

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates 2012

18 October 2012

Question: SBT 339-344

Topic: Public Service Efficiency (ATO)

Written: Received from Committee – 26 October 2012

Senator BUSHBY asked:

339. Please detail how the department/agency will achieve savings over the forward estimates through pursuing further efficiencies in the way the public service operates (see media release by the Minister for Finance and Deregulation and the Special Minister of State of 25 September 2012 http://www.financeminister.gov.au/media/2012/mr_1982012.html).

In addition, please provide the following detail:

- 340. How will reductions in air travel spending be achieved? What is the estimated savings for each year over the forward estimates?
- 341. What restrictions will be implemented for business flights? What are the estimated savings for each year over the forward estimates?
- 342. How will the use of external consultants and contractors be reduced? How will this impact on the Department/agency? What are the estimated savings for each year over the forward estimates?
- 343. How will the department/agency manage moving recruitment advertising online? Will all future recruitment advertisement be online only? If not, explain why. What are the estimated savings for each year over the forward estimates?
- 344. How will printing costs be reduced? Explain if and how the department/agency will reduce its printing costs by five per cent, or if it will not, why not? How will it be determined what documents will no longer be printed? What are the estimated savings for each year over the forward estimates?

Answer:

339. Considerable work is being done to understand and plan for spending reductions in the current and future years.

Budget management focus areas for 2012-13 include:

- maintaining a strong message of thrift and tight budget management throughout the ATO and continuing to encourage productivity improvement
- continuing to harvest savings from past investments in new IT systems as they mature
- reviewing and reducing supplier expenditure
- reducing staff numbers through natural attrition
- containing the number of non-ongoing and casual staff and the duration of their contracts utilising them to focus on seasonal workload peaks
- reviewing APS classifications required for work types to ensure the right level for the right work.

Whilst these priorities will continue across the forward estimates, other strategies will be considered if required.

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The ATO has reduced discretionary supplier expenses, and will continue to review and reduce where possible into the future to achieve savings.

340. The ATO monitors travel expenditure closely, seeking opportunities to minimise travel wherever possible, this will continue over the forward estimates to achieve savings

The 2012-13 budget for travel has been reduced by approximately 20% compared to the 2011-12 travel budget and a 2% travel levy has also been imposed to support investment in technology, including video conferencing facilities. Further reductions may be considered as part of the internal budget allocation process for 2013-14 and the remainder of the forward estimates period.

The ATO reduced travel in 2011-12 relative to 2010-11. Table 1 shows the 19.3% reduction in the ATO's travel expenditure from 2010-11 to 2011-12.

Table 1: ATO travel expenditure (2010-11 and 2011-12)

Year	Expenditure (\$ million)
2010-11	44.1
2011-12	35.9

The ATO has also continued to reduce travel costs in 2012-13.

Table 2: Comparison of ATO's domestic air travel bookings for first quarters 2011-12 and 2012-13

	Bookings	Expenditure (\$ million)
July - September 2011-12	11,044	3,932,554
July - September 2012-13	7,465	3,297,370
% change from prior year	↓ 32.4%	↓ 16.2%

341. Business class travel reduced by approximately 12% (\$1 million) from \$8.2 million in 2010-11 to \$7.2 million in 2011-12. Reductions will continue over the forward estimates to achieve savings.

The ATO adheres to the lowest practical fare and best fare of the day principles established by the Department of Finance and Deregulation.

The use of Business class flights for official domestic travel by ATO employees is restricted to:

- SES Officers
- non-SES staff in instances where travel by business class is required for health reasons
- EL2 employees required to travel by air on official business for flights of greater than 1,600 air kilometres (sub-clause 70.4 of the ATO Enterprise Agreement 2011).

342. The ATO is committed to strong financial management and is focussed on minimising discretionary expenditure on contractors and consultants in conjunction with other financial management strategies.

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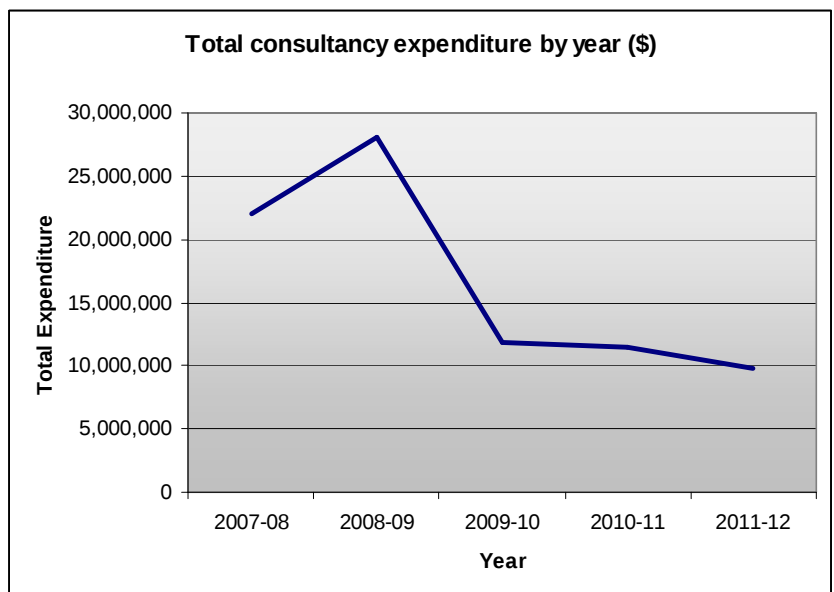
The ATO engages consultants where it lacks specialist expertise or when independent research, review or assessment is required.

- the level of consultancy expenditure has been consistently reducing each year since 2009-10
- the value of consultancy contracts awarded each year has reduced significantly over the period since 2007-08.

Table 3 below shows the consultancy expenditure for the period 2007-08 to 2011-12. The budget for consultancies for 2012-13 has reduced to \$9.1 million.

Table 3: Consultancy Expenditure 2007-08 to 2011-12

Year	Total expenditure for year (\$)
2007-08	22,053,114
2008-09	28,117,188
2009-10	11,804,233
2010-11	11,511,263
2011-12	9,784,269



Whilst the ATO is committed to reducing discretionary expenditure on contractors, approximately 71% (some \$780 million) of the ATO's 2012-13 \$1.1 billion supplier budget is made up of fixed medium to long term contractual arrangements. The large non-discretionary component of the ATO's supplier budget is linked to contracts such as property leases and IT arrangements, limiting the capacity to estimate future savings from this source.

343. The ATO, as a *Financial Management and Accountability Act 1997* agency, moved all recruitment advertising to online media on 1 July 2012 in accordance with the Non-Campaign Recruitment Advertising Policy (the Policy) issued by the Department of Finance and Deregulation.

All future recruitment advertising will be online, aside from exceptions permitted by the Policy. Exceptions include advertising in regional newspapers for vacancies in regional sites such as Albury, Townsville, Alice Springs and Darwin.

2011-12 recruitment advertising was \$301,979 which includes all online and newspaper advertising. \$143,310 was spent on online recruitment.

Estimated saving for 2012-13 for online recruitment advertising will be \$100,310. Forward estimates on recruitment online advertising are expected to remain the same.

344. As a government agency, the ATO has an obligation to provide quality services which are fair and accessible to all members of the community, regardless of differences in language, culture, physical characteristics or location.

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The ATO has a legal requirement to publish paper publications which provide guidance and assistance to help taxpayers understand and meet their obligations. For example, income tax returns and associated instructions. The ATO is required to produce paper copies of the *Commissioner of Taxation Annual Report* which is tabled and presented to each House of Parliament before 31 October each year.

The ATO is also required to issue a range of notices and correspondence to taxpayers including notices of assessment, statements of account and activity statements.

Over the past three years the ATO has been proactive in reviewing paper publication production and its associated warehousing and distribution activities to identify process efficiencies and savings. Over this period, the ATO has achieved a reduction in yearly expenditure of \$1.22 million.

The ATO is actively promoting a shift to our online channel. The ATO's content development policy indicates that publications produced for external audiences are to be written for the online channel in the first instance and adapted for print if and when required. In addition, digital portable document format versions of publications are available for download from the ATO website and through the ATO's Publication Ordering and Distribution Service.

Over the next four years the ATO expects to save approximately \$1.2 million on warehouse and distribution costs. This saving will be created through closer monitoring of stock and use of the most effective methods to distribute relevant tax information over this period.

In 2011-12, the ATO spent a total of \$9.7million on bulk printing of taxpayer specific correspondence, forms and notices excluding postage. The ATO's total bulk print budget for 2012-13 is \$9.7 million and the current forecast of actual expenditure is \$9.1 million. We continue to review this area with a view to identifying any additional opportunities to reduce expenditure and achieve savings.

Approximately 92% of the ATO's print budget is non-discretionary. The ATO regularly reviews all large scale printing requirements to ensure only necessary printing costs are incurred. The ATO is taking a rigorous approach to reducing printing costs and continually looks for opportunities to reduce costs.

In June 2012, the ATO transitioned those large businesses that were still lodging activity statements via paper into electronic channels. Work has begun with small, medium and micro business to transition the remainder of activity statement lodgments to electronic channels by the end of 2015. It is expected that small numbers of paper activity statements will continue to be used where there are valid reasons for businesses to interact via paper (e.g. religious grounds).

As a result of this work, the ATO expects the vast majority of the 16 million paper activity statements issued to businesses annually will be lodged via electronic channels. This means that taxpayers will access their activity statements online via the portals, electronic lodgment system and standard business reporting, therefore the ATO will not be required to issue paper statements.

Communication channels including short messaging service (SMS) and email are also being used to interact with taxpayers where appropriate, thus sometimes replacing personalised paper correspondence or telephone calls. This improves convenience and timeliness for taxpayers while also reducing the ATO's reliance on paper.

For 2012-13, the ATO expects to send in excess of 350,000 messages to taxpayers via SMS or email for these purposes.

The ATO will continue to monitor progress and seek opportunities to utilise electronic channels for taxpayer interactions, thus providing a more convenient service to taxpayers and reducing reliance on printed material.