



# Conclusion



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## CHAPTER ELEVEN

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When I talked to present day and retired tax officers while researching this history I often asked what they liked and remembered best about the ATO. Some remembered the interesting work they had done, some reflected on the importance of their work to the Australian community and reflected on the wide variety of careers they have been able to have in the one organisation, but almost all said that what they remembered best was the colleagues they had worked with and the friends they had made in the ATO.

As well as other roles such as superannuation, the ATO provides the Australian government and community with a wide range of revenue services, but the most important thing to understand about the ATO is that it is made up of people. You can imagine the ATO as a huge organism that has grown, changed and adapted in response to the changes taking place in the community of which it is a part and which it serves. Like even the simplest organism, the ATO is made up of thousands of cells, the people who have spent their working lives making their contribution to its activities and achievements, each in their turn, one generation after the other. As taxes have come and gone some parts of it have disappeared and new parts grown and as technologies have improved it has incorporated them into the way it works. Wars and depressions have forced it to change and grow to meet new challenges, during long periods of stability it has perhaps stagnated, and when there have been major changes to the taxation system, such as the introduction of income tax or the new tax system, it has struggled through a period of severe and difficult growth and readjustment. And when the organism that is the ATO had gone through these changes, so have the tax officers who make it up.

Every tax officer I talked to had different experiences of the ATO. From current and past Commissioners to people who did the humblest of jobs, each one had different experiences, knew different people, lived in different places and worked in different sites. So there is no one story of the ATO, there are thousands upon thousands of them, each from the perspective of a particular tax officer in a particular time and place. All that this history has been able to do is gather together as many of the

shared experiences of generations of tax officers as possible to tell a story that is common to as many of them as possible. It has been a humbling task and all I can hope is that tax officers who read this will recognise at least some of their own experiences in this story.

There are many questions and conundrums that come to mind as I think about this history and what it might mean. Most are particular to a time and place, but I think there is one question that encompasses a great deal of what the ATO did and does, and which might help explain the broad sweep of ATO history and what lies ahead. It is the relationship between the ATO and the community it serves.

In July 2010, the ATO launched its new strategic plan which has, as a key element, its close relationship with the whole Australian community. This is not something that could have been said about the ATO over the long span of its history, for most of that time the relationship has been distant, adversarial and antagonistic. The question is therefore; what has changed, in society and in the ATO that makes this most important change possible?

In thinking about this, remember that the British novelist LP Hartley wrote that 'The past is a foreign country; they do things differently there'.<sup>582</sup> While we can know about what happened in the past it is much more difficult to understand what motivated people to do those things and even harder to imagine what those people were thinking about and feeling at the time. But if we want to understand how the past became the present, and what it might come in the future, we must try.

At the time the ATO was created in 1910 our society was much more hierarchical, authoritarian and regimented than it is now. What we now think of as bigotry and discrimination were commonplace and their rationales were widely understood and agreed. Corporal punishment was commonplace and strict discipline was enforced in almost every sphere of society. There was a strong sense of formality and the importance of status, first names were much less used than now, a person's title, qualifications or rank gave them the right to status and the respect and obedience of those in society below them. Even in Australia there was a strong divide between the wealthy landowners and the poor and the ATO's first taxes were political policies intended to redress that imbalance.

The early ATO was little different and the organisation of the public service into Third and Fourth Divisions and classes in them created hierarchies and status in the everyday ATO life. Tax officers worked long hours in crowded, unhealthy conditions under strictly controlled and regimented conditions. Most of the work they did was endlessly repetitive and dull, often done under high pressure to meet tight deadlines and high quotas. It was also as hierarchical and authoritarian as the rest of society. Senior staff expected and received the same deference and rarely saw or spoke to

general staff who were usually supervised and controlled by domineering managers. Early tax officers learned to treat taxpayers in the same way they were treated and it would have been unusual for them to do anything else. These values continued for decades and Commissioner McGovern's annual Christmas rituals of shaking the hands of all his staff in the 1950s and the raised dais on which the Commissioner and Second Commissioners sat above Deputy Commissioners in the 1960s demonstrated this hierarchical system in action.

Tax officers also learned other values, including honesty, integrity and secrecy, from early leaders including Commissioner McKay who urged his staff to be careful in what they said in the 1910s. This, however, was a fundamental tenant of ATO work and enforced and reinforced as part of the work tax officers did rather than as a broad social undercurrent.

Discrimination against women and non-whites was commonplace in the wider community, and in the ATO. Only in the 1950s were women allowed to enter the Third Division and not until the 1960s were they allowed to keep their job when they married. Immigration bars against 'non-whites' remained until the 1960s so almost all tax officers were from British or Irish backgrounds. The result was an ATO dominated by white men in which sexism, discrimination and 'hard-drinking and hard-working' was the dominant and accepted.

The adversarial nature of the relationship between tax officers and taxpayers probably has its roots in the earliest days of the ATO. It was created to administer the land tax, a political act aimed at large landholders. A couple of years later it was also given administration of death duties which was aimed at the wealthiest in society. The wealthy and landowners resented these taxes but it is much easier to blame the messenger, especially when much more ATO business than now was conducted fact-to-face. It is only natural to meet hostility with hostility or with bland bureaucratic indifference and a tendency to apply the letter of the law. As a result, that was the culture the ATO first developed.

This adversarial environment was strengthened by the nature of the tax laws and ATO processes. The system of assessing taxpayer returns tended to create a contest between the taxpayer with their return and the tax officer's assessment of it. This was compounded if the taxpayer objected and ended up before a Board or court arguing against the ATO. The intensive nature of ATO investigations and the fear they generated also built up the barrier between tax officers and taxpayers over the decades.

Another factor that tended to create antagonism was the relationship between the ATO, tax agents and tax payers. In this period many tax agents had learned their trade in the ATO and left to enter private practice. Some had not left on happy terms, which did not help relations, and often did not share the values and ethos of the ATO and its

bureaucratic ways. For its part, many in the ATO saw the tax agents as intermediaries who charged a fee for what the ATO did freely. Tax agents also relied for their livelihood on their clients so when a dispute with the ATO arose, tax agents naturally took the side of their clients, creating further antagonism.

These trends continued into the 1940s when the pressure of war forced the introduction of income tax to encompass most workers. The pay as you earn system took much of the personal involvement and animosity out of the taxation process but, by then, the ATO had behind it decades of tradition and work practice which sustained that barrier.

Another factor that helped create the temperament of the early ATO was its branch structure, necessary because of the political power of the states and the distance separating them. These factors created a divided ATO in which each state branch developed its own processes and this was severely aggravated by the transfer of income tax to the states in the 1920s and 1930s. The result was a national disunity in the ATO that lasted for decades and ATO staff who owed their loyalty to their branches, not the ATO.

A final factor was the nature of work in the ATO. With the exception of the few who made it into the high levels of tax technical work, the work of most tax officers was endlessly repetitive and often intensely boring work. Almost everything was done by hand in poor working conditions under strict discipline. These working conditions, the adversarial nature of tax officer relations with taxpayers and their agents, the necessity for secrecy in tax matters and the masculine culture turned the ATO in upon itself, creating an entire and self contained community

By the 1950s the ATO had evolved into a national organisation with state loyalties focused on the branches and Deputy Commissioners. Only the flow of tax technical information, the Deputy Commissioners conferences and the Interstate Sporting Carnivals brought them all together. The branches, particularly those in the larger states, provided tax officers with everything they needed; intellectual, physical and emotional. Within the branch they gained an income, formed friendships, had the opportunity of a wide range of sporting and social activities, and many also found marriage partners.

We should remember that at this time the same things could be said for many large organisations such as other government departments that ATO branch teams played against in sporting competitions. However, the internal life of the ATO was more intense because of the barrier that separated tax officers from the rest of society and which seemed almost the natural state of affairs by then. This did not matter for the many tax officers who embraced the social and sporting life of the branches with their balls, cabarets, sports, picnics, variety shows and circles of friends. Taxpayers were the people they dealt with when they were working, and some tax officers had more empathy with them than others.

## The Welcome Stranger

Lionel Jones was well known in the ATO for his poetry that expressed the spirit and culture of the day.

So, you're standing in a bar  
In a town remote and far  
From all you know, and  
All who know  
And love you  
And you've heard the deathless hush  
As you push in through the crush  
And you feel Damocles' sword  
Up there above you

For you know, and they know too  
On their grapevine strong and true  
No matter how anonymous  
You've played it,  
That you're the bloke  
Who's up from Tax  
And they cannot quite relax  
With their beer – while you are there  
Until you've laid it

And you know you're doing George  
He's the Chairman of the Board  
Local Member and best mate  
Of all around you  
He's a solid local man  
And the faces that you scan  
Drop their eyes  
To the empty boards  
That now surround you

Till the Publican takes pity  
On his guest up from the city  
And he calls to 'Charlie – Joe'  
And they say 'How d'ye'  
But you know  
As sure as Hell  
Old Joe's in your bag as well  
And you meant to start him  
Next week – after Charlie

So you buy the two a drink  
While you're trying hard to think  
How to rearrange your schedule  
After Sundee  
'Cause now you find it  
Hard to tell, 'I'll be doing you  
As well, come and see me  
With your records  
First thing Mondee.....'

And you sometimes rather fancy  
That you'd like to change with Clancey  
Th' th' the accountant  
Not-not the drover -  
May I stammer -  
And advise them what to do, when  
They're caught by blokes like you  
And let some other poor coot take  
The James Bond glamour

But he has his problems too,  
As we all have, that is true,  
He depends upon them  
For his bread and butter -  
While you don't care how it looks  
to the crook who cooks the books  
Or the amateur  
Who keeps his books  
A-clutter.

In many ways this was a golden age in the ATO and those who lived during its peak years remember it with great fondness. Did the golden age have to end? Perhaps not, if the rest of Australia had stayed the same way too. Everyone understood the barrier that separated tax officer and taxpayer while the complexities of the tax law and ATO processes were still relatively simple so it was not difficult for people to understand each other across the divide. But Australia began to change so the ATO also had to.

It is difficult to pinpoint the time at which Australian society began to change sometime in the 1960s. You could point to many small changes and innovations such as the transistor radio which played the music of the baby boomer generation and television that brought the impact of the Vietnam war to Australian lounge rooms with the nightly news. By the mid 1960s the conservativeness and drabness of earlier times was being washed away and that led to wider changes and questioning of the status quo. It is useful to identify the Whitlam era (1972–1975) as a time when these changes began, but they started before then and continued with later governments. Waves of migration brought fundamental change to many facets of the old Australian culture and many forms of discrimination were made illegal while other reforms brought greater levels of equality to the community. As a result Australians were more able to ‘develop their personal potential, no matter how diverse their origins, beliefs, wealth or ability’, as Al Grassby had said in 1973. The Whitlam government and those that followed also changed the relationship between government and the public service and the community. The ombudsman and freedom of information opened up the processes of government decision-making and public service activities to public scrutiny, and began to make agencies like the ATO more open to public scrutiny.

There were new technologies that changed the way people related to each other and the world. Direct dialling and the reducing cost of telephone calls made it easier for people to contact each other, international telecommunications brought the world to Australia’s television screens and jet airliners made it easy and quick for Australians to travel. Information technology began with bulky mainframe computers and developed to the networked computers of the modernised ATO, and beyond to email and the internet.

The ATO was swift to adopt the new technologies, where they could improve its efficiency. The introduction of the national taxpayer system in the early 1970s was a bold innovation that used the new computers, planes and telephone networks to improve its functions with advances such as automated preparation of income tax refunds and computer-assisted assessing. But these things were only tools that helped the ATO keep on doing what it had been doing for decades, with the result that many work processes continued much as before.



Where the ATO hesitated was in remaining bound by the traditions and problems of the past. Its leadership was comfortable with those traditions so inertia kept it from change. This was compounded by the recruitment of most ATO staff straight from school because they had little experience of working life and took the practices and processes of the ATO for granted. As a result there was no reason for the ATO to change unless something challenged it.

Generational change began having an effect on the ATO by the late 1970s as long-serving tax officers retired and younger people with fresh minds took their place. Perhaps more important was the financial crisis of the 1970s and the pressure it put on Australia's fundamental financial and economic structures. The resulting schemes era was the turning point for the ATO because it showed the weaknesses in the way it had operated since World War Two. Its processes had been developed in the 1940s but were no longer efficient or viable in the modern world and it took the perspective of a new Commissioner from a new generation with new ideas, Trevor Boucher, to cut through the Gordian knot of the past. Boucher gave the ATO a new emphasis on management, compliance and service to the community. The introduction of self-assessment while he was Commissioner also took the ATO from the belief that taxpayers naturally tried to avoid their tax obligations and that physically assessing their returns determined their tax liability, to a risk-based analysis of who was likely to attempt to avoid tax, and the recognition that most people tried to do the right thing. The achievements of the Boucher era began to break down the old barriers between the ATO and the community.

The new technologies made these changes possible by automating many of the processes that had occupied the working lives of most tax officers. Modernisation gave the ATO the freedom to focus on developing its compliance activities and its services to the community in a way not previously possible. Modernisation also broke down the separation of the branches when regionalisation and decentralisation dispersed the ATO across Australia, from a few crowded office buildings in city centres where the social life was strong, to scores of offices in suburbs and regional centres where the tax officers working there were closer to their homes and families. The new technologies including the internet and call centres also meant that most taxpayers never visited an ATO site or saw a tax officer, so that while the ATO became more accessible to the growing population, it also had less direct contact with it.

What Commissioner Boucher started Commissioner Carmody continued. He oversaw the introduction of the new tax system that also changed the culture of the ATO to bring it closer to the community and he replaced the old branch structure with business and service lines that increased the ATO's focus on service and compliance.

Another key change took place in the relationships between the ATO, tax agents and tax payers, with the emphasis on service that had begun with Commissioner Boucher and continued with Commissioners Carmody and D'Ascenzo. Improvements in service had included electronic lodgment, priority access to ATO staff and, later, the Tax Agents Portal. The introduction of ATAX also brought a new level of professionalism shared by tax officers and tax agents. These changes forged new links between the ATO and tax agents that improved the services agents could offer their clients, helping to close the divide between the ATO and the community, and reducing the antagonism that had previously existed.

While these changes were taking place the kinds of people who became tax officers also changed. More women, many of them with families; migrants and their children; and a new generation of men with new cultural values, replaced the old generation so the ATO became a mirror that reflected Australian society more closely. By the end of the twentieth century the vibrant social life of the ATO had almost disappeared, hastened, so many tax officers believe, by the dissolution of the branches and the creation of the business and service lines. This brought to an end the ATO social structures that had been such an important part of it but had preserved and reinforced the old cultural values, including how tax officers thought about and treated the taxpaying community. Basic ATO values including honesty, integrity and secrecy remained unaffected by the other changes that were taking place because they had been a fundamental part of ATO philosophy from the very beginning, untouched by social or technological changes.

The ATO that emerged from these changes was able to engage more closely with the community. The end of its old culture was a great loss in many ways, but in return the ATO gained a greater acceptance in the community. The old culture in which people had considered themselves tax officers first and members of the wider community second was replaced by a more community-minded ATO, equipped with the tools that allows a mere 23,000 people to provide a level of revenue services to the Australian population of 22 million that would have been unimaginable even a few years earlier. The result was an ATO that had become world class and a world leader in many ways, that the Treasurer said, in 2010, was 'probably better than anywhere else in the world'. Not only that, the changes the ATO had undergone since the 1980s and in more recent years had given it a strong foundation upon which to build for the future.<sup>583</sup>

Making the change from the old ATO to the new has been difficult. Change is usually painful but it is often necessary. In the ATO now all these influences have come together so it and its people can see themselves and their relationship with the community in this new light, and in this new light to link enduring values with new thinking.

Many of the tax officers I talked to said the most important factor in their experience of the ATO is their immediate supervisor or manager. This was highlighted in the recent staff engagement survey when many staff commented positively on their immediate managers. Since Managing in the Nineties, the ATO has invested heavily in training its leaders and this had been an important factor in how the ATO has come through major changes and improved its activities and services to the community. In 1991 Commissioner Boucher wrote 'investment in people does matter ... it does pay handsome dividends'. It is just as true today and Commissioner D'Ascenzo's investment in developing personal empathy between tax officers and taxpayers puts it in a new context. The relationship between tax officers and the community depends on the ATO maintaining that focus and the community making that investment in the ATO and its tax officers. In that way the ATO, its people and the community they serve can continue into the future together.