08

The 1980s

MANAGEMENT, SERVICE AND COMPLIANCE

CHAPTER EIGHT: The 1980s

Management, service and compliance

The schemes era taught the ATO a harsh lesson. It had been unprepared for the schemes and the way in which it was organised made it difficult to meet their challenge. This deficiency could only be overcome by a radical reconsideration of how the ATO did its work, leading to a period of rapid and far-reaching change.

The ATO overcame the schemes with a two-pronged response. One was new legislation prepared to counter schemes as they were detected and 322 pages of complex legislation were added to the Income Tax Assessment Act between 1975 and 1980. A further 126 pages were added in 1980 and, by the beginning of 1985–86, the *Income Tax Assessment Act 1936*, that had begun at 81 pages, had grown to 1,475 pages. One of the most important pieces of new anti-avoidance legislation was the *Crimes (Taxation Offences) Act 1980* that made it a criminal offence to operate many company asset stripping schemes. Two special prosecutors were appointed by the government in 1982 to investigate tax fraud and 28 people had been charged by July 1984. A Director of Public Prosecutions was appointed in March 1984 to handle taxation prosecutions and a National Crime Authority was also established in that year.[383]

A turnaround in court decisions also helped to reverse the tide. It began after the retirement of Chief Justice Barwick in January 1981 and the ATO was again successful in using section 260 in a case before the High Court in 1989.[384]

The second ATO weapon against the schemes was an increase in staff, by 400 in 1979–80 and another 180 in early 1983. Not all worked directly on avoidance schemes but they strengthened the ATO's overall compliance activities. As a result, in 1983–84 the revenue and penalties collected through this work amounted to $292.8 million and Commissioner O'Reilly said the results would have been even better had he had more staff.[385]

Exhilaration

Trevor Boucher recalls the feeling in the office in the early 1980s.

It was exhilarating, we were on the comeback trail. By 1982, not only did we have our Crimes Act, but also section 260, the big anti-avoidances thing had been stopped. One last thing John Howard had to do on 11 May 1982, because we hadn't stopped trust stripping. In the end he lost patience with them and said, 'You haven't stopped, we know you're doing it. Effective today I'm going to bring in legislation to make you stop what you're doing, and if you do it again by any sort of means, I'll bring in retrospective legislation, back to today.' And that stopped it.[386]

By mid-1984 Commissioner O'Reilly was confident that the schemes era was over and the ATO was now better equipped to deal with future outbreaks. However, it had brought tax and the ATO into the public spotlight. Since the 1950s the ATO had methodically collected the revenue with little public interest, but that changed during the schemes era and was compounded by other developments. In 1980 the Fraser government established a Royal Commission to investigate the Federated Ship Painters and Dockers Union (Costigan Royal Commission). As it unfolded it discovered a world of tax avoidance and evasion that led it to question the ATO's responses to the schemes. Around the same time the Victorian Government launched an enquiry into what had happened to over 900 companies that had been formed and then disappeared, and that enquiry also raised questions about the ATO's response to the schemes.[387]

This put the ATO on the defensive. It believed it had done the best it could under the circumstances and compiled a document the size of a telephone book comprising copies of memos and letters it had sent, showing that it had acted positively during the period. But what counted was not what the ATO had said or done but what the taxpaying public thought about it. One of the most important aspects of the taxation system, public confidence and almost automatic compliance, had been seriously eroded and the ATO had to restore it.[388]

Part of its response was two changes made in the early 1980s. One was extending the charter of the internal audit branch in 1982 that went beyond the traditional review of accountancy to examination of ATO operational efficiency. The other was widespread reorganisation that included establishing a second appeals branch and a third legislation branch in Head office. Greater effort also went into creating closer links between branches and involving branch staff in national initiatives to develop and standardise office procedures and management among the branches.[389]

A growing association with overseas tax authorities also gave the ATO greater ability to counter international tax evasion. The ATO negotiated an increasing number of taxation treaties and participated in international organisations such as the Committee on Fiscal Affairs of the OECD, the Commonwealth Association of Tax Administrators (CATA), the Study Group on Asian Tax Administration and Research (SGATAR), and the Pacific Association of Tax Administrators (PATA).

It also cooperated with and exchanged tax officers with New Zealand tax authorities. However, government restraints led the ATO to withdraw its Australian taxation representatives from London and Washington in 1981 which only meant more overseas travel for tax officers working on international issues.[390]

Overseas perspectives

Peter Simpson became involved in ATO international activities in the 1970s and recalls how it grew.

Around this time Australia joined the OECD so we had to get involved. Bill O'Reilly was a Second Commissioner then, he had a certain love for flying to Europe in the winter and he went a couple of times and I got to be the bag carrier. I'd go over there and see the absolute top policy-makers and administrators sitting in forums, and listening to those people, and their intelligence and learning, was just phenomenal. I knew we needed to get as many people involved in this as possible, and gradually we moved to that.

Coming out of that, we met some Belgian people and they proposed having a treaty with us and they came down here for a couple of weeks. Within a couple of months we had two European countries out here and we negotiated with them. And suddenly we had a couple of new treaties in the pipeline and we started re-negotiating the United States treaty. At this stage we'd started talking to the British, so suddenly things were moving a little. Other things started to happen where areas of our law that dealt with international issues were suddenly found to be very deficient, things like transfer pricing and international avoidance, so the whole international thing started to take off.[391]

A prescribed payment system was introduced from 1 September 1983 to stop cash payments, initially in the building industry, and was one of the last pieces of legislation related to this schemes era. It required the processing of vast amounts of data and was the ATO's first experience in developing a computer-based taxation system. However, the ATO's existing computer systems were beginning to suffer under the strains of an ever-increasing workload so more powerful computers and peripherals

were obtained, the old computer installation upgraded and a new computer installed in Canberra. Local area networks were installed in branch and regional offices to link the large number of terminals needed for the new system with the central computers to provide data entry, online enquiry and processing facilities. It was a great leap forward in computing for the ATO but setting it up and resolving early problems took so much effort that little other computer development took place for some time. The Auditor-General was critical of these problems and suggested that the ATO adopt proper project management techniques, which opened a new era in ATO project implementation.[392]

Through all this the ATO continued to collect the revenue, which totalled $24.68 billion in 1980–81 and $77.47 billion in 1990–91. The increase was partly due to the Australian population that grew from 14.8 million in 1980 to 16.93 million by 1989 and partly due to inflation that averaged around eight per cent during the decade. The number of tax officers grew from 12,311 to 18,875 during this period but the cost of collection remained constant at around one per cent.[393]

Commissioner O'Reilly reached retirement age in June 1984. He was highly respected for his integrity and staunch defence of the ATO and its staff through difficult times, and was remembered fondly by those who mixed with him socially and as a perfectionist by those who worked with him closely. He had the highest regard of ATO staff.[394]

Trevor Boucher was appointed the next Commissioner of Taxation. Like Commissioners before him, he had come up through the tax technical stream, and he had dealt with the policy and legislation side of the schemes era as Second Commissioner. He was of a new generation, having been born after O'Reilly joined the ATO in 1935, and he saw the ATO in a new light. Unlike previous Commissioners, Boucher made it a point to walk around offices, to see the conditions his people worked under and say hello to them. This earned him the reputation for being a friendly Commissioner who knew and cared about his people.[395]

Trevor Boucher, ninth Commissioner of Taxation.

Boucher faced a new economic, social and political environment. The Fraser government had struggled unsuccessfully with the legacy of the 1970s economic crisis and by 1983 both inflation and unemployment were over 10 per cent. The Hawke Labor government that came to power after the 1983 election had plans to remake the Australian economy by embracing a new theory that became known as 'economic rationalism' in Australia. It had been promoted by Milton Friedman who argued that the economy was best served by freeing markets from government regulation and in Australia, and many other developed economies, governments began to remove regulatory controls and expose their economies to greater competition. These policies created a new, vigorous and avaricious business environment that dominated Australia for the rest of the 1980s. This new economic environment, combined with social justice and open government policies, such as the Freedom of Information Act in 1982 and the Sex Discrimination Act and the Equal Employment Opportunities Act of 1984, all created a new world for the ATO.[396]

The Australia of the 1980s had become culturally diverse and the separation between men and women had been much reduced. The ATO reflected this and by the end of the 1980s more than half of tax officers were women and they now made up 10 per cent of the executive ranks. Between 15 and 20 per cent of tax officers were from non-English speaking backgrounds and people with disabilities made up four to five per cent of the workforce. However, Indigenous Australians made up less than half of one per cent of the ATO workforce.[397]

The new perspective

Before he became Commissioner, Trevor Boucher travelled overseas to see tax administration there.

Once I was nominated and I started preparing I got agreement to go around the world for four weeks visiting the UK, US and Canada, visiting their administrations. I had this idea that something was wrong on the management side of the place. Previous Commissioners sat there at the top and every minute that went to the Treasurer was signed by the Commissioner, that had happened since year one, and there was a fair bit of that. Management had been left to one of the Second Commissioners and the other did legislation and policy. There was the sense that there was something wrong in the management area so I decided to carve up the office differently. As Commissioner, I'll take direct responsibility for the management area, Des Black, who followed me, took over Policy and Legislation and McDermot had the rest of the technical area. I had the sense that was where I had to put my energies, and did, and I think that that was a sign for the rest of the organisation.[398]

Commissioner Boucher knew it was time for change. Two weeks after he was appointed he convened a conference of Deputy Commissioners and other senior staff and mapped out the new direction the ATO would take in his opening address. Boucher talked of the outside factors that would affect the ATO; greater public scrutiny and accountability, political and community consciousness about tax matters and coming reforms to the Commonwealth Public Service. He set the ATO's immediate goals as obtaining more human and material resources, greater emphasis on training, development of a corporate plan and the expansion of computing to the entire ATO. He said special attention would be paid to the sales tax area which was experiencing serious work overloads and whose staff felt they were the 'forgotten race'. The three main areas to be developed would be improved compliance activities, improved public relations and improved management.[399]

During the conference Boucher made another change in the ATO, away from its traditional emphasis on deference to and respect for hierarchy. On the first day he sat at the head of the conference table with his Second Commissioners on either hand, with the Deputy Commissioners and other officers arranged down the table in order of preference. At the beginning of the second day he took a seat halfway down the table, causing consternation and confusion among the other men there.[400]

The events of the past decade had shown that more resources had to be put into compliance with more and better-trained staff and that had to be matched by creating a better relationship with the taxation industry. Since taxpayers could easily feel they had become ATO targets as it moved to increased compliance, the ATO also had to make itself more friendly. Community education, a new emphasis on public relations and the simplification of return forms would all help to present the ATO's human face.[401]

The other major change would be new ways of managing and an emphasis on communication and coordination. The ATO had to develop a national approach to matters of wide economic and social importance and better understanding had to be created between the branches and Head office. There should also be greater staff involvement in running the office because industrial democracy was government policy and would be necessary to bring staff along with the changes that had to take place.[402]

These three focuses – management, compliance and community relations – directed the development of the ATO for the rest of the decade. However, when the Commissioner and Deputy Commissioners met again a year later the new government's proposals for taxation reform were also on the agenda.[403]

After the national Tax Summit in July 1985 the government announced a package of tax reforms that included a capital gains tax, a fringe benefits tax, increases in company taxation rates and other lesser changes. These reforms placed great demands on the ATO because the new taxes were announced in September 1985, the legislation was introduced into parliament in May 1986 and the reform package came into effect from 1 July that year. In that time 750 pages were added to the tax legislation, new administrative arrangements and procedures were developed, almost 500 staff were recruited and trained and extensive public education campaigns were launched. Tax officers addressed countless business and professional seminars, inspectors called on 32,688 employees to provide assistance and over 141,000 enquiries were answered.[404]

The ATO's experience in introducing the prescribed payment system and later advances in computer technology helped it prepare for the tax reform package. By 1986 all ATO computers had been upgraded, were linked in a high speed communications network and around 600 mini-computers had been installed for work outside the central taxpayer system, now called the national taxpayer system. As a result, introduction of the tax reform package went relatively smoothly, but only because of the vast amount of work the ATO had put in behind the scenes.[405]

The central computer room, Canberra, 1985.

A year later two more changes were introduced to the taxation system, the imputation of tax on company dividends and the introduction of quarterly payments of provisional tax. The ATO had learned from experience in implementing previous computer-based taxation systems and the first provisional tax notices were issued in October 1987. However, there were some problems in introducing these systems, due mainly to the age of the ATO computer equipment by then, which emphasised the need to thoroughly revise its computer systems.[406]

Although Commissioner Boucher was the ATO's leading tax technical officer he came to believe that something was not quite right in the way the office operated and that the management of the ATO had to take his immediate attention. Because previous Commissioners had given priority to tax technical matters they had signed every document that went to the Treasurer but Boucher gave this responsibility to division heads (although he always saw a copy of what they sent). Many tax technical officers took this to mean he was turning his back on them and considered him a traitor to the old ways while they should perhaps have seen this change as an expression of Boucher's confidence in them. Although the new Commissioner regretted their attitude it was clear to him that management was the area that needed his most immediate attention if the ATO was to survive the 1980s.[407]

Commissioner Boucher had told the Deputy Commissioners that the ATO would experience outside pressure. He was right and a major source was the Auditor-General. In earlier times Auditors-General had only conducted financial audits but, more recently, they had gained responsibility for auditing the efficiency of government agencies. Commissioner Boucher found this particularly galling because the Auditor-General was Keith Brigden, who had previously been a Second Commissioner in the ATO and had an intimate knowledge of the organisation, so had no trouble in finding problem areas to examine. In 1984 Auditor-General Brigden published several reports criticising the ATO on its handling of the tax avoidance schemes and its administration of sales tax, and in later years, some more critical reports including one on the prescribed payment system. The ATO was not happy with these reports because of the resources required to service the Auditor-General's enquiries and because the reports did not acknowledge the resource problems the ATO had faced in the areas that were criticised.[408]

One outcome of the Auditor-General's reports was an inquiry into the ATO by the House of Representatives Committee on Expenditure in 1986, and a major review of the ATO, announced by the Treasurer in February 1987. Both absorbed a great deal of ATO resources and caused a lot of stress. They found that the ATO could have performed better in some areas, that it was making good progress in improving but still had a long way to go.[409]

Despite questions about its efficiency the government gave the ATO two new roles during the late 1980s. In June 1988 the Child Support Agency was established as part of the ATO when the Commissioner was also appointed as the Child Support Registrar. The agency had responsibility for collecting child or spouse support maintenance payments due under the Child Support Scheme and registered some 21,000 cases involving 15,000 children in the first year of operation. When the government introduced the Higher Education Contribution Scheme (HECS) in January 1989 the Commissioner was given responsibility for collecting contributions through the taxation system. A reduction in his responsibilities was the transfer of its valuation functions to the newly-created Department of Administrative Services in July 1987.[410]

Poster introducing the child support system, 1989.

Commissioner Boucher's vision for the ATO had included closer links between Head office and the branches and an early step in achieving this was renaming Head office as 'National office'. The new name was chosen to remove the perception that it was superior to the other branches and created a sense of a national coordination rather than just issuing orders.

Another innovation was the introduction of an Australian Taxation Office logo, decided in a competition among staff in 1987 and won by Helen Lee. It incorporated the initials ATO into a map of Australia and remained in prominent use for many years.[411]

The ATO logo, designed by Helen Lee in 1987.

ATO change was given direction by a corporate plan which was adopted from 1 August 1985. The ATO was no stranger to planning but this was the first plan that pulled together everything the ATO did and coordinated it to focus on areas of priority. National office was reorganised to give it a more effective structure and the position of a third Second Commissioner was created to help cope with the workload on senior executives and Michael Carmody, another tax technical specialist, was appointed to it.[412]

Tough work

Mike Bond talks about assessing in the 1980s.

Assessing was getting out of hand, you couldn't keep up, you'd have to find an army to do it. They moved to a process called scrutineering when you had to do 2,000 returns a day, but that didn't last long. It was a very quick glance and all you were looking for was something untoward and you'd discard things with attachments for later scrutiny. They'd only allow you to do that for three or four days a week because it was tough work, the concentration was huge. The discipline was there, you'd have competitions with your mates to have 5,000 done before morning tea and that sort of stuff. It was the only way to survive.[413]

By far the biggest change of the 1980s was the introduction of self-assessment in 1986, revolutionising the ATO. Assessing was at the heart of the ATO and everything including its training, advancement, social structure and culture had been built around it. However, assessing had become unsustainable by the mid 1980s, in 1984–85 the ATO received 9.03 million income tax returns and assessors were doing little more than giving each return a cursory examination in order to keep up. A working group was convened to examine the problem and presented a report in April 1985 that said existing assessing methods were not generally cost-effective, assessing had little deterrence to tax avoidance and evasion and that the majority of assessors got little job satisfaction. As a result, the report recommended that the ATO adopt a system of taxpayer self-assessment and that assessors be redeployed to other high priority tax technical work. The ATO adopted the report, the Treasurer announced the introduction of self-assessment in the 1985–86 budget speech, and the new system commenced from 1 July 1986.[414]

The introduction of self-assessment

Trevor Boucher discusses the change to self-assessment while he was Commissioner.

I had spent time as an assessor and I knew from experience how ineffectual that was. There had been previous studies and Keith Brigden had inquired into it during an overseas trip because the organisation was debating whether this was the right way to do it.

I credit John McDermot with pushing this and seeing where we had to go. We discussed it at a conference and agreed to pull somebody aside to look into it, and Les Hutchinson in Melbourne was given the job. He came back with a report that said we're actually going backwards because, with having to push all that stuff through, assessors were making arbitrary judgements, so after the appeals and adjustments we were going backwards. We had staff who were trained accountants and, increasingly, trained lawyers, sitting down with this pretence that they were determining liability. So the notion was that we would just take the returns at face value and take these technically qualified people and put them in audit and investigation.

The organisation took to the change pretty well. At the human level there were people who had been in the office their whole life, cloistered behind a desk, and they were a bit frightened about going out into the big wide world, and we had to help them a bit.[415]

At first only salary and wage earner returns were self-assessed but it had been extended to all taxpayers by the end of the decade. The only significant change in the processing chain was replacing assessors with clerks who quickly scanned returns to ensure they were ready for data processing operators and this brought a significant reduction in processing cost of about $100 million a year. However, taking assessors out of the income tax return processing production line only relieved some of the workload that had increased to 11.38 million income tax returns in 1989–90. Each return still had to be keyed into the national taxpayer system by data processing operators before anything else could be done with them, a huge task made even more monumental by all the other data that had to be processed from other sources such

The end of assessing

John McCarthy recalls the event to mark the end of assessing in Brisbane.

We had an end of assessing function on the assessing floor and a bagpiper got his bagpipes and Scottish gear and played the dirge that is played at funerals, and piped in half a dozen people carrying a cardboard box representing a coffin. They'd hidden it in one of the interview rooms and just before this there was a bomb scare and we evacuated the building. The cops came in to search the building and asked 'What's this box'. An hour or so later we got back into the building and the piper was able to do his job, and we had a few cakes. And that was the end of assessing.[416]

as the sales tax, the Child Support Agency and HECS. Data processing operators, almost exclusively women, became the processing centre of the taxation system and they were driven hard to keep up by making an expected 180 keystrokes a minute, three every second.[417]

By the beginning of the 1980s this was beginning to affect data processing operators detrimentally and the phrase 'Repetitive Strain Injury' (RSI) came into use. In 1985, when the ATO employed 1,245 keyboard operators, RSI accounted for over 80 per cent of compensation claims from women workers across Australia and there were over 4,000 reported cases in the Commonwealth Public Service. In order to understand and overcome this problem the ATO contributed to a RSI task force established by the Public Service Board and engaged its own consultants and occupational physiotherapists to help. As a result the situation began to improve and, while subsequent developments reduced its incidence significantly, it remained a serious problem.[418]

Smoking and asbestos also became major occupational health and safety issues in the 1980s. Asbestos had been used so widely by the building industry that it was almost impossible to tell where it would turn up, so evacuation plans were prepared and air quality monitors installed in government buildings. The health dangers of smoking had become well known by the 1980s so a policy to control it at work began. Training programs to help staff stop smoking commenced in 1985 and smoking was prohibited at work stations in 1989.[419]

Data processing operators in the Canberra branch, 1986.

More than tokenism

Jill Jenkins recalls being the female representative on selection committees.

I often sat on selection committees because they had to have a female on them and there were not that many females at the level they needed. I used to think it was tokenism, 'Why am I doing this?', because it took up a lot of time.

But I vividly recall one selection committee I was on was in audit. The girl who had applied for the job, a very attractive lady who I knew well, was asked 'Why would an attractive person like you want to work in this audit environment?' I was stunned. He was a lovely man, I spoke to him afterwards and he could see absolutely nothing wrong with the question. He said 'I wouldn't want my daughter working there', he was being fatherly to her. And that's when I thought 'No, I'm not here as a token, I need to be here'.[420]

The ATO introduced an equal employment opportunity policy from October 1985 to encourage women, migrants and people with disabilities as ATO employees. The plan included staff training, placing women on staff selection committees and embedding equal opportunities in the organisation's wider policies and culture.

A change expected to encourage women to stay in the ATO was the introduction of permanent part-time employment in 1986–87 and there were 168 staff working under the new arrangements by June 1987. The most prominent woman in the ATO was Jan Brady, who had begun her career in the ATO in 1957, been one of the first women to enter assessing after the war, become an Assistant Deputy Commissioner and the first woman to be appointed to the position of Deputy Commissioner. She became a role model to other women in the ATO.[421]

Jan Brady, the ATO's first female Deputy Commissioner.

The changes taking place in the ATO made training even more important. In 1986–87 it held 4,301 staff development and training courses for 53,406 participants, three for every tax officer at that time. In line with Commissioner Boucher's aim of bringing the branches closer together all its major training programs were developed nationally from 1985.[422]

The uncertainty and inflation of the economic crisis that began in the 1970s made ATO staff more militant and this came to a peak in the early 1980s, leading to extensive industrial action. The ATO was highly unionised and striking was immediately effective because it starved the government of revenue and industrial action during tax time gained publicity by stopping the issue of income tax refunds. It was a highly charged time in the ATO as union members went on strike and management responded with stand downs but, in the end the unions were beaten and achieved nothing. Even so, an industrial relations section formed in Head office in 1982 smoothed relations with the unions and a number of cases were resolved by negotiation and arbitration including the reduction of keystroke rates for data processing operators.[423]

Industrial action

Gidge Rotunno and Greg Wheeler recall industrial action in the 1980s.

Gidge Rotunno: It was a fantastic campaign with a disastrous result. It was about a pay rise and it was a fantastic campaign in terms of people understanding the issues and being engaged. We had massive strikes, we pulled everyone out in Dandenong. We walked around the floors and told everyone 'Walk out' and people walked out. Dandenong was a very strong office and we trusted each other. We ended up striking for quite a few days, not consecutively, but it ended up going back to the IRC [Industrial Relations Commission] and we got nothing. That was a disastrous outcome but it was also a watershed moment when the Tax Office realised the unions were fair dinkum.[424]

Greg Wheeler: In King Street the area that processed all the refunds and the money coming in, they locked the floor in a union strike, they barricaded themselves in. Once the computer room decided not to process the incoming money, managers were locked out and it became more of a battle zone. At that stage you had managers going around giving directions to work. They'd read your duty statement to you and said if you didn't follow the duty statement you'll be removed from the floor, and automatically from that point you don't get paid. There was a lot of that happening. We felt we had the government on their knees but, being delegates, we only got the good news. The union caved in as far as I remember.

There was fairly talented people in charge of the union in those days and they had the following, they had young people who weren't reliant on money to bring up families. When you get married and have a family, you can't strike with the threat of losing pay, because we used to lose pay when we went on strike. If they tried it these days you'd hardly get anyone going out, and with agency agreements we're not badly treated.[425]

Improved industrial relations came with a new government and a new Commissioner. In December 1983 the Hawke government announced that all public service agencies, including the ATO, would have to establish industrial democracy plans, and the ATO had its plan ready by September 1985. At the same time, Commissioner Boucher established a Joint Consultative Committee comprising representatives from ATO management and the three major staff unions to promote industrial harmony through consultation and negotiation, and it began regular meetings in June 1985.[426]

The industrial relations landscape changed again when the Public Service Board was abolished in 1987. The Board had played a major role in regulating and overseeing many ATO staffing arrangements such as the negotiation of staff salaries, wages and conditions. After its abolition many of its powers were transferred to individual agencies which then negotiated directly with staff unions over wages and conditions.[427]

Around this time the old structures of the public service were changed and the Third and Fourth Divisions were merged in a process called 'broadbanding' in which over 100 separate public service classifications were combined into a handful. This radical change resulted from the Public Service Board's taskforce into RSI that found a relationship between the old public service structure and the incidence of the condition. The Fourth Division comprised largely women who did repetitive work such as data processing and the Third Division comprised mainly men who did a variety of work so that RSI was rare. Broadbanding meant that women would no longer be confined to such duties as data processing with little opportunity for advancement. This would reduce the incidence of the problem and give women in the public service much greater opportunities to develop their abilities and build careers. This led to very significant changes in the way the ATO operated and opened up opportunities for staff to grow in a way that had not previously been possible.[428]

Staff at the level of what had previously been the Second Division became members of the Senior Executive Service, and were the leaders of the public service in the ATO. The end of the Public Service Board also saw the end of its role in providing the ATO with an annual stream of school leavers that had continually reinvigorated it and made a strong contribution to its social life.

The 1980s also saw amalgamations in staff unions. Amalgamations suited the union movement and the government's wages and prices accord, and promised to make life simpler for the ATO that had to negotiate with three unions – the Administrative and Clerical Officers Association (ACOA), the Australian Public Service Association (APSA) and the Federated Clerks Union (ATO Branch) (FCU (TOB)). The ACOA and APSA merged with another small union to form the Public Sector Union in 1989 and most members of the FCU (TOB), including the leadership, resigned to join the new union. Through a series of following amalgamations it had become the Community and Public Service Union (CPSU) by 1994. Despite the creation of this large union several hundred members of the FCU (TOB) did not join the new union and the Federated Clerks Union became part of the Australian Services Union in 1993. As a result, the ATO still had to deal with two unions although the CPSU was the major one.[429]

In the mid 1980s the ATO was losing staff at the rate of 10–15 per cent a year, 2,000 in 1985 and 2,400 in 1986, perhaps as a result of the rapid changes taking place in the ATO or the general economic situation. This, and increasing staff ceilings, meant the ATO had to recruit over 3,000 new staff a year with a particular emphasis on good tax technical people. It launched special recruiting campaigns to attract accounting and law graduates through the universities and became successful in recruiting more of the highest quality graduates, winning the Graduate Careers Council of Australia Award for the best recruiting package in 1989. However graduate programs stopped that year due to funding issues and were not re-established until 1998, causing a hiatus in young talent that took a long time to catch up.[430]

The growing workforce put greater pressure on accommodation, particularly in the big branches. Some 3,500 staff were dispersed across seven buildings in Melbourne, 4,000 people in Sydney were spread across six buildings and there were similar problems in some other capital cities. To reduce this pressure the ATO revived its decentralisation policy and planned to make its regional offices in Townsville, Newcastle and Albury-Wodonga fully autonomous, bring its Dandenong office up to full branch status and establish a Sydney South branch and a Victoria North branch. Each branch would take responsibility for a geographic area with, for example, the Victoria North branch taking responsibility for taxpayers in the northern and western suburbs of Melbourne and a broad wedge of north-western country Victoria. The most difficult problem to be overcome in setting up these new branches was finding office accommodation for about 800 staff and therefore many new branches opened with some staff in temporary accommodation. Finally, the autonomous Newcastle branch opened on 1 July 1985, the Victoria North branch on 1 July 1986 and the Townsville and Albury/Wodonga branches on 1 July 1987, but the Dandenong branch did not move into a new building until December 1988 and the Sydney South office at Chatswood was not opened until 1 July 1989.[431]

The new branches created more opportunities for staff and new positions for senior staff who joked that Commissioner Boucher moved people around like pieces on a chess board. If he did, the moves were made to give senior staff wider experience of the ATO and the opportunity to develop their experiences and abilities. Younger tax officers also found that the new branches gave them more opportunities to live and work in different parts of Australia while remaining in the ATO.[432]

Townsville branch, 1986.

Albury-Wodonga branch. Most new ATO branch buildings were new but
this branch was located in a restored wool store in central Albury.

Big Bruce on Tropical Friday

Bruce Quigley recalls his time as Deputy Commissioner in Townsville.

I got a telephone call from Trevor Boucher in October 1991 and in January 1992 we were in Townsville. Greg Farr was the Deputy Commissioner before me and Boucher said 'Take your wife up' and Greg had the barbeque and introduced us to the neighbours and that sort of stuff. It was a fairly small street, a corporate street, as streets in Townsville often are. The bloke next to us was the manager of the major Westpac bank up there, there were two army officers, another was the head of Suncorp Metway, so the people there had not always lived in Townsville.

Sometimes I felt I was in a fish bowl. Friday in Townsville was called 'Tropical Friday' and people wore tropical shirts. I didn't always do that, I wore a tie all the time so I stood out a bit and if I had meetings I wore a proper shirt. So I was driving to work this Friday and I was stopped at the lights, one of the few lights in Townsville, and here's Steve Price, the morning radio guy, saying 'Big Bruce from the Tax Office is not in the spirit of things because he hasn't got his tropical shirt on today'. A few weeks later I did have it on because I didn't have any meetings with outside people and I heard 'Big Bruce from the Tax Office is doing the right thing today, he's got his tropical shirt on.'[433]

All these management changes improved the ATO's ability to administer the tax laws, with special emphasis on compliance. In particular, the introduction of self-assessment changed the relationship between the taxpayer and the ATO because it encouraged taxpayers to meet their tax obligations honestly rather than hoping to deceive an assessor. This approach was successful and the ATO estimated that about $700 million of the total collectable income collected during 1986–87 was due to increased voluntary compliance after self-assessment was introduced.[434]

The end of assessing was a wrench for many tax officers who had built their lives around its routines. They had become assessors when they were young, planned to spend their entire working lives as assessors and expected to be assessors when they retired. Now they had to take on new roles and most became auditors. Auditing was a key part of the strategy of encouraging voluntary compliance by showing people that tax evaders were being caught by publicising the audit program and the results it was achieving. Auditing ranged from relative simple desk audits, usually of individual taxpayers, to complex audits of large companies and the ATO had 100 large company audit teams in the field by 1987–88.[435]

Self-assessment also led to a dramatic reduction in the number of objections lodged by taxpayers. However, the ATO still had around 100,000 outstanding appeals to deal with by 1985 and it put a great deal of effort into clearing the backlog over the rest of the decade. In 1988 it changed its appeals structure to make better decisions the first time and explain them better, helping to reduce the number of appeals going to hearings. As a result, there were only about 32,000 outstanding cases by June 1989.[436]

A different compliance problem was the number of people who did not lodge income tax returns. The tax file number system was devised to deal with this problem and, to bring people into the income tax system, the ATO began by announcing an amnesty period from 30 May to 31 October 1988 during which people could lodge returns without prosecution or penalties. During the amnesty over a million people or organisations lodged returns or arranged to do so. Introduction began with a widespread information campaign and allocation of the new numbers started with new taxpayers and salary and wage earners in the first half of 1989.[437]

A big effort

Bruce Quigley talks about some of the effort that went into the tax file number.

It was a compliance measure. We were doing all the dividend and interest checks against a person and there could be lots of them, so we weren't getting good matches. To prepare the legislation we prepared very detailed drafting instructions, setting out the broad policy and broad design and saying what the interactions were. Draftsmen then put those instructions into a draft, sent it back to us and we looked at it and said 'No, no, that's not quite right'. Then it was an iterative process of draft and redraft. Sometimes a draft would raise new issues so we'd have to issue supplementary drafting instructions, 'this had come up and now we want this and this done'.

It was a big thing. We tended to have very small core teams but you could get input from other people on various things. A lot of people put together a compliance strategy and processing systems, so there was a big team to implement the whole thing. Working out how, for example, audits would be done. I'd say to them 'This is what I think. Will it achieve what you want from your compliance objectives?' And they'd say 'There are these other things we want it to cover as well'.[438]

Service went with compliance because the ATO had to develop a better public image when it increased its compliance activities. Commissioner Boucher wrote that 'If the public regards us as being helpful, efficient and impartial, they are more likely to willingly comply with their tax responsibilities. Good service improved the public's perception of the ATO'.[439]

One of Commissioner Boucher's first acts was to create a public information unit to improve ATO communication with the community and when self-assessment was introduced it prepared and distributed booklets explaining the change and translated them into 13 languages for distribution through migrant resource centres. By the end of the decade it was issuing press releases and information packages, conducting surveys of public attitudes and preparing an extensive range of publications in a number of languages, as well as billboards, posters and displays at trade fairs.[440]

Brisbane branch enquiries counter in 1980. The enquiries counter remained a strong focus of the ATO's service tradition.

The ATO also continued its traditional services and answered 2.6 million telephone calls and 736,000 enquiries in person in 1985–86. It set up a problem resolution program in 1987–88 to handle difficult taxpayer problems and act as a taxpayer advocate when all other efforts to resolve a problem had failed. A taxpayer service group was also established in National office in 1986–87 to help taxpayers understand the tax law and the services the ATO provided. The ATO also opened two

Answering telephone enquiries in Victoria North branch, 1986. As the community increased its use of telephones to conduct personal business, the ATO responded by setting up telephone enquiries sections that were usually staffed on rotation by tax technical specialists.

new avenues of communication with the community, the tax liaison group that was formed in 1984 to discuss administrative and practical aspects of taxation with the tax industry and the Commissioner's advisory panel that was established in 1989 to represent the wider community.[441]

By the mid 1980s there were about 26,000 tax agents in Australia who handled two-thirds of all income tax returns. The ATO set up tax agent liaison centres in the branches to liaise directly with tax agents, identify and resolve problems and advise agents of changes to tax legislation and ATO procedures. Tax agent liaison committees were also formed in most states to discuss matters of mutual concern with Deputy Commissioners.[442]

The biggest change for tax agents was the introduction of electronic lodgment of returns, beginning with a small pilot program in Adelaide in 1987 and going national in 1989. By the late 1980s most tax agents used computers to prepare the returns they sent to the ATO, where they were then keyed again by data processing operators into the national taxpayer system. This process duplicated effort and introduced mistakes, but electronic lodgment solved both problems. It also cut the delay in sending out refunds from an average of 10 weeks to two, and tax agents used this to attract new customers. Very significantly for the ATO, electronic lodgment also

reduced the amount of keying that data processing operators had to do and so reduced the incidence of RSI.[443]

Research showed that most taxpayers who filled in their own returns did not read the explanatory notes that were available with the return forms and made obvious mistakes. The ATO hoped that revised forms with explanatory notes written in plain English would solve that problem and it devised new forms that were tested in Western Australia in 1985 and, following some improvements, were introduced nationally from 1 July 1986. Taxpayers found the new form clearer and easier to follow but market research suggested that a more fundamental change would be even more helpful. The result, *Tax Pack*, was launched on 13 June 1989. It contained all the information most taxpayers needed to complete their returns in a simple, step-by-step format, and was delivered to every household in Australia with extra copies available at newsagents.[444]

The ATO called 1989 the 'Year of Service' to highlight the changes it had made, and was making, in its relationship with the community and ATO executives took turns at enquiries counters to show their commitment to it and meet the community they served face-to-face. A curriculum package called *The Insiders* was launched for use by high school students and the Tax Help volunteer scheme was introduced to help people in need to prepare their salary and wage income tax returns. Tax Help was trialled in Newcastle in 1987–88 and then introduced nationally in 1988–89, with each volunteer receiving 16 hours of training and the support of ATO staff through a telephone hotline.[445]

Commissioner Boucher takes his turn at the enquiries counter as part of the Year of Service.

Year of Service in Perth

Perth office wrote about the Year of Service.

Brian [Power, the Deputy Commissioner] saw a definite change in the attitude of the public this year. Some taxpayers even wrote to thank officers for the help they got at the Enquiry Counter or through the Problem Resolution Program. Brian made a point of publishing these letters in the staff newsletter 'because', he says, 'it helps staff morale to see that members of the public appreciate our efforts to help them'.

Tax agents, accountants and people running small businesses, once seen as the natural enemies of the Tax Office, also benefited from the Year of Service. As well as the Tax Agent's Liaison Groups which were set up in all Tax Offices, Brian now sits as a member of the Divisional Council of The Australian Society of Accountants. The Office also set up close links with The Small Business Development Corporation.

A number of new initiatives added to the work of the Office during the year. The Higher Education Contribution Scheme (HECS) and the Child Support Agency added extra areas of revenue collection.

HECS didn't add too much of a load for the Perth Office although it was the cause of a minor demonstration when about thirty students lined up at the cashier to pay one dollar each. Concerned that the protest shouldn't be allowed to delay other taxpayers, Brian arranged for an extra cashier to go online to cope with the protesters.[446]

By the end of the 1980s the ATO was almost completely dependent on computers but many of its systems were obsolete and on the verge of collapse. The PAYE system was based on programs designed in the mid 1960s and the national taxpayer system had become costly and difficult to maintain and update. The central computers were two generations out of date, the extended memory devices were unreliable, the online enquiry terminals and direct data entry equipment was nearing complete failure, the cash receipting equipment was obsolete, the printers were also badly worn and nearly all the equipment was ergonomically poor.[447]

The ATO adopted a new computer strategy in November 1985 to give it a new computer environment. Planning continued through 1986 and the government gave in-principle approval for the new strategy in February 1987. It comprised three parts: redevelopment to replace all existing computer applications, re-equipment to replace all computer hardware and software to accommodate those applications, and conversion of all applications and data from the old systems to the new ones.[448]

This was one of the most significant decisions made in the history of the ATO. It would not only revitalise its computing capacity, it would integrate computing into many new ATO activities and enable it to achieve new levels of compliance and service. Within a decade it would result in a new kind of ATO.

Unloading tender documents for the ATO re-equipment program.

The overall project would comprise 100 separate projects that all had to be coordinated and scheduled, including redesigning about three quarters of all ATO jobs. To fund it the ATO entered an agreement with the government, in February 1987, to receive $1.24 billion over nine years and deliver staff savings equivalent to 3,000 full-time positions in return. To ensure the program's smooth introduction the ATO and the CPSU signed a modernisation agreement in March 1990 which improved working conditions, accommodation standards and launched several projects to take the ATO and its staff into the future. A management advisory committee, chaired by Commissioner Boucher and comprising union representatives and other senior tax officers, oversaw the project and Second Commissioner Carmody had day-to-day responsibility for it. He launched a competition to find it a name for this all embracing project and the simple word 'modernisation' won its inventor a good bottle of wine.[449]

The ATO's first venture into modernisation was the electronic lodgment system for tax agents that became known simply as ELS. It was part of the modernisation plan, tax agents were keen to have it and it would show that the ATO was committed to service. However, new hardware capable of running the electronic lodgment system was still far from delivery so Boucher and Carmody decided to take a risk and launch

it using equipment that was soon to be replaced as part of modernisation. The gamble paid off, the system was recognised as an important achievement around the world, won the Gold Award of the Government Technology and Productivity Awards, and opened the door to modernisation.[450]

Cultural change

Chris Mobbs talks about the change that came with modernisation.

A cultural change went with modernisation. Some of the projects that were set under modernisation needed new ways of thinking, project teams with people with different skills assembled quite deliberately because it was recognised that to run the project you needed people with different personalities and skill sets. Trevor was always sending signals to say we needed new thinking and new ways of doing things. Sometimes things went off at a tangent and didn't deliver what was expected, 'a thousand flowers blossoming' philosophy, but some of them succeeded very well.[451]