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Boosting E-Government Adoption

William D Eggers

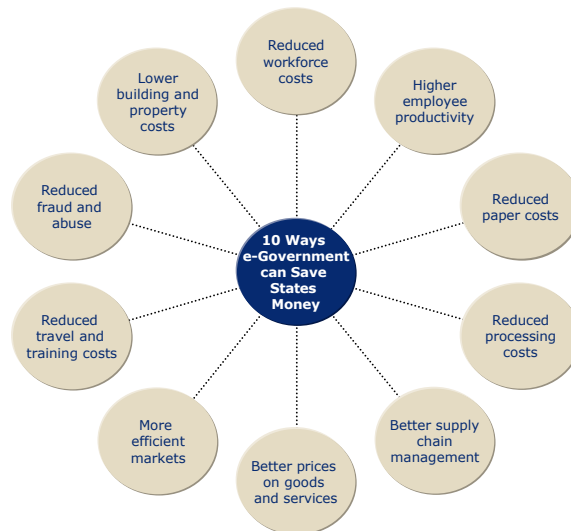
**Global Director, Deloitte Research-
Public Sector**

FTA Annual Conference

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Audit, Tax, Consulting, Financial Advisory.

E-Government can result in significant cost savings to government....



And government's customers

Five ways e-government can save taxpayer's time and ease compliance activities

- **Simplify** and **streamline** reporting requirements
- **Reduce** the number of forms
- Make transactions (paying fees, obtaining permits) **easier**
- **Provide information** in one easy-to-access location
- Help businesses **understand** what regulations apply to them.



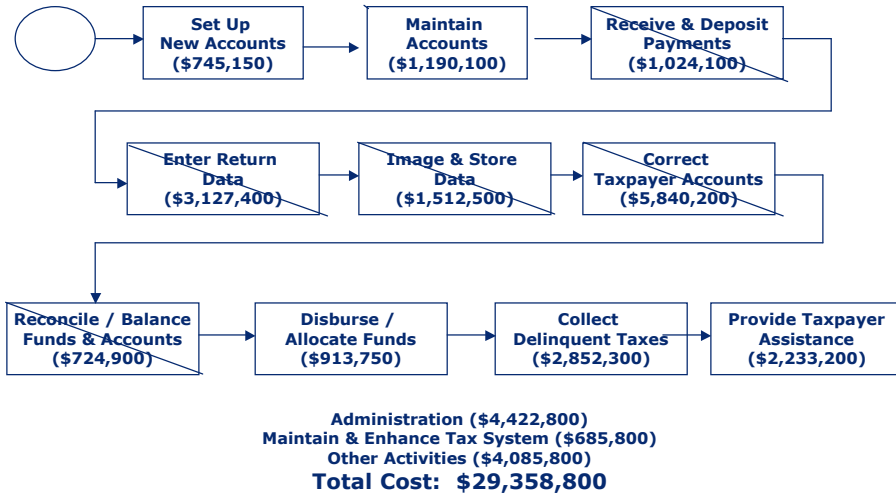
Electronic tax filing and payment is no exception

eFiling of Tax Returns (California, Oklahoma and U.S.)

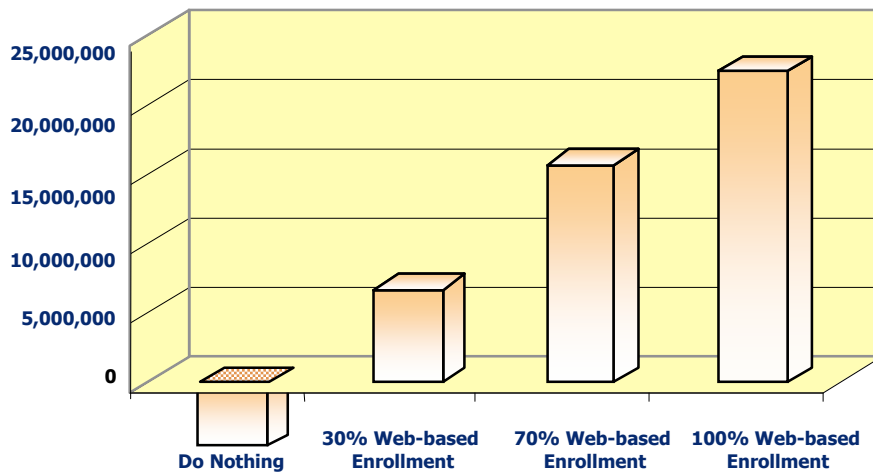
- Cost Saving Opportunities:**
- Error reduction
 - Return Processing
 - Refund Expense
 - Temporary Employee Costs

	Total Number of Returns Filed	Number of Returns Filed Electronically	Cost Savings
California	~12 million	6.7 million (>50%)	\$6.7 million
Oklahoma	1.6 million	584,000 (37%)	\$1.1 million
U.S.	121.4 million	59.7 million (49%)	N/A

Case Study: Revenue Administration in a Sample Large State (Process Overview)

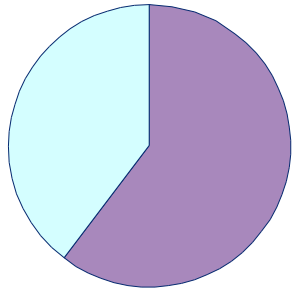


Potential savings are huge, but are dependent on adoption



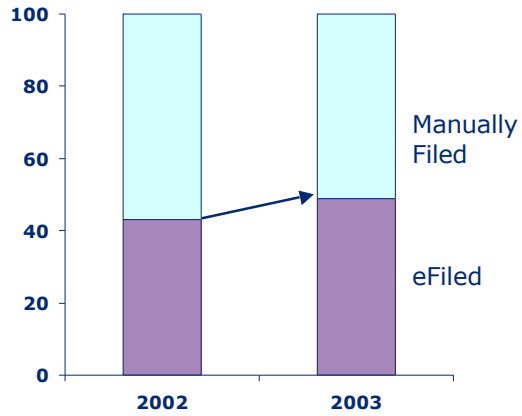
Adoption of electronic tax filing and payments is on the rise for some taxes

South Carolina Individual Income Tax Returns (2001)



■ Paper-filed ■ E-filed

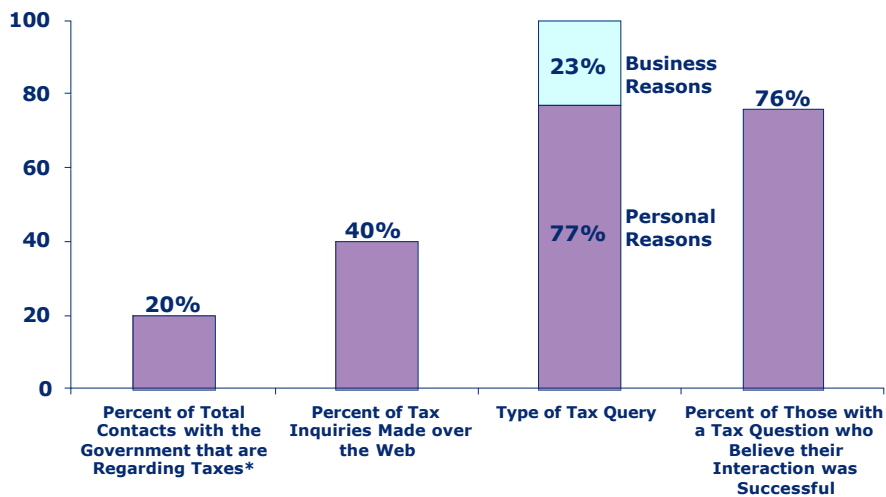
Percent of Individual Returns Filed Electronically Nationally (2002 vs. 2003)



Source: Newsbytes News Network
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Recent survey data shows that the internet is on its way to becoming a significant means of contacting the government for tax-related issues

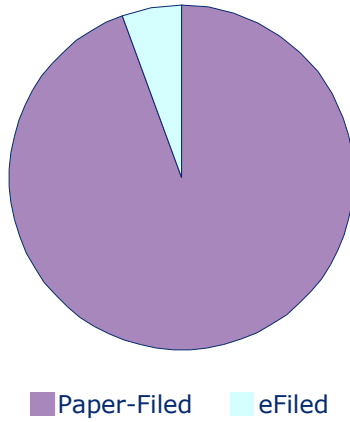


*Includes web and phone-based contacts
Source: PEW Internet Study, "How Americans Get in Touch with Government," May 24, 2004
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Although in some cases adoption is still moving quite slowly

South Carolina
Sales and Use Tax
(2001)



Source: **Federation of Tax Administrators**
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Five Ways to Boost eGov Adoption

- 1 Make it Mandatory
- 2 Create Incentives to Move to the Digital Channel
- 3 Advertise
- 4 Form Partnerships with the Private Sector
- 5 Change the Culture

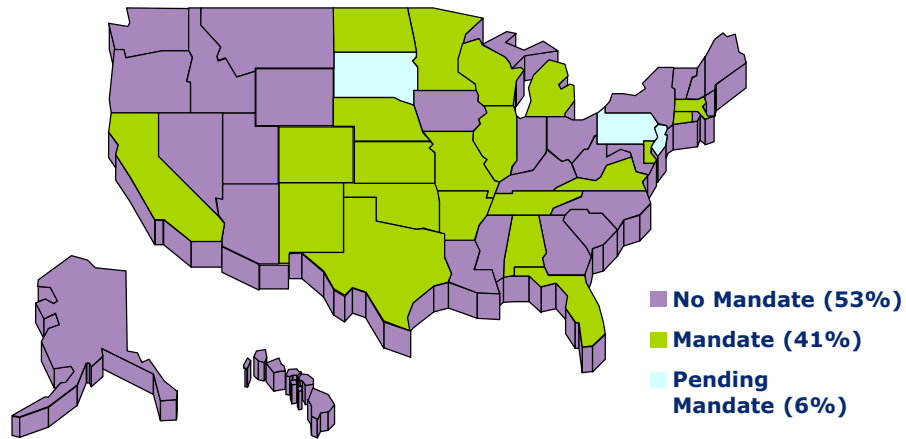
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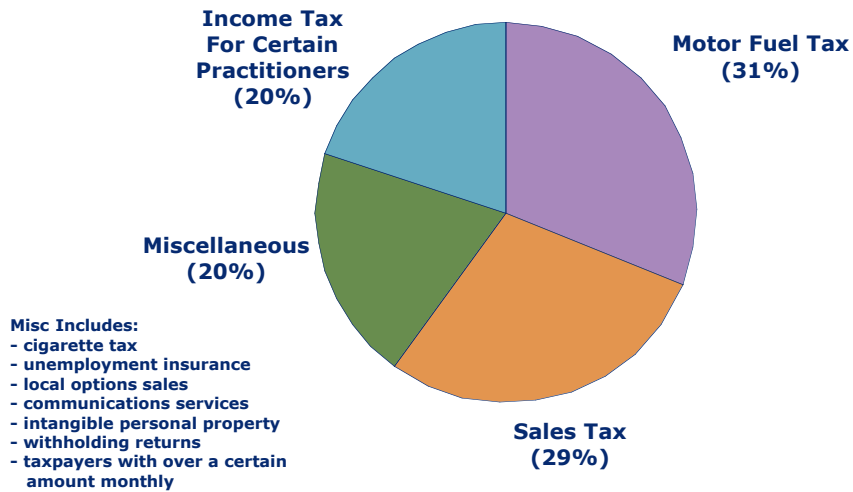
Make it Mandatory

Recommendation #1: Make it Mandatory

Already several states require that certain taxes be filed electronically



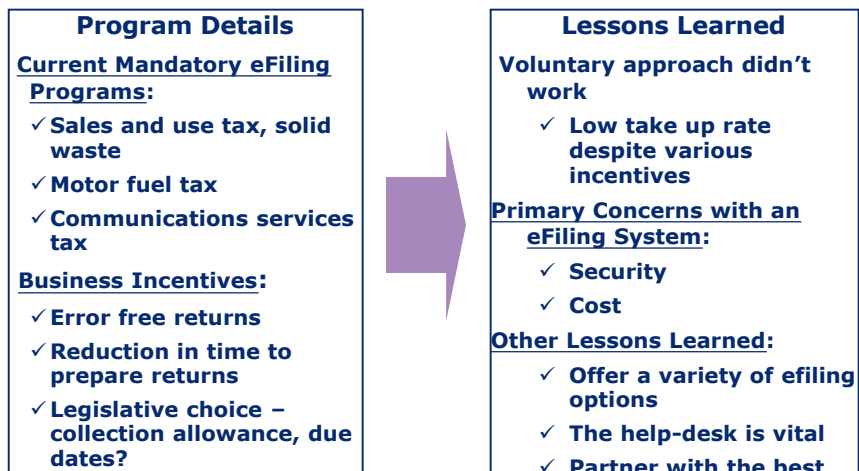
Mandate breakdown by type of tax



*Percentages include pending mandates
 Source: Federation of Tax Administrators
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A key lesson from early movers, such as Florida, is that mandatory approaches may be necessary for some taxes



Source: Florida Department of Revenue
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Make it Easier and Less Costly

Recommendation #2: Create Incentives to Move to the Digital Channel

- In order for people to move online, sufficient incentives, such as cost and time savings, must be present
 - Governments can achieve this by offering a discount for completing transactions online or raise the cost of using other channels

Examples

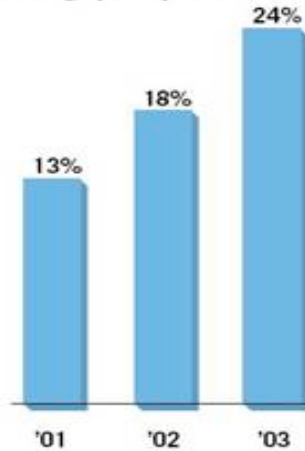
- The New York and New Jersey Port Authority charged customers without an electronic E-ZPass \$1 more than those with it. The strategy was successful: about 60% of toll transactions are now electronic.
- Texas stopped sending paper renewals, and instead directed people to their website, causing online license renewals for doctors and savings and loans associations to soar.

Case Study: Online Banking

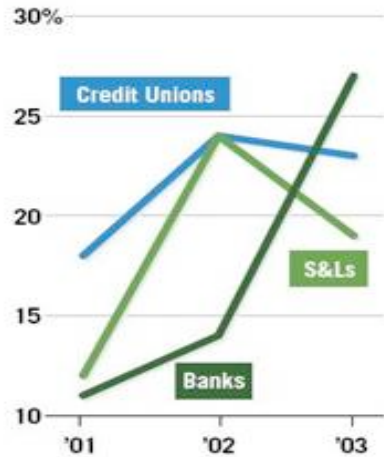
Steady Rise

More consumers are paying bills over the Internet ...

Through primary institution



... And banks have done the best job getting customers on board



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Source: American Banker/Gallup 2003 Consumer Survey

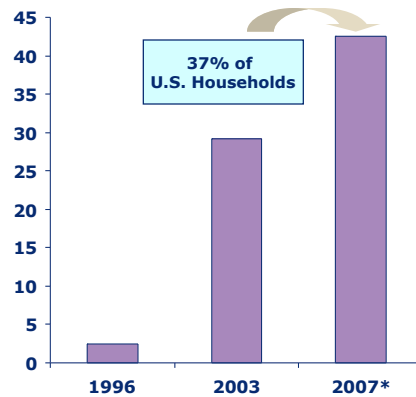
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Case Study: Online Banking

Adoption Rates

Online banking adoption rates are projected to continue to grow at a fast pace

Adoption of Online Banking (# of Households)



*Forecast

Source: TowerGroup Research
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Case Study: Online Banking

Cost Savings

- Online banking is significantly more cost-effective for banks than offering face-to-face services
 - **Face-to-face** transaction costs the bank **\$1.70**
 - **Telebanking** transaction over the phone costs **54 cents**
 - **ATM transaction** costs **27 cents**
 - **Internet banking** transaction costs **one cent**
- Furthermore, a survey conducted by BCG showed that customers who regularly pay bills online are about twice as profitable for the bank than other accountholders
 - Customers who use online banking show 80% lower attrition from the bank, make 30% fewer calls to the customer service line and have higher overall account and loan balances

Source: www.financetech.com, PR Newswire, Mississippi Business Journal
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Hurdles

There are certain hurdles to attaining full adoption of online banking, the biggest of which is from concerns over security

- TowerGroup Research's survey found that 26% of respondents were not using online banking because they were worried about security issues
- **Consumers concerns:**
 - Set up time
 - Hackers
 - Viruses
 - Sabotage
 - Identity theft
- **To encourage greater use, Banks & CUs must:**
 - Articulate indemnification policy
 - Suggest how Customers can keep data safe
 - Elaborate on bank's security measures & how they work

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Case Study: Online Banking

Lessons Learned

- The banking industry's efforts to increase online banking adoption rates have not been without bumps along the way, and obstacles to adoption still exist, such as:
 - Security concerns
 - Misconceptions that it costs more
 - Comfort with face-to-face banking
- Banks are working to eliminate some of these barriers by:
 - offering free access to critical online banking features
 - promising zero liability for online banking customers if a security breach were to occur
 - Simplifying website navigation and usability
- Banks utilized several approaches to increase adoption:
 - Make bill pay the centerpiece of online banking offering, not an add-on service
 - Educate branch staff to encourage and explain online banking to customers
 - Make it more expensive for customers to conduct banking with tellers than online

Source: PR Newswire
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Market It

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Recommendation #3: Advertise

- If people don't know a service is available, they won't use it
 - In fact, a 2003 Hart Teeter survey found this to be the number one reason people do not use e-government
- To deal with this problem, governments must market the online services they have available
 - This can be done through press releases, flyers, promotional events, and public service announcements

Examples

- Sunnyvale, California
- State of Florida
 - has used various mediums to advertise their internet portal, including thousands of PSAs and putting the website address on the Florida license plate

Create Digital Channel Partnerships

Recommendation #4: Form Partnerships with the Private Sector

- Given that marketing is not a core competency of government, an innovative government will partner with the private sector to increase uptake
- These “channel partnerships” can be with banks, brokerage firms, sporting goods stores, travel websites, trade associations and other companies or organizations that have trusted relationships with customers governments want to reach

provided by 







Examples

- The state of Texas is partnering with companies that provide legal automation services for Texas law firms to host the state’s new online court filing system
- One of the most successful channel partnerships has been between the IRS and private tax preparers and software manufacturers. In order to increase e-filing, the IRS has been relying on these organizations’ technological and marketing prowess

Recommendation #5: Change the Culture

- Agencies with the best e-government take-up rates have fully embraced digital government, making it a central part of their mission and strategy – rather than just an afterthought

“People are very open minded about new things.
As long as they are exactly like the old ones.”

- Charles Kettering

For Further Information...

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