

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

#### Additional Estimates

16 February 2012

**Question No:** AET 28 - 29

**Topic:** Debt collection agencies

**Hansard Page:** Written

#### Senator Brown asked:

28. In responding to questions AET-43 from last year's additional estimates, the ATO said they expected to spend around \$16 million on private debt collection agencies in 2010-11, having spent \$18 million the former year. Has there been any comparison of the cost effectiveness of this outsourcing compared to the ATO staff doing the work?
29. Can you comment on reports that ATO staff have had to manually type up details of over 5,000 cases handled by a private agency and that 6,000 cases were returned from a private agency with no contact having being made?

#### Answer:

28. The ATO uses private debt collection agencies to action high volume, low value, low complexity debt cases on its behalf.

This arrangement provides much greater flexibility in handling the large number of cases that occur during peak periods (eg following an activity statement lodgment date).

A high level cost comparison undertaken in 2009-10 confirmed that the use of private debt collection agencies for low value, low complexity cases was approximately 33% less expensive than if they were managed by ATO debt collection officers. This cost comparison includes ATO indirect costs (eg accommodation) and also recognises that the ATO pays the private debt collection agencies on a per-case basis, not on an hourly basis.

As the use of private debt collection agencies has now matured, the ATO is developing a comprehensive costing model which will enable detailed comparison of the cost effectiveness of outsourcing this work.

29. A report appeared in the media on 12 January 2012 stating that details of over 5,000 ATO debt cases handled by a private collection agency had to be manually typed by ATO staff and 6,000 cases were returned to the ATO from a private agency with no contact having been made.

The comments relate to an outsourced contract with an external collection agency to collect debt on behalf of the ATO which was not renewed following a competitive public tender process.

The claim that details of over 5,000 ATO debt cases handled by a private collection agency had to be manually typed by ATO staff is incorrect. ATO staff are manually entering details for a small number of cases (fewer than 100) as these cases have been identified as higher risk and require special notations on the case file.

The claim that 6,000 cases were returned to the ATO from a private agency with no contact having been made is also incorrect. At the time the contract with the external collection agency had ended, the agency was managing 25,922 cases on behalf of the ATO. As required under the contract, the agency has returned all of these cases to the ATO for ongoing case management. In all cases, the external collection agency had made contact by phone or letter with the taxpayer or their authorised representative to discuss payment of their debt.