

INTERNAL

ATO EXECUTIVE
AUDIENCE

AUGUST 2006

DATE

DATE



Australian Government
Australian Taxation Office

Senate Standing Committee on Economics
Supplementary Budget Estimates 2006-2007
1-2 November 2006

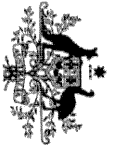
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By: Mr Michael D'Ascenzo (ATO)

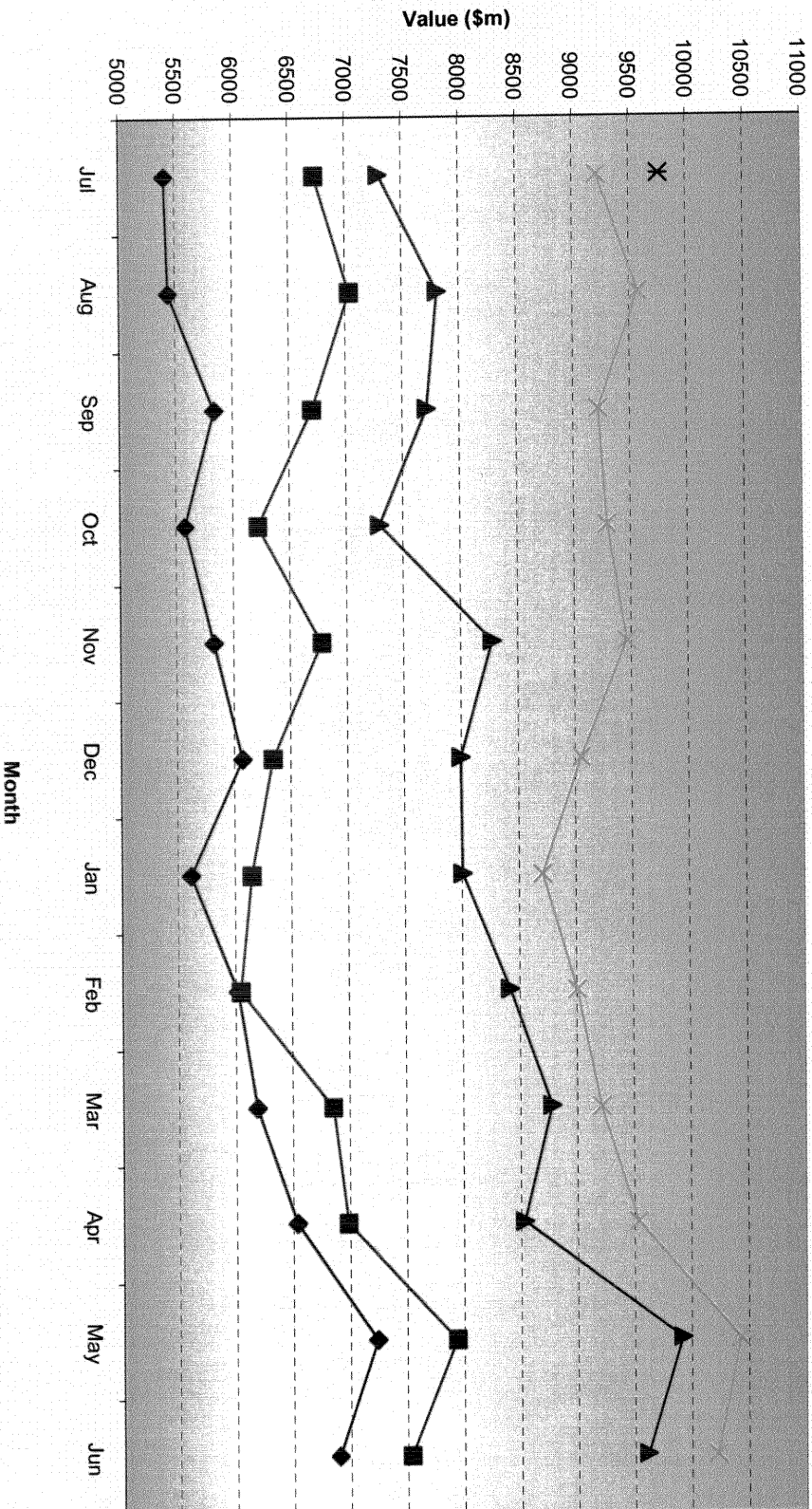
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ATO Executive Presentation



Collectable Debt Trends (2002-2006)

Collectable Debt Movement Comparison July 2002 - July 2006



Debt holdings as at 30 June 2006

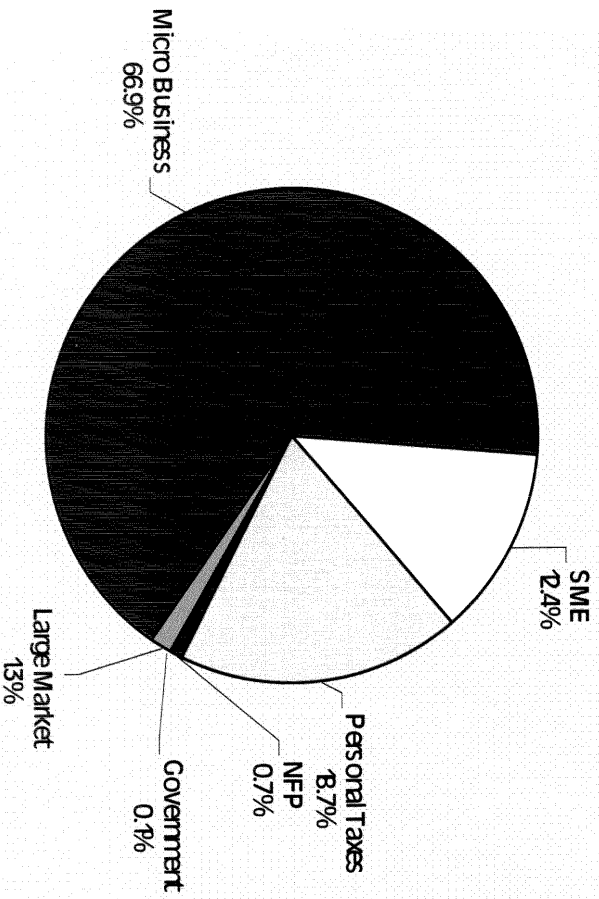
	\$B	% of value	Cases	% of cases
Total Debt	\$18.777		1.54m	
Collectable debt	\$10.225		1.5m	
Activity statement	\$5.936	58%	830,000	55%
Income tax	\$3.682	36%	620,000	41%
Super	\$0.438	4%	41,000	3%
FBT	\$0.097	1%	3,000	
Legacy	\$0.072	1%	10,000	1%



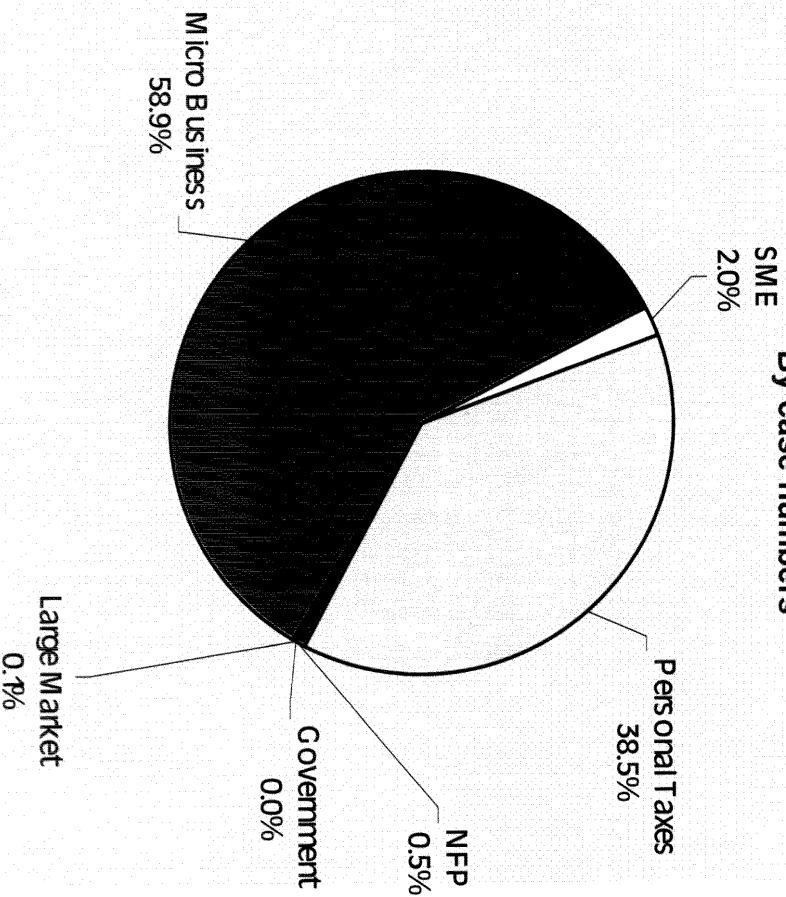
Collectable Debt Market Segments

As of June 30 2006

By value

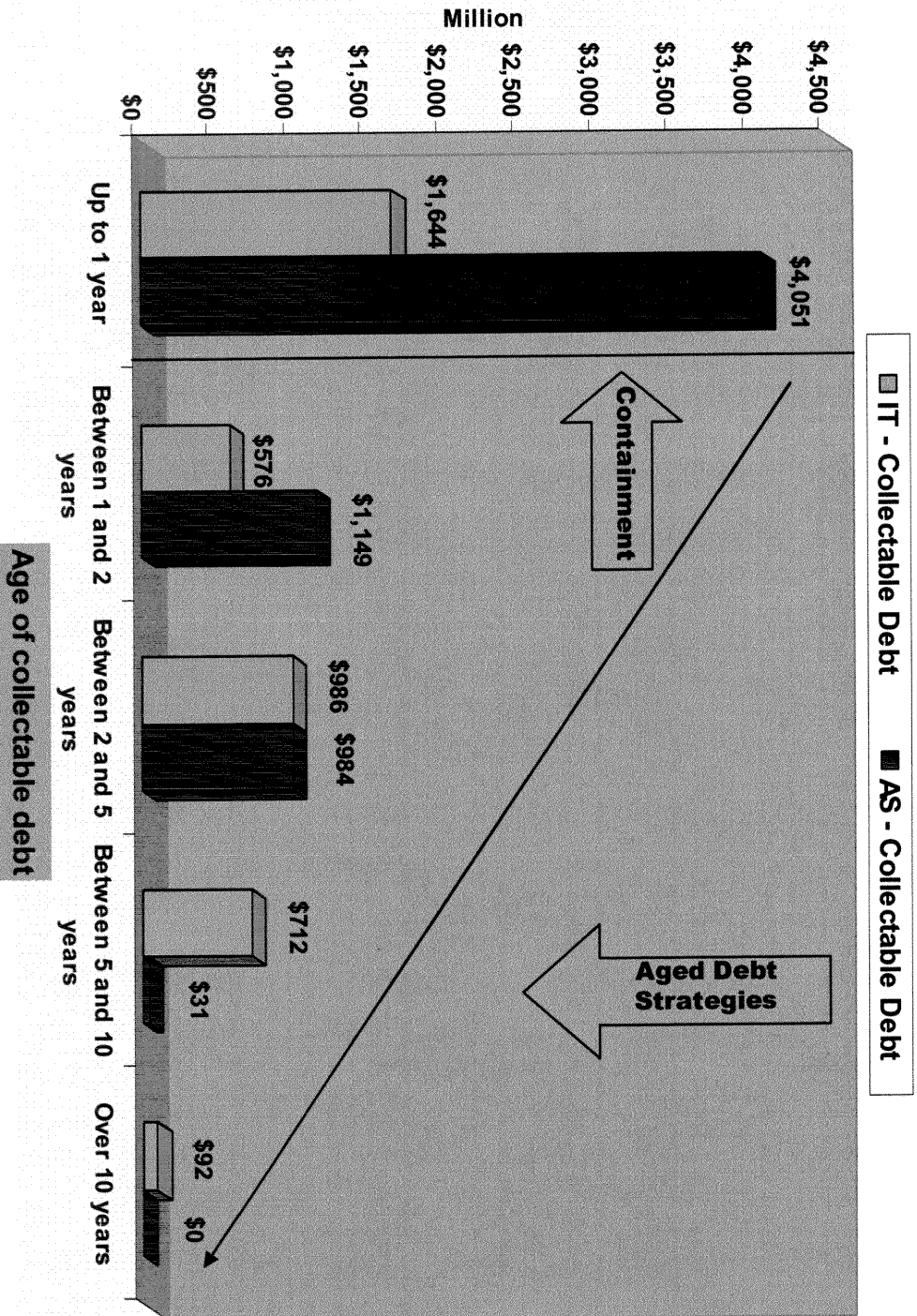


By case numbers





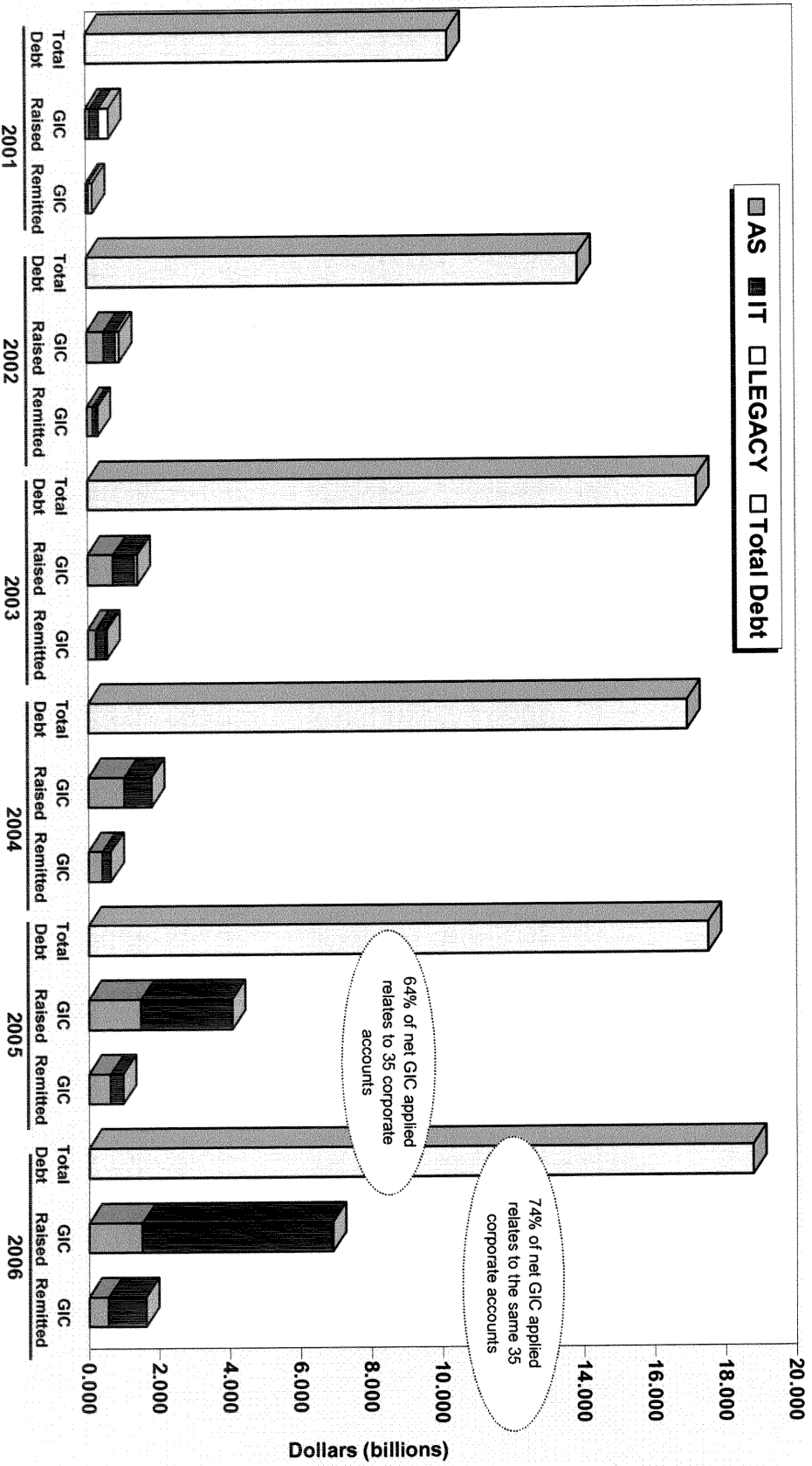
Age of Collectable Debt (using 'RAB age of debt' method)





General Interest Charge

Total Debt compared with GIC Raised and Remitted (2001-2006)



Where are we at?

- **Workforce**
 - Current number of staff actioning debt holdings - 2,274 FTE
 - Required end of 06/07 year budget position - 2,095 FTE
 - Staff located nationally across 24 sites
- **Success to date**
 - Reduction in growth from 27.7% in 04/05 to 6.4% in 05/06
 - First time since the new tax system that the growth of debt has been less than the growth of collections

Current business model and principles



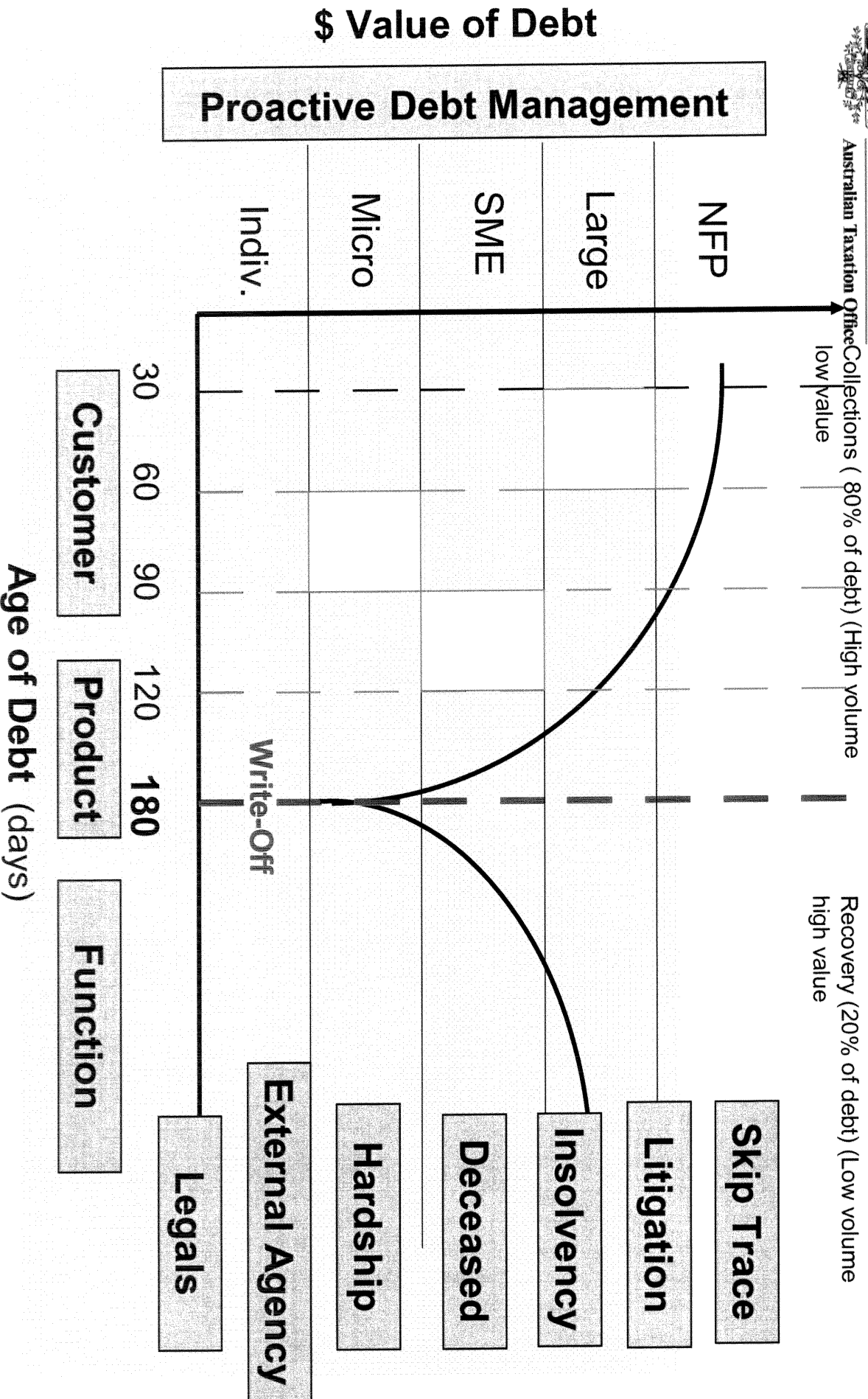
Australian Government

Australian Taxation Office Collections (80% of debt) (High volume)

low value

Recovery (20% of debt) (Low volume)
high value

Collections 'V' Curve



Pilot Projects

After Hours (5pm – 8.30pm)

- Negotiated some 2,000 payment arrangements to the value of approximately \$52m
- Cost - \$150,000 overtime
- Number of complaints – 10
4 were directly attributed to the time of the call

Dun and Bradstreet

- Referred debt under \$7,500 to value of approximately \$60m
- Some 24,000 right party taxpayer contacts
- To date approximately \$21m negotiated in payment arrangements or payment in full
- Cost \$370,000
- 23 complaints registered

Dialler

- Cost of some \$280,000 (temp staff and ICT equipment)
- Approximately 50,000 contacts made
- Negotiated to date 12,000 payment arrangement to the value of \$230m
- No complaints received to date

Key messages the Pilots have delivered

- Main driver of pilots was to deliver a message to staff and the community that:
 - We will do things differently
 - We will be responsive and flexible in the management of debt
 - We want to work with you early so as to prevent escalating debt
 - Taxpayers that continually fail to meet their obligations cannot remain ‘under the radar’



Where to from here?

- Early Intervention and Containment
- Differentiation
- Our people and our collections culture
- Aged debt
- Super debt



Early Intervention and containment

- **Dialler**
 - Need to extend dialler beyond the pilot
 - \$10m required for full rollout (to 300 staff)
 - Integrate with R3
- **Referral**
 - 100,000 small debt cases with debt valued at \$190m to be referred each year for a period of 3 years
 - Collections estimated at \$70m per year
 - Cost estimated at \$16m per year

Differentiation

- To date we are trialling 5 risk models
- Results to date
- Need to increase the use of models for front end campaigns
- Need ongoing support from Philip Hind's people



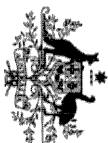
LCCM risk attribute list

Weighting	Risk Attribute Name	Weighting	Risk Attribute Name
4	Age of case	1	Director Penalty Actions
4	Current debt balance	1	Defaulted Arrangements
3	Difference between original and current debt balance	1	Current Arrangements
1	Dishonoured payments	1	Completed Arrangements
4	Lodgment Activity Statements – current/past	1	Garnishee Notices
4	Lodgment Income Tax Assessments – current/past	1	Demand Action
1	Debt AS – current and past	1	Insolvency Actions
1	Debt ITA – current and past	1	Initial Legal Actions
1	Legal Cases	1	Further Legal Actions
1	SGC Cases		



Our People

- Discretionary remission over the phone - \$500 to \$1,100
- Inbound discretionary delegation extended to all Debt staff
- Remit residual amounts of GLC at the completion of a payment arrangement or payment in full
- Like automated remission of small amounts but requires an IT change to RMS



Our People

- Professional accreditation to complement debt accreditation
 - Certificate 111 – contact centre
 - Certificate IV - coaching
 - Certificate V – front line management
- Recruit Debt Collectors
- Develop and implement soft skills
 - Empathy training
 - Negotiation training
 - Assertion versus aggression
 - Call control
- Change team structures in consolidated sites
- Establish referral centres for staff to escalate cases for assessment

Superannuation debt

Holdings at 30 June 2006

- SGC – 25,000 cases worth \$287m
- Surcharge – 16,000 worth \$151m

▪ Current approach

- Managed within a separate capability, handling debt, enquiries and reconciliations
- Manage all related debts, activity statement and income tax

▪ New approach

- >\$100k debts transferred to specialist high value debt capability
- Implement early intervention strategies
- Process approach to reconciliation
- Focus Superannuation staff on the collection of Superannuation debt



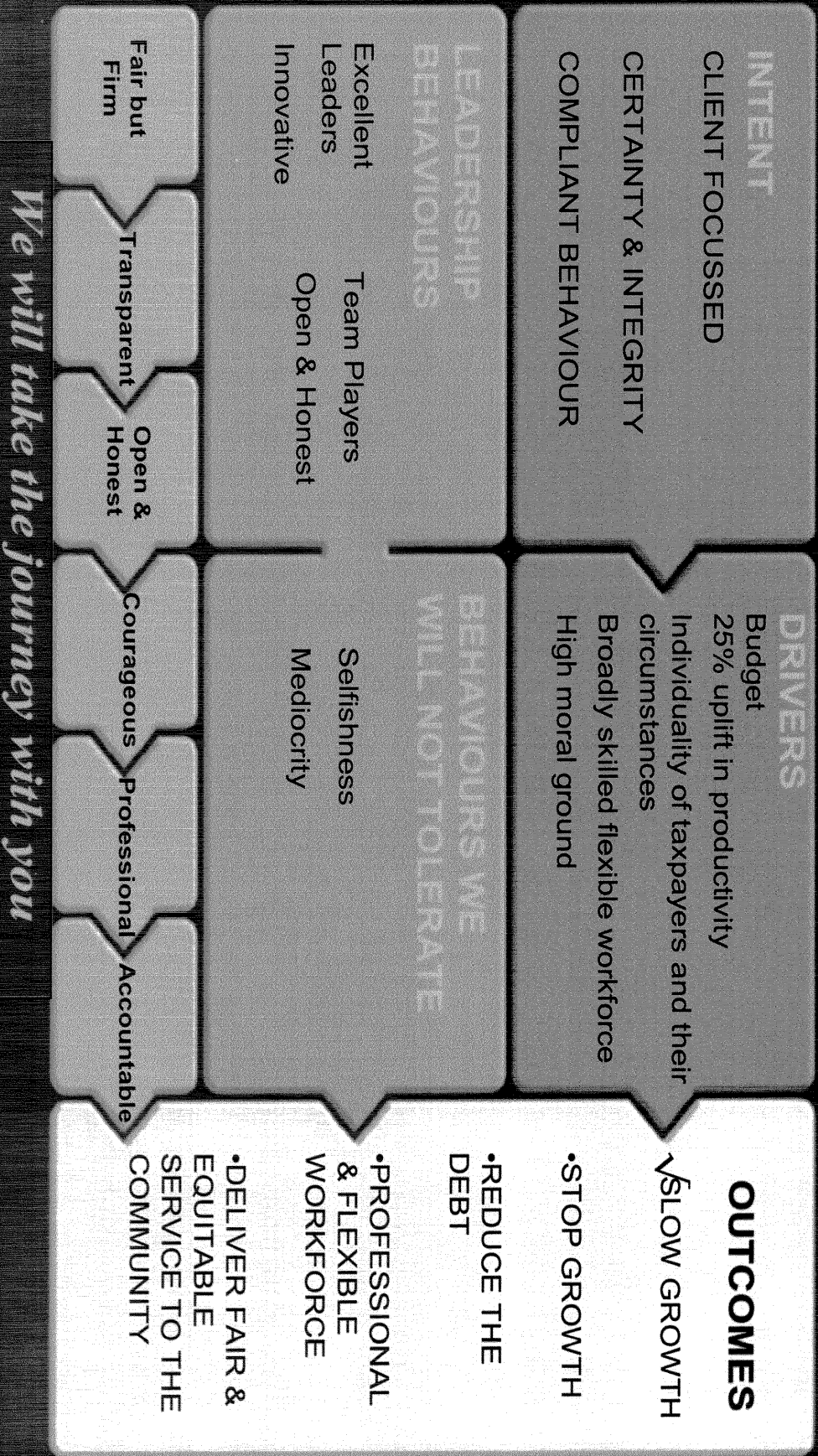
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Where the rubber hits the road

Containment, Coverage, Client Focus



We will take the journey with you



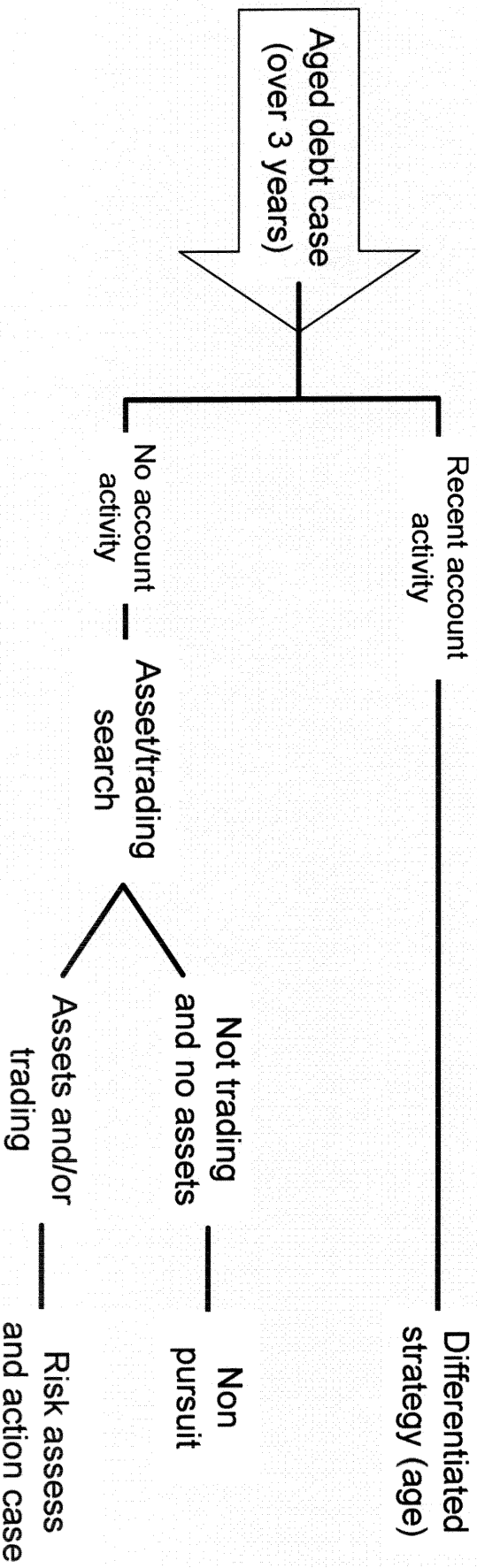
Aged collectable debt profile

(using 'case age' method)

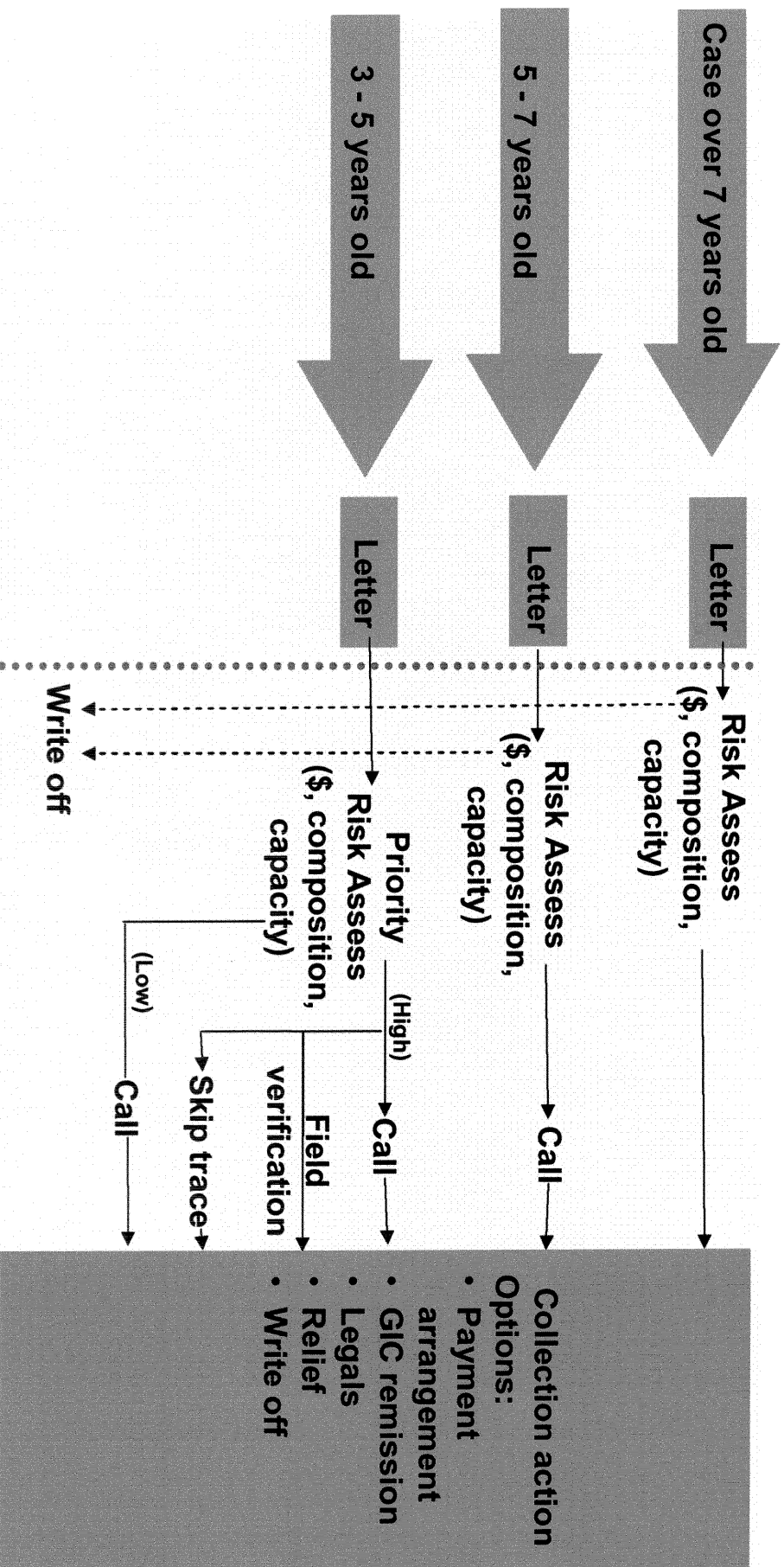
Age	Income Tax		Activity Statements	
	Value (\$ million)	Volume	Value (\$ million)	Volume
10 yrs and greater	100	6,408	0	0
7 yrs to less than 10 yrs	250	26,549	0	0
5 yrs to less than 7 yrs	481	45,768	342	30,245
3 yrs to less than 5 yrs	565	83,410	1,531	175,978
1 yr to less than 3 yrs	1,012	164,976	2,221	264,705
less than 1 year	1,603	291,553	1,930	358,733
Total	4,010	618,664	6,025	829,661

Aged debt collection workflow

Pool of 60k accounts worth approximately \$1b



Differentiated strategies (potential to be active)





Next Steps

- Business case for dialler extension
- Business case for referral RFT
- Pilot skip trace outsourcing
- Bid for resources
 - Aged debt
 - Superannuation debt
 - Dialler and referral
- External forums
 - Opportunities for Co-design
 - Establish a regular forum for debt updates and issues
 - Work proactively with external scrutineers