

A stylized logo consisting of the numbers '0' and '9' rendered as thick, flowing ribbons. The '0' is a simple oval shape, while the '9' has a long, sweeping tail that curves upwards and to the right. The ribbons have a slight gradient and a soft shadow, giving them a three-dimensional appearance.

09

The 1990s

CONTINUING CHANGE

A series of overlapping, wavy lines in various shades of gold and beige, flowing across the bottom half of the page. The lines are smooth and fluid, creating a sense of movement and depth. They vary in opacity, with some appearing more prominent than others, and they all contribute to a layered, organic feel.

CHAPTER NINE: The 1990s

Continuing change

Changes in the ATO during the 1980s prepared it for even greater change in the 1990s. As the promises of ‘modernisation’ were realised they opened the doors to further change that transformed the ATO from a group of associated branches into one national organisation providing taxation services to the community.

Modernisation was described by one academic as ‘unquestionably the most far-reaching, most visionary and most exciting project of organisational change ever undertaken in Australia’. By 1994 it was more than halfway to completion, with two-thirds of the targeted savings made and 64 per cent of the funding spent. The major expense was computer hardware including a new computer centre in Canberra, over 15,000 networked personal computers and all the necessary peripheral equipment to automate many ATO processes. Most of the new systems were bundled together in the ATO integrated system and a tax technical database that included a suite of tools that was also loaded onto portable computers for field audits. However, modernisation did not achieve everything. The national taxpayer system was transferred to the new computer system almost untouched and attempts to scan return forms to reduce keying by data processing officers proved unsuccessful. The benefits to the community included extending electronic lodgment to companies, superannuation funds and taxpayers who prepared their own returns by 1994. Electronic funds transfer was introduced for payments by large taxpayers and 10,000 payments worth \$5.9 billion were received that way in 1993–94, while agents, companies and people who lodged their returns electronically could also receive refunds that way.⁴⁵²

Most ATO staff embraced modernisation although there were some with long histories in the organisation who resisted the change. The CPSU and the ATO entered a modernisation agreement which brought staff on board with the changes that modernisation would bring and ensured that their working conditions and opportunities would improve as a result of the changes to come. Union representatives were invited into most of the decision-making groups in the ATO, their contribution to

the planning was welcomed and, although there was some friction, the agreement and the spirit of cooperation between ATO management and staff made this a period of peaceful industrial relations.⁴⁵³

A computer on every desk

Chris Mobbs talks about one aspect of modernisation.

Some personal computers had been spread around the place but they were only to be used by a small sub-set of people. We began modernisation in 1989 to refresh the computing infrastructure including delivery of computers to desktops, although we couldn't afford one for everybody. They quickly became seen as a major productivity aid with all the additional things you could do, such as spreadsheets. There was a senior committee trying to decide who would get computers, but it was like trying to hold back the tide. It was a productivity issue and a status issue. After four or five years the organisation realised it had to provide everyone with a computer, productivity soared and communication became very much easier because you could communicate with everyone in the office who had a computer.⁴⁵⁴

Modernisation gave tax officers new tools that changed how they worked. Work processes were redesigned in a program called office structure implementation (OSI) in which staff met to examine, discuss and redesign the work they did. A computer on every desk also meant a keyboard on every desk so staff were multiskilled and taught to type and use word processing programs. Typing pools were closed and typists learned new skills for new careers and, around the same time, tea ladies began to disappear and many were also trained for new jobs by the early 1990s.⁴⁵⁵

People were the key to modernisation's success and in 1991 Commissioner Boucher wrote; 'The simple message is that investment in people does matter, that it does pay handsome dividends.' He went on to talk about the changes that modernisation was bringing to the ATO and its people and concluded:

A different management style is called for, with both staff and managers changing their ways to accommodate devolution of authority. We've moved a long way from a traditional, hierarchical structure towards a more participative style where individuals, in teams, carry greater responsibility for their own work, where managers act as leaders, coaches and mentors. The journey from a 'yes sir, no sir' world has required that at all levels of the organisation there be increasing understanding of guiding ideas: our mission, our vision and our values. It requires effort, nothing great is achieved without it.⁴⁵⁶

This change was achieved through the reorganisation of the public service, combined with new ideas about management far removed from traditional ATO structures, leading to a new, more participative working culture which was created by a program called *Managing in the Nineties*. It was designed to educate leaders at all levels in modern management ideas and methods to create a new ATO working environment. Staff were taken away from the office for a few days to places with the necessary facilities and atmosphere, usually established places such as the Wrest Point Casino where some of the Hobart branch courses were held or an old abandoned building where some courses were held in Sydney. The courses were run by experienced facilitators who took participants through a broad range of classes, workshops and team-building exercises to introduce them to the new ideas and techniques. Some participants thought the course was a waste of time and irrelevant but a great many, including baby boomers who were starting to reach senior levels in the ATO, felt the course gave them the tools and understanding they needed to help them reshape the ATO from the place of discipline and hierarchies they had known to a more humane organisation.⁴⁵⁷



Western Australian tax officers take part in a *Managing in the Nineties* team-building exercise.

The ATO had three other major training programs in the early 1990s; the Australian Taxation Studies Program (ATAX), the Taxation Officer Development Program (TOD) and continuing professional development, all designed to equip tax officers with the knowledge and experience they needed in the modernised ATO. ATAX was necessary

because introduction of self-assessment had ended assessing as a source of on-the-job training of tax specialists, so the ATO, in association with staff unions through the modernisation agreement, selected the University of New South Wales to establish the program which was launched in 1991. It offered academic taxation courses at degree and postgraduate level through distance education across Australia and 135 ATO staff enrolled in its courses in the first year.⁴⁵⁸

The problems and cost of fitting out ATO accommodation with so much new computer equipment often made it more efficient to move to new buildings, most purpose-built to meet the needs of modernisation and standards set out in the modernisation agreement. Two new ATOs were constructed in both Adelaide and Perth and staff in the existing single offices in those cities divided between them. At Parramatta the ATO moved into a new building fitted for modernisation and a new branch that was destined to be located further out from Sydney at Penrith was co-located in the Parramatta building until a suitable building was ready at Penrith. By June 1996 the ATO had 25 branch offices, 17 regional offices and National office in Canberra.⁴⁵⁹



Moonee Ponds office under construction.



Penrith office.



Casselden Place office.



National office, 2 Constitution Avenue, Canberra.



Hobart office.



Hurstville office.



Newcastle office.



Wollongong office.

Establishing these new branches created many problems because, although they created new opportunities and were more convenient for staff living close to them, some people had to move to them whether they liked it or not. The process of creating new branches also affected the staff left behind in the old capital city branches such as Sydney where the Deputy Commissioner came to believe that a source of the poor staff morale was grief they felt over what had been taken away from them.⁴⁶⁰

Modernisation led to improved working conditions for most tax officers. Office furniture was redesigned to replace the traditional tables and chairs in straight lines with ‘workpoints’ which changed how offices looked and felt. They provided space for a computer and keyboard, a telephone and other equipment and a clerical area to give tax officers new efficient working environments that they could also make more personal. In addition, the modernisation agreement specified a minimum distance between workpoints and sources of natural light so that many of the newly-designed ATO buildings such as those at Moonee Ponds, Hurstville, Hobart and Wollongong had large indoor atrium spaces.⁴⁶¹



A staff barbecue was an informal part of the opening of the Chermerside office in Brisbane.

All these changes were featured in the *ATO Newsletter* which began publication in December 1987. Copies went to every tax officer to tell them about these developments as they took place, some of the key people involved and also about tax officers and their lives. Every issue carried articles about these changes and helped tax officers understand their place in them. The success of modernisation in putting a computer on every desk was so complete that in 1998 this magazine was replaced by a weekly online magazine, *ATOextra*, that staff read on their computer screens.⁴⁶²

A leader in Managing in the Nineties and office structure implementation was Moira Scollay. She had come to Commissioner Boucher's notice while working on the RSI Task Force for the Public Service Board and he asked her to come to the ATO to play a major role in implementing cultural change there. When the Board was abolished she selected other people who also came to the ATO to contribute to the enterprise. She was a person of great energy, enthusiasm and intelligence and she believed, like Boucher, in leading by example. Later in the 1990s she became the ATO's first female Second Commissioner before leaving to take up an appointment as the Commonwealth's Privacy Commissioner.⁴⁶³

The ATO's responsibilities continued to grow into areas outside collecting revenue. The Child Support Agency had been launched as part of the ATO in June 1988 with offices in each state capital and had three new offices by 1991. It provided support for around 300,000 children by 1994. The agency's work was complex and stressful because of the charged emotions that surrounded broken relationships so some staff found the work almost unbearable while others drew strength from the value of their achievements.⁴⁶⁴



Moira Scollay, the ATO's first female Second Commissioner.

The agency was among the first of its kind in the world so setting it up was difficult and challenging. Agency staff had to learn quickly and then revise their plans and procedures as they gained experience. A parliamentary Joint Select Committee inquiry into its operation and effectiveness in 1993 also identified further areas for improvement. By 1998 the agency had 494,144 cases and was trialling new ways of delivering its services but, in an administrative rearrangement in October 1998, responsibility for the Child Support Agency was moved to the Department of Family and Community Services, taking about 2,750 staff with it.⁴⁶⁵

Other new ATO responsibilities included the return of the Australian Valuation Office in October 1997. Only a small portion of its work was done for the ATO and it provided valuation services and advice across the Commonwealth and, with a staff of 143, delivering 89,345 valuations in 1997–98. Unlike all other parts of the ATO, it had adopted commercial operating principles during its time with the Department of Administrative Services, which gave it a different emphasis to the rest of the ATO. The excise collection function of the Australian Customs Service was transferred to the ATO in February 1999, bringing a staff of about 300, an annual revenue collection of around \$19 billion and responsibility for the diesel fuel rebate scheme worth about \$1.5 billion a year. Its staff had their own long history and traditions but their role in collecting revenue meant they were absorbed into the ATO with relative ease.⁴⁶⁶

The ATO was also given responsibility for the Development Allowance Authority in December 1987 to encourage international competitiveness in the Australian economy through investment incentive schemes, and the superannuation levy that was introduced in July 1992 and expanded in 1995. A small project team was set up at the beginning of 1992 and began developing systems and a public education campaign to inform people and businesses of their obligations and entitlements under the new superannuation system. The regulation of self-managed funds was transferred to the ATO in 1999. The Superannuation Guarantee brought significant change to Australia's financial and retirement planning industries and again extended the ATO into areas of community life beyond simple revenue collection.⁴⁶⁷

After abolition of the Public Service Board the ATO began negotiating wages and conditions directly with the staff unions. Government policy dictated that wage increases had to be offset against productivity increases so the first Agency Agreement between the ATO and its staff, approved in June 1994, traded an organisational restructure that allowed staff to be relocated into higher priority



The Superannuation Guarantee team led by Michael Monaghan.

work areas, and a review and refinement of work processes, for improved wages and conditions. The 1996 Agency Agreement agreed to the introduction of flexible working patterns and accommodation in return for carer's leave, purchased leave and payments to staff relocated between offices within metropolitan areas. In 1998 the ATO negotiated two Agency Agreements, one with Executive Level 2 staff and another agreement for general staff and in June 1999 it reached a separate agreement with Australian Valuation Office staff that took into account their special conditions.⁴⁶⁸

The ATO prided itself on being a good employer. It developed strong equal employment opportunities and diversity policies and won the Prime Minister's Employer of the Year Award in 1993 in the Commonwealth Government category for its initiatives in employing people with disabilities. It also supported staff with families by giving them some work flexibility and several branches set up childcare facilities in conjunction with other government departments. The ATO also encouraged equality and diversity through policies to protect the rights and dignity of all its staff.

A workplace harassment manual was launched in 1994 and a harassment contact officer network, ATO Concern, established in 1998 to give tax officers a confidential service through which they could air their concerns and complaints. ATO Concern differed from the usual staff complaint systems in providing a mediating and counselling service to resolve problems rather than just passing them back to the areas to be resolved locally.⁴⁶⁹

By the end of the 1990s women made up about half the ATO staff and about 20 per cent of the executive ranks. About a quarter of the staff were from non-English speaking backgrounds and between five and eight per cent of staff had disabilities. People from migrant backgrounds brought a diversity and vibrancy to the ATO and many also helped the ATO to provide a better service. Some multilingual tax officers talked about tax on community and SBS radio programs and, by 1998, the ATO had prepared information packages in English and 18 priority languages, trained staff in client contact skills, the use of language interpreters and developed a diversity awareness course.⁴⁷⁰

The growing diversity of the Australian nation was reflected in the ATO and each branch developed its own characteristics, formed partly by the people who worked there, partly by the communities around them and also by the culture created by the staff when the branch was established. The Box Hill branch in Melbourne was located in the middle of a 'dry' area so the only place to get a drink was in the local RSL club so there was little drinking culture there. The rich national diversity of the Box Hill area and of other branches in the suburbs of Melbourne and Sydney resulted in many nationalities working in the ATO and the development of a strong tradition of diversity. In Perth, where the two new branches were opened in 1990, each soon developed quite different characteristics although all the staff had come from the one office in the city. The Northbridge branch was in the middle of Perth's nightlife area so there were plenty of coffee shops, restaurants and bars for staff to patronise but the Cannington branch was in the suburbs far from those facilities so the social life was more concentrated and active within the branch. The relatively remote location of branches like Cannington and Upper Mount Gravatt encouraged local businesses to foster tax officer patronage by providing a shuttle bus to carry people to a major shopping centre or a nearby hotel in the hope of keeping people in the bar for another drink or two before returning to the office.⁴⁷¹



Cannington office in suburban Perth.

These differences, along with the diversity in ages and backgrounds, eroded much of the ATO's earlier social cohesion. The old 'hard-drinking and hard-working' tax officers had retired by the 1990s and taken a lot of that culture with them. The baby boomer generation entered middle age and had largely traded their partying youth for family-raising and other priorities, while many tax officers from migrant backgrounds had no experience of old Australian social customs that had been commonplace in the old ATO. The school leavers who had come in through the Public Service Board had formed new friendships in the ATO because that had been their introduction to the adult world, but recruits like graduates already had an established circle of friends, and a HECS debt to curb their spending.⁴⁷²

These changes brought an end to many established ATO institutions and its intense social life. Many social clubs still held happy hours, but they were no longer the raucous events they had once been. Sport suffered badly and almost all of the venerable clubs, such as the Sydney branch swimming club or the Brisbane branch water skiing club, with histories going back decades, closed. Only the Interstate Sporting Carnival remained popular and an ATO institution. It was a reminder of how the ATO had once been, more attended by those who remembered older times and renewed old friendships at them than by new tax officers.⁴⁷³



The Taxation RSL sub-branch.

The RSL sub-branch in the Sydney Branch of the ATO had existed since the 1920s but its members always marched with their service units. In 1995 when Australia celebrated 50 years since the end of World War Two, tax officers raised funds through the sale of Australia Remembers badges. With the money they bought a Taxation RSL Sub-branch banner which returned tax officers marched behind in the special parade. The banner shows two hands squeezing blood out of a stone.

At the beginning of the 1990s the ATO reviewed the self-assessment process because there was a legacy of several problems remaining from the introduction of the change in 1986. They included severe penalties that had been relevant under the old system but not the new, and a lack of certainty of some ATO decisions relating to claims. These problems had led to tax professionals raising many concerns with the ATO. Improvements to the self-assessment program were introduced in 1992 that reduced most penalties and increased the certainty of the process for those who had done their best in their dealings with the ATO. These legislative changes also satisfied many of the concerns that had been raised by the tax professionals.



Competition during the Interstate Sporting Carnival in Perth, 1992.

The changes were welcomed by the community and in the press as 'equal to world-best practice' and 'the most important change in 20 years'. The *Australian Financial Review* wrote that self-assessment had been a 'catalyst for a tremendous change in culture at the ATO' and that the ATO had changed 'from people being bogged down in the office processing paper, to people getting involved in audit, getting out into the field among taxpayers, understanding what people do, why and how they are doing it.' However, not everyone agreed with the positive appraisal and outside scrutiny of the ATO continued with regular visits from and reports by the Australian National Audit Office.

The most intense scrutiny came

from a review conducted by the parliamentary Joint Committee of Public Accounts, announced in February 1992. This major inquiry lasted two years, accepted 125 public submissions, held 15 public hearings and took some 6,600 pages of evidence. The ATO's major contribution to it was a detailed report of its organisation, operation, functions and plans which took most of 1992 to complete.⁴⁷⁴

The Committee's 462 page report was tabled in November 1993. While it was critical in places it also recognised and commended the ATO for its many innovations and achievements and its authors hoped their report would be seen as a blueprint for the future. They made well over 100 recommendations that included significant innovations such as a Taxpayer Charters', appointment of a Taxation Ombudsman and simplification of the income tax rulings process. The ATO response was prepared by a team chaired by Deputy Chief Tax Counsel, Michael D'Ascenzo.⁴⁷⁵

Like previous large scale enquiries into the ATO and its operations this one had some impact and resulted in some long term changes. However, the sustained political attacks on the ATO that led to it had a much more immediate and serious effect. Criticisms over matters such as an alleged waste of public money on change

projects such as modernisation, office structure implementation and Managing in the Nineties forced the ATO to limit the cost of implementing its future training and cultural change activities, which reduced their effectiveness. Commissioner Boucher had said that the investment in people paid off, and the combined change programs of the late 1980s and early 1990s had taken the ATO a very long way very quickly, but the sustained criticisms had taken most of the fire out of this phase of ATO development by the time the report was tabled.⁴⁷⁶

The inquiry

Trevor Boucher talks about the events surrounding the inquiry by the Joint Committee on Public Accounts.

Hewson was leader of the opposition and had the 'Fightback' policy. As I see it, part of the overall strategy was to show that the tax system was broke and that his GST was going to fix it. As part of that they wanted to bring the tax system down and that included bringing down the ATO. Bronwyn Bishop set out to show that we were politically partisan and if she could have sustained that it would have been very damaging to us. So I spent pretty well all of 1992 working on our report to the Committee, I wasn't doing much else. We presented it as our statement of where we had come from, where we were and where we were going. It was intended to be an all-encompassing statement and at that time it was meant to say everything.⁴⁷⁷

Trevor Boucher had resigned as Commissioner of Taxation by the time the Committee report was tabled in November 1993. His reappointment for a second term was announced in February 1991 but he was exhausted by the demands of leading the ATO through a period of unparalleled change while the demands of the Public Accounts Committee had left him with the 'wish to do some different things, at a less hectic pace'.⁴⁷⁸



Trevor Boucher chatting with tax officers in 1989.

After his retirement in January 1993 Boucher spent two years as Australian Ambassador to the OECD in Paris. His achievements in the ATO had been recognised in 1991 when he was admitted as an Officer of the Order of Australia, and in 2001 he was awarded the Centenary of Australian Public Service medal for his contribution to the ATO. He left the ATO with many admirers and friends and a long-lasting reputation for setting a new direction for Commissioners, not only as the ATO's leading tax officer but also its leader.⁴⁷⁹

Tax officers meet the Commissioner

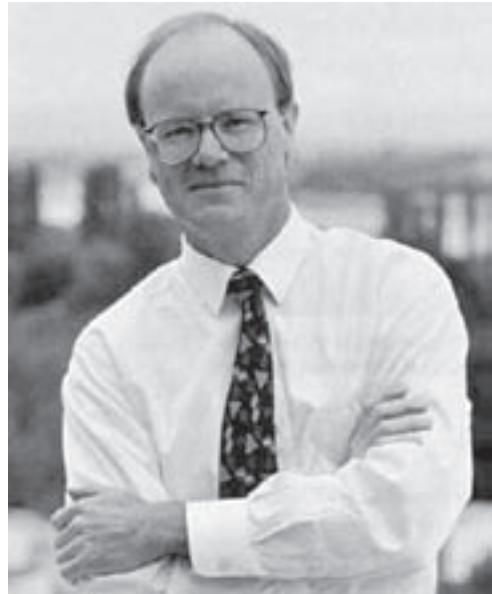
John Lawrie and Brent Kerr remember meeting Commissioner Boucher.

John Lawrie: I was at the enquiries counter and I remember when we had the Commissioner of Taxation come in first thing in the morning and just stand in line with all the other taxpayers. He was wearing either his green or his purple safari suit and waited until he got to the front of the line and I thought 'What am I going to get here?' But all he wanted was, he asked me to call the Deputy Commissioner's secretary because he had a meeting that morning. I don't know too many bosses who'd do that. He just stood in line and waited his turn. I was very impressed, my attitude to Trevor Boucher and the top totally changed after that.⁴⁸⁰

Brent Kerr: I was manager of output control in Melbourne for a while. People were bored senseless with the work, stuffing envelopes is a diabolically sad business to do, it was hard to get on and there was a bit of union trouble.

Trevor Boucher came to visit us at one stage when we were stuffing envelopes and we had the Commissioner and some of the executives stuffing envelopes instead of the staff. His comment was 'Why do we still have people doing this?' Which was a great question, and I think that led to the more automated systems we have today.⁴⁸¹

Michael Carmody became the next Commissioner of Taxation. Like previous Commissioners, he had come up through the tax technical ranks. He went to Canberra in 1973, served as First Assistant Deputy Commissioner in Sydney and Deputy Commissioner in Parramatta before returning to Canberra in 1986 where he contributed to some of the biggest changes then taking place. He was another generational change for the ATO and the youngest ever Commissioner at 42 years of age.⁴⁸²



Michael Carmody, tenth Commissioner of Taxation.

In his first public address Commissioner Carmody shared some of his thoughts about what faced the ATO in coming years. His major theme was that taxes (and other payments the ATO collected) were 'really just the means by which the community contributes to providing community services. It follows that we must be an open organisation working with the community'. He said the broad directions established under Trevor Boucher's leadership were soundly based and that the real challenge facing the ATO was to make them real, so that its actions matched its words. In addition, three areas of particular focus would be enhancing the ATO's tax technical skills, strengthening its client focus and using technology to enhance that, and meeting the often difficult challenges associated with the Child Support Scheme.⁴⁸³

Enhancing the ATO's tax technical skills had become a priority, because one of the consequences of decentralisation was that senior people were needed to manage the new offices, and most new senior positions placed an emphasis on managerial capabilities. This meant that some technical people turned their hands to management roles, and there was virtually no career path for technical people, while recruitment also favoured generalists. This was addressed in various ways under Commissioner Carmody including expansion of tax counsel network that offered a senior career post for ATO's best technical people (and which also attracted talent from the private sector), greater emphasis on quality, and consolidation of sites.

There was less emphasis on industrial relations than in the previous decade because of a negative legacy from that relations industrial model. The internal consultation process, including union representatives in each of the vast array of management committees that had proliferated in the ATO, had created a sense of organisational paralysis. A change in management structures, some office shut-downs, and relegation of unions from decision-making processes (reflective of new government) made Commissioner Carmody relatively unpopular with unions and some of their members. However the ATO needed to move out of this bind of organisational paralysis.

Courage at the planning conference

Peter Simpson talks about a memorable ATO planning conference.

We had a planning conference every year and the Division heads came along with their plans for the coming year and made bids for funds allocations. We were out at Hill Station, Carmody was Commissioner and I was one of the Second Commissioners, and we went through their plans. They'd done a lot of work and become quite good at it.

At the end of the day Carmody said they'd made excellent presentations so, 'tonight we want you to get together and come back tomorrow and tell us what you won't do if we reduce your funds by five per cent, and what you're not doing now that you would do if we decided to invest some of that pool of savings in you'. There was a lot of grumbling and they came back the next day. This Division head got up and said 'Thank you Mr Commissioner. We did a lot of work last night but, on behalf of my senior staff, I must say we're not too impressed by having to put in all that extra work after what we've been doing'.

Later on one of the observers, the Auditor-General, said to me 'You have some very courageous people here. That was a very career limiting move.'⁴⁸⁴

Commissioner Carmody began his term when Australia was leaving behind the economic uncertainty of the previous two decades, and the strong recession of the early 1990s when unemployment had reached 11.4 per cent, the highest level since the Great Depression. Australian society was also being changed by transport and communications that had become cheap and readily accessible. A deregulated airline industry offered cheap and frequent flights around the country and a competitive telecommunications industry provided instant and relatively cheap communications across the nation. Personal computers became affordable and were made more

popular by the growth of the internet from around 1995, so that nearly half of all Australian adults and 40 per cent of Australian households had access to computers and were online by 2000.⁴⁸⁵



ATO leaders – members of the Senior Executive Service at a conference in 1992.

It was the beginning of a long period of prosperity when economic growth averaged 3.7 per cent a year and unemployment and inflation remained relatively low. Australia's population grew by almost two million to 19.03 million by 1999, over 790,000 of them migrants. The revenue collected by the ATO grew from \$77.40 billion in 1990–91 to \$153.22 billion in 1999–2000, the number of tax officers fell from 18,875 to 17,506 and the cost of collection fell from around 1.25 per cent to about 0.85 per cent.⁴⁸⁶

The election of the Howard Liberal government in March 1996 brought changes in government policy to areas including industrial relations, economic and financial management, and restraint on government spending that also affected the ATO. An example of the new government's change was its intent on outsourcing government services to private enterprise and, as a result, the ATO issued a tender request for outsourcing its information technology infrastructure in mid 1998. It was not a happy

experience for the tax officers who had spent three decades building up the ATO's computing capacity but, from June 1999, a private contractor took over the provision and operation of the infrastructure although the ATO retained control of the systems that ran on it. Of the tax officers who were affected by the change 383 left the ATO, and 130 joined the contractor.⁴⁸⁷

Government financial restraints in the 1990s forced the ATO to reconsider its accommodation policies, which was also made possible because earlier policies designed to put the ATO closer to the community had been overtaken by new technologies and other developments. A number of sites were closed or relocated, including closure of the Sydney South site in Chatswood and amalgamation of the two Perth sites. The ATO also planned to close the Dandenong site but it remained open with the strong support of the local member of parliament, and another branch was closed instead.⁴⁸⁸

In 1994 the ATO went through the most significant change since the state income tax branches rejoined it in the 1940s. For decades the branches had remained largely autonomous, their separation staunchly defended by their Deputy Commissioners. However, by the 1990s the branches had become an anachronism and were no longer in step with the rest of Australian national development or with the changes taking place in the ATO.⁴⁸⁹

The trend was towards unity rather than separation. In 1989 sales tax had been reorganised nationally and the trend continued in 1990 with the creation of specialist cells that brought together tax officers nationally to provide expert technical advice on a range of subjects. Market research into the composition of the taxpaying community in 1991 identified distinct groups such as tax agents and small business which led to pilot projects to provide them with contact points such as the small business advisory units set up in the Adelaide and Penrith branches. Early evaluations of these projects suggested that those groups were happy with these specialised services and that they created a better relationship with the ATO. This development was also financially sensible because, despite the original intention of creating fully autonomous branches, it became more efficient for some branches to specialise in particular functions so, by 1994, one branch in each state became the mail payment processing centre while Tasmanian mail payments were processed at the Box Hill office in Melbourne. The ATO also began setting up regional structures for many of its services so that functions were controlled from one branch office. In Brisbane, for example, some functions were undertaken by one of the three branches and other work managed from another branch while, in Victoria and Tasmania, many functions were managed from one of the Melbourne branches or the Hobart branch.⁴⁹⁰

The old order

Trevor Boucher and Peter Simpson give perspective to the end of the power of the Deputy Commissioners.

Trevor Boucher: In the early days, if I went out to one of the branches the Deputy Commissioner would meet me at the airport because that was the way things were done. The Deputy Commissioners in charge of the branches were powerful people in the organisation. In Sydney, for example, the Deputy was still regarded by many people as the Commissioner. People had a strong affinity with their local branch and powerful Deputy Commissioners looked askance at anybody coming in from Head office, wanting to know if people were coming into their territory – ‘I’m in charge here.’ But I don’t know that that was holding the organisation back, it was more that here in Canberra, and the organisation as a whole, we were not moving with the times. It wasn’t their responsibility, it was ours.⁴⁹¹

Peter Simpson: A lot of the history was in the state tax offices because that’s where it all started. They jealously guarded that history and they had organisations where they had social activities, they were a unit in themselves that didn’t involve Head office. I went down to Melbourne one day and the Deputy Commissioner said to me, ‘If you think you’ve come down here to tell us how to spend this new money we’ve got, you can get in a plane and go home because we run the office and that’s all there is to it’.

I remember some years before, a guy called Keith Brigden who rose to Second Commissioner and became the Auditor-General. When we set up the compliance division in Head office he said to me one day ‘Do you know why we’ve got compliance?’ I said, ‘Yes, to get better compliance.’ ‘No,’ he said, ‘it’s to get those state branches to comply with Head office’.⁴⁹²

Despite this change there were some advantages to the branch organisations which Commissioner Boucher had considered most important, particularly the close contact they provided with the communities they served including state and local governments, businesses, the media and local tax agents. On the other hand, it was well known that each branch had its own opinions and ways of doing things so there were many tax matters on which the advice a taxpayer received depended on which branch they contacted and tax agents tended to shop around the branches until they got the advice they wanted. This was unacceptable in a country where most nationwide organisations now spoke with a single voice.⁴⁹³

The decision to change

Michael Carmody recounts the event that made up his mind to change from branches to business lines.

I had a telephone call about company lodgment programs and, for some reason, they used to be able to calculate all the tax they had to pay without doing all the paperwork, so many companies used to pay the tax on the day it was due but the return would come in later. The late lodgment fee they were charged was a percentage of the tax due and so there was the question of 'You're charging me the tax that was due as a penalty, but I actually paid you the tax on the due date'. This was raised with me by industry and so I said 'What's our policy?' And the answer was 'It depends on which branch you lodge with'. There were three or four different policies. That just cemented it in my mind, you can't operate a national tax system on that basis. For all the other thinking I'd done and all the consultants' advice, it was that that made up my mind.⁴⁹⁴

The ATO's organisation was reviewed in 1992–93 and a new customer-focused organisation was created to replace the traditional geographic organisation. It was put in place during 1993–94 and commenced operation from 1 July 1994. The new organisation was built around business and service 'lines', using modern communication and transport technologies to link all ATO sites around Australia into one unified office. The first business lines were Large Business Income, Small Business Income, Individual Non Business, Withholding and Indirect Taxes and the Child Support Agency. Tax technical support was provided by a Tax Law Service line and technical expertise in management was provided by Corporate Services, Financial Services and Information Technology Services lines.⁴⁹⁵

This radical restructuring did not go unchallenged. A deputation of Deputy Commissioners went to defend the old organisation in a meeting with Commissioner Carmody, but was unsuccessful. Their strongest argument was that the tax legislation specifically mentioned Deputy Commissioners, but there was nothing there linking the title to the old branch structure, so positions in the new structure were given that title to overcome that objection. The branches ceased to exist and the buildings that had been the branches became sites without individual structures. The old executive areas were dismantled and the structures of command, communication and control in the new ATO were distributed across the nation. As one sign of that change the large and impressive reception counter from the Deputy Commissioner's executive area of the Northbridge site was taken down to the social club area where it became the bar for happy hours.⁴⁹⁶



The enquiry counter from the executive area of the Northbridge branch in its new role as the bar in the amenities area of the site.

Business and service lines were organised similarly to the old branches with senior tax officers in charge and functions like audit and enforcement spread across the lines as need dictated. However, a line usually had staff located in many sites who were managed and communicated with each other using modern technologies including email, telephone and frequent flights between sites to attend meetings.⁴⁹⁷

The new structure gave the ATO much greater flexibility to meet the demands of the rapidly changing world of the 1990s. As needs changed, teams in one business or service line could be given new roles, expanded or contracted, and lines could be created or merged to meet changing circumstances without the need to physically accommodate the change. The national business and service line structure also allowed the ATO to move people between the processing, compliance and service lines to respond to changes and the demands of the annual tax time peak period. It also made it easy for the ATO to incorporate new responsibilities so when the Australian Valuation Office and excise collection came to the ATO they became new business lines.⁴⁹⁸

The business and service lines also made it possible, and necessary, to plan all ATO activities nationally. Previously branches had competed over resources but now everything was seen from the national perspective and ATO resources were allocated to meet national goals. This was achieved through the ATO Plan that was reviewed

every year to meet the ATO's changing business and political environment, helping it to identify risks and respond to them with detailed plans.⁴⁹⁹

The new structure also allowed the ATO to participate more effectively in other nationwide government initiatives with a single, coordinated voice on things like the government's demands for greater activity reporting, new accounting procedures and pricing agreement on outputs and outcomes. It was also able to participate in initiatives the government wished to introduce across the public sector such as data centre consolidation and human resource, information and record management systems. It also made the ATO more open and accountable through nationwide freedom of information, privacy and ombudsman processes and its own internal review and audit processes.⁵⁰⁰

In 1997 the Ombudsman wrote on the ATO's role in the Australian community:

The ATO administers an enormously complex body of law and it invests considerable resources in trying to make its operations as effective as possible within the constraints of the law.

The ATO generally makes an honest attempt to balance the interests of revenue collection against the interests of citizens. That balance can be difficult, given the nature of revenue collection and the passions it can excite in individuals. The ATO has a variety of internal guidelines which are designed to minimise the possibility of individual officers taking inappropriate action.⁵⁰¹

Perhaps the major internal guideline that supported this new approach was the Taxpayers' Charter that was launched in July 1997. It was developed, along with the Child Support Client's Charter, after extensive internal discussion and external consultation to define the ATO's relationship with the community. It did three main things: it explained taxpayer's legal rights and obligations, explained the principles the ATO observed in dealings with taxpayers, and set standards of performance such as the time it took to answer telephone calls or letters. The charter was not a fixed document and could be changed to comply with new tax legislation and government policy on service provision or community expectations, but what remained constant in it was the ATO commitment to providing the highest possible level of service to the community. This service was enhanced by conducting regular surveys of community attitudes to the ATO and tax system, continuing its liaison and advisory groups and establishing a Small Business Consultative Committee in 1994. The ATO also established links with other special interest and community groups that included tax forums held jointly with the Federation of Ethnic Community Councils of Australia in all the capital cities and major regional cities over three months in 1994 to raise the awareness of senior tax officers to problems facing people from non-English speaking backgrounds.⁵⁰²

By the mid 1990s the ATO was publishing information in many languages, using radio, television and other media to reach the widest possible range of people, preparing special material to reach Aboriginal and Torres Strait Islanders and extending the Tax Help volunteer program. It set up kiosks in shopping malls during tax time and bought two Bicentennial Exhibition trailers to use in spreading its message to outback Western Australia and New South Wales. It developed a short, four hour course on tax for small business jointly with Technical and Further Education in Sydney in 1991 and made the course available across Australia from 1992. It continued to develop the Tax Pack and an electronic version was trialled in 1999 so taxpayers could prepare and lodge their own returns over the internet.⁵⁰³

Electronic commerce and the internet became new vehicles to improve ATO service. In 1991 it began using Australia Post's BillPay system to collect tax payments and in the mid 1990s it improved many electronic and telephone services including telephone registrations, banking and account management and electronic funds transfers. The most far-reaching innovation was the launch of the ATO website in April 1997 to give taxpayers access to some ATO information. It was upgraded several times and in January 1999 was improved to give access to tax technical information including tax laws, rulings and determinations.⁵⁰⁴

The largest single community the ATO provided services for was the tax profession which was a vital link between it and the wider community – by 1994 there were over 27,000 registered tax agents in Australia. One of the most important services the ATO provided was tax rulings which became necessary after the introduction of self-assessment. Previously the ATO had used internal rulings to bring some uniformity to assessment across the branches, but after self-assessment was introduced taxpayers needed certainty about the tax decisions they made so the ATO introduced a system of external rulings in response to taxpayer questions on how they should arrange their affairs. There were two kinds of rulings, private rulings for individual taxpayers that were only relevant to them, and public rulings that were the ATO view on a contentious area of the law, but not the law itself. Because of their importance in giving tax practitioners firm guidance, public rulings had to be clear and correct and a system to receive feedback from the tax profession was introduced to ensure that. A tax ruling panel, comprising tax officers and knowledgeable tax professionals, was established to review rulings before they were published and became binding.⁵⁰⁵

A further attempt to improve the clarity of tax laws began when a three year Tax Law Improvement Project was set up in 1994 to rewrite income tax law to make it easier to understand and reduce compliance costs. The proposed legislation was released for comment in 1995 and became law on 1 July 1997 as the *Income Tax Assessment Act 1997*.

It did not immediately replace the existing *Income Tax Assessment Act 1936*, but would eventually through a process of continuing amendments.⁵⁰⁶

This large investment in improving services to the community was matched by development of new compliance processes designed to detect evasion and avoidance through increased audit, investigation and enforcement activities. In September 1992 the government endorsed and supported the ATO compliance enforcement strategy that included enhanced compliance activities in four areas of high non compliance risk: a new outbreak of tax avoidance schemes, high wealth individuals, persistent debtors and the use of offshore tax havens.⁵⁰⁷

Around 1997 the ATO became aware that tax avoidance schemes were emerging again, this time in the form of mass-marketed schemes that were often associated with activities such as afforestation, horticulture and film-making. In the eastern goldfields of Western Australia, for example, whole shifts of miners were sold these schemes by aggressive promoters. They were sold well away from the eyes of the ATO so it took some time for them to become apparent, with the result that many people thought they were legal because their first claims for deductions using them had been allowed.⁵⁰⁸

The ATO started responding to the schemes in June 1998 by writing to 8,115 participants in one scheme and 876 in another, telling them their claimed deductions related to schemes had been disallowed. This slow response caused great animosity with the result that tax officers visiting places like Kalgoorlie were not keen to say who they worked for. By June 1999 the ATO had decided against a further 135 mass-marketed schemes, with deductions exceeding \$1.5 billion claimed by more than 22,000 taxpayers, and expected to move on a further 120 schemes with more than 36,000 participants. To help mitigate the effect of its decisions on scheme participants, the ATO deferred issuing amendments in some cases until its rulings were tested in the courts. It also invited participants in a range of schemes to come forward voluntarily and receive reduced penalties and it issued 92 rulings in 1998–99 to give potential investors some certainty about the validity of various schemes on offer.⁵⁰⁹

As another part of its enforcement strategy the ATO set up a High Wealth Individuals Task Force in 1996. It received additional government funding and had examined around 300 high wealth individuals by 1998 and increased the tax of 179 of them by an average of 62 per cent. The following year a further 41 cases had their tax increased by \$191 million. The task force also identified various tax planning techniques and arrangements that exploited deficiencies in the tax law and, in August 1998, the government announced it would introduced tax reforms to overcome these problems.⁵¹⁰

The enforcement strategy also concentrated on the problem of persistent tax debtors, often wealthy individuals from respected professions who had tax debts nearly 10 times above the national average. An investigation into the legal profession was launched in December 1997, and later extended to other professions with strategies including a stronger focus on outstanding returns and overdue accounts, and increased audit activities.⁵¹¹

The increasing ease with which money could be moved around the globe led to new ways of avoiding tax that included sending money to low income tax collecting countries and transfer pricing that moved the profits made in Australia to other countries. These transactions were very sophisticated and involved very large amounts of money so, although they required highly detailed investigation, they were necessary to ensure the integrity of Australia's taxation system. Much potential avoidance was countered by the taxation treaties that Australia established with many overseas countries and the relationships the ATO built up with tax collection agencies in other countries through involvement in organisations such as the OECD.⁵¹²

The biggest challenge the ATO faced during the late 1990s was the introduction of a new tax system. Prime Minister Howard announced his government's plan to reform and modernise Australia's taxation system in August 1997 and details of the new tax system were set out in the government's 208 page book, *Tax reform, not a new tax, a new tax system*, published at the beginning of August 1998.⁵¹³

The most significant aspects of the new system were the abolition of sales tax, the introduction of a goods and services tax that would involve more than a million businesses, an Australian Business Number that would be a single business identification number for all government activities, a quarterly business activity statement and a pay as you go instalment system to replace several existing taxes including pay as you earn, the prescribed payment system, provisional tax, company tax instalments and withholding tax. The new tax system would strengthen compliance through the various provisions in the pay as you go system, the Australian Business Register would allow better data matching and business activity statements would also aid greater data matching.⁵¹⁴

A key task was preparation of the legislation for the new tax system. Three hundred pages of complex legislation were written to very tight deadlines by staff working intensely over long hours. About 50 public rulings related to the new goods and services tax were also prepared in advance to help the tax industry understand how the ATO intended to interpret the new legislation. In normal years the parliament might consider 20 or 30 pieces of legislation to amend tax laws but in 1998–99 there were 67 bills on the government's taxation legislation program. In a normal year

amendments to tax legislation might result in about 500 program changes to ATO computer systems but over 4,000 program changes involving more than 17 million lines of computer code had to be made in preparation for the new tax system. At the same time a large body of tax officers went out into the community to educate and help anyone with problems in adjusting to the new tax system. And while all this was taking place the ATO still had to keep all its old systems running.⁵¹⁵

The ATO concentrated a great deal of effort on the business sector because the scope of the new tax system meant virtually every business transaction that occurred in Australia would have to be recorded. Many small businesses faced the daunting challenge of introducing or updating their business systems because, as the ATO discovered, many kept very poor records that were barely adequate for their own needs, let alone ATO requirements. To help them it distributed around one million copies of its free record-keeping software package called e-Record.⁵¹⁶

The Commissioner's guarantee

Michael Carmody speaks about his guarantee to taxpayers during the education phase of introducing the new tax system.

My lasting impression of this time was the number of people from the Tax Office who just went out on the road and sat down with small businesses. One of the issues that I think helped make it work was that, when we announced all these programs to help educate people, we included the option of having a tax officer come to your business. We were laughed down by the cynics who said 'What business person is going to invite a tax officer into their business on the supposed notion that they're going to help educate me. If I open my books they'll see something and slap a penalty on me'. So I took the decision to give a guarantee that our people were coming purely for education and anything else they saw was off the agenda.

That was as difficult an issue for people inside the organisation as well as those outside. It was probably even more difficult inside the Tax Office because there's the strong commitment to getting the right amount of tax and, for them, the thought of seeing something and not being allowed to do anything: 'How can I not do that, the law requires it.' But we did that, and against so many cynics. It also helped get the Tax Office closer to understanding the rest of the community. And, as much as having a new tax system, it changed, in some small way, the course of the ATO.⁵¹⁷

Commissioner Carmody promised that the ATO would help the community with the implementation of the new tax system by supporting those who made inadvertent mistakes and helping to correct errors rather than penalising them. People with telephone and personal skills were recruited and trained for the task and they talked to virtually every sector of society to answer the thousands of questions and dispel the concerns people had. A common response to this help was 'I didn't know the ATO could behave like that'. This had a lasting impact on the community, building up goodwill that began to change the image of the ATO in the community and stand it in good stead for the future.⁵¹⁸