alternative or improved payment services might result in greater welfare through, for instance, greater convenience, savings in time, or certainty about the availability of funds.  For a business, benefits would typically flow from greater efficiencies in their own systems arising from more appropriate payment options and improved cash flow associated with more timely availability of funds.*

> …

> *The ability of individuals, government agencies and business to make retail payments with the recipient having visibility and use of those funds in near to real time, is an objective that seems likely to become more pressing. Indeed, one of the key trends identified by the CPSS Working Group on Innovations in Retail Payments was an increased focus globally on speeding up payment processing through faster settlement or payment initiation.*

> *The capacity for real-time payments could be used by government agencies and businesses to make emergency payments, by individuals to make personal payments and potentially by businesses to make better use of cash balances.  Some financial institutions have recently been promoting various elements of real time payments,*

*including the capacity to make real time mobile payments to customers of the same bank. To the extent that this is valued by customers, it makes sense that this type of functionality should be available across financial institutions…*

*…*

*Some submissions argue that the Government should go further and introduce full account portability. The New Payments Platform industry initiative facilitated by the Australian Payments Clearing Association and RBA may assist in this regard. One of the platform's build requirements is for consumers to be able to attach a unique address, such as their mobile phone number or email address, to their bank account. Implementation of this addressing system will begin in 2016.*

In summary, the gaps identified by the Review were:

- *the ability for individuals to make electronic payments with real-time funds availability to the recipient.*
- *the ability to make and receive such payments outside of normal banking hours.*
- *the ability to address payments in a relatively simple way, such as to an individual's mobile phone number or email address rather than to their BSB and account number; and*
- *…most relevant for businesses, the ability to send anything more than a minimal amount of information with an electronic payment.*

The Response to the Review:

The New Payment Platform: a New Payments System Architecture for Australia

In response to the Review, the RBA is working across industry on the implementation of a new infrastructure and architecture for payments – the New Payment Platform (NPP). It is expected that this will be implemented by the end of 2016.

*As recommended by the PSB (Payment Systems Board), the industry's NPP solution will be based on a hub-based infrastructure. That is, financial institutions will connect to a central set of shared infrastructure. This will be more efficient and access-friendly than the bilateral links that characterise much of our existing payments infrastructure. For example, a new entrant will only have to make a single connection, rather than establishing bilateral links with all the existing players. It will also be more innovation-friendly, in that there will be a central body, an industry-run Utility Company that will be able to coordinate upgrades to the infrastructure.*

*…*

*It will allow the exchange of fast, flexible, data-rich payments messaging. It will be available to support new types of payments services that can be tailored to particular needs of customers, including ones that we may not yet have thought of. It will be linked to a Settlements Service built by the Reserve Bank which will provide real-time interbank settlement of each NPP payment.*

*All of this new infrastructure will be available on a close to 24/7 basis.*

*While many types of services will be enabled by the NPP, the first will be developed cooperatively by the industry. It is currently being called the 'Initial Convenience Service' and is expected to focus on real-time person-to-person payments using mobile channels. While some banks currently provide services like this, they effectively only provide real-time payments if the two parties are customers of the same bank.*

…

*The Board expects that the NPP will create a good platform for future innovation. It has been particularly encouraged by the way that the industry has come together to work on the NPP. It is conscious of the substantial commitment of time and resources that the industry is making in this project in response to the strategic objectives identified by the Bank. This investment will deliver significant benefits for the Australian economy. It should also help ensure that the institutions that are currently providing payments services to Australians remain relevant in the future too.*

*The centralised infrastructure and real-time nature of the system, combined with the flexibility of payment messaging, ability to carry additional remittance information and the easy addressing capability, will mean that payments can be better integrated with many other aspects of our lives. Businesses should be able to achieve substantial efficiency gains and there will be significant improvements to the timeliness, accessibility and usability of the payments system for consumers.*

*If implemented effectively, the NPP will place the Australian payments infrastructure at the global frontier.*

The significance of this new architecture of the Australian payments system needs to be carefully considered and factored into the policy, service delivery design and administrative reforms currently under consideration or underway – those discussed here in this submission and by all Australian governments.  These are new capabilities that will transform and positively disrupt service delivery and make possible welfare reform for the decades ahead.

But for this to be achieved, there will need to be an intentional whole-of-government strategic payments capability architecture with strong and independent governance that moves beyond the fragmented and bespoke agency by agency payment arrangements which are well known, and some outlined in this submission.

Given the very significant budgetary situation, policy reform and service delivery transformation, and demands for a seamless customer experience, this is not just a Commonwealth Government challenge but a challenge for all Australian Governments.

From a budgetary perspective, the NCOA went on to highlight fragmentation of payments arrangements and specific technology issues.

**THE NATIONAL COMMISSION OF AUDIT**

The National Commission of Audit Report "Towards Responsible Government" examined the Commonwealth's finances and provided "advice and recommendations on what should be done to ensure that spending is placed on a sustainable long-term footing".

The Report signaled a real transformation agenda and an urgency to act.  From a government service delivery and administration perspective, the NCOA Report presented a service delivery transformation agenda characterised by digital first; chief digital officer; egovernment; cloud; innovation in payments; closing down duplicated government service delivery networks and arrangements; and leveraging the national economic capabilities as part of the delivery and transformation of public services.

"Outsourcing of Payments?" – but not without a Strategic Payments Capability Architecture

The NCOA Report makes three inter-related recommendations and comments relating to payments outsourcing, risk and technology.

The discussion presented in this submission and the examples provide highlight that it is critical to first have in place an operating model and strategic payments capability architecture against which decisions about sourcing, risk tolerance and technology can be made. The strategic design has to come first.

It would appear that from the NCOA Report, that these inter-relationships are not clear.

To recap:

- The NCOA called for the outsourcing of government payments system.

- The NCOA Report makes the following statement in relation to risk:

    *The current ageing system (ISIS) poses a significant risk to the core function of government.*

- The NCOA Report goes on to recommend that:

    *Three key considerations in the development of a new system are:*
    - o *Whether the complicated web of government payments can be simplified in parallel with the introduction of a new IT system – and this is a question for both policy and administration;*
    - o *Delivering a design that allows welfare policy changes to be incorporated into the payments system more easily and without the risks that come with the existing Income Security Integrated System; and*
    - o *How to achieve the best blend of public and private sector expertise in the development and management of a very complex IT system.*

    *The complexity of the current system arises from a multitude of policy decisions about the structure and goals of the welfare system and ad hoc changes to payments over decades. Many of them are enshrined in legislation. According to the Department of Human services, the largest driver of complexity in technology and cost is the systems magnitude, which has 34 payments and 38 add-on payment types.*

    *The complexity of the payments architecture and interactions between payments creates customer confusion, errors and rework, and requires a highly knowledgeable workforce to provide support.*

The issues highlighted in the NCOA Report in respect of ISIS are also present across other operations of government – as outlined in the later section in this submission "Current Agency by Agency Investment Decisions" (page 27). The lack of a strategic payments capability architecture across government magnifies the risk and the cost to the administration of government.

Throughout this submission, the Centre for Digital Business strongly advocates that a holistic whole-of-government system-wide approach be taken. There is a great range of other payments systems and arrangements across government in addition to the DHS systems. The holistic picture needs to be understood for informed decisions about risk and opportunity. Of course, the discussion regarding risk and payments is not just about payments. DHS systems not only manage payments but non-payment concession benefits, and non-payment value transfers such as that provided by BasicsCard.

It is important that the discussion on payments necessarily needs to be interpreted broadly at a whole-of-government level – and a strategic payments capability architecture is the basis against which informed decisions can be made. Otherwise, we are re-creating the same situation that we are trying to address – ie agency by agency silo approaches.

So in the absence of a strategic payments capability architecture, it is almost impossible to answer the question "what does it mean to outsource the government payments system". Outsource what – and for what benefit?

This submission calls for the:

- Australian Government to implement a whole-of-government strategic payments capability architecture to support and inform the proposed welfare reform architecture; and for
- The Australian Government "Strategic Payments Capability Architecture" to be regulated and subject to independent governance in a similar way to the underlying Australian payments system, and in a similar construct to the Board of Taxation. This could be the "Australian Government Payments Board". This regulation is not intended to lock-in rigidity – quite the opposite – it is intended to provide assurance and consistency, reduce risk, enable interoperability and facilitate system-wide innovation.

A strategic payments capability architecture would describe modules of capability and data necessary to deliver insights to policy innovation and operational performance. Against a strategic payments capability architecture, capability could then be leveraged from other sectors – such as big data analytics, and specific payments products and services. A strategic payments capability architecture would provide a government system-wide platform for innovation.

<u>myGov – Contestability as Part of a Digital Identity Framework</u>

The NCOA Report goes into some detail to propose the myGov service as the centrepiece for an aggressive digital by default strategy. The Centre for Digital Business strongly supports NCOA's objective of an aggressive digital by default strategy. However, the Centre for Digital Business would caution against anointing a particular service – such as myGov – as the centrepiece of the digital strategy.

A digital strategy would encompass all segments – businesses, citizens, non-citizens – across all policy settings beyond welfare (ie productivity, business, health, education etc).

myGov is a service – and in the context of a digital identity framework and digital operating model, it would be a contestable service. However, it does not resolve or solve related identity and authentication processes or policies. From a business perspective, the digital strategy would include the interoperability of AUSkey, the role of Vanguard, and the non-discretionary application of Standard Business Reporting (SBR).

Other digital services similar to myGov would include the various online banking services, Australia Post, and new services not yet created. "Contestability" in the digital age – even for government – will be driven by standards and customer choice.

The role of myGov and a digital identity framework is further discussed below in relation to the identity issues raised in the Murray FS Inquiry Report.

Clearly over the past 7 years, the challenge of navigating government has become more complex – not easier – notwithstanding the various "online government" agendas. The Centre for Digital Business strongly supports the NCOA direction on digital first and would encourage an even more ambitious strategy.

The Centre for Digital Business also strongly supports the NCOA recommendation that a Chief Digital Officer be appointed to drive the digital transformation agenda. The recommendation that the Chief Digital Officer also lead the development of the new Government Payments System is also supported, given the proposition of this submission that there can be no welfare reform or any service delivery transformation without digital payment innovation.

**THE FINANCIAL SYSTEM INQUIRY – INTERIM REPORT, JULY 2014.  DAVID MURRAY AO.**

The third major review converging with and aligning with the proposed Welfare Reforms and the RBA Strategic Review of Innovation in Payments and subsequent New Payments Platform implementation – is the Financial System Inquiry Interim Report, July 2014 charired by David Murray AO (Murray Financial System Inquiry).

The purpose of the comments on the Murray FS Inquiry in this submission, is not to comment on regulatory and economic issues but to specifically comment on the government technology strategy and identity issues raised in the Murray FS Inquiry.

The Murray FS Inquiry noted:

> *Consumers' growing preferences for online and digital delivery of financial services is increasing the need for digital identity solutions.  Australia currently has a decentralised identity infrastructure and various building blocks to assist with digital identity solutions.  However, it has not yet developed a detailed approach for the future of digital identities.*

The Murray FS Inquiry seeks views on the development of:

> *…a national strategy for promoting trusted digital identities, in consultation with financial institutions and other stakeholders.*

The Murray FS Inquiry further calls for the development of:

> *…a comprehensive Government strategy, in consultation with industry, to ensure the regulatory framework supports technological innovation, while managing risks.*

In calling for a whole-of-government technology strategy to enable innovation, the Murray FS Inquiry noted that:

> *Government already has various technology related policies and strategies on issues such as e-government and the digital economy, cloud computing and the uptake of mobile technologies.  However, it does not have a single over-arching technology strategy in place*. (Emphasis added.)

> *As a significant participant in the financial system, Government can influence the uptake of technology through decisions it makes for its own services.  For example, adding the Australian Taxation Office (ATO) to the myGov site – a secure single sign-on site that allows users to access a range of Australian Government services – will double its 2 million registered members by mid-2014.  This type of uptake would facilitate the shift to the digital delivery of services becoming the default position for the broader Australian economy.*

> *…*

> *If Government was the default provider of digital identities to Australians, there would be economies of scale and other potential benefits, such as ease of access to Government information sources.  This approach is reflected in New Zealand's RealMe service, in which the government conducts high-integrity identity verification, including biometric capture, equivalent to passport application processes, before issuing individuals with their government digital identity.*

> *Equally, Government could help guide and stimulate a commercial market of digital identity products and services.  It could work with industry to establish minimum standards in more of a federated 'trust framework'*

*model. In this approach, similar to that of the United Kingdom and the United States, consumers could choose between government and commercially-issued identity credentials. Allowing people to use multiple trusted credentials would have privacy benefits. It would also help reduce the potentially severe consequences where an individual only has a single digital identity, which is then compromised.*

*Australia's approach to developing trusted digital identities will need to take into account the broader international context. This will help Australian businesses compete in a global identity services market and benefit Australian consumers by facilitating wider acceptance of their digital identities. The Australian and New Zealand Prime Ministers have recently recognised these benefits and to investigate options for mutual recognition of trusted online identities in both countries.*

**Commentary on the Murray FS Inquiry Interim Report**

The Murray FS Inquiry sought views on the following identity related questions:

- *Develop a national strategy for promoting trusted digital identities, in consultation with financial institutions and other stakeholders.*
- *In developing a national strategy, what should be the respective roles, responsibilities and expectations of Australian public and private sector organisations in creating, accepting and maintaining digital identities used by Australians?*
- *Is there a need for Government to enhance identity authenticating by facilitating interoperability standards in areas such as biometrics, enabling better access to Government information or improvements to the Document Verification Service?*

The Centre for Digital Business provides the following commentary.

Digital Identity Framework and Strategy

A more accurate description of Australia's identity infrastructure rather than it being "decentralised" – is that it is fragmented, non-standardised and driven by manual and repetitive processes. (See further discussion below under "Issues" – page 24. This fragmentation drives cost, risk, and inhibits innovation in policy, services, and service delivery.

At this point in time – the intersection between the repetitive process manual world and the digital world - the lack of a digital identity framework drives two dimensions of dis-benefits: excessive and unnecessary costs, and cyber security and identity risks.

The Centre for Digital Business strongly supports the recommendations of the Murray FS Inquiry Interim Report and strongly encourages the Inquiry to further look into the ground-breaking work which was done under the Access Card program 7 years ago particularly in the areas of standards, interoperability, identity, biometrics, and reciprocity frameworks.

Much of what is proposed in the FS Inquiry was advanced under the Access Card program, and whilst technology has advanced (although not quickly in government), the innovative policy and solutions developed could potentially provide a platform to kick-start an ecosystem of service and economic innovation.

The strategies and innovations of the Access Card program included the following (recapping from the earlier discussion on Access Card):

- Smartcard interoperability standard ISO 24727. The Access Card collaborated with Queensland Transport (which at the time was developing its smartcard driver's licence); AGIMO; and the US Government National Institute of Standards and Technology (NIST). The Queensland smartcard drivers licence was based on the Smartcard Licence Interoperability Protocol (a protocol agreed by all states and territories). The importance of ISO 24727 was that it would underpin service delivery infrastructure interoperability and enable an ecosystem of services interoperability.
- The smartcard interoperability standard ISO24727 was developed in conjunction with a framework of reciprocity. This meant that any smartcard compliant with the interoperability standard (such as a smartcard driver's licence or smartcard bank card) and issued within the identity framework would be reciprocally accepted for the purposes of POI, and potentially payments. Furthermore, this interoperability framework also meant that compliant smartcard credentials could be used for the purposes of online authentication to both government and financial services. This still remains an opportunity to be realised.
- The Access Card was designed to be a payment card compliant with EMV standards, which meant that the Access Card could be used at any smartcard EFTPOS (and in time) ATM terminal. This would have enabled a far more sophisticated and agile delivery of payments and non-payment benefits than has been possible under the BasicsCard initiative; and would have avoided the proliferation of various payment cards and repetitive associated processes.
- The Access Card was designed to be internationally interoperable on the basis of the smartcard and EMV standards. The Access Card program collaborated with the US and UK and other international programs, and was successful in having the ISO standard 24727 ratified.
- The Access Card conceptual architecture was applied in the development of the Reliance Framework, upon which the myGov service was developed. (However, this submission argues that myGov should not be considered as the "centrepoint" of any transformation effort, as this alone does not solve or resolve the myriad of identity issues. myGov should be one of a number of services in a framework of reciprocity – see page 18 - 23.

There is an urgent need for a trusted identity framework – the impact on economy in terms of cost, inefficiency and cyber security risk is significant. The statistics provided in the section "The Current Service Delivery Paradigm: Repetitive, Complex and Predominately Manual" – illustrate the current impact of this fragmentation on a part of the service delivery system - see page 24.

The Centre for Digital Business supports the following comments from the Murray FS Inquiry:

> *Financial services firms form part of Australia's identity infrastructure. They both use the government-sourced identity infrastructure to perform identity management functions, and they form part of the infrastructure as they themselves issue documents that are often subsequently used to prove identity, such as debit and credit cards. Financial services firms are also significant innovators in this area.*

> *In Australia, when a person seeks to use financial services, anti-money laundering (AML) legislation requires firms to meet "know your client" (KYC) identity management and verification obligations. Stakeholders observe that these requirements, combined with a federated identity model, can result in significant process duplication as firms verify and re-verify identities. This is particularly the case where firms are not permitted to rely on the identity verification processes of other trusted firms.*

Across the economy there is a very significant spectrum of POI / identity credential processes: Citizenship; Passport; divers licence; Medicare; proof of age cards; government employees; Immi cards for refugees; aviation / maritime

security; firearms licences; defence personnel; child care workers; bank credentials; SIM registrations - to name but a few.

A trusted identity framework would mean that other trusted credentials – such as bank credentials which are issued under the AML legislation requirements – could be used by customers if they so choose for online authentication to government services.  This is the extension of the paradigm of a customer of a bank using their bank credential to access their funds by authenticating at another banks ATM.

Standards and a framework of trusted reciprocity bring this level of interoperability.

myGov – a contestible service, not the "centre piece"

It is important to note that within such a framework, myGov is but one identity service. The Centre for Digital Business cautions against identifying a particular product or technology or service as a "centre piece" in a whole-of-government digital transformation strategy.  myGov, Digital Mail Box and Online Banking services are all competitors for the "client account" and having a market place of contestable services defined by standards, enabled by a framework of reciprocity and determined by customer choice is a good thing.

However, as with websites and PDF forms, there is now a growing array of different "client accounts" – in addition to myGov, Digital Mail Box, and online banking, there are client online accounts for Immigration clients and agents, business, and tax agents to name a few.  All with different logon processes – and for most government services, a sub-optimal client experience.  But with a strong digital identity credential (RealMe, AUSkey, bank logon) and a framework of reciprocity the client could choose which "client account" and which identity service delivers the best experience and a service they would want to use.  It is important to note that a trusted digital identity framework would incorporate reciprocity of credentials relating to business, individuals and professionals (eg accountant, doctor, engineer etc).

The client should be able to use their credential of choice for example, a bank credential, a RealMe credential, or a trusted professional credential.  The client should be able to nominate what is their preferred services point – for example, their online banking and to have their dealings with government able to be accessed from that point.

A government mandate for linking all services to myGov will not drive digital government, as any poor client experience will drive client interactions out of the digital channel and into the phone or the face-to-face channels.  The client experience, choice of digital credential and interoperability will drive digital transformation and enable the delivery of welfare reforms into the decades ahead.

The only "centerpiece" in a digital strategy – is the client experience and client choice.

Biometrics

Biometrics should be part of a trusted identity framework as biometrics is already used to anchor identity in different settings.  Biometrics is a rapidly advancing area of technology innovation with face, voice and fingerprint technology rapidly becoming part of smartphone operating systems.

At present, biometrics are captured in a number of contexts: Passports; voice biometrics at Centrelink; Queensland and Victorian drivers licences; New South Wales Roads and Maritime Services as part of their licence enrolment process; Immigration (Citizenship and refugee processes) are some examples.

The DVS verifies the validity of a government issued document – such as driver's licences, Medicare cards, passports - and information on those documents.  As more government issued credentials such as driver's licences move to biometrics, there is the opportunity for the DVS to play a greater role in strengthening the assurance process.

Part of the Intellectual Property of the biometric providers is in the biometric algorithm, and where there are different products, protocols or versions used by agencies or other service providers, interoperability requires a reference framework that both protects the commercial IP and builds assurance into the broader identity ecosystem.

The Centre for Digital Business strongly supports the recommendations of the Murray FS Inquiry Interim Report and strongly encourages the Inquiry to further look into the ground-breaking work which was done under the Access Card program 7 years ago.  The Access Card program was about more than the "card".  The significant innovation of the Access Card program was the design of an enabling ecosystem of standards, interoperability and reciprocity frameworks – standards to be leveraged by drivers licence authorities, financial institutions, retailers, ATM networks, and government agencies.

## COALITION POLICY FOR EGOVERNMENT AND THE DIGITAL ECONOMY

The Coalition Policy for eGovernment and the Digital Economy was released prior to the 2013 Federal Election.

Whilst this policy appears to be "directional" and foreshadows a far more strategic approach, the lessons from the past decade and from other domains indicate that it does not go far enough to meet current and future challenges

Aspects of the Coalition's policy appear to follow a "year 2000 strategy", with a focus on putting high volume transactions online (by 2017).  Putting all transactions online does not achieve transformation.  It appears that there are two critical elements missing from the Coalition Policy for eGovernment and the Digital Economy: a focus on transformation and the client experience.

Transformation changes the paradigm and in the government service delivery context, is not about putting more transactions online.  The real task is to simplify and make dealings with government more seamless, not more complex through a maze of hundreds of transactions and forms, even if these are "online".  The challenge is to innovatively redesign services across government (and with other sectors), integrating and re-packaging to achieve a truly seamless client experience.  This would consequently result in some unnecessary "interactions" from individual agencies being nullified, cancelled, "joined-up" or abolished – driving down costs and optimizing policy outcomes.

The strategy needs to articulate that in the digital era of service delivery, hardcopy or physical tokens or artefacts will often not have a digital replica.  Examples of this include the abolition of paper visa labels; the abolition of car registration stickers in NSW; and the abolition (many years ago) of paper withdrawal forms in banks.  And gone with these relics are all the various processes and supporting systems. So without transformation, putting all manner of transactions online makes the client's experience complex and confusing – driving costs not savings costs for the agencies.

Care must be taken to ensure that – in a government digital strategy in 2014, the focus is on transformation – going far beyond and thinking differently to the online form approach from the year 2000 era.  A strong political agenda, ambitious and enforced targets, and senior non-delegable business accountability must be crystal clear.  Otherwise in a decade's time, we'll still have lists of hundreds of PDFs on government websites.

In its current construction, it is difficult to see how the Coalition Policy for eGovernment and the Digital Economy would support the delivery of the Welfare Reform proposals.  It persists with an agency-centric view, with a discussion about

"heavy IT user" agencies and "light IT user" agencies, and various details about procurement panels. There is no reference to the client experience and only a general single reference to payments.

It does not speak about a whole-of-government architecture, nor a whole-of-government technology strategy. What are the new technologies, capabilities and operating models that will transform the shape of government service delivery and operations? This is a transformation and technology strategy that goes far beyond online forms – semantic technology will derive meaning; big data and predictive analytics; payments innovations as previously discussed; and the impact of the Internet of Things for government administration and service delivery.

As stated above the Centre for Digital Business cautions against identifying a particular product or technology or service in a whole-of-government digital transformation strategy. myGov, Digital Mail Box and Online Banking services are all competitors for the "client account" and having a market place of contestable services defined by standards and determined by customer choice is a good thing. However, as with websites and PDF forms, there is now a growing array of different "client accounts" – in addition to myGov, Digital Mail Box, and online banking, there are client online accounts for Immigration clients and agents, business, and tax agents to name a few. But with a strong digital credential (RealMe, AUSkey, bank logon) and a framework of reciprocity the client could choose which "client account" delivers the best experience and they would want to use.

It would also appear that the NCOA Report and the Murray FS Inquiry Interim Report are both looking for a far more transformative posture: whole of government strategies on technology and payments, with expert and independent oversight to drive a more agile data driven engagement with consumers of government services in the digital era.

## ISSUES

### *The Current Service Delivery Paradigm: Repetitive, Complex and Predominately Manual*

In the context of the McClure Welfare Reform proposals and recommendations from the NCOA and Murray FS Inquiry, it is compelling to consider some key statistics of the Australian Government service delivery arrangements.

The statistics shows that notwithstanding the billions of dollars that has been spent on technology over the past decade – and whilst progress has been made in some areas - the service delivery and associated processes remain largely manual and highly repetitive. This is not a criticism but a statement of fact.

- Almost 35 per cent of government transactions are still carried out manually (face-to-face, over the phone, by correspondence, etc.)
- Of those are carried out 'digitally', it is unclear what percentage of these are actually completed end to end online.
- Government agencies still manage over 105 million voice calls per year.
- Many of the 170 million face-to-face transactions were to prove identity.
- Only four agencies provide interviews and/or customer services by digital video
- Some 250 million letters are still sent by the Commonwealth each year.
- Only 17 federal government agencies provide 'smart forms' to assist engagement with clients/customers.
- Even though the volume of open government data has increased, there are still issues about its usability

(Reference: Abul Rizvi, Deputy Secretary, Department of Communications ,AIIA/Intermedium Federal Budget Briefing in Canberra, 12 June 2014.)

Looking back on the Access Card case for change, many of the underpinning issues remain barriers to reform today. Various Access Card public documents back in 2007 reported that:

- Customers spend 90 seconds to 4 mins proving who they are, *every visit.*
- Same information provided over & over again to government agencies.
- Cannot authenticate consistently face to face.
- Limited & weak online authentication.
- For Centrelink: 2.9 million new claims for benefits – and more than 20% of the applications provide the wrong information and documents, requiring multiple return visits.
- Too many phone numbers (and this is still the case today with dozens of phone numbers on the DHS website alone).
- Many forms cannot be transacted online which forces customers onto the phone or into the office.

These statistics are all inter-related, and are drivers of repetitive contact, significant cost, poor client experience, and risk through the service delivery and administrative arrangements of government.

It is particularly concerning that almost 10 years ago – in 2005 – the Business Entry Point (www.business.gov.au) signed (the first) whole-of-government smart forms contract that enabled all agencies across all levels of government to leverage the contract. And yet, only 17 Commonwealth government agencies out of hundreds of agencies provide smart forms. A look on any individual government website reveals literally hundreds of PDF forms – thousands of forms across the Commonwealth – and many asking for the same or similar information. (Note: as the Chief Information Officer of the Department of Industry and Business Entry Point in 2005, I was the officer who signed and put in place that contract for the smart forms strategy.)

From my experience in government, I can attest to the fact that turgidly written correspondence, whether sent by email, old fashioned mail, or loaded into "client accounts", delivers a poor client experience and drives confusion. This drives unnecessary volumes to the call centres and foot volume into the offices for face-to-face reassurance.

In the recent redevelopment of the then Department of Immigration and Citizenship website, an assessment of the English language and written information on the website showed that a visitor to the website would need to have the equivalent of tertiary level English literacy skills to comprehend the information that was being provided. A very significant editorial exercise was undertaken to produce plain English but legally correct content for the new website.

It's ten years after smart forms and it's time to leverage the advancements in semantic technology to further breakthrough these barriers of language, meaning and cost of repetitive enquiries and processes. But there is not a whole-of-government strategy transformation or technology strategy to truly drive the adoption of breakthrough technologies – and in this example – semantic technologies.

These statistics above also demonstrate the repetitive manual processes relating to POI.

The absence of a highly reliable and consistent digital credential and framework of reciprocity has constrained the efficiency of service delivery, and locked out the opportunities for policy and service delivery innovation.

This is a significant market failure that in the government service delivery context, drives bespoke work-arounds and highly repetitive processes. The issues generated by the absence of a highly reliable and consistent digital credential and framework of reciprocity, cannot be solved simply through a technical mechanism of linking into myGov.

Identity underpins the functions of government and is key to enabling the transformation of service delivery.

Similarly, innovation in payments – and the achievement of digital payment transformation – requires the fundamental barrier of identity related policies and processes to be addressed.

The observations made by the Murray FS Inquiry that there was not a whole-of-government technology strategy is also relevant in this context – a whole-of-government technology strategy should be focussed on leveraging innovation to break through such intractable problems. It should have a problem solving orientation.

**"Strategic Platform" v. "Transactional Vertical" Approach**

"Transactional" Approach

Across government there is in general a "transactional" approach to payments: building systems or procuring services agency by agency to effect payment transactions at the lowest cost per transaction. This "transactional" approach inhibits any meaningful linkage back to policy which directly impacts the budget – the "cost effectiveness" of the "lowest cost per transaction" approach is in the end, very costly.

In the digital era, payments are more than just payments: the payment operating models when architected strategically are policy levers, generating data and providing insight into the efficacy of the policy.

In the context of welfare reform, the three significant constraints on payments agility and innovation – the capability gaps in the underlying payments system; the lack of a strategic payments capability architecture in government; and the lack of a digital identity strategy – need to be addressed together.

The work of the RBA on the New Payments Platform is a strategic national asset and will overcome the capability gaps identified through the DHS Industry Discussion Paper *(Better Dealings with Government:– Innovation in Payments and Information Services. Discussion Paper for Industry Consultation. September 2009)* and the RBA's Review of Innovation in the Payments System (*Strategic Review of Innovation in the Payments System: Conclusions. June 2012.*)

However, a strategic payments capability architecture across government is needed to fully and strategically leverage this new capability, and to avoid constraining the potential benefits of the new welfare reform architecture.

A Strategic Platform Approach

The difference between a "strategic platform" and "transactional vertical" approach – and what this means for the McClure welfare reform proposals – can be explained using the BasicsCard initiative as a case study.

The BasicsCard initiative could be seen as a specialised bespoke capability delivering a specific transactional service. In reality, the BasicsCard was a strategic new capability and platform for government, the strategic potential of which is yet to be fully realised. Part of the reason for this lies in the constraints of the original procurement framework – that is, where the policy authority, costs of the BasicsCard initiative and ROI were defined vertically in the context of the policy parameters of "income management". This was discussed in some detail under the section "BasicsCard" on page 9

To recap here:

As a new strategic payments capability, the BasicsCard has the potential to be used in policy settings beyond income management – for example, where conditional or targeted payments are determined. A strategic payments architecture would take a "platform capability" view as opposed to a "vertical" policy or agency view.

Another way of describing this is the "Amazon" approach to payments. Without a "platform" approach to payments, there would be an unacceptable cost burden for Amazon. Without a "platform" approach, there would be a fragmented approach to payments which would severely inhibit innovation in capability and service offers. Amazon would not have

visibility of big data trends across its business lines or the effectiveness of its offers. There are parallels to be drawn here as to how a "platform" approach to payments and information services across government would strengthen and in many instances create the linkage between payments and policy, and drive innovation.

A strategic approach to payments and related information services would clearly be a new capability for government – a capability beyond the current paradigm service delivery. A strategic and innovative approach to payments and information services could shape policy itself, through big data and analytics.

The benefit of a "platform" perspective is greater agility and more holistic data and information services associated with the payment. The challenge is that current payment capabilities such as BasicsCard are procured vertically through program funds. The strategic payments architecture would rationalise the siloed approaches to the capability development and acquisition of payments and information services. The concept of a strategic payments capability architecture is explored throughout this submission.

### *Current Agency by Agency Investment Decisions*

There is now an urgency to implement a whole-of-government strategic payments architecture. At the same time that the proposed welfare reforms are being considered and the RBA work on the NPP is being implemented, there are very significant investment processes underway across Commonwealth Government agencies that directly relate to payments and information services.

These investments are made in the absence of a whole-of-government transformation strategy; in the absence of whole-of-government technology strategy; and in the absence of a whole-of-government payments strategy and architecture.

Some of these include, on the public record:

- The replacement of the Department of Human Services Income Security Integrated System (ISIS).
- The replacement of the FOFMS grants management system by the Department of Social Services.
- ERP shared services proposition by the Department of Finance.
- The creation of the Shared Services Centre (Department Education and Department of Employment.)
- Various transactional banking and payment services contract arrangements with individual agencies.
- A range of machinery of government changes which will invariably involve changes to ERP and various grants systems (such as the bringing together of Customs and Immigration).

All up, these are investment decisions in the billions of dollars – systems that will orchestrate the delivery of hundreds of billions of dollars in payments in the years ahead.

The significance of the NPP for government operations and service delivery is profound.

Given that the underlying architecture of the payments system in Australia will change from 2016 as a result of the NPP – and at the same time a new architecture of welfare reform is to be implemented – it is imperative that a strategic payment architecture is operationalised to ensure that the billions of dollars in investments will deliver the necessary agility, innovation and interoperability in the government's welfare and administrative payments.

To not do so, will lead to a type of tragedy of the commons – opportunity lost, unrealised potential, and escalating risk. This would appear to be a similar context that the RBA turned its attention to following the RBA Strategic Review of Innovation in Payments – that is, a focus "…*on areas of system-wide or cooperative innovation, where decisions are not just in the hands of a single player."*

The preceding discussion explored the current situation with legacy service delivery arrangements, pointing to the need for a strategic whole-of-government payments architecture with independent governance.

The following discussion underscores even further the need for a for a strategic whole-of-government payments architecture with independent governance – the opportunity presented by a very significant transformational cross-jurisdictional green fields program – the National Disability Insurance Scheme (NDIS).

### *The National Disability Insurance Scheme (NDIS)*

The NDIS is a generational reform that will deliver a national system of disability support focused on the individual needs and choices of people with disability. The NDIS will provide people with disability reasonable and necessary supports to live life their way, achieve their goals and participate in social and economic life.  This is a phenomenal transformation of an operating model and ecosystem of services.

In the context of the proposed McClure Welfare Reforms against the background of the strategic transformation of the underpinning architecture of the payments system in Australia being implemented through the NPP by the RBA – it would appear that a more strategic and innovative approach to the NDIS payment arrangements could be achieved.

As a green-fields start-up, the NDIS is in a unique position to strategically leverage the new capabilities being implemented by the NPP: that will deliver new types of payment services including real time payments; avoid unnecessary administrative costs; and importantly, deliver a level of data analytics not previously possible.

The NDIS has outlined its "Success Indicators" (on the NDIS website) as:

- The NDIS is collecting and reporting appropriate data for actuarial analysis.
- Quarterly monitoring reports and annual financial condition reports are on track and appropriate.
- Benefits are realised from targeted investment strategies in enhanced disability support.
- Short-term and long-term costs are effectively estimated and managed.
- The NDIS research and evaluation strategy is integrated into the insurance and actuarial reporting process.

The new capabilities to be delivered by the implementation of the NPP should be designed in to the evolving operating model of the NDIS and its forward strategies, to ensure these success indicators are achieved.  This is a unique opportunity in public administration.

However, the NDIS website indicates a very manual and paper intensive approach to payments and related information. Required processes for NDIS participants include:

- Having a separate bank account used only for payments from the NDIS.
- Downloadable forms to be filled in and submitted.
- Filing of receipts for payments, and keeping receipts and other records for five years.
- Providing quotes and invoices.
- Checking invoices for accuracy before paying provider.
- Interest earned on the NDIS funds in the NDIS nominated bank account is treated as income and must be reported to the Australia Tax Office.

Many if not all of these payment mechanisms, manual processes and keeping of receipts could be completely transformed by the NPP.

It could also be possible that an NDIS participant might have more than one government "payment / benefit card". For example, an NDIS participant who is receiving benefits under income management would have a BasicsCard; the NDIS dedicated bank account card; other concession cards; as well as their own personal debit card. Access Card was to replace 17 different welfare cards – that number would now be larger, and the administrative processes more complex.

Such fragmentation of payment arrangements affects all social welfare delivery, beyond NDIS.

However, system wide benefits will only accrue if the paradigm of program by program, and agency by agency design, is replaced by a regulated whole-of-government strategic payments architecture.

However, the NDIS is a special case in point as it is a greenfields cross-jurisdictional initiative that if it is designed to leverage the NPP will deliver significant operational and program benefits.

It is important that the NDIS strategic planning and operating model, be designed to take into account the strategic capabilities being delivered via the NPP. The NDIS needs to be informed of the significance of the NPP changes as these will influence every aspect of the NDIS operations.

As the NDIS is an historic social welfare initiative and a greenfields operation, it is critical that the generational changes and new capabilities being delivered by the NPP are designed into the NDIS.

**CONCLUSIONS & RECOMMENDATIONS**

There can be no effective and sustained welfare reform without digital payments innovation and a digital identity strategy.

**NPP and Whole of Government Strategic Payments Architecture**

The NPP is due to be implemented in late 2016. This will enable very significant transformation and innovation in payment delivery and information services. There appears to be no governance mechanism to investigate and deliver these benefits.

Furthermore, there is no whole-of-government strategic payments capability architecture to provide government with a consistent platform to drive a consistent experience; to deliver strategic insights from data analytics; to radically reduce systemic cost; and drive innovation in government payment delivery.

The significance of the NPP for government operations and service delivery is profound. From a government administrative operations perspective, the processes around the making and receipt of a payment to and from service providers – the invoices, associated payment paperwork, the timing and timeliness of payments, business intelligence data – all have the potential to be transformed by the new capabilities being delivered by the NPP. Such service wide process transformation would drive significant cost savings.

In the drive for administrative efficiencies and cost savings, this will be a generational opportunity for transformation not to be squandered.

The new capabilities delivered by the NPP will also present the Government with opportunities for service delivery innovation. Real time payments; peer to peer; mobile payments; emergency payments; quarantined payments; product specific payments; payments with expiry dates; value transfers other than funds; and information services associated with payments – all become possible but only with a whole-of-government strategic payments architecture.

Issues such as merchant fees; credit card fees; interchange arrangements; account fees and charges; and ATM fees need to be approached consistently and strategically by Government. In the example of the BasicsCard when it was initially rolled out, Indigenous clients were encouraged to regularly check their account balances – one option which was explored was for this to be done at ATMs. However, with a $2 charge for every account balance enquiry – and for Indigenous clients who might do an account balance enquiry transaction several times a day – such charges quickly eat away at their available funds.

There is potentially a broader access and equity policy issue to be considered. If clients are required to have a bank account for a dedicated purpose (such as the NDIS) or a particular payment mechanism (such as BasicsCard) – should they also be required to bear all the associated account fees and charges? In the case where a client has more than one government payment card / account, it would seem that these clients are bearing multiple and unnecessary costs driven by siloed agency by agency payment arrangements, driving further disadvantage.

In addition to the efficiency and service delivery innovations to be achieved by a system-wide whole-of-government strategic payment architecture, it is likely that the current fragmented approach is depriving the Government of innovative commercial arrangements. Such innovative commercial potential goes far beyond the traditional paradigm of "procurement".

A whole-of-government strategic payments capability architecture would provide the Government with the potential to consider new and innovative commercial models that comes from a system-wide perspective. It would appear that the current fragmented agency-by-agency approach generates arbitrage opportunities for players in the payments system – banks, merchants, ATM operators – and which comes at a cost to government and to the client. An example of a commercial model was the strategy developed during the Access Card program, for the engagement of national point of sale (POS) terminal operators (such as the banks and retailers) to enable the Access Card to be used for payments and proof of identity at all point of sale terminals nationally.

A strategic payments capability architecture would describe modules of capability and data necessary to deliver insights to policy innovation and operational performance. Against a strategic payments capability architecture, capability could then be leveraged from other sectors – such as big data analytics, and specific payments products and services. A strategic payments capability architecture would provide a government system-wide platform for innovation.

Recommendation

- That the Australian Government implement a whole-of-government strategic payments capability architecture to support and inform the proposed welfare reform architecture. The whole-of-government strategic payments capability architecture needs to take into account the underlying changes to the Australian Payments System being delivered by the NPP, and cover all payment systems and arrangements of government (not just ISIS).
- That any move to "outsource" does not occur until the strategic payments capability architecture is in place.
- The Australian Government "Strategic Payments Architecture and Platform" should be regulated and subject to independent governance in a similar way to the underlying Australian payments system, and in a similar construct to the Board of Taxation. This could be the "Australian Government Payments Board".
- The proposed role of the Australian Government Chief Digital Officer be a member of this submission's proposed "Australian Government Payments Board".
- Given the "White Paper on Reform of the Federation" process, and the implication of digital disruption across borders, it is suggested that the "Australian Government Payments Board" be considered as a COAG priority.

**Whole-of-Government Approach to Digital Identity**

The Murray FS Inquiry Interim Report highlighted gaps and deficiencies regarding Australia's identity infrastructure, and strong criticism regarding the lack of a whole-of-government technology strategy. The lack of a whole-of-government technology strategy is discussed in this submission with a range of recommendations addressed.

In relation to digital identity, the Murray FS Inquiry Report noted that:

> *Although Australia has a National Identity Security Strategy, it does not set out a detailed comprehensive approach to the issue of digital identities.*

Identity underpins the functions of government and is key to enabling the transformation of service delivery.

Similarly, innovation in payments – and the achievement of digital payment transformation – requires the fundamental barrier of identity related policies and processes to be addressed.

In the Commonwealth Government environment, many of the 170 million face-to-face transactions every year are to prove identity.

At the intersection between the repetitive process manual world and the digital world - the lack of a digital identity framework drives two dimensions of dis-benefits: excessive and unnecessary costs, and cyber security and identity risks.

A trusted digital identity framework needs to be implemented. Such a framework would mean that other trusted credentials – such as bank credentials which are issued under the AML legislation requirements – could be used by customers if they so choose for online authentication to government services.

The Centre for Digital Business cautions against identifying a particular product or technology or service such as myGov - as a "centre piece" in a whole-of-government digital transformation strategy.

Within a digital identity framework, myGov is but one identity service. In the context of a digital identity framework and digital operating model, it would be a contestable service – other digital services similar to myGov would include the various online banking services, Australia Post, and new services not yet created. From a business perspective, the digital strategy would include the interoperability of AUSkey, the role of Vanguard, and the non-discretionary application of Standard Business Reporting (SBR). The objective would be to cultivate a market place of contestable services defined by standards, enabled by a framework of reciprocity and determined by customer choice.

Standards and a framework of trusted reciprocity bring this level of interoperability.

*Recommendation*

- The Centre for Digital Business strongly supports the recommendations of the Murray FS Inquiry Interim Report – and strongly encourages the Inquiry to further look into the ground-breaking work which was done under the Access Card program 7 years ago particularly in the areas of standards, interoperability, identity, biometrics, and reciprocity frameworks.
- That a digital identity framework be developed as an essential enabler of welfare reform, digital payments, and more broadly, as an enabler of digital government. Biometrics should be part of a trusted identity framework.

**Whole of Government Technology Strategy    → Whole of Government Digital Transformation Strategy**

The Murray FS Inquiry Interim Report, the NCOA, and the Coalition Policy for eGovernment and the Digital Economy all call for an independent advisory board to oversight whole-of-government technology strategy; and the utilisation of digital assets, platforms and capabilities that have been developed in other sectors.

The Centre for Digital Business supports these recommendations but would encourage a strengthening and repositioning of these related recommendations to be a "whole of government digital transformation strategy". Any underpinning "technology" strategy needs to be focused on transformation and clearly linked to enabling policy outcomes. The focus over the past decade on putting all forms and "high volume" transactions online has failed because it has not been part of a broader transformation agenda that changes the client experience. Consequently, we still see hundreds if not thousands of PDF forms on government websites.

To restate the NCOA Report – this is not business as usual. It will require the re-thinking of problems, the re-thinking of solutions – and a fundamental re-imagining of what is meant by "public service".

For a start, this is not a technology transformation, although transforming how technology is leveraged is part of this historic paradigm shift. This is a transformation of the 60 to 100 year old traditional operating model of government into a digital operating model, a platform of engagement for the decades ahead. This is about looking at government as a digital enterprise or a digital platform and the capabilities needed for agile and data driven digital operations.

There will be "new" capabilities postulated and aggressively implemented. "New" capabilities such as data analytics and predictive analytics; semantic technology; and innovative payment capabilities such as targeted, quarantined or micro payments. Importantly, standards will be the foundation of the digital government operating model – data standards; reference frameworks; interface standards and an API architecture that enables government digital services to mesh with the digital services of other providers.

These standards will not take years to develop but will be the digital standards now in use across the economy. These digital standards are the mechanism by which all paper artefacts are eliminated from government administration – internal to the administration and in service delivery to clients.

This new digital operating model cannot be a bottom-up, agency by agency approach. The digital operating model will be defined by a digital capability architecture – a "town plan" if you like. The digital capability architecture will describe the digital capabilities of digital government – the people, processes, and principles. This digital capability architecture will be a blueprint for the whole-of-government digital platform and how this platform connects to other digital platforms across the economy.

Recommendation

- Establish a "Whole of Government Digital Transformation Strategy" that incorporates a whole of government technology strategy. The "Whole of Government Digital Transformation Strategy" will need to specifically identify how the strategy will enable the delivery of the government's key areas of policy reform, such as the Welfare Reform proposals and the NDIS. The "Whole of Government Digital Transformation Strategy" will need to reference and have regard to the "Strategic Payments Capability Architecture".
- The proposed (see below) Australian Government Chief Digital Officer should be responsible for the "Whole of Government Digital Transformation Strategy".

**Appoint Chief Digital Officer**

The Centre for Digital Business strongly supports the NCOA recommendation that a Chief Digital Officer be appointed to drive the digital transformation agenda, and that the Chief Digital Officer also lead the development of the new Government Payments System. The Chief Digital Officer role should also include the following broader accountabilities:

Recommendation

- The Australian Government Chief Digital Officer will be responsible for the "Whole of Government Digital Transformation Strategy" which encompasses the supporting whole-of-government technology strategy.
- Given the proposition of this submission that there can be no welfare reform or any service delivery transformation without digital payments transformation, the role of the Chief Digital Officer in relation to payments should extend beyond the new Governments Payments System (ISIS replacement) to all government payment initiatives such as those discussed in this submission.

**Establish a "Digital Transformation Commission"**

Given the repetitive, complex and predominantly manual nature of the current service delivery paradigm, as illustrated by the statistics in the submission – and also as evidenced by the observations and recommendations of the NCOA Report and the Murray FS Inquiry – a breakthrough approach is urgently needed.

Putting hundreds or thousands of forms or transactions online is not a good thing. Putting complexity online is lazy because it is getting the citizen / client to do the hard work of figuring it out. Declare what "interactions" are going to be stripped away, abolished, combined or transformed – such as paper visa labels and car registration stickers. State how the target will improve the client experience; and how this will be objectively measured or benchmarked.

The effort to deliver this transformation needs to be imaginative, scientific, measured and agile.

This is not about business as usual or an agency-by-agency approach and for that reason the transformation must be centrally driven.

Whilst driven hard centrally, this transformation will have a system-wide accountability framework – every decision will be referenced to this transformation.

The timeframes need to be unapologetically aggressive and agile because what is at stake is so significant in terms of economic and human impact.

The strategy for the next decade must be about simplifying – making the interaction with government seamless – taking away the clutter.

Payments will be recognized and applied as a transformative capability and strategy. Payments can no longer be seen as a "transactional" service.

Recommendation

- A "Digital Transformation Commission" type effort should be set up – similar to "reconstruction commissions" set up following man-made or natural disasters. The "commission" should have "special forces" project teams redesigning and delivering government services that will enable the delivery of the government's key areas of policy reform, such as the McClure welfare reform proposals and the NDIS. This is not a committee – but a team driving and executing on the whole-of-government digital transformation strategy. This no longer

assumes that "government services" will be delivered by the government: the digital delivery platform will be fluid and shaped by the client context.

- The team must unapologetically be the world's best. Drawn from all sectors and disciplines: the best from the giants of the web; human factor specialists; designers; systems thinkers; modelers; architects; and innovators from both the developed and emerging markets. The sourcing of this talent will not be through a long drawn out procurement process but through an innovative process akin to the process of mobilizing reserves.

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**ABBREVIATIONS**

| | |
|---|---|
| AGIMO | Australian Government Information Management Office |
| APCA | Australian Payments Clearing Association |
| COAG | Council of Australian Governments |
| DHS | Department of Human Services |
| ISIS | Income Security Integrated System |
| NDIS | National Disability Insurance Scheme |
| NIST | National Institute of Standards and Technology (US) |
| NPP | New Payments Platform (RBA) |
| RBA | Reserve Bank of Australia |
| SBR | Standard Business Reporting |

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