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Thank you Chair.

I want to give you an update about the ATO's business since we last met in October – that we had a successful Tax Time for 2016 with use of our myTax and new on line tools; we are having positive results with our work on the Tax Avoidance Taskforce; and that we are progressing well with our international work with the OECD on BEPS and the Panama Papers.

I also want to let you know about the recovery and restoration from the systems outages experienced in December and in February; and how well that is going.

As you would probably be aware the ATO experienced recent systems outages; one before Christmas and one at the beginning of February. Extraordinarily these outages were caused by the failure of storage hardware or a SAN (storage area network) provided and maintained by Hewlett Packard Enterprises (HPE) on our behalf. The SAN was not old equipment, and in fact had only just been installed in November 2015 and was seen to be 'state-of-the-art' at the time.

The 3PAR SAN hardware provided to us as a data storage facility by HPE is similarly installed in many large organisations here and around the world. In fact, there are 67,000 of these SANs around the globe supporting major business operations including mission-critical ones like trading floors and banking platforms. Nothing like the failure we experienced has been

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experienced by any HPE client before. So this was an extremely unusual and unfortunate event.

I have commissioned an independent end-to-end review into the nature of the failure(s) and their root cause(s), the adequacy of back-up and contingency arrangements, and what needs to happen to ensure the ATO and the community are not exposed to this type of incident in the future. PWC are conducting this review and will assist the ATO to fully understand the causes and impacts of the outage experienced.

This review will report back to me around the end of March. We expect this report to be constructive and informative for our IT strategies in this area moving forward, but to manage expectations, I flag it is likely that not all of the report will be published due to legal and commercial sensitivities.

I also point out that HPE too are undertaking a root cause review of the outages. Their investigation will involve forensic testing of the faulty SAN once we have shifted our data to a new one. HPE advise that the forensic analysis will not take place until about June this year – when the hardware has been removed physically from the storage facility and sent to HPE labs in the US.

In the meanwhile, we are focussed on:

- providing stability, full functionality, and capacity for all of our systems and services
- replacing the faulty SAN with a new and better one

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- readying ourselves for Tax Time 2017 - similar to this time every year

We are on track with our systems availability and functionality. Hewlett Packard has confirmed to me that they are confident that the storage array has now been stabilised, and will perform as required to handle the usual volumes and traffic of lodgement cycles. In fact this week we have just handled the significant 28 February lodgement date for activity statements – without a hitch.

I want to acknowledge those in the community who have been impacted by the outages, in particular key players who help the tax and super systems work - tax practitioners, the superannuation industry and software providers. While I appreciate this has been a testing time, many have been supportive and constructive in their feedback and engagement with us.

The outages have highlighted how much all of us are now reliant on technology and digital services – just like many other businesses and organisations. It is a fact of life – we are all dependent on our phones, computers, and systems, and the reality is that occasionally, they will fail.

This demonstrates how important it is to have business continuity and contingency plans - what do you do when the system goes down, the power goes off, a telco shuts down or the bank is offline? We all need to be able to turn our efforts to alternative legitimate and productive work at the same time as business resumption. In essence, we should all have business continuity

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plans for when there is some kind of outage. Being offline should not mean that people have nothing to do.

We are working collaboratively and cooperatively with our stakeholders and I will be doing everything we can to ensure stability and performance of our systems. We will consider carefully and act on findings and lessons out of the reviews so that we can resume our focus on enhancing our service offer to the Australian community – simple, fast and convenient, like I said to you last year.

I now want to turn to some ATO business results and highlight to you the good progress we are making on a number of fronts with the Tax Avoidance Taskforce. About a year ago I sat here and spoke in very strong terms about our resolve and commitment to take on the more difficult and complex matters, to take on the minority doing the wrong thing - in the interests of the majority.

We have 70 audits in the large business area covering 59 multinational corporations underway; and hundreds of other companies are being reviewed for compliance with both general tax law and the Government's new Multinational Anti-Avoidance Legislation (MAAL).

At least 7 major multinational audits are expected to come to a head before 30 June, four in e-commerce and three in the energy and resource industries. We expect liabilities to total in excess of \$2 billion from these 7 companies. Some might be expected to be settled by the companies, some are likely to go to litigation.

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The process to assure ATO settlements is also now operational - we have three retired Federal court judges reviewing settlement cases completed since 1 July 2016 and a number of other large settlements nearing completion.

Work on Private Groups and Wealthy Australians including High Wealth Individuals (HWI), Trusts and Promoters is continuing with over 280 audits underway. This work has raised \$545 million in direct liabilities with \$250 million in cash collections so far this year.

The 'Top 320' Private Groups Tax Performance Program is progressing strongly with one-to-one intensive engagements underway with 156 of the 320 Top Private Groups. Full coverage of this population is expected by the end of the financial year.

I want to assure you that we are on track to deliver this year – for the Taskforce, for Tax Time and other commitments we have made to the community. We continue to drive our cultural change and we do not waiver from our vision of contemporary service, integrity and expertise.