



07

The 1970s

SEEKING SOLUTIONS



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## CHAPTER SEVEN: The 1970s

# Seeking solutions

The Long Boom had ended by the early 1970s. Australia's economy stagnated with unemployment and inflation climbing dramatically and, after years of certainty about how to manage the national economy, people sought new answers about how to overcome these old problems. By the end of the decade the result of these pressures also challenged the ATO and became the harbinger of radical change.

After the depression and war governments had placed their faith in Keynesian economics and the belief that they should keep unemployment as low as possible, even if that meant running inflationary budgets. However, things started to go wrong in the late 1960s, and by 1976 unemployment was nearing six per cent and inflation was around 15 per cent.<sup>317</sup>

This crisis emerged at about the same time as the election at the end of 1972 of Australia's first Labor government since the 1940s. The Whitlam government's strong reforming agenda reflected the mood of the times, but the economic crisis and the government's lack of experience soon saw it fall into disarray. It had lost public support by the middle of 1975 and was swept from office in the election at the end of the year. The following Fraser government also struggled to find solutions and by 1980 the annual inflation rate was still over 10 per cent.<sup>318</sup>

The Whitlam era marked a time of significant change in Australian society. It included an emphasis on equality through multiculturalism and equal opportunities, a new emphasis on the environment and a growing sense of Australian identity.

In 1973 the Minister for Immigration, Al Grassby, spoke about how he hoped the Australia of 2000 would be:

My concept of a society able to sustain growth and change without disintegration is a society based on equal opportunity for all – a goal which no right-thinking person could dispute, but the striving for which has led traditionally to some of the deepest conflicts within society. This means full scope for all to develop their personal potential,

no matter how diverse their origins, beliefs, wealth or ability. All too often in the past, quality of opportunity has been only reluctantly conceded to less privileged sectors of our community, or even withheld. I believe that by the year 2000 we will need to have perfected ways of inducing this equality for all, in fact as well as in law, by far-reaching legislative and ameliorative measures.<sup>319</sup>

Grassby called his vision 'multicultural' because it would embrace the cultures, values and experiences of all the people coming to and living in Australia. This new policy replaced the old policy of assimilation.

Between 1971–72 and 1975–76 migration to Australia fell from 140,000 people a year to 50,000 and the new government put resources into supporting the migrant communities already in Australia and passed the Racial Discrimination Act in 1975. For its part the ATO began issuing explanatory notes for wage and salary earners in five languages other than English and started a translation service.<sup>320</sup>

The aftermath of the Vietnam War brought migrants to Australia from south-east Asia. Before 1975 there were only about 1,000 Vietnamese people living in Australia but by mid 1985 there were 79,000 and another 13,900 people had come from Cambodia and 7,200 from Laos. In 1974 only nine per cent of migrants came from Asia but it had grown to 28 per cent by 1980 and almost half by 1984.<sup>321</sup>

The new inclusive policy of this era extended to other groups. The new government established the Department of Aboriginal Affairs and commenced an inquiry into Aboriginal land rights which led to land rights legislation in 1976. Women became more politically active and started taking on traditionally masculine roles such as radio and television news readers, engineers and airline pilots. Young people were also brought into the political process when the voting age was lowered to 18 years.<sup>322</sup>

This era also saw the blossoming of a new sense of Australian self-awareness and pride through the arts, sport and politics. Traditional links with Britain dissolved as Queen Elizabeth II was titled Queen of Australia in 1973, imperial honours were replaced by an Australian Honours system in 1975 and Britain joined the European Economic Community (later called the European Union). As part of this change the Whitlam government began using the title 'Australian Government' and many government agencies changed their names. One was the ATO, which was formerly properly called the Taxation Branch of the Department of Treasury, and was retitled the Australian Taxation Office in October 1973.<sup>323</sup>

## Cyclone Tracy

**Tax Officer Bill Glass was at home with his family on Christmas Eve, 1974 when Cyclone Tracy devastated Darwin. At least 50 people were killed and 26,000 were evacuated.**

We were at home when the cyclone hit. Our suburb, Tiwi, to the north of the city, was on the edge of the cyclone's path so there was no lull in the storm, only hours of winds battering us.

The top of our elevated house was completely blown away and we were forced to shelter in a storeroom below the house. We lost pretty much everything in the house and my wife was badly bruised after being thrown from the house by the force of the wind.

I visited the ATO a couple of days after the cyclone and found Deputy Commissioner Ron Thomas and Ken McAloon, an investigation officer, using the office as a shelter. The building was located in the city and had sustained some damage to the windows, but was otherwise in reasonable condition.

The majority of the Darwin population was evacuated after the cyclone due to problems with hygiene and lack of accommodation, food and water. The Army, Navy and Air Force came in large numbers to clean up and assist with redevelopment.

Our family was evacuated to Adelaide – our home town before moving to Darwin. While there, my work involved processing refunds for people who had lived in Darwin prior to the cyclone. It was a good six months or more before we were allowed back to Darwin and the ATO office itself was not opened again until late 1975.<sup>324</sup>

The 1970s saw many other changes. Australia began converting to metric measurements with the introduction of Celsius in 1972 and metric road signs appearing in 1974. Public health and safety became an issue with random breath testing of drivers introduced from 1975, tobacco advertising banned from all radio and television from 1976 and the provision of disabled access to government buildings from 1975.<sup>325</sup>

International subscriber dialling began in Sydney in 1976 and soon linked the rest of Australia into the global telecommunications network. This helped dispel the sense of isolation Australians had previously felt as overseas events came to their television

screens every day and the new high capacity airliners brought the cost of travelling overseas within the reach of most Australians. The ATO also began developing its overseas links and the revenue, research and agreements division of Head office was reorganised to become the revenue and international branch in 1972. During the early 1970s the ATO posted tax officers to Australia's embassies in London and Washington and a few tax officers began travelling overseas to take part in tax treaty negotiations and join in the international dialogue of government tax agencies in bodies such as the Organisation for Economic Co-operation and Development (OECD). At first Australian tax officers felt they were far behind the world in many ways but, over time, they learned from what they saw and came to better appreciate their own strengths and values.<sup>326</sup>

ATO revenue collection increased from \$4.23 billion at the end of the 1960s to \$18.11 billion at the end of the 1970s, although inflation hid the real value of that growth. In the same period Australia's population grew from 12.5 million to 14.6 million and the annual number of income tax returns grew from 6.50 million to 8.04 million. The number of tax officers increased from 10,877 in mid 1970 to 12,323 in mid 1980 but most of that growth occurred in the early years of the decade before the Fraser government imposed strict staff ceilings in an attempt to control inflation.<sup>327</sup>

Even before the pressure of staff ceilings Commissioner Cain faced a conundrum. On the one hand, he was responsible for keeping collection costs as low as possible and on the other he had to protect the national revenue against defaulters and tax avoiders. He said these two goals could only be achieved if the ATO placed a very high priority on 'the search for new ways of improving productivity and maintaining staff motivation' and he looked for ways to improve the ATO's efficiency.<sup>328</sup>

One way was the closure of Central branch at the end of the 1969–70 financial year. It was a relic from the earliest days of the ATO when limited and slow interstate communication had made it necessary to centralise some ATO processes. By the end of the 1960s, however, improvements in those fields and developments in automatic data processing made it more efficient to disperse Central office responsibilities back to the states. When it closed many Central branch staff were transferred to the Victorian branch, which caused some dissatisfaction there because transferred staff reduced the opportunities for advancement.<sup>329</sup>

The main source of increased efficiency was automatic data processing which improved dramatically during the 1970s. Some improvements included data matching, file tracking and indexing, and improved accounting functions that took over much routine arithmetical calculation previously done by staff. An important advance was the introduction of computer-aided assessing that allowed assessors to focus on the tax technical aspects of an income tax return. In the new system assessors used

codes to indicate their decisions and amendments and all the relevant information was keyed onto paper tape, checked and transferred to magnetic tape and processed by a computer. This system was in full operation by the beginning of the 1971–72 financial year and raised nearly \$24 million in additional revenue in the first year.<sup>330</sup>



Direct data entry at Adelaide. The data processing operators in the foreground are using keyboards and screens while behind them other operators are using the simpler single character display equipment.

If the assessors were the brains of the ATO, its data processing operators (DPOs) were its eyes and fingers, converting the endless stream of tax information into data. In 1967 there were 225 data preparation officers in the ATO and 532 by the mid 1970s, although the introduction of a direct data entry system had increased their efficiency by about a third. DPOs formed their own social groups and developed their own culture and in Hobart young men were afraid to enter the DPOs' area because of the strong reverse sexual harassment they received. Many DPOs quickly learned the skills of the assessors sent to help them process returns and could have done the work themselves, but they were paid to convert information on the paper in front of them into data, not to think, and treated the same way as most Fourth Division staff by those in senior positions.<sup>331</sup>

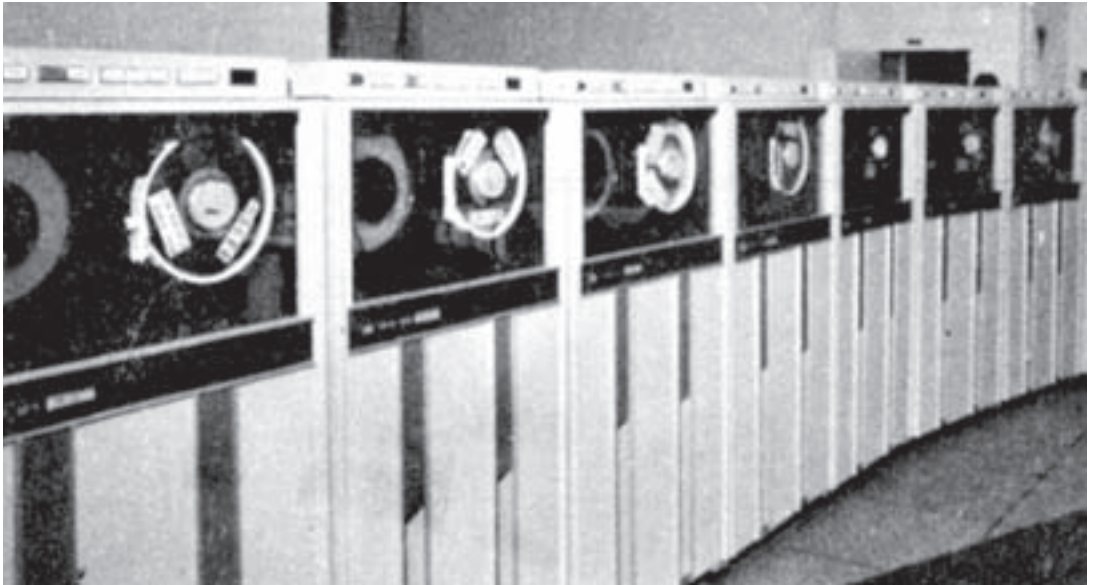
Direct data entry was the first step in the introduction of a system called the central taxpayer system. Development began with the installation of a mini-computer in the Adelaide office in 1971 to test the economics and efficiency of the proposed new system. It recorded the keystrokes of data processing officers straight into computer memory where they could be checked, edited and processed. Everything was new and much of the software had to be written from scratch by programmers from Head office who spent weeks at a time in Adelaide working during the night when the mini-computer was not being used by staff. Even though it was a pilot study it freed up 40 positions with a saving of at least \$150,000.<sup>332</sup>

## Developing software in Adelaide

**Graham Rowe was among the Tax Office's earliest programmers.**

When we started developing our mini-computer environment the first one went into Adelaide where the Deputy Commissioner and the ADP guy were at the forefront of pushing the new technology and Adelaide was the development centre, so that's where the first mini-computer went. Initially it was in Canberra but then it went over to Adelaide to be used in the production sense with the girls using it during the day for live use, but it was free from five at night until nine in the morning so we went over there for three weeks at a time and used it from midnight until nine writing new programs and testing them. We worked all night every night and on weekends. At the time it was pretty good and exciting, in today's terms the work/life balance was atrocious, there was none. But we were at the forefront of pushing a lot of initiatives, as technology came along Tax embraced it more rapidly than other departments. It was interesting and exciting but it was a pretty hard life and we didn't get paid overtime.<sup>333</sup>

The core of the central taxpayer system was a Dual CDC Cyber 72 computer which, with peripherals and communications facilities, cost about \$2.4 million in 1973. The ATO considered it a relatively small price to pay for a system that was expected to meet all its computing needs for the coming 10 years. It was installed in the basement of the Treasury building in Canberra, a big, bulky machine in a room with false floors, air conditioning and water-cooling for the central processors. It was the holy-of-holies, tended by a small team of specialists and never seen by the rest of the ATO.<sup>334</sup>



Part of the central computer system in Canberra, 1975.

The new computer was brought into operation during 1974 and the central taxpayer system commenced full operation from 1 July 1975. To begin with, data from the Adelaide mini-computer was sent on magnetic tape by airliner to the Canberra computer where it was processed and returned to Adelaide. In 1976 the system expanded to branches in Canberra and Sydney, and then to the other state branches as direct data entry micro computers were commissioned there. The ATO expected that when the system was fully operational it would save more than 500 staff, who could be diverted to other activities, and reduce processing costs by about \$50 million over the coming 10 years.<sup>335</sup>

The central taxpayer system stored the details of all taxpayers in the Canberra computer. The state branches could access it using terminals connected to the central computer by telephone lines but the cost of leasing the lines, and the vast amounts of data to be transferred, made it more practical to use commercial airline services to transport the data on magnetic tapes. Regular schedules were set up for tapes to be flown to Canberra for processing and then back to their states of origin to prepare assessment notices and refund cheques there. More data came from the Reserve Bank, which had begun providing the ATO with computer-generated data about cashed refund cheques by this time. At first the information came on large fanfold computer printouts, which were bulky but better than storing cancelled cheques.



To save space and make the system more efficient the information was presented on microfiche cards from the mid 1970s and, by the end of the decade, staff were accessing tax information from several sources including terminals linked to the central computer, microfiche, microfilm and computer printouts.<sup>336</sup>

The new computer systems changed work in the ATO and involved Head office in routine processing work for the first time. At first the central taxpayer system only processed wage and salary earners but it was gradually extended to include more complex returns. In 1976 a production control system was introduced to follow the passage of income tax returns through the processing system, and in 1977 work commenced on allocating new file numbers to all taxpayers to detect inconsistencies and make it easier to find files in the office. In 1978 direct data entry cash registers were introduced and work also began on developing a computer system to control and monitor the lodgment of returns prepared by tax agents and, by the end of the decade, a new system to detect incorrect returns and deliberate attempts to evade tax was about to begin operation.<sup>337</sup>

As the ATO's use of computers began to grow it also found another form of automatic processing that promised to reduce more of its routine work. It began experimenting with a word processing system in Parramatta branch in 1977 and its efficiency and cost-effectiveness saw the installation of similar systems in other branches by the end of the decade.<sup>338</sup>



Adelaide branch fitted out in modern 1970s-style decor.

Improving staff accommodation was another way in which the ATO aimed to become more efficient. Until the 1970s it tried to concentrate its staff in as few sites as possible to make its processing systems more efficient and this had been achieved in most capital cities by the early 1970s. In Melbourne staff worked in two large office buildings relatively close to each other but Sydney remained a serious problem and around 4,500 staff were accommodated in eight buildings.<sup>339</sup>

Regionalisation continued and there were 20 regional offices by 1975, with more in later years. However, the ATO began to think that very large offices were probably less efficient than smaller ones and a study conducted in late 1972 concluded that the Perth office, with about 1,000 people, was the ideal size for a branch office. Introduction of the central taxpayer system around this time also made it possible to establish smaller but autonomous branches, each with its own mini-computer direct data entry system.<sup>340</sup>

This conclusion coincided with the Whitlam government's decision to establish centres of business and commerce away from capital city centres and in some regional centres. The ATO adopted this policy and began using its ACT branch as a pilot installation to test and perfect the systems it would need in decentralised offices. It decided that the best places for the first of these new offices would be Parramatta in Sydney and Dandenong in Melbourne. They would be completely self-contained

and serve their own geographic areas, with the new Parramatta office taking responsibility for a large area of rural New South Wales to the north and west of Sydney and the Dandenong office covering most of eastern Victoria.<sup>341</sup>



The new Parramatta branch building opened in 1975.

The new Parramatta branch was opened on 30 June 1975. It had its own Deputy Commissioner who reported direct to Head office and had all the sections and facilities necessary for it to be a fully self-contained branch of the ATO. Many taxpayers, lawyers and accountants found the new office more convenient than having to travel into central Sydney and it was also more convenient for many staff who lived closer to the new branch, saving them up to two hours a day in travel time.<sup>342</sup>

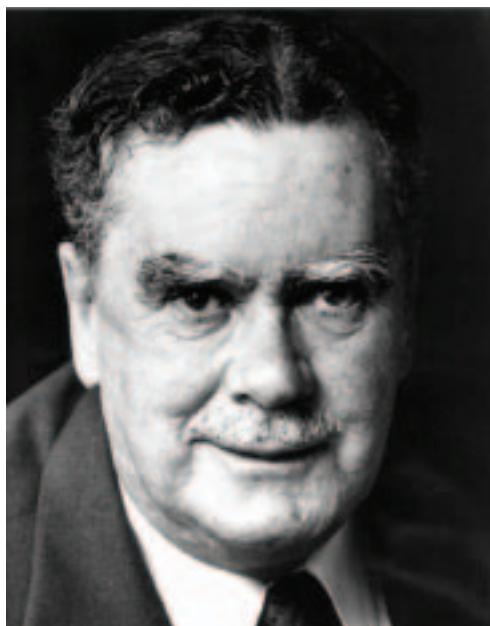


The official opening of the Parramatta branch. Prime Minister Gough Whitlam talks with Commissioner Sir Edward Cain, Lady Cain, Deputy Commissioner Ron Gray, Mr Shirlaw and H Forbes.

Parramatta's smaller office was more personal than the huge Sydney office so staff got to know people outside their own sections and felt closer to the public they served. Investigators also found they could establish closer relationships with taxpayers in their area. The new office attracted younger people who were, in general, more willing to take risks, accept change and be flexible. The social life of the new office was also more vibrant, partly because people were younger, partly because of the atmosphere in the office, and partly because most people had more time to socialise because they spent less time travelling. As a result the Parramatta office became a much closer community than larger offices and the hierarchy there seemed less overbearing.<sup>343</sup>

Parramatta staff believed that many people in the old Sydney branch considered their branch superior, but they looked at it differently and believed Parramatta would prove itself through hard work and innovation. Turning to the history of the founding of Australia at Sydney Cove they began using the term 'First Fleeters' to identify those who had moved out to the new ATO colony of the Parramatta branch when it opened in 1975.<sup>344</sup>

The Parramatta success made the ATO keen to set up more decentralised offices but they could not be established immediately because of the lack of suitable office accommodation. The best that could be achieved at short notice in Melbourne was to relocate around 100 staff to temporary accommodation in Dandenong to form the nucleus of a branch that would be established when suitable office accommodation became available there. Despite this delay the ATO established three smaller branches in the mid 1970s. The Canberra pilot program was expanded to take responsibility for surrounding regions of New South Wales. A direct data entry mini-computer system was set up in Townsville and that branch took over responsibility for taxation in northern Queensland. A branch was also established in Albury-Wodonga with a staff of about 50, mostly local recruits.<sup>345</sup>



Sir Edward Cain, seventh Commissioner of Taxation

Edward Cain remained the Commissioner of Taxation until his retirement in December 1976. He had been knighted in 1972 and was regarded highly for his strength of character, intelligence and shrewdness. Cain's Second Commissioners were Bill O'Reilly, with responsibility for legislation and policy, and Pat Lanigan, with responsibility for the remaining ATO functions. When Cain retired O'Reilly was appointed the next Commissioner and Lanigan left the ATO a year later to become the Director-General of the Department of Social Security. The new Second Commissioners were Trevor Boucher and Keith Bridgen.<sup>346</sup>

## The cash economy

### A short story demonstrates Commissioner Cain's personality.

The Cain family remembered a story from the early 1970s when a small extension was underway at the back of their Deakin house. A plumber arrived, did his work and when asked how he would like to be paid, replied 'cash please – keeps the tax man off my back!'

Ted of course showed absolutely no expression, paused briefly and then began writing out a cheque. 'Sorry, I'm a little short of cash right now; ah, to whom would you like me to make this cheque out to?' A pragmatic solution to a difficult problem.<sup>347</sup>

During his time in the ATO and as Second Commissioner Pat Lanigan made a remarkable contribution to its development. He championed decentralisation and automatic data processing and the creation of the Parramatta branch, and the development of the central taxpayer system and everything that went with it were the results of his vision and energy. To many in the ATO Lanigan seemed almost a mad genius, obsessed by his work, unable to understand many of the niceties of everyday life and expecting others to work the long intense hours that he did. Everyone who knew him remembered occasions when he'd done or said something unexpected or unintentionally funny, but everyone also remembered him as a tax officer with highly-developed tax technical skills as well as the drive and foresight that was important in preparing the ATO to enter the modern age.<sup>348</sup>



Bill O'Reilly, eighth Commissioner of Taxation

## Memories of Pat Lanigan

### Brian Power reminisces about Pat Lanigan.

I was working in Canberra at the time and Pat Lanigan asked me to work out a reliable procedure for the computer tapes. So I organised with TAA for them to go in the pilot bag and that gave it priority. Because they had to be utterly secure, you couldn't afford for them to fall into the wrong hands because they had a lot of information on them, I invented an aluminium box that would be locked and I spent a lot of time on this, designing it and getting quotes and that. Pat looked at that and said, 'No, that only highlights that it needs security. A cardboard box'. So that was it, they got transferred in cardboard boxes, and it seemed to work alright.

I got on well with Pat. He was an eccentric, brilliant and quite different. When he came over to Perth he always wanted to go down and see how the girls in ADP were going and I remember him saying 'I don't know why, but you seem to get on with them better than I do'. I remember many times being in his office at 20 to five and the only plane back to Perth was 20 past five. I'd look at my watch and he'd say 'That's alright, they'll hold the plane for you.' I was in a sweat because he just wouldn't let you go. In those days the plane might be held up for him, so he expected they'd do it for everyone else.<sup>349</sup>



Pat Lanigan

The Whitlam government used the Commonwealth Public Service to set benchmarks for working conditions in the rest of Australia. In January 1973 it increased public service annual leave to four weeks a year and in June it introduced maternity leave. It introduced flex time in 1974 which allowed staff to start, take lunch and finish when they liked (within certain parameters), and although the amount of time they worked remained the same, they could take up to a full day off once a fortnight by building up a bank of time.<sup>350</sup>

Further ATO efficiencies were achieved by job enrichment that included early experiments with work teams, also inspired by Pat Lanigan. The first teams were set up in areas with a great deal of repetitive work and data processing operators were organised into small groups and given some say in how they achieved their work targets. Further work enrichment came through a change in how the ATO organised its work. In earlier times it had tried to improve productivity by breaking work down to the smallest possible parts that could be performed quickly and efficiently with little need for training. However, in the 1970s it began to realise that the new generation wanted work that not only paid a wage but was also interesting. Computers took over a lot of the most tedious work and many other tasks were redesigned to be more complex and interesting by combining elements that had previously been separated.<sup>351</sup>

## Small group dynamics

**The 1975–76 Annual report wrote about the trend to use small groups of workers to improve Tax Office productivity.**

The use of the new techniques had been particularly successful in the key-punching area, where nearly five hundred operators with a repetitive task play a vital role in the feeding of data into the Taxation Office computer systems. For some years now, this work has been organised on the basis of each group of eight operators working as an independent unit and accepting a substantial level of responsibility for organising its own work. It has been found that the best results can be achieved if a carefully measured daily allocation of work is made to each group, based on what is fairly achievable. During the current year, the system was brought to its completed form with the introduction of a computer-based system of productivity reporting, under which the computer system measures precisely the amount of work that is performed by each operator, applies a weighting to allow for the relative ease or difficulty of the kind of work being processed, and produces a daily productivity rating for each operator and each group.

It has been found that there has been a healthy tendency for output to increase under the impetus of these new techniques. The rate of output which the staff now achieve in most States is some twenty per cent higher than it was at the time of introduction of the new methods.<sup>352</sup>



Indexing section in Sydney branch. Left to right: Sue Crowell, Julie Crawford, Kerry Martine, Leseby LeClerc.

Women did most of this routine ATO work and by the mid 1970s they made up a third of the ATO workforce but still occupied most of its low level positions. There was one woman in an executive position (out of 97) but, although 16 per cent of women were assessors, no men were data processors, typists or accounting machinists. So, although equal pay for equal work was paid from 1972, women still earned less than men. The removal of the marriage bar against women in the 1960s, the introduction of government grants to non-profit child care centres in 1972 and maternity leave for public servants in 1973 made it possible for women to have long-term careers in the ATO. The ages, experiences and expectations of women in the ATO changed as a result and jobs, such as data entry, that might have previously occupied a few years of a woman's life now became long-term occupations.<sup>353</sup>

The fashions and attitudes of the 1970s took some of the formality out of relationships in the ATO. The fashion trends of the 1960s became more florid and widely accepted in the 1970s which became the age of the safari jacket, the velvet suit, floral shirt and wide tie, bushy sideburns and moustache, and platform shoes for men while women's fashions became diverse from micro skirts to flowing dresses and extravagant hair styles. These fashions did not lend themselves to the same sense of authority as the short back and sides haircut and conservative dark suits of the earlier generation. A wide rejection of the old code of manners began to break down the respect for authority that had been so strong in the past, but some things remained the same and the second floor of the Savings Bank building in Sydney, where the



Deputy Commissioner and his executives resided, was still a fearsome place rarely visited by most staff.<sup>354</sup>

The social life of the ATO continued, strongly it seemed. As those who had entered the ATO in the 1960s matured, new recruits came in straight from school every year so there were events on the social calendar for every age, from the parties and dances for the young, the barbecues, picnics and Christmas presents for those with young families and the golf days for the older ones. Sport continued to be a major part of ATO life. The closure of Central office had ended decades of rivalry with the Melbourne branch and the transfer of staff to the Parramatta branch reduced the formidable sporting strength of the Sydney branch that had included another rugby league premiership in 1975. In Sydney the Federated Clerks Union started the Sportsman of the Year Award to bring all the sporting codes together with an annual presentation ceremony. In Canberra softball became the most popular lunchtime sport with games played on nearby grounds while jogging also became popular in the 1970s and a group called 'Tom's Trotters' ran around the lake at lunchtime.<sup>355</sup>

Camaraderie and a sense of family remained a cornerstone of ATO life. Much of the conviviality occurred after work over a few (and sometimes more than a few) drinks that led some in the outside world to give tax officers the reputation for 'hard-drinking and hard-working'. These feelings were more intense in Head office where many tax officers were migrants, brought to Canberra from around Australia because they had come to



In the 1970s women felt free to do things that had previously been frowned upon. Young women from the Sydney file control and records sections played a game of rugby league in 1977 and planned more. Records was the victor.

notice for their potential. However, Canberra was not an easy place for some, young families missed the support of wider families and friends and young singles often left everything they had known to live in government hostels filled with strangers. Established staff did what they could to help new arrivals and there were many rewards including the challenge of the work and the informality in an office of only about 400 people. Head office happy hours in the Treasury building became memorable events that extended out into the car park and late into the evening, with the highly sociable Commissioner O'Reilly prominent amongst the revellers.<sup>356</sup>

## Moving to Canberra

### Mike Bond talks about his arrival in Canberra.

I came to Canberra in March 73. I drove up with Michael Carmody and we checked into Lawley House and went down to dinner. You were allocated a spot and that's where you sat every night. It was silver service with waitresses but after dinner most people went back to their rooms and very few went to the lounge. But for me the first 12 months was one of the greatest years of my life because I got in with a good group.

We started work in the Treasury building. On the first day we both turned up, we had longish hair, platform shoes and mauve suits, tight body shirts and wide ties. We were introduced around. The organisation made you feel welcome, the bosses were incredible because they had a small number of staff reporting to them. You were invited to people's homes and there were Christmas functions and balls and in those days people mixed. They knew what you were going through in trying to settle in, so they tried to do as much as they could to help you and there was a great deal of camaraderie.<sup>357</sup>

As the decade progressed this vibrant social life started to change, unnoticed at first. There were several reasons that combined to make traditional social activities less attractive and less well-attended. The most obvious was the introduction of random breath testing that discouraged people from having a few drinks after work before driving home. Related to this was the introduction of flex time which meant people arrived and left at different times so the routine of a few drinks after work became more difficult to arrange, and people taking different lunch times made it more difficult to go out together during the lunch hour.<sup>358</sup>

Just as important but more subtle were the changing patterns of behaviour in the wider community. With more wives working, men could no longer stay after work so easily to socialise with their workmates, and that kind of behaviour was less tolerated

by a society that had a better understanding of equitable gender relations. The baby boomer generation, which had experienced the family life of the 1950s with its often absent fathers, wanted to create a different environment for their children and they invested more energy into their families and less into their friends in the ATO.<sup>359</sup>

As the older generation reached the most senior positions and had less time to devote to organising social events, and as they retired, organising them fell to the new generation with its different values and attitudes. Events like the Miss Taxation contests became politically incorrect and disappeared while variety shows like the Brisbane branch *Taxation Follies*, which had been an annual institution since the 1940s, died quietly in 1977 under the weight of increasing costs and more sophisticated audience expectations. This decline was also helped by the disappearance of regular social club magazines that had been a continual source of information and inspiration. They lost impetus after their publishers stopped providing the service and the full load of publishing fell on social club members.<sup>360</sup>

## A year in enquiries

**After some time in assessing Kevin Fitzpatrick spent a year serving in enquiries in the Lonsdale Street office in Melbourne.**

There were traditional wood-panelled closed booths on the ground floor. People came in, got their ticket and sat in the chairs waiting for someone to call them. They came in and asked their enquiry, and relatively junior people like me answered them. But the questions were generally rather basic about lodging returns and ‘where’s my tax refund?’

I also worked on telephone enquiries in a room towards the back of the ground floor. As I recall, there were probably a dozen people handling all the calls for Victoria. There was also a generally older group of people who did tax agent enquiries.

I found it great fun because there was a good social atmosphere and it was less mundane than doing 160 salary and wage returns a day. Part of the job was following up enquiries which allowed me to move around the office. If somebody came in and asked where their tax return was there was no technology to find out, so we took down the details and might have made a phone call to see if there was an immediate answer. If there wasn’t we followed it up and then wrote back to the taxpayer, or we could have rung them back after going through the office trying to find out what had happened to it. In my memory that was interesting and enjoyable because you got around and met people and learned a bit more about parts of the Tax Office.<sup>361</sup>

Despite these gradual changes in social relations in the ATO it continued to expand its services to the community and public relations remained a priority. It continued publishing pamphlets and booklets, used the media to promote its messages and continued direct personal service through answering enquiries and making country tours. Telephone enquiries became more common as people in the community gained greater access to telephones and, from early in the decade, some branches offered an after-hours telephone enquiry service in June and July for wage and salary earners.<sup>362</sup>

The quality of ATO services to the community also depended on the quality of its staff and 10,466 officers attended 887 training courses in 1979. Training techniques improved and the growing use of audiovisual aids led to the creation of a permanent production unit in 1977. Training covered the full range of ATO activities with special courses for supervisors and managers introduced from 1972, and the development of training packages for individuals or small groups which were particularly useful in giving staff flexibility and training to meet special demands. The ATO also began appointing valuers-in-training and programmers-in-training and had 95 of them in 1971. It introduced a cadet taxation officer scheme and had forty cadets on full-time studies by 1972.<sup>363</sup>

## Ode to a hard hearted assessor

An exchange of letters in 1972 shows the lighter side of the ATO.

### To a hard hearted Tax assessor

May your discs slip out one by one  
and the agony continue ad infinitum.

As the doctors 'haw' and the physiotherapists 'hum'  
your brace will drive you crazy in the hot summer's sun.

No more walking, no more running,  
no romancing and no dancing.

End of all activity .....

then

Think of me, think of me  
Walking tall, feeling free,  
Completely cured, I've got it made!

I had CHIROPRACTIC aid.

23 August 1972

Dear Miss [name withheld]

We have received your delightful little ode, but are saddened to know that you think so poorly of us for not allowing your claim for fees paid to your chiropractor, more especially as it seems to have been money well spent.

The sobering fact is that, gentle people as we are, our heart beats are strictly regulated by the words of the law of the land it is our task in life to faithfully administer. These words say, in the clearest terms, that we may allow deductions only for payments to a legally qualified medical practitioner, or for therapeutic treatment administered under the direction of such a practitioner. Alas, your money was spent outside this compass and we could only pass it by.

If we have to seem hard hearted, it does help us to see the sunshine a little better when the warmth of good humour occasionally filters through from our flock and we will put your ode amongst our treasures.

Yours faithfully

**R R Gray**

DEPUTY COMMISSIONER OF TAXATION

Hundreds of tax officers enrolled in the assessing courses each year in the hope of achieving rapid advancement and more interesting work out of the processing stream. Annual assessing schools were necessary because the ATO always needed new assessors. Some who enrolled did not prove to be assessing material and found their ways back to the sections they had come from. More were needed to replace qualified and experienced assessors who were attracted by the salaries and possibilities of tax work in the private sector. Many of them stayed with the ATO for 10 years, which gave them an excellent grounding in tax work and was when their long service leave became due.<sup>364</sup>



Company assessing in Sydney in 1975, the rows of desks have gone.  
The assessors are Reg Bernsten, Len Kennison, Bev Butler, George Watts, Nick McIntyre.

For those who remained and reached the highest levels of assessing there were two main career paths; investigations and appeals. Investigation officers were typically qualified accountants with many years of practical experience who knew their way around complex accounting processes and knew how to handle difficult situations. Their main tool was the 'asset betterment statement' which was built up through many hours of painstaking investigation to construct a detailed record of a suspect taxpayer's financial affairs going back for a decade to detect discrepancies in income and expenditure. The ATO estimated that each investigation officer increased the annual revenue by \$115,000 and in 1971–72 investigators completed 5,672 investigations and an additional \$34.68 million was collected as a result. However, the imposition of staff ceilings in the middle of the decade forced the ATO to cut back on investigation so it could carry out more pressing work such as processing income tax returns.<sup>365</sup>

## Investigators on the road

### Robert Deuchar talks about investigation visits to rural areas.

Investigations was quite often team-based work. In other areas you tended to be by yourself, in appeals for example, it was very rare for two people to do a case together but in investigations it was not uncommon for two or three people to work on a case. Going out to the field was fun because it was getting out of the office and that was pretty rare. We'd hire two or three cars, or take Commonwealth cars if we had them, and a team of usually six or eight people would go and do the business in a town like Geraldton. We'd rock up there in our cars, often with the Commonwealth number plates, and everybody in the town knew we'd arrived so there was a lot of flurry going on below the surface. Our first approach was usually to visit the accountants of the clients you wanted to talk to. People were very fearful of the Tax Office in those days, even the accountants.<sup>366</sup>

This problem led the ATO to look for new ways of ensuring that the lawfully required revenue was collected and it adopted a new technique, similar to those used in the United States and Canada, of on-the-spot reviews of recent income tax returns that it called taxpayer audits that were much quicker and did not involve the detailed work of asset betterment statements. However, staff shortages and new problems that began to emerge from the mid 1970s meant the new system did not start nationally until the beginning of the 1978–79 financial year. During that year the tax affairs of 10,333 taxpayers were audited and 7,279 cases of incorrect returns were detected, resulting in increased income tax revenue of \$32 million and penalties of \$5.2 million.<sup>367</sup>

## Handing appeals

### Kevin Fitzpatrick worked in the appeals section during the 1970s.

In the appeals branch I was involved in preparing cases to take to the court. My first case before the Taxation Board of Review was in Melbourne in 1978, you took the occasional case before the Board to represent the Commissioner. You had a 'bag man' who carried your bag, but was a more experienced appeals officer there to help you and hold your hand in presenting the case.

The Board was like a court, with a three member bench, like a court system but less formal. There was the taxpayer, sometimes represented by a solicitor or accountant, and the tax officer and his bag man. I cross-examined the taxpayers and gave my summing up to the bench. It was my first case and I was extremely nervous, but it seemed to go alright. The 'bag man' was there to assist me and if I said anything not right, he'd tap on the arm and say 'No, no'.

I then went on to more complex cases where we used the Australian Government Solicitor and dealt directly with counsel. As part of appeals we also settled cases without going to court or the Board through discussion with the taxpayer or their representative, and most cases were resolved without going to a hearing.<sup>368</sup>

Appeals was the other highly tax technical area of the ATO. If an assessor did not agree with a claim for a deduction they simply disallowed it and sent out the assessment notice accordingly. If the taxpayer disagreed with the assessor's decision they lodged an objection which then went through a process that could have many stages and take a very long time to resolve. In the first instance the assessor handled the objection and, if they found they had made a mistake, they simply amended the assessment. In many cases, however, the validity of an objection depended on the technicalities of tax law so they were considered in the appeals section of the branch. The officer reviewing the case might decide to allow the taxpayer's claim but, if that did not happen, the case was then written up in detail and sent to Head office for further consideration, a process that had been started by Commissioner Ewing in the 1920s. There appeals could also be given away or sent to be heard by a Board of Review or a court or, as frequently happened, negotiated with the taxpayer to reach an agreement. The ATO had to carefully consider which cases it contested because



when a Board or a court handed down a decision it became a precedent for all following cases so the way in which tax law would be applied in the future was shaped by those decisions. If a decision went against the ATO, the future operation of tax law became more difficult and the fair collection of the revenue was jeopardised. As the 1970s progressed more taxpayers began objecting to assessments and, between 1970 and 1974, the number of objections increased from 8,182 to 18,633, which began to seriously overload the appeals system.<sup>369</sup>

If the ATO believed a court or Board decision meant the tax law was no longer fair or proper it could ask the government to change the law. That, however, was the government's prerogative and might have political repercussions that were not the ATO's responsibility. In fact, politics dominated many decisions about tax and the ATO worked on a number of proposed amendments or new taxes that never made it to or through the parliament.<sup>370</sup>

## Eulogy for a tax bill

**The Tax Office worked hard preparing legislation that would enable it to collect receipts duties for the states, but it was cancelled. Peter Simpson recalls.**

The Receipts Duty bill kept me busy for a year or two, but it died and was never enacted. One morning I went down to take delivery of a parcel from the parliamentary counsel who had drafted this and it was wrapped in black paper addressed to Trevor Boucher. Sitting inside it were the tax bills and a bereavement card from the First Parliamentary Counsel, who had written on it:

Here the remains of five tax bills,  
conceived to cure state budget ills.  
Gestation was long, labour protracted,  
but only stillbirth was enacted.<sup>371</sup>

The only significant changes to the tax system in the 1970s were the transfer of payroll tax to the states from 1 September 1971, transfer of the stevedoring industry charge to another government department in 1977 and the abolition of estate and gift duties from 1 July 1979. The ATO also collected the Health Insurance Levy while it was government policy, from 1 October 1976 to 1 November 1978.<sup>372</sup>

There were two government appointed enquiries into taxation during the 1970s, the Taxation Review Committee (Asprey Committee) that was appointed in early 1972 to review the entire taxation system, and the Matthews Committee, appointed in November 1974, to report on ways of overcoming the effects of inflation on taxation. Only a few of the Asprey Committee recommendations were adopted immediately, though some of the most far-reaching were adopted much later, while the Matthews Committee's main recommendations were short-lived.<sup>373</sup>

The most profound effect on the ATO during this period came from the decay of the existing economic orthodoxy and a changing sense of morality in a growing number of taxpayers. A major problem was that the income tax system had remained virtually unchanged since the early 1950s and the rapid inflation of the 1970s had pushed a very large number of taxpayers into higher tax brackets through the old arrangement of stepped increments in the percentage of tax payable according to the level of income. This encouraged some taxpayers to think about how much tax they were paying and, while most PAYE taxpayers could do little about it, it proved a fertile ground for accountants and lawyers who profited from devising and selling schemes designed to relieve taxpayers of at least part of their tax obligations.<sup>374</sup>

These people and their clients had always existed and the Ligertwood Committee of the late 1950s had made recommendations to defeat some schemes that were developing at that time. However, government policies such as the introduction of investment incentives in the 1960s to encourage national development and the trading stock valuation adjustment scheme, introduced in 1976 to help business cope with inflation, opened new doors to tax avoidance. At the same time, new communications technologies and computers made it much easier to move money and hide transactions from the ATO.<sup>375</sup>

The flood of tax avoidance schemes that were hatched during this period defies description here. They were devised by a relatively small group of people but were snapped up by thousands of taxpayers who had both the means to buy them and the level of income tax that made them attractive. Over a few years the enormity of these schemes became generally known and the public was outraged, with much of the vehemence directed at the ATO.<sup>376</sup>

A major criticism was that the ATO was too slow in detecting and reacting to the schemes. It was an easy criticism to make but showed little understanding of ATO responsibilities in which it had to strike a balance between attempting to detect unusual schemes and carrying out its day-to-day responsibilities. The simple fact was

that the ATO was not equipped to detect widespread tax avoidance schemes and it would have been considered a serious waste of public money to allocate resources to a problem before it existed.<sup>377</sup>

It took the ATO time to detect schemes because their promoters hid them skilfully and worked in secrecy, usually not even telling their clients how their schemes worked. Consequently the only information the ATO received about them at first was hidden in the income tax returns of the individuals and companies using them. Assessors, faced with their daily quotas, could not see the details of what was going on from the return in front of them and detection was made more difficult because individual and company returns were handled by different assessors and, in many cases, returns were lodged at different times and sometimes at different branches. Investigation officers might detect something but there were not enough of them and there was no communication between investigation officers in the different branches that would allow them to compare cases. Information about schemes might become apparent from the reports sent to the appeals branch in Head office, but they only became apparent after they had wound their way through the ATO's bureaucratic process.<sup>378</sup>

However, as the ATO became aware of the schemes assessors, investigators and appeals officers began to know what to look for and they also received the occasional tip-off so that, by the mid 1970s, the ATO began to understand the full extent of what it faced. Tax officers learned how to work out the details of new schemes and devise ways of stopping them, sometimes feeling that as soon as they blocked one scheme another half dozen sprang up to replace it.<sup>379</sup>

The ATO had only two weapons to fight this enormous problem; the tax law and a well resourced staff. At the beginning of the schemes era it was deficient in both.

For many years the ATO's defence against contrived avoidance schemes was the generally worded section 260 of the Income Tax Assessment Act. Until the early 1970s most avoidance had been countered using this section but the High Court, led by Chief Justice Barwick, began to take a much more literal attitude to tax law and began handing down judgements favouring literal interpretations of the words in the law rather than the law's intended purpose. This ended the usefulness of section 260 and left the ATO no alternative but to ask government for changes to the tax law to block schemes as they emerged.<sup>380</sup>

However, the 1970s were turbulent political times. In 1974 the Treasurer announced proposals to amend the tax law to block some early schemes but the decline of the Labor Party meant nothing happened. The incoming Fraser government was similarly distracted and it was not until the appointment of John Howard as Treasurer in December 1977 that the situation improved. Howard and tax officials developed a system in which he announced proposed legislation to block certain types of schemes from the day of the announcement, and legislation was then prepared to be passed by parliament. This had reduced the flood of schemes to a torrent by the end of the decade.<sup>381</sup>

The ATO also needed an organisation to tackle avoidance schemes more directly but it was hampered by the government's staff ceilings. Initially a small tax avoidance branch was established within the appeals area, staffed by a mixture of experienced investigation officers and enthusiastic and bright legal graduates. In 1978 approval was given to establish the compliance division in Head office to plan and coordinate all ATO investigation, audit and inspection activities with a focus on targeting the tax avoidance schemes. Over 300 positions were allocated to the new division by redeploying staff from other areas including assessing and investigation.<sup>382</sup>

With these tools the ATO was equipped to seek out and respond to tax avoidance schemes. However the legacy of the schemes era would have a profound effect on the ATO.