



**QUEENSLAND HEALTH PAYROLL SYSTEM
COMMISSION OF INQUIRY**

Statement of Witness

<i>Name of Witness</i>	Natalie Margaret MacDonald
<i>Date of Birth</i>	01/12/1966
<i>Address and contact details</i>	
<i>Occupation</i>	Vice President Administration, La Trobe University

I, Natalie MacDonald, state:

BACKGROUND

1. I previously provided a statement to the Commission dated 16 April 2013.
2. I have been asked by Crown Law to provide a further statement about a meeting I attended with IBM and Mr Grierson on 19 August 2010 during the settlement negotiations.

MEETINGS ON 19 AUGUST 2010

3. I have been told that evidence given to the Commission shows that I attended:
 - (a) a meeting with Mr Doak and Ms Adam-Gedge from IBM and Mr Grierson on 19 August 2010;
 - (b) a meeting with Mr Grierson and Ken Smith on 19 August 2010 following the earlier meeting with IBM representatives; and
 - (c) a meeting in the afternoon of 19 August 2010 with Ms Berenyi, Mr Brown and Mr Grierson.
4. I cannot remember the full details of those meetings or their timing. However, I recall that at some stage during the settlement negotiations Mr Grierson and I met with:
 - (a) IBM representatives to discuss the status of settlement negotiations; and
 - (b) Ms Berenyi and Mr Brown to discuss key points that needed to be resolved moving forward.

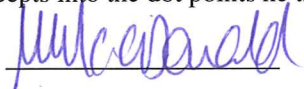
It is likely the meetings I recall are those described in paragraphs 3(a) and (c) above.

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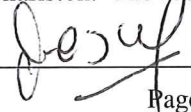
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5. I did not attend the meeting between Mr Grierson and Mr Smith. It would have been unusual for me to do so.
6. I also recall attending a meeting with Mr Grierson, Ms Berenyi and Mr Brown before the meeting with IBM representatives. That meeting was instigated by Ms Berenyi and Mr Brown. Mr Brown took us through a 'terms sheet' that he had produced and highlighted areas of disagreement or lack of feedback from IBM. At this meeting, Mr Grierson suggested that he meet with IBM to try to break through the issues. The alternative proposal was for a series of workshops between the lawyers. My impression at the time was that Mr Grierson did not think that would move us forward.
7. My recollection of the meeting with IBM representatives is that the intention was to discuss status and to try to get things resolved. Mr Grierson led the discussions and a number of matters were discussed. I recall IBM strongly stating that they wished to continue supporting the system. IBM brought a copy of the Auditor-General's report with them to the meeting and referenced it to highlight the State's deficiencies. IBM had also done so previously. Mr Grierson took the position of trying to reach a resolution to achieve an IBM exit which minimised disruption to payroll.
8. It has been suggested to me that I made a note of the meeting with the IBM representatives. It is my recollection that both Mr Grierson and I had the terms sheet provided by Mr Brown in our earlier meeting (identified in paragraph 6). I recall that document was a landscape table with a series of rows in table format. Mr Grierson referred to it during the meeting and it is likely that I made notes on the document. I no longer have those notes and given the proximity of the later meeting with Ms Berenyi and Mr Brown on the afternoon of 19 August 2010, I would likely have given it to them. That was my standard practice. I did not make a separate file note.
9. I recall that Mr Grierson made specific reference in the IBM meeting of 19 August 2010 to the need to work through three Ministers and then CBRC. I also recall that Ms Adam-Gedge made a similar reference to the need to seek clearance from the US. Whatever was discussed at our meeting on 19 August 2010 was not seen to be a binding agreement; it was subject to further approval.
10. I do not have a good recollection of the meeting with Mr Brown and Ms Berenyi. However, generally, I recall that there was some discussion about trying to finalise a position with IBM and the notes I had made on the terms sheet (identified in paragraph 8).
11. I have been shown a copy of Mr Charlston's file note (Tender Bundle 3, Volume 3, page 150). That file note lists a number of key principles that were purportedly discussed with IBM and then conveyed to Mr Brown on 19 August 2010.
12. I do not recall either myself or Mr Grierson dictating to Mr Brown and Ms Berenyi what the settlement principles should be. It is likely that Mr Grierson, who usually took the lead in such meetings, ran through key concepts to be included in the settlement principles and Mr Brown turned those concepts into the dot points he then discussed with Mr Charlston. The focus was

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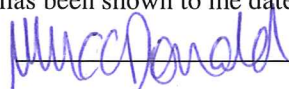
undoubtedly on getting a number of defects fixed and transitioning the support contracts from IBM to CorpTech. They are the only specific things I recall discussing.

13. Although I do not have a specific recollection of the content of my notes of the meeting with IBM, I believe that they would have been broader than the points outlined in the file note. It is likely that Mr Brown turned general direction from me and Mr Grierson about the IBM meeting into the more specific elements in this document.
14. In any event, the matters discussed with IBM on 19 August 2010 were subject to CBRC approval. Indeed, all of Mr Grierson's discussions with IBM were subject to government approval. I believe that was always made clear to IBM.
15. I cannot remember any political imperatives or concerns being discussed with Mr Grierson, Mr Brown or Ms Berenyi.
16. The meeting with IBM must be considered in the following context:
 - (a) IBM was extremely assertive in its approach, and certainly advised it was considering suing the State for comments made in the media, as opposed to contractual matters. I was concerned about the possibility that IBM would not assist fully in the transition, i.e. by information necessary for CorpTech to support the system. That may have seriously affected CorpTech's ability to support the system.
 - (b) Mr Grierson had been given instructions from CBRC to settle with IBM and to move in to a transition phase.
 - (c) There was a lot of concern about the time and cost involved in litigation, or even fully assessing a litigation effort. This would have necessarily involved a huge time commitment from the very people whose responsibility it was to support the health payroll system, among other responsibilities (i.e. potential witnesses would be taken away from their duties to see solicitors, explain the system and problems, have statements taken, and eventually confer with counsel etc). It was considered important to get things moving in terms of a transition of the system to CorpTech.

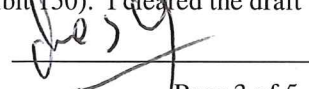
OTHER MATTERS

17. I do not have a clear recollection of Mr Charlston's involvement in the negotiations or why he stopped being involved. I cannot recall any positive decision to remove him and there was no animosity between himself, me or Mr Grierson. I am not sure I even met him or talked with him. It is likely that negotiations were winding down and he was no longer needed.
18. In my view, the settlement terms were the best that could be achieved in the circumstances. Further, I believe Mr Grierson did the best he could in the circumstances and the settlement was reasonable when viewed in context. It was a difficult commercial decision to make.
19. Mr Walsh, on behalf of Queensland Health, confirmed he was happy with the draft CBRC submission in August 2010 and the attached proposed settlement principles. That is confirmed in an email that has been shown to me dated 23 August 2010 (Exhibit 150). I cleared the draft

Signature:



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CBRC submission with Mr Walsh and I would not have allowed it to go further without his support on behalf of Queensland Health.

20. I have been provided with the attached document which was relevant to the decision making process (**Annexure A**). I believe it was prepared by my principal adviser to help inform thought processes and risks for the July 2010 CBRC submission.
21. I make this statement voluntarily. The contents of this statement are true and correct to the best of my knowledge. I acknowledge that any false or misleading statement could be an offence against the Commissions of Inquiry Act 1950 or contempt of the Commission.

Declaration

This written statement by me dated 31 May 2013 and contained in the pages numbered 1 to 4 is true and correct to the best of my knowledge and belief.

Signed at Bundara this 31st day of May 2013
Signature MurceDawald

Witnessed:
Name Paul Ramage Signature 31 May 13

Signature:

MurceDawald

Witness signature: _____

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Annexure(s) to Statement of Witness

Items to be annexed to the statement of Natalie Margaret MacDonald taken on 31 May 2013:

- A. PowerPoint slide entitled 'State Options'

Signature:

Natalie MacDonald

Witness signature:

[Signature]

Annexure A

