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**TRANSCRIPT
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THE HONOURABLE RICHARD CHESTERMAN AO RFD QC, Commissioner

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IN THE MATTER OF THE COMMISSIONS INQUIRY ACT 1950

COMMISSIONS OF INQUIRY ORDER (No. 1) 2012

QUEENSLAND HEALTH PAYROLL SYSTEM COMMISSION OF INQUIRY

BRISBANE

..DATE 18/03/2013

Continued from 15/03/13

DAY 6

WARNING: The publication of information or details likely to lead to the identification of persons in some proceedings is a criminal offence. This is so particularly in relation to the identification of children who are involved in criminal proceedings or proceedings for their protection under the *Child Protection Act 1999*, and complaints in criminal sexual offences, but is not limited to those categories. You may wish to seek legal advice before giving others access to the details of any person named in these proceedings.

THE COMMISSION COMMENCED AT 10.32 AM

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COMMISSIONER: Mr Flanagan, good morning.

MR FLANAGAN: Mr Commissioner, good morning. I call Gary Uhlmann.

UHLMANN, GARY RONALD sworn:

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COMMISSIONER: Sit down, please.

MR FLANAGAN: Yes. Your full name is Gary Uhlmann?---Gary Ronald Uhlmann, yes.

Thank you. And, Mr Uhlmann, you have given a statement to the commission dated 7 March 2013. Is that correct?
---That's correct.

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And it's a 15-page statement?---Yep.

Would you look at this document, please? And in that statement you declare that the contents of that statement are true and correct to the best of your knowledge and belief?---Yep, that's correct.

Mr Uhlmann, you are the owner and sole director of Arena Consulting. Is that correct?---Correct.

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What is the business of Arena Consulting?---Basically organisation review and change management.

And you commenced work in the public service prior to having your own consultancy business?---Yes, that is correct.

And you commenced work with the public service in or about 1975?---Yes.

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And you worked for the public service in various capacities until you left in 1997 to set up your own consultancy business?---Before - somewhere in that period, I spent 10 years in the IT industry prior.

Thank you. And when you were in the public service, you actually became the deputy director-general of operations in the Department of Transport in 1995?---That is correct.

You formed Arena in 2001. Is that - - -?---That is correct, yes.

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Thank you. All right.

COMMISSIONER: Mr Flanagan, are you going to tender Mr Uhlmann's statement?

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MR FLANAGAN: Yes, I will tender his statement, yes. I'll do that now. 1

COMMISSIONER: Very well. The statement will be exhibit 20.

ADMITTED AND MARKED: "EXHIBIT 20"

MR FLANAGAN: May I take you then to volume 1, tab 1? This is a report done by Arena Consultancy in relation to the strategic review of Shared Services Solutions program. Is that correct?---That is correct. 10

Dated 20 December 2005?---That is correct.

Who engaged Arena for the purpose of doing this review? ---That would have been Geoff Waite.

And he was, at that time, the executive director of CorpTech. Is that correct?---That is correct. 20

Right. Now, do you know who assisted Arena in this review? ---Just members of my own team, so the two I can remember are Peter Matthews and Michael Fritschi, but there may have been others.

And your involvement in this review?---To lead the review.

Thank you. Now, if I could take you to this document to one option that you strongly recommend, which you'll find at page 6 in the second-last paragraph?---Yep. 30

That one option strongly recommended by Arena is to appoint a program director program management who would focus on ensuring integration of program management and risk and issues management. Do you see that?---That is correct.

Why did you recommend that?---Basically because even at that stage there were issues around - arising about integrated planning, inconsistencies in reporting and some gaps, I think, in the issues and risk management area. 40

And how was your report or your review dated 2005 received by CorpTech?---I think there was some angst about the directness of the wording in the initial report and based on some pretty strong feedback from some of the executive players, we refined the wording and submitted the final report.

All right. Now, as part of this review, did you conduct a series of interviews with Mr Waite, for example?---Yes, that is correct. 50

Darrin Bond?---Yes, that is correct.

And Philip Hood?---That is correct, yep.

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Thank you. Now, you also looked at the governance of the Shared Service Initiative as part of this review, didn't you?---Yes, we did. 1

And what was your primary finding in relation to the governance of the Shared Services Initiative as being rolled out by CorpTech as at 2005?---Basically that it was complex, that it was very much a public service governance model, not really a project governance model, that people at various levels and in the stakeholders did not really understand the role responsibilities, accountabilities and decision-making of the various entities, and there was confusion about, therefore, about what information needed to go to which bodies and how that needed to be presented, so there was some confusion about that governance model. And also, the other thing was that in the project reported 2A up to the executive director CISIO and also the executive director CorpTech, and that is generally a recipe for trouble in any project. 10 20

Did you examine as part of this review whether the CorpTech roll-out of the Shared Service Initiative throughout the whole of government was on time or on budget?---No, but we did have a look at the state of the planning at that stage and it was clear already that there were problems with the planning, the milestones and then the reporting against that. 20

All right. Now, in 2005, Arena was appointed the change and communications partner for the SAP implementation for the whole of Queensland Government. Is that correct? ---That is correct. 30

What did that involve?---Really providing expert advice on change and communications around the implementation of the SAP solution, in essence, and so we were to give them advice to prepare a toolbox which is basically a whole series of documents, processes, procedures, so that people could use and use over and over again. 40

And was that in conjunction with CorpTech?---Yes.

Thank you. Now, as at 2005 did Arena have a relationship with a company called Information Professionals?---Yes, we did.

And who was the person behind that company?---That's Mark Nicholls.

All right. Now, is Information Professionals a company focused on IT project management?---Yes. 50

How is that different to Arena, for example?---They were more IT technical than we were. So Arena was generally organisational review and change, so we would - we did a

lot of reviews of public service departments or components and departments, or processes inside departments like corporate services and things like that. So we did a lot of that sort of work or we pulled departments apart or set up new ones and so - whereas, Mark - Mark has very specifically focused on the IT industry, so he had people with very specific IT technical expertise.

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All right. In paragraph 21 of your statement you refer to the fact that Arena and Information Professionals were consortium partners. What do you mean by that?---By consortium partners, I mean that we put together three partners, ourselves, Arena at that strategic organisational level, Mark Nicholls Information Professionals with the IT expertise and then Deb Camden and her area in terms of communications expertise, and so therefore we had all of those three key components covered.

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Did you also know a company called SMS?---Yes.

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And what did they do?---SMS is a consulting company that is very much known for its project management and then all of the expertise and skills around that, a very good reputation in the marketplace.

Just to be clear, Arena and Information Professionals have no relationship or working relationship with SMS?---No.

All right?---Oh, I don't know about Information professionals but I didn't, no.

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Thank you. Now, can I just understand then when Arena would contract with treasury in relation to carrying out a particular task or a particular review, or indeed in this position of change and communications partner for the SAP implementation, would Arena contract to Queensland Treasury and then subcontract to Information Professionals and others for the purpose of carrying out the review of the work?---In essence, that's how it worked, yes.

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Now, was there a person also by the name of David Ekert who worked for Information Professionals?---That is correct, yes.

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And is that person, through Information Professions, you, as part of Arena Consultancy, would use the services of for the purposes of reviews and other implementation work? ---Not reviews, but, yes, implementation work. He was under change, he went in the business area for change management.

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All right. Now, you had previously worked with Mr Nicholls in relation to a Queensland Rail project?---Yes.

Now, when did you first meet Mr Keith Goddard?---Probably during the review, I think. He was a project manager somewhere inside the overall project, and that was the first time I ever came across him.

Thank you. This might be testing your memory, but what consultancy did he come from?---I have no idea.

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In terms of one of your primary recommendations in your 2005 review, which was for a director of program management be appointed, what were you hoping that such an appointment would achieve for the shared services initiative roll-out? ---Well, it's really to get the PMO working ago, project management office. The project management office already was showing signs of not working at that stage, and so the key issue around the project management office is to make sure that you get integrated planning, like, end to end planning, key milestones, deliverables, and then your issues management and then you risk management around all of that, and then standard reporting and metric reporting aimed at the right place. And that way you get independent reporting, it's a quality check for the whole of the organisation as well as an area of expertise and an independent view for the overall executive director and governance processes, and I was concerned, very concerned, that was already falling apart.

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Was that recommendation put forward by Arena Consultancy in 2005 acted upon?---Not to my knowledge.

All right. When you presented your review, did you actually have a one-on-one meeting with Mr Waite?---I can't remember exactly, but I would suspect I did.

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If you look at page 7 of your review, you've actually made a number of recommendations there?---Yes. 1

From your own recollection were any of your recommendations acted upon by CorpTech after the receipt of this review in 2005?---I wasn't close enough to know exactly whether they did or didn't implement the recommendations because that wasn't my area of work, so we were right outside of that so I was just brought in to do that review. However, if you're sort of looking at it from the outside, I would have said, "I don't think they implemented many." 10

All right. Now, between 2005 and 2007, to your own knowledge, did the CorpTech roll-out of the shared services initiative encounter further budgetary and time problems? ---Yes.

And ultimately were you requested to do a snapshot review in or about April 2007?---I was. 20

Who requested you to do that review?---Geoff Waite did, and though I do recall that the under-treasurer at that stage was getting quite concerned about a review overall, and so I think he was looking for an independent view, and I would suspect that Mike Bernheim was also pushing for it as well.

All right. Now, from your time in the public service, did you come to know Mr Bradley, the under-treasurer?---Yes, I did. 30

Now, can I take you to that review, which we'll find in volume 1, page 158?---Yes.

It was a review presented by Arena Organisational Consultants on 18 April 2007. The review itself seems to take the form of a presentation. Is that correct?---Yes, that's correct.

And did you actually present this review to a panel of people?---That would have gone through the - I'm just trying to remember the order of it, really. I know I presented that to Gerard Bradley, the under-treasurer, but probably I would suspect I would normally just present a cut down version and have that there and give him the full versions. 40

All right?---And then it would have gone to the executive, what they call the "program executive team" the PET team in the project. 50

Now, even though the review is done by Arena Organisational Consultants, who assisted you with this review?---I remember Mark Nicholls sitting at the table in the Arena boardroom, so he was definitely part of the team in some degree, and there was Terry Burns and I think there was at least one other but I can't remember who that was.

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All right. Was it David Ekert, to your memory?---It could have been, yes. It's quite possible that was the case. 1

Was Mr Goddard involved in this desktop review at all? ---That's a good question. I don't know why he would have been but I can't specifically exclude him, because I wouldn't have known him. Unless that was suggested to me - - -

Was this the first time you've met Mr Burns?---Yes, it was. 10

Given that Arena was doing the review, did you contract Mr Burns for the purpose of this review?---No, it wasn't contracted, he was contracted to Information Professionals and Mark Nicholls suggested that we take him onto the review and there would be no charge. So given his background, I thought, "That sounds like a good deal to me."

Did you ever have to pay Mr Burns any money for 18 April 2007 review?---No, I did not. 20

Did you ever have to pay, once you had billed Queensland Treasury, did you ever have to pay an invoice from Information Professionals?---I don't recall doing so but it's not - it's possible that I did.

Now, in the course of meeting Mr Burns, did you read his CV?---I would have at the time, I can't recall doing so but I would have. 30

Did you speak to Mr Burns directly about his background? ---Yes, I would have; yes.

And do you recall what his background was?---I recall him coming from South Africa and having an IT background in South Africa, and the key thing that stands out for me is that he was the overall program director for the worldwide roll-out of the SAP solution for Fonterra in New Zealand. 40

All right. Thank you. Now, I take it this was the first time you had met Mr Burns?---That is correct.

Had you ever encountered him in government projects for the Queensland government previous to this?---No, I had not.

To your own knowledge, do you know when he actually came to Australia?---No, I wouldn't have an idea.

How was this review for 18 April 2007 conducted?---We would have - there are a number of components. One was obviously looking at all the documentation and then a series of interviews, and that would have included internal interviews both at the executive level, but particularly down at the lower level. One of the things I've discovered 50

over time is if you really want to know what's going on you go down to the engine room, so we would have definitely talked to a number of people in there and then to some of the stakeholders. As a result of that, we would have discussed our conclusions and then we probably would have done a series of draft slides and then gone through each of those slides together and then I would have done a final edit of the whole document.

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Now, prior to this work commencing do you know how long Mr Burns had been working for Information Professionals? ---I don't know specifically but I - my feeling is that he just arrived and so really just - he just arrived on the scene at that point.

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What role did you play in the 18/4/2007 review?---I led that review.

All right. And did you ultimately edit the content of this report?---I certainly did.

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And Mr Nicholls' role?---I think he - I can't actually recall him doing work - doing the detail work, but I can recall him sitting around the table when we were going through the individual slides, so I think - and he was working anyway inside in a more technical role in the project, so I think he was contributing to the final document. I think that's what it was.

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Thank you. Mr Burns's role?---He would have been a full and active member of the review team.

All right. Now, going back to Fonterra and the project in New Zealand concerning Fonterra - - -?---Yep.

- - - did Mr Burns ever speak to you directly about what his involvement in that project was?---Only as overall program director and that he worked with IBM in that project and that it went extremely well.

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You might be able to assist us. Did Mr Burns, at the time that he was engaged for this 18 April 2007 review, have his own consultancy company?---I think he did, yes, and I think it was through that vehicle that he would have subcontracted to Information Professionals.

And that was called Cavendish Risk Management Pty Ltd? ---Yes, it was, actually.

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Thank you. Now, can I take you to this review?---Sure.

May I ask you to turn to page 165?---Mm'hm.

It would seem that one of the conclusions this review came to was that the program budget would be exceeded if things stayed as they were?---Exactly right.

And that was, if I understand this report correctly, was simply a calculation of how much over time the project was going and therefore how much over budget it would be going by a monthly calculation of consultancy fees and CorpTech fees. Is that correct?---Yep, that's correct. The burn rate was, I think, 45 million for every six months. When we spoke to the people in the engine room, they were saying it will be at least another 12 months. Normally when I

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hear that I would double it, so what I said was, "Well, 12 months is 90 million, 18 months is 135, but I suspect" - well, I didn't write it in there; I thought it would be more.

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As at April 2007 had you been informed by either Mr Waite or Mr Bradley as to the remaining budget for the roll-out of the Shared Service Initiative to the whole of government?---Not - it would have been Mr Bradley, but I would suspect that I was told that by Mr Waite.

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Right. So when we're looking at if things stayed as they were for the CorpTech roll-out of the Shared Services Initiative, the \$90 million increase or the \$135 million is in addition to what was the existing budget available to Treasury that had been estimated for this roll-out?---That is correct.

All right. Thank you. Now, you seem to have made in this report, yet again, the same recommendation. If I can take you to your recommendations which are contained at page 175, and one of your primary recommendations from this report again would seem to be appoint an operational program director and you were suggesting that be done by 23 April 2007. Is that correct?---Yes, as a matter of urgency; yes.

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As a matter of urgency?---Mm.

Mr Uhlmann, was that different at all to the recommendation that you had made in 2005 with your first review?---This one was a bit different because my conclusion was they were in serious trouble at that stage, so I think called it in here, the point of critical vulnerability for the project, and this role was therefore - was previously in that line that was going to sit in the line with the other executives reporting to the executive team and this one was to take total control and just pull it all together and implement a range of accelerator strategies and corrective strategies.

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Can I just take you to page 162 of the review then? Just to reinforce the point that you made, you identify in the overall conclusions at the second-last dot point, "The program has reached a point of critical vulnerability" and then last dot point, "Inaction now will result in program failure - - -"?---Yes, that's correct.

- - - which is a fairly definite finding. What was that based on?---It was based on, well, probably a range of things really. One is that the time line was slipping, the scope wasn't defined. The various departments were continuing to, and rightly so, if I was from one of the departments, increase the scope to include their own individual departmental requirements and not just the standard offering. There was no integrated planning, so there was not one critical milestone, proper milestone plan

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which had credibility. The detail planning in underneath that was inadequate and clearly inadequate. The risk and issues management was not good. The lined set of the stakeholders was also not good; they did have the buy in at the really senior executive levels and they were concerned about a couple of things: (1) whether the system was going to meet their business requirements; and (2) whether when it was implemented, was it actually going to work, and so they were quite concerned about that. Then the resource management was really poor, so there were some areas that had too many resources, other areas that had inadequate resources, there was no resource balancing across the project, so a whole range of those things, and it was just - it was slipping. And if you can't nail your scope and if you don't have the project disciplines in place, then in the end the thing will just fall over and it was really looking like that to me.

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May I take you to a specific conclusion which is at page 161, the first dot point?---Yes.

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This is that Queensland Health should not be brought forward?---Yes.

You were aware, were you not, that there were concerns being expressed both by CorpTech personnel and certainly by Queensland Health personnel as of April 2007 that the existing LATTICE payroll system was going to lose vendor support by June 2008 and that there was, in some quarters, a perceived fear that the system would fail. Did you have that information available to you at the time?---Certainly did.

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You looked at that issue?---I did.

And what did you decide so that a conclusion could be made that Queensland Health should not be brought forward? ---Well, I conclude - and I suppose if you sort of look at my background, I sat on the other side of the fence in the IT industry, so running software support, the Unisys for Australia, and that's just commercial negotiation. There was - in my mind it was an issue, it was a low-level risk, and the vendor had already said they would make the source software available at little or no cost, so you could train your own people. You had skilled contractors in the marketplace for those sorts of skills. There were other organisations who also had LATTICE, so there were opportunities to get together with those; really hadn't finished the negotiations with the vendor. The vendor I think was probably trying to push the department to upgrade to their new software before they went to SAP, which if I was the vendor I would have done exactly the same thing, so I think it actually - I was not at all concerned about that. As far as I was concerned, that was solvable and I didn't think it was going to be a really big issue myself, so I was not concerned.

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May Mr Uhlmann be shown Mr Hood's statement with the annexures to Mr Hood's statement? 1

COMMISSIONER: Mr Who's statement?

MR FLANAGAN: Hood's statement.

COMMISSIONER: Yes.

MR FLANAGAN: Which is exhibit 11. 10

COMMISSIONER: Mr Uhlmann, have I understood you correctly on this last point? You were saying that LATTICE, the payroll system, LATTICE, in Queensland Health could have been supported either by paying the vendors more money or by training experts to get yourself in the market?---Yes, you might do; yes, and both of those I thought were feasible. The issue is you just have to understand the mentality of the commercial vendors. It's only money from their point of view, and they wouldn't negotiate. That's what that was. 20

MR FLANAGAN: In relation to the annexures to Mr Hood's statement, can I ask you to find a letter from Talent2, dated 6 August 2007?---Is it in the back somewhere?

Yes, it's an annexure to that. It should be a letter on Talent2 letterhead, dated 6 August, addressed to Phillip Hood, deputy executive director of CorpTech?---No, I seem to be having trouble finding it. 30

Thank you. It's around seven pages into the attachments? ---Seven - - -

Pages into the attachments?---Into the attachments.

Why don't you look at my copy. And the letter finishes at the top of the opposite page - sorry, just at the top of the page that's opened, Mr Uhlmann?---Sorry, yes. 40

Yes, associate, may I have my copy back then, please? Mr Uhlmann, as you read that letter which is dated 6 August 2007, is that the type of letter that you would read and say to yourself from your experience, "Well, this means that we need to bring Health forward immediately"? ---No.

Why is that?---Because I still think you can solve the problem, you can get the contractors to do it, you can train your own people. In the end it is not in the vendor's interest to leave such a large company exposed by not helping them solve the problem, it just would not happen commercially. 50

Why is that?---Well, it would damage their future product - - -

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COMMISSIONER: And their reputation?---Yes, it will, and their reputation. Just you wouldn't do it, you know? If they're a really major customer of yours you will help them find a solution.

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MR FLANAGAN: You referred previously in your evidence that software companies in the position of LATTICE, for example, or through Talent2 would be seeking to have their existing software upgraded. Is that correct?---Yes.

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As you read that letter, is that what was being sought there?---Yes.

That is, support was being withdrawn for the existing system but they were quite happy to negotiate with CorpTech in relation to an upgrading of the system. Is that correct?---Yes, that's correct.

We all know as a fact that the LATTICE system was supported to March 2010, was it not?---That I'm not sure of.

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All right. You're not aware of the go live date of the new system?---I just can't remember what it was.

Thank you. What do you say to evidence that's been given to this commission that the LATTICE system was or could have been viewed as being on the brink of failure?---The other issue which I can't comment on is really how robust the software was, and it's possibly over time because of, really, the complexity of the award system in Health that it was really starting to groan, so the robustness may have been an issue. Could we have got support? Yes, we could have got support, I'm absolutely convinced. Sorry, you've just proved it, sir. So, yes, but robustness of the software may have been an issue.

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Now, your recommendation which was one of your overall conclusions that Queensland Health should not be brought forward was not simply based on the fact that LATTICE could be supported, was it?---No.

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What was that conclusion based on and why were you recommending that Queensland Health not be brought forward? ---They weren't ready, they clearly weren't ready. The planning they'd done was very high-level planning, so it was sort almost like theoretical planning, "We're going to over this and this, and this and this." Yes, that's right, but the detailed planning wasn't there, the implementation roll-out planning was definitely not there. From a bill point of view, I mean they had to do really major changes to SAP, you had Workbrain, and you'll see in our report, and I'm not sure whether that was ever picked up, that we said they had to do both proof of concept and they had to do a pilot and then you have to roll it out. And the LATTICE system took five years to roll out, is what we were

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told, and in my mind they were just going to do a sequential roll-out and instead they did the big bang theory, and that's exactly what happened. And so there were a whole range of issues through there where they were just not ready. On top of that, if you go back to why the project exists, it was to get the financial benefits for the public service as a whole. And the benefits were in getting the small departments in and operating and away, and the big monolith of Health was therefore right down the back. So the big issue around Health at that time was LATTICE, and I just never saw LATTICE support as an issue but everyone else did.

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What would be the benefit of having the package of software rolled out in other departments, such as, the package that included SAP and Workbrain and Saba and Recruit - - -

COMMISSIONER: ASP.

MR FLANAGAN: ASP, thank you, your Honour. What was the advantage of having that rolled out in other departments before coming to Queensland Health?---I can't tell you exactly because I was never allowed to have a look at the business case, and I did want to have a look at that business case.

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COMMISSIONER: The Queensland Health business case?---No, the overall shared services one. In the first place, to kick off a project like this you'd have to have a business case and the business case has to be compelling, because the risks of such a large project, commissioner, are just enormous. This is one of the biggest software implementations in the southern hemisphere, and so the business case itself must have had some big, positive dolls attached to it. Part of that I think was getting standard processes across a whole range of departments, really simple, you know, it's just these facilities and nothing else and you don't need anything else in the small departments. And the longer that implementation went on the less likely you were to get the early benefits, and so that just pushes the benefits down the track and undermines the business case. And that's why I was really keen to see the business case, so I could have a look if you're going to change the order of things, well, what the heck does that mean? But I was never able to see it.

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Mr Uhlmann, you've told us in some detail why you thought Queensland Health payroll shouldn't be replaced as a matter of priority?---Yes.

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Did you give the same inclination to anyone in treasury or CorpTech?---Yes.

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Who?---I was very open about that. This report here, when you're at that point, time for soft language and pussyfooting around has finished, so I was really blunt in what I said. **1**

And to whom were you blunt?---I was blunt to the under-treasurer; I was blunt to the executive team, to anyone that we had to report this to.

Can you give us the names?---It would have been - well, the executive team would have been Mike Bernheim, Geoff Waite, Darrin Bond, Philip Hood. **10**

Mr Bradley?---Pardon?

Mr Bradley?---Yes, Mr Bradley.

All right.

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MR FLANAGAN: Just to finish with this report then, can I take you to page 171? That's where you've identified in summary the fact that the program had reached a point of critical vulnerability?---Yes. 1

And there's eight points that you've identified there for coming to that conclusion. Is that correct?---That is correct.

Thank you. Now, following on from the questions of Mr Commissioner, did you in fact present this report to the under-treasurer, Mr Bradley?---I did. 10

And you had a meeting with him?---I did.

Who else was present?---I know Geoff Waite was present and I have a feeling there was one, maybe two other people who were in, but I can't recall who was there.

All right. Now, when you presented this April 2007 to the under-treasurer, it was in or about April 2007 when the review had been completed?---Yes. 20

Now, I take it Mr Burns wasn't present at this presentation to the under-treasurer?---That would have - I can't recall that; that would have been unusual. I wouldn't normally have allowed such a thing, but it's not impossible.

What was said at that meeting?---Basically a summary of, in really direct language, a summary of my conclusions, yes. 30

Now, what was the under-treasurer's reaction to your blunt language and conclusions contained in your 2007 April review?---I think he was surprised, maybe even potentially a touch shocked that it was so black and white, as far as I was concerned, because the feeling I got at the time was that was not the information - in the terms that I delivered it, that was not the information he'd been getting, so - - - 40

Did you discuss with the under-treasurer the fact that you believed that information wasn't getting through to - or critical information was not getting through to him in relation to the Shared Service Initiative roll-out?---I told him that was my view.

And what was his reaction, what did he say to that?---I think he was very concerned, particularly since therefore the information he'd been getting, what I was now saying to him, appeared to be potential to not - not necessarily two different things but it wasn't as - like I was saying, "No, this is the fact," and he hadn't been getting it that directly before, I don't think. 50

We know that in around mid-2007, Mr Waite took leave and subsequently was replaced by a Ms Barbara Perrott. Yes? ---Yes, that's correct.

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Do you have any knowledge, sir, whether your conversation with the under-treasurer in respect to this report had any cause or effect in relation to the change of executive director to CorpTech?---I don't have direct knowledge of that but I'll be fairly certain that it was input into any decision we had to make. Jarad was a decision-maker and he thought he had to take action, he would have taken action. So he would - if given my information, I think he would have started checking through other sources then to try and verify what I was saying was correct.

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All right. Now, we know that one of your primary recommendations in this report was for the appointment of a program director. Is that correct?---That is correct.

Now, did you discuss that issue with Mr Bradley in April 2007?---I would have - I would definitely have discussed the recommendation, absolutely. I would have told him that was a matter of high priority.

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Did he ask you whether you had any person in mind who could fulfill that position?---I can't remember that specifically but that would have been Jarad's next question, so if it's so urgent do you know anyone could have - who could do the job, so I would have definitely been thinking about, well, who, you know, who do I think could do the job.

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And who did you think could do the job?---Well, I certainly thought Terry would be able to do the job.

Did you recommend Mr Burns to the under-treasurer?---I can't remember doing that, but it is possible.

Why didn't you recommend yourself?---I don't think I have the technical skills for that kind of project rescue and that really did need - I think it needed real serious project turnaround experience.

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What about Mr Nicholls?---Yes, I think Mark could have done it.

Did you recommend him?---I probably - I wouldn't be surprised if I did because he is the other person, given his background, major projects background - that's really right up his alley, so it is possible but I can't remember that.

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Now, did you warn the under-treasurer at this meeting in April 2007, in accordance with your report, that both the time lines and the budget for the Shared Service Initiative roll-out by CorpTech were going to blow out?---I would have been unequivocal on my advice to him.

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Now, we know that Terry Burns was ultimately appointed to a position of operation program manager but also engaged to do a four or five-week review that resulted in a report by him in May 2007, which - without going to it for our present purposes - recommended certain things, including an empowered program director and still maintained the recommendation that Arena had come up with in April 2007 of not bringing Queensland Health forward. Yes?---I don't know the answer to that, sorry.

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All right. Did you ever read his May 2007 - - -?---No, I can't recall doing so, but I wouldn't say it's out of the realm of possibility that I saw it at some stage, but I can't recall it because it was - our project finished, you know, when I delivered this and then I had to go back to the change of communications work, so I had no role at all in the implementation, so I don't think I would have seen it, no.

When did you come to know that Ms Barbara Perrott had replaced Geoff Waite as the executive director at CorpTech?---I don't know when I came to know it, but it probably would have been soon after it happened because those sorts of things move - that sort of information moves very quickly in that project environment.

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Did you know Ms Barbara Perrott?---I did, yes.

All right. And what did you know her background?---She was an excellent corporate services, Shared Services executive. I was concerned for her because she - to my knowledge, she didn't have a strong IT background and she didn't - and major projects background, and she didn't have, to my knowledge, major projects turnaround background, and so I was worried that she was being put in that role at a time when, as we said before, at a time of critical vulnerability. And because I had so much respect for her, I was concerned for her.

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Now, Mr Burns, however, to your knowledge, through what you had read of his CV and what he had told you, did have IT and major project background. Yes?---Yes, absolutely.

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Thank you. Now, when Mr Burns conducted his review, which ultimately led to his May 2007 report, he was not, it appears, contracted by - to Queensland Treasury through Arena but contracted through Information Professionals. Is that correct?---That is correct.

To your own knowledge, how did that come about?---Well, it's an interesting story, that one. Geoff Waite had asked me to come talk to him about that issue and I would have taken Mark Nicholls along because he was subcontracted through Mark Nicholls, but I actually had to go - and I think it was to see the deputy CEO of QR and I could not

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put that meeting off, so I asked Mark Nicholls to represent me at that meeting, and about three days and he was very reluctant to give me an update of what happened at that meeting and then three days later I hear that Information Professionals has contracted directly to CorpTech for Mr Burns. So that's basically the background to it.

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And the difference being that if Arena had contracted with Queensland Treasury, offering the service of Mr Burns, Arena would have got an uplift on Mr Burns's fees?---Not an uplift on the fee, but we would have got a percentage of it, yes.

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All right. Thank you. As it is, Information Professionals received that?---That is correct.

But we take it that after Mr Burns had done his review, he came back within the Arena fold if you like and Arena contracted with Queensland Treasury in or about June 2007 or with CorpTech for the purposes of offering the service of Mr Burns. Is that correct?---No, that's not correct to my knowledge.

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All right. Can I show you volume 2, page 50, tab 3.3? Actually, we'll deal with it in this order; if you could first of all go to volume 3, tab 3.1?---3.1.

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It's on Arena letterhead Arena Organisational Consultants? ---Yes.

Police and program office, 30 May 2007. Could you just turn over the page? Have you seen this document before? ---Well, I can't recall it so, no, I should have great interest in it.

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All right. Good?---I really can't recall this document at all.

It refers to:

Arena Organisational Consultants Pty Ltd was tasked to undertake a high-level situation analysis of the shared services solution program and report the findings of this analysis to the senior executive as well as to relevant treasury management?

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---Yes.

That would seem to be a reference, would it not, to your April 2007 snapshot review, yes?---I would think so.

As a consequence of this analysis, a furthermore detailed five-week analysis and planning assignment was initiated by senior management which in particular has focus on government structure, time line and resourcing issues.

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That was conducted by international program and project director, Mr Burns. Can you see that?---Yes.

Just as we're going through this, Mr Uhlmann, I'm going to ask you whether this is a document written by your or authored by you?---Yes, it would have been. That's what I would normally put in the background, so, yes, that's got my style to it.

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Good. Thank you. Can I take you then down to the third paragraph:

This assignment has now been concluded and the final presentation of findings and recommendations is due for completion this week; that is, the May 2007 Burns review hadn't been issued. These findings and recommendations have relied on Terry's knowledge, experience in IP?

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Did you have anything to do with Mr Burns conducting the review that resulted in his May 2007 report?---No, not that I recall. No.

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Okay. Was he answering to you at all, or were you supervising him in the conduct of that review?---No, I wasn't, and I really can't - it's fascinating because I recall cannot remember that.

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All right. So if you weren't supervising him or coordinating his efforts in relation to that May 2007 review, you would have no knowledge of who he met with for the purpose of conducting that review or how he conducted that review?---No, and often if you put a person into a specific role like that there are confidentiality issues around that, and I had other subcontractors in there who could not tell me what they were doing because of the confidential nature of it, so you could put a subcontractor in. I suspect in this case for some reason Terry must have used - must have decided that he needed to use my company, but I really can't recall it, it's now got me worried.

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Can I just go then? The fourth page, in this case, for some reason Terry must have used - must have decided that he needed to use my company, but I really can't recall it, it's now got me worried.

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Can I just go then? The fourth paragraph:

As a result of this assignment, it is evident that there is a new body of work required to realign the project within the agreed timing and resource constraints for which Terry is now probably uniquely positioned, and for which he has knowledge and understanding that in the interim could not be provided by another consultant.

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Did you realise that as a fact at the time?---Well, it would have been because he'd then done two bodies of work. He'd been through our review, the snapshot review, and then he'd done - had he done the other work by that stage? I'm not - - -

It hadn't quite been completed?---Okay.

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It was due for completion that week?---So then he'd done that so he was quite uniquely positioned at that point, and then for someone else to come in, you know, they're months behind the eight ball.

Yes, but your own recollection, are they your words?---They probably are. Again, I know how I write and that looks like my writing.

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Thank you:

The success of this new assignment could be seriously impacted if the knowledge and understanding provided by Terry was not available?

---Yes.

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Then the next paragraph:

Terry has received another job offer with a major international organisation at a significantly increased rate and is due to fly to Sydney on Monday, 4 June to sign the contracts but has agreed to undertake this assignment with PPO should a decision be made and a contract signed this week, there is therefore some urgency with this proposal.

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Now, was that true?---If it's in there I would have believed it to be true. I can't recall it but Terry would have told me so I wouldn't have had any reason not to believe it.

Can I test your knowledge then? Do you know what international organisation he's referring to?---No, I wouldn't have any idea.

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You have no recollection of it?---No, I don't, but Terry would be able to tell you.

And then under Requirements for Consultancy, we'll see that the purpose of the consultancy is outlined there under that heading. Attached to this document, which is the consultancy agreement, would seem to be Mr Burns' CV. Do you see that?

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COMMISSIONER: Were you going to ask Mr Uhlmann if that's his signature on the next page?

MR FLANAGAN: Yes, I will, your Honour.

COMMISSIONER: I assume it is, perhaps we should check.

MR FLANAGAN: Yes. Mr Uhlmann, just in relation to that CV, you'll see it's on Arena letterhead?---It would have been transferred across onto that file.

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Thank you. Can I just ask you this then, if you could turn to page 13, when you referred to Mr Burns working for IBM in South Africa it was actually as early as 1974 to 1980? Is that correct? According to his CV?---According to this, yes.

And then just over the page at page 14, it says:

In order to preserve confidentiality, references will be checked once the interest of both client and applicant has been established. Consequently, we request that no communication be entered into with either present or past employers of the applicant without the express permission of the applicant or Arena.

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Can I ask you this: was that on someone's CV that you were putting forward as a potential contractor with Queensland Treasury through Arena? Was that the usual clause that you put in at the end of a CV?---For any subcontractor, that's absolutely a standard clause and that's really to protect the interests of whoever the subcontractor is at the time. 1

All right?---And so if they're interested then we go, "Okay, they really do need to contact these people," and that gives the subcontractor the chance to let them know. 10

So it would appear, at least from 30 May onwards, or 1 June 2007 onwards, that Mr Burns' services up to a certain point, which I'll take you to, are being provided to Queensland Treasury or CorpTech through Arena Consultancy. Yes?---It certainly does seem that way, yes.

Can I ask you then the obvious question arising from what I've just read to you? Did anyone in Queensland Treasury or CorpTech seek Arena's permission to check Mr Burns' references?---I really can't - because I can't recall this document, and I still can't, and what's worrying me here is I still cannot recall Terry working through Arena, so I can't actually give you a straight answer to that. Yes, I really would not know. 20

That's all right?---Sorry.

That's fine. Can you shed some light on how Arena came to contract with Queensland Treasury and offer the service of Mr Burns? Was there a conversation you now recall between yourself and Mr Burns in that regard?---No, I don't, but I can only presume - so maybe Terry can throw some light on it - I can only presume that for some reason Terry had to go through someone else, I don't know, for whatever reason, and he obviously wasn't going through Mark Nicholls and ask me whether he could come through my company, so that's all I can assume. So it would have been to that level and I don't even know - I can't even recall whether I would have a margin on him or not. 30
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Did you have any knowledge of a falling-out between Mr Burns and Mr Nicholls?---I remember at some stage Terry said he was going to have a word with Mark Nicholls, but I don't know anything other than that.

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But more importantly, according to this document, Queensland Treasury or CorpTech would need to come through Arena for permission to check the references of Mr Burns, wouldn't they?---Well, that's what we always asked; it didn't always work.

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All right, but can I just be clear that you as the director of Arena Consultancy never received or you don't recall receiving a request from any person from CorpTech or Queensland Treasury seeking permission to contact the former employers and referees of Mr Burns?---I certainly don't recall that, no.

Thank you. From there, may I take you to tab 3.2? You'd identify that as a typical Queensland Government Treasury agreement for the provision of services?---Yes, it certainly looks that way.

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And for the term, the agreement will start on the commencement date and terminate in accordance with this agreement, if you look at clause 3.4, the contractor will ensure that the deliverable, if any, specified in schedule 1 complies with the standards and specifications, if any, set out in schedule 2. Can I take you to page 37, which is schedule 1?---Page 37?

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Yes, please?---Yes.

Just excuse me for a moment. And they were the services that Arena was contracting with Queensland Treasury in relation to Mr Burns?---Yes, that would be right.

And then if you then look at, if you would, schedule 2, the principal or project officer, the principal appoints Ms Barbara Perrott at page 39 as the person who's contracting. Yes?---Mm'hm.

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And then at page 48, we'll see the document is signed both by you - is that your signature or a copy of your signature?---Yes, it is.

A copy of Mr Burns's signature?---Yes.

And over the page, a copy of Mr Burns's signature again? ---Yeah.

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And it's accepted by the state by Barbara Perrott?---By Barbara, yep.

And with a typical agreement such as this where a consultant is engaged by the state government, there is always a clause that deals with conflict of interest, is there not?---Yes.

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And if you could look at page 22, clause 8?---Yes.

And it is in fact an ongoing obligation to bring to the attention of Queensland Treasury any conflict that may arise?---Yeah, that's correct.

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And if a conflict was to arise, Queensland Treasury of course had the opportunity to terminate such an agreement. Is that correct?---That is correct.

From there, may I take you in the same volume to page 50, and that's at - it's page 50 at tab 3.3, Mr Uhlmann, so if you go to 3.3?---Yep. Page 50?

Yes. This is the document dated 17 September 2007?---Yes.

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And it's on Cavendish Risk Management letterhead rather than Arena letterhead, as you'll see, and there's a proposed extension of the consultancy at page 52 - - -? ---Yep.

- - - where it says:

It is proposed that Terry's contract be extended from 1 September until 21 December to undertake the following activities -

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and they're identified?---Yep. Mm'hm.

And then also if you go to volume 2, page 129?---Volume 2, 129, yes.

And it's an internal government email that's saying:

As discussed, it would be appreciated if you would change the nominated person in relation to the above purchase order from Gary Uhlmann to Terry Burns. It would also be appreciated if you could make the necessary change urgently to enable accounts payable to release payment for the current Arena invoices.

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Do you see that?---Yes.

Now, no doubt when Mr Burns was contracted with CorpTech through Arena, Arena received a fee for providing Mr Burns. Is that correct?---That would normally be the case, yes.

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Do you have a recollection of that at all?---No, I don't.

All right. That's fine. Can you tell the commission why, in effect, you permitted Mr Burns to contract directly

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through his own consultancy company with Queensland Treasury from the 17th - actually, even though it's dated the 17th, from 1 September 2007 onwards?---Not really, but if - to me, if a subcontractor wants to break - so it doesn't - no longer wants to work with me, I would never fault that passage, yes, so I'm happy for that to happen.

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All right. Thank you. Now, it would seem that Mr Burns, not in the course of the May 2007 review, but subsequently recommended to the Queensland Government or Queensland Treasury and CorpTech that a prime contractor be appointed for the purposes of leading the Shared Service Initiative roll-out for the whole of government. Did you ever become aware of that recommendation by Mr Burns and did you ever discuss it with him?---Not that I can recall, no.

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Do you accept that it was never part of your recommendation, either in your 2005 report, your April 2007 report, to promote the use of a prime contractor?---No, it wasn't in there and I think there's actually a point in there where it says that, if we went back to my report, that whatever you do, don't muck up, you know, the current program work with the partners, so - I mean, it's a bit more professional than that.

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Yes, but why was that?---Because - basically because these partners had designed, developed solutions to date. They had the knowledge, they had the background, they had the expertise and they had the people on the ground, so the last thing you wanted to do at this stage of the project is muck that up. And given a project that was in that sort of state, you could not afford anything that would get in the way of the time lines, so my view was project rescue director, in over the top, call the whole thing together, accelerate strategies, negotiate that with each of the individual partners, define the pieces of work you wanted them to do or redefine the pieces of work, hold a contract with them, hold them accountable for that and drive them, so that was my general fit.

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Did you, through your work with CorpTech, ever gain the knowledge that independent contractors or contractors such as Accenture were pushing for a prime contract model?---I can't recall that, no, I can't, but see - well, I wouldn't have - it depends how you define "prime contractor", too, because in my view I was the systems integrator, yes. You could have brought someone in to really bring all the project disciplines into play, get all the right people, the right sort of expertise supporting around the PMO and everything else, get that applied to your current partners and then drive that and hold them accountable, and that's what you normally do with a system integrator. If you say, like, for a prime contractor, you're saying, well, the prime contractor's role is now to replace all of that, I would have gone, "Are you insane," basically, so, no, I would not have supported that, and - - -

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Would you mind helping us? Why would you not have supported that?---Well, I just - I think at that stage it's about who can best accelerate the packages of work need and therefore at that stage, whoever has got the background knowledge and the skills and expertise on the ground, you want to leverage that, so you would just - you might want to tighten up the scope of it and you might want to negotiate another piece of work around, say, the HR solution or whatever but you wouldn't, in my mind - you would not get rid of that sort of knowledge and background expertise of the time.

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Now, Mr Burns ultimately does recommend to CorpTech a prime contractor be appointed and he goes on to lead the tender for that appointment. Can I draw on your experience and knowledge as both a former public servant, IT experience and consultancy experience, would Mr Burns in your observation have been sufficiently qualified to run that tender process?---Yes, I had a very positive view of him, particularly through the project, through my project. I thought he had a really significant value on that, in insights, and so, yes, I had a very positive view of him.

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Thank you. Does the fact that he was new to government and in one sense a relative outsider - would that cause you any concern?---It would always be much better to have someone who understood the public service system, but at this stage, you actually needed a really tough, hard-nosed old project director who could pull the thing into shape and pull it in fast and Terry had a certain presence about him that left you in no doubt that he could do that.

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All right. Finally, can I take you to volume 14, page 160? ---Volume 14.

Yes. This is a document you have been shown before, Mr Uhlmann.

THE COMMISSIONER: Volume 14, did you say?

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MR FLANAGAN: Yes, volume 14, page 160?---Page 160, yes.

If you turn back to page 159 at item 85, this is IBM's response to the ITO but it says, "Identify any risk or issues you foresee working with other existing customer vendors," and you will see there halfway down page 160 Arena Consultancy is identified?---As a risk, any risks or issues, yes.

"Lochlan Bloomfield has a solid relationship with Gary Uhlmann with Arena Consultancy." You have read that before?---Yeah.

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All right?---I haven't read it, no, but I am aware that it exists.

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What do you say to it, that you and Mr Bloomfield had a solid relationship?---If you call two coffees a solid working relationship, I suppose it is, but the question is, why is that there? I wasn't aware - I can't recall being aware that it's there. I wouldn't say that I had a solid working relationship because I have never worked with IBM on any project and I have never met Lochlan Bloomfield before this project but I presume it was just a form of leverage which says, "Look, I know one of the existing partners here," and he would have known that - and we would have talked about, that I had done two reviews so I just think it was probably one of those things where a vendor says, "And I have a working relationship with this person," just in case that was any helpful.

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All right. You refer to two coffees. When was the first coffee and when was the second coffee?---I have no idea.

No idea. All right. Who initiated the contact?---Lochlan would have initiated that, like any good account manager. You know, their job is to actually build relationships, so they would have been keen to build a relationship with any of the partners or key stakeholders so he would have initiated that.

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Thank you, Mr Uhlmann. That's the evidence-in-chief of Mr Uhlmann.

THE COMMISSIONER: Yes, thank you. Mr MacSporran?

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MR MacSPORRAN: Mr Uhlmann, when you first met Terry Burns, that was in the context of the April 2007 reviews? ---Yes, that's correct.

And that review was done at the instigation of Mr Bradley? ---I think so but it was Geoff Waite that commissioned it.

Yes?---But I do understand the treasurer's concern, yes.

Yes. I think your words were that he was concerned as the under-treasurer, was concerned to have an independent review of this whole process?---Yes, I would have thought so.

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Because at that stage, there had been delays and budget overruns?---That's right.

And as time went on, that position became more critical? ---Yes, that's right.

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Now, when you met Mr Burns, you had firstly access to his CV?---Well, I would have. I would have insisted on seeing it. I can't remember that, but yes.

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It would be something that you would naturally want to do before he was on the team, as it were?---Yes, that's exactly - absolutely. 1

Even though he was coming through Nicholls, who you knew? ---Yes.

Mr Nicholls was someone whose opinion you respected? ---Definitely. 10

You knew his experience in the industry?---Yes.

And you had yourself very live experience also in the industry?---Yes.

Burns' CV was impressive, was it not?---I can't recall that. I've just had a quick flick through it. I really could not recall anything about his CV. I just had a quick flick through it there but - - - 20

You seem to - - -?---Sorry. Yes.

You seem to recall at least on the CV is a project when he worked in the Fonterra - - -?---Fonterra. That's the one thing that stuck in my mind, yes.

And it stuck in your mind because it was a very large project?---Yes, and a SAP project.

An SAP, so it had some relevance to this sort of work but you were proposing Burns doing this project?---That's exactly right. 30

What else was there about the Fonterra project that was impressive from the point of view of employing Terry Burns?---That it was successful.

The size of it?---Yes, the size of it.

Worldwide, you said?---Yes, worldwide rollout, yes. 40

What was his role now that you think about it, what was his role in that project?---I thought he was the overall project director, whole program director.

That would be the sort of thing that you assess as making him highly qualified for what you were proposing him for? ---Absolutely right.

Now, that is how it started; that is, involvement with him but then you saw the work that he did - - -?---Yes. 50

- - - and you were able to assess whether his background as relayed to you was a figment of his imagination or whether what he told you was correct?---Yes. Certainly I could see

it in the context of the review and he would have demonstrated both knowledge, experience and expertise. 1

It's fair to say, isn't it, that your belief in him grew over time?---Yes.

You were impressed with his performance?---No - I was, yes.

To the point where as you told us a moment ago that if - now that you know that he had recommended a prime contractor role and had overseen the tendering process, you thought that was totally appropriate, given what you knew of him?---Of the prime contractor? 10

Yes?---What I don't know is what role was the prime contractor was supposed to take so - but I would trusted that he knew what he was talking about, yes.

Not just from his CV and what he told you; what you had seen of his work?---Yes, that's correct. 20

Furthermore, Mr Nicholls spoke highly of him as well during the course of this process, did he not?---Yes, correct. Initially he would have, yes. I would have looked to Mark for some advice on him and that's Mark's area of expertise.

All right. Now, when the results of the April snapshot review came in, I think your words were Mr Bradley was shocked with how bad it was?---Well, I certainly think he was surprised, yes. 30

It was obvious that he understood from the conversations that you had with him that there was some considerable urgency about doing something about this?---That is correct.

In that context, you think you would have recommended Terry Burns as the person who could provide a solution?---Yes. I would have been thinking of anyone that I thought could do it so if the under-treasurer had asked me, I would have said, "Well, I think these couple of people could do it," because that's the way I think. 40

Yes?---I can't recall it specifically.

Mr Burns, as you told us, was someone you assessed as being able to take on that role in a situation where there was some considerable urgency about finding a solution?---Yes.

And getting people motivated to provide the answers, to manage them?---Sorry, could you just repeat that? 50

Someone who was direct enough to not take any nonsense - - ?---Yes, sure.

- - - to get the thing done?---Absolutely right, yes.

This project had been languishing for some years, hadn't it?--Well, not a lot had changed in my mind in terms of the fundamentals of the way that the project was run in the two years since I had done my first review. I mean, they have made great progress in terms of similar implementation.

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And I take it you understood the difficult the position the under-treasurer was in seeing this report, seeing the urgency of it and seeing the status that he wanted something done quickly?---Yes, I would have said - well, I think we put it in our report that, you know, if you can find someone and get them in there within a week and start to pull this thing together, the sooner the better, yes. 1

And your relationship with Mr Bradley was a good relationship, was it?---Yes, I think so. Well, I was the deputy director-general in transport and I had dealt with him on a few issue, so I think that he had some respect for my knowledge and abilities. 10

And you recommended Terry Burns in that context in good faith?---Well, if I did recommend him, and I think I probably did, yes, it would have been absolutely in good faith, yes.

Can I just ask you something about LATTICE?---Yes. 20

I think you understand now, don't you, that there had been some attempt to have the vendor support extended for about three years?---Yes.

And that had failed, it seems, you've seen the correspondence?---Sure.

Is it your belief, though, that despite that refusal by Talent2 to provide the support they would have come to the party at some stage to knock it out?---I had no doubt about that, and if not you'd start talking to - you'd train your own people and then you'd start talking to a couple of their key support people. 30

It seems that Mr Hood, who was in charge of this area, you understand that, charge of the letters?---Yes, I do; yes.

Question: sought to initiate, and did initiate, a project of his own to take on the role? You'd agree, wouldn't you, that moves the risk from Talent2, the vendor of the product, to the people you're employing to do it for you? ---It does but it also depends what's in your contract with Talent2, because if the contract had actually run out then you're still holding the risk. So it really depends on what the contractual arrangements were. 40

All right. Well, that'd be something that Mr Hood would be well informed about?---Sure. 50

And if you are assuming the risk and the risk moves from Talent2 to the people you're employing, with a complex payroll like the Health department, that's a significant risk, isn't it, day by day?---From a support point of view?

Yes?---It does depend on the state of the software too. Also, in public service we have these really complex, large applications and inside the departments are people who maintain them day to day, and sometimes external people maintain them. So it's no more of a great risk than any of the other applications in the public service, it's just core business really.

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Certainly that's your view?---Yes, that's my personal view.

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But as I think you've told us, everyone else, to a man or to a person, disagreed with your view?---I would say not a lot of people in the end, I can't recall too many people, but I think Terry was one. Like, our project team was convinced that was not a big issue, so Terry Burns probably would have been one of those, but I think a number of the public servants didn't.

All right. Thank you.

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COMMISSIONER: My attention's been drawn to the fact that exhibit 20 in fact was the bundle of emails, so Mr Uhlmann's statement should be exhibit 21.

ADMITTED AND MARKED: "EXHIBIT 21"

MR DOYLE: Thank you. Mr Uhlmann, just with respect to this Fonterra project, can I suggest to you that Mr Burns - tell me please - do you know whether he was involved in the process of selecting the IT firms and consultants who were engaged on Fonterra?---No.

30

In your discussion with him about Fonterra, or indeed from your general knowledge, do you know that Accenture was involved in the Fonterra project?---No.

Or that SAP was?---SAP definitely.

Logica?---No.

40

You don't know?---No.

Okay?---I do recall him saying IBM was.

Tell me please, do you know whether lots of IT companies were involved in the Fonterra project?---No.

Would you go, if you still have it, to volume 1? It's page 158?---Yes.

50

Which is your - - -?---Snapshot review.

- - - snapshot review, and I just want to ask you some things about it by reference to what you've said here, actually. Page 159, in the introduction you tell us that

60

the conclusions your express are dependent upon personal knowledge, interviews and existing documentation?---Yes.

1

The interviews concluded you speaking to people who were employed by CorpTech, yes?---Yes.

People who were employed by IT consultants?---Yes.

And people who were employed by IT firms, such as Accenture, IBM, Logica and probably lots of others? ---Probably, yes.

10

And the purpose of that was to go out and get from them - the expression you use in the workplace - engine room, that's the expression. Do you get from them both some appreciation of what the issues were that they were confronting and their ideas of how they might be met? ---Yes, that's right.

And that's a perfectly normal, indeed, essential way of carrying out a review?---Absolutely.

20

Okay. If you go to page 160, the last dot point says, "Linked to Geoff's concerns." That's Mr Waite, I take it? ---Yes.

And he had expressed some concerns to you, I take it? ---Yes.

And what you're doing is saying that one of the things we're going to do is identify his concerns and how they can be met, or what issues arise from them. Is that right? ---Yes, he was basically concerned about time, budget and scope.

30

All right. Thanks. That's one of the things I wanted to ask you about, in fact, that's everything I want to ask you about. Turn to page 165, I just want to clarify something. This is concerned with budget, and you told us a moment ago that the budget was being expended at 45 million every six months, is that right?---Yes.

40

The reference to 12 months scenario, 12 month extension, is an extra 90 million?---Yes.

That's extending it beyond some existing time line?---Yes, that's correct.

Can you help us, please, what was the existing time lines as you recall it?---I can't recall. Whatever they'd planned at the time, whatever was in their planning documents.

50

And I'll put this as a hypothetical, but if the present document had a time line going out to 2012, if it went to 2013 that would be an extra 90 million?---Yes.

That's how one should understand it exactly?---That's correct. 1

And so really budget and time line are two sides to the one coin, the longer it take the more you're going to spend unless something changes?---Yes, that's right.

Okay. Then, if you turn across to page 167, you've got a heading Scope of Standard Offer is Increasing. Do you see that?---Yes. 10

Can I just ask you to help me with this? At very much a high level of generality, please, the idea of the shared services was to identify a whole series of IT solutions which could be implemented in a common format across a large number of government departments?---That's correct.

In order to identify the components of it, can we call it the "baseline services"?---Sure. 20

In order to identify what those baseline services should be, one would attempt to identify what the requirements which can be shared across 25 or so departments. Yes? ---Yes.

And in addition, there might be specific requirements that a number of the departments have which would require the implementation of solutions outside that base line requirement?---Yes, that's correct. 30

What were you suggesting is - is it right - or what you'd identified is that no-one had actually sat down and identified all of the things which could be the subject of the baseline solution?---They didn't have it nailed down.

They didn't have it identified, and in fact what was happening is that it was being done in a piecemeal way of going to each agency in saying, "Do you want, in fact, rolling out one at a time individual solutions to individual departments"?---Yes, that is right. So as they were rolling to the next department then the scope would change, yes. 40

So one would go from department 1, with whatever department 1 wanted, to department 2 and find out what differently it wanted and so on?---I don't know to what degree, but, yes, in theory, yes, that's what we're talking about.

So one of the things you identified was the need to make a systematic change of process to identify the baseline first - - -?---Yes, that's right. 50

- - - which hadn't been done and which you identified as something that really had to be done if this program was to be turned around in terms of time and cost?---Yes, that's exactly right.

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Now, an aspect of that is that you required, ultimately, someone who was hard-nosed enough to tell people that they had to do what they were told first, to tell the agencies and the departments that they could not have everything they wanted?---Yes. You actually had to - you've got to be really careful how you do that.

1

Yes. I understand there's politics in this but that's one of the things that you identified?---But in essence, yes, you've got to - you have to clearly define the standard offering, Treasury had to be very clear about what they were going to fund and what they were not going to fund, and then you had to be really clear about, well, say, for the other characteristics of the solution features, the solution they need, are Treasury going to fund that or are we going to allow it at all in the roll-out, so there's a whole range of questions in there that you have to sort through.

10

All right. But the core proposition that one should get from at least this part of your snapshot review was a need to have a different approach to identify at the start the baseline solution?---Yes, that's right.

20

And then to do what was possible to restrict departures from it because, in any individual case, because that would be time-consuming and costly?---Yes, that's right.

And that there's no doubt that in your discussions with whomever this was provided to, you made plain those two points?---That's exactly right.

30

All right. Now, can I ask you to turn, please, to page 172. In fact, it's probably easier if you turn to 176. It's all concerned with that part of this report that says, "Don't advance Queensland Health." Do you see that? ---That's right.

Okay. And, again, you made plain your views?---Yes.

40

Your views were that Queensland Health should not be advanced in the program. Is that right?---Exactly right.

For a variety of good reasons, which you've already told us about?---Mm'hm.

You were fairly optimistic that it was unnecessary to do so at least because of the issue about the suspension of coverage of - the expiry of recovery of LATTICE?---Yes.

50

Because you thought that could be overcome by some other means?---Yes.

The government undoubtedly was fully apprised of your views and the reasons for it?---Yes.

To advance Queensland Health, you identified, would require a degree of duplication of effort, and just let me finish the proposition, because I think you had in mind it would require a skeletal implementation followed by a more complete implementation?---Yes, and - - - **1**

That's one of the words you've used?---Yes.

Now, should - - -?---The proposal was doing it in two phases, yes. **10**

Yes, that is. The competing view or at least the view that you were saying shouldn't occur, was to have some kind of skeletal implementation, a minimum implementation for Queensland Health, followed by a more complete one later on?---Yeah.

Is that right?---Yes.

And you identified that being a risky and costly way of proceeding?---Our view was, yes. **20**

Your view - I understand?---Mm.

And that's a view you made plain to the people that this was presented to?---Yes.

Now, one of the things I thought you said was that your view was that a systems integrator should be appointed. Have I got that correctly?---That's my personal view. It didn't end up in this document, but yes. **30**

I was going to ask - - -?---I mean, it was an option. I would have said definitely go down that path, because it would depend on the skills of the operational program brief.

Very good. Undoubtedly this report, this snapshot report, says something has to change?---Yes, absolutely. **40**

And that's the view that Mr Bradley and others heard? ---Yes.

And one possible means of proceeding would be to try and bring in some additional expertise to help CorpTech. Would that be the right way of describing it?---Yes, and I would have been very surprised if they didn't look at that.

Okay. So that you - it would have been consistent with the sentiment at least you're expressing for CorpTech then to seek to engage someone as a manager to help it implement the roll-out of the Shared Services?---Yes, that's correct. **50**

And then if that was explored and found not be satisfactory, another solution might be to appoint a prime contractor?---Yes, could be.

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Now, do you know whether there was an attempt to engage a manager to assist CorpTech or a systems integrator?---No, I don't.

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You don't know?---No.

Excuse me. There's only one other thing. I'd like to take you back to volume 14. This is the passage which I think you described as Mr Bloomfield leveraging or providing some leverage, that's the topic?---Well, that's this opposition I'm making as to what occurred.

10

That's okay. I'm going to take you to just a couple of other things. Would you turn, please, again to page 159? ---159. Yes.

You'll see - tell me, have you been shown the - sorry, I don't want to put that in that way. Have you read the ITO before today?---It's - probably not. It's not the sort of document I sort of - I go out of my way to read, if I don't have to.

20

I fully understand that, Mr Uhlmann. Well, I want you to assume that it consists of, at least in part, a series of 100-plus questions - - -?---Yep.

- - - which the tenderers were required to give response to. That would be a not unusual form of ITO, would that be right?---Yes, that's right.

30

All right. Well, page 159, one of the questions that the tenderers were obliged to respond to was number 85, you see, "Identify risk or issues you foresee working with other existing customer vendors"?---Yep.

Now, at the time Arena may or may not have been a vendor to CorpTech by force of it providing services through subcontractors. Would that be right?---We were, yes.

You were. Good. And the question asks the tenderer to identify any risks in working with you, working with your company?---Yes.

40

Okay, and if you turn the page, you'll see that Mr Bloomfield describes, under the heading Accenture, his relationship with it as strong?---Mm'hm, solid, yep.

Strong. Logica: he describes it as a good relationship. I don't know if this is a sliding scale, but he describes his relationship with you as solid?---Solid, yeah. So there's strong, good and solid in there, yeah.

50

It's a downhill slope. You'd certainly accept that from your point of view, you would see no difficulty, given your

dealings with IBM and Mr Bloomfield, in working with them, if that became necessary, if they became prime contractors?---Not at all, no. 1

Okay. So in terms of identifying any risk of them working with you, you would say there's no appreciable risk?---No.

The relationship is such that it would withstand doing so? ---Yes, definitely. And Lochlan and I got on well so, you know, and the couple of times we met, so, yes - and our - in our business we tried to build relationships with all the major vendors in case there's some work for us in our area, especially, at some stage, so - - - 10

All right. Thank you. I have nothing further.

COMMISSIONER: Mr Flanagan?

MR FLANAGAN: Thank you.

Mr Uhlmann, you had an understanding, did you not, of the nature of the review Mr Burns carried out in April/May leading to his May 2007 report?---Yes, most definitely. 20

I've taken you already to volume 2, item 3.1 - - -? ---Mm'hm.

- - - page 3, where you outlined the background of that review conducted by him?---Yes. 30

Which was a more detailed five-week analysis, planning assignment by senior management which, in particular, has focused on governance structure, time line, and resourcing issues?---Yes.

Yes, and you understood from your own conversations with Mr Burns that was the nature of his review. Yes?---Yes.

You were asked questions by Mr Doyle in relation to the nature of the review you conducted in April 2007?---Mm'hm. 40

Which involved talking to parties. Is that correct? ---That's correct.

And talking to the engine room. Is that correct?---That's correct.

Yes. Would you look at, please, volume 27, page 230? ---What page, sorry? 50

230, sorry?---230.

You should have there an email dated 2 May 2007?---Yes.

Would you read that email to yourself, please? First of all, from your own experience in conducting reviews for the Queensland Government, including Queensland Treasury, is that the sort of conversation you would need to conduct or ordinarily conduct for the purpose of carrying out a review?---If you were any, what would you call, vendor, you would be trying to have that conversation.

1

For the purpose of carrying out the review that Mr Burns carried out in April and May 2007, was that - would that be the type of conversation you would expect a person carrying out that type of review to be having with IBM?---I would think so. I think Terry would have been looking for fairly quickly what options, what they could do and so what they could do for him and how that might help, so I would think he would be wanting to have those conversations.

10

All right. If you were having that conversation with IBM, would you also have that conversation with other participants in the Shared Service Initiative roll-out? ---Absolutely.

20

If you were conducting a review, would you want to have a similar conversation with Accenture - - -?---Yes.

- - - and with Logica?---Yes.

And with SAP?---Yes.

Would you want to be calling, telling those three entities that you were a long time IBMer?---No.

30

No?---I wouldn't think so.

All right. Would you want to be telling those entities that you were seeking innovative and expansive thinking from them?---Yes.

Perhaps, yes. Would you be telling them that you had been impressed with previous work undertaken by them in other projects?---Yes.

40

All right. Thank you. I just want to get to the heart of this. Is there anything unusual in Mr Burns conducting his review in April/May 2007 to have had this sort of conversation with one of the parties?---Not at the - - -

COMMISSIONER: One but not the others, you mean?

MR FLANAGAN: And not with the others?---I would be surprised, yes. I wouldn't expect that. I think if you have it with one, you would probably have to have it with everyone, yes.

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And can I ask you the next question: assume he does have a similar conversation with the other parties, such as

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Accenture, Logica and SAP, is there anything unusual, having read this email, in a person conducting such a review, having such a conversation?---Can you just repeat that, sorry?

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Yes. Assume he did have the same conversation with the other parties - - -?---Yes.

- - - is there anything unusual in the topics covered in such a conversation with the parties, for the purpose of conducting a review?---Maybe some of the personal views of the company a little bit, but in general they're the sort of things that you would want to cover off, I think.

10

All right. Thank you. Yes. May Mr Uhlmann be excused?

COMMISSIONER: I just want to explore one thing: if it's the case that Mr Burns had this sort of conversation with IBM, but did not have it with the other contenders that were - you said that would be surprising?---Yes.

20

Would that suggest, in Mr Burns' mind anyway, a degree of favouritism towards one contractor and the others - one potential contractor and not the others?---That's one possible conclusion but it could be - - -

What else could it be?--- - - - that he had more information about the others' position than IBM or there may be other explanations but that is a possible explanation, yes.

30

MR FLANAGAN: And can I just have a follow-up question on that, if I may.

COMMISSIONER: Sure.

MR FLANAGAN: If you come into a situation where one contractor is more ensconced in that situation than the other and has more corporate knowledge, if you like, of the Shared Service Initiative roll-out, if you were conducting such a review, would you seek to impart sufficient knowledge to all parties so that they had equal knowledge of what you were trying to achieve?---Yes.

40

And would you see that as a part of the review process or indeed going on to an information process?---Yes.

Thank you?---You would be wanting to get a really good feel right up-front, I think - - -

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Yes?--- - - - and I would presume from that letter one of the things Terry was very interested in is what other resources and capability IBM could have brought to the party, so I would have been looking at that myself.

Yes. Thank you.

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COMMISSIONER: If you look at that email, though, if you look again in the second paragraph where Mr Bloomfield says, "Terry is almost at a stage where he's coaching us and is already strongly recommending a position that we should take in some areas." Coaching, as Mr Bloomfield's description, was going on, would that be part of an ordinary review process, that the consultant was coaching the potential contractor?---Depends what he means by that, but in general, no, but if Terry had some particular things that he wanted from the vendors, he would be saying, "This is the sort I'm thinking of," like - because there may be some things they can bring to the party and some particular approaches, areas of expertise or other things that if that comes in, that would really help leverage and speed up some of the activity, so he might have been trying to lead them quite specifically down that path, saying, "I really want you to think about these things," but at the same - so not necessarily but at the same time you would probably expect that conversation to happen with all of the vendors.

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Yes. Thank you.

MR FLANAGAN: Apart from the one comment you've made that you wouldn't be telling the other vendors that you're a long-time IBMer?---No, that's exactly right.

Quite?---No, that's a - that could be about building personal relationships.

Quite. May Mr Uhlmann be excused?

30

COMMISSIONER: Yes. Mr Uhlmann, thank you for your assistance?---Thank you.

Thank you.

WITNESS WITHDREW

MR FLANAGAN: I call Joanne Bugden.

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BUGDEN, JOANNE affirmed:

COMMISSIONER: Yes, Mr Flanagan.

MR FLANAGAN: Thank you, Mr Commissioner. Would you give your full name to the inquiry, please?---Joanne Bugden.

And, Ms Bugden, you hold a bachelor of business and a masters in financial management, and a graduate certificate in public sector management, and you're a certified practicing accountant, are you not?---That's correct.

50

Now, at the time you were employed by CorpTech, you didn't have your graduate certificate in public sector management? ---That's correct.

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All right. Thank you. You're presently employed as the director of reporting, finance and community engagement at the Department of Justice and Attorney-General?---That's correct.

1

And you've held that position since August 2011?---Yes.

From October 2004 to September 2007, you were the director, finance business administration and contractors at CorpTech. Is that correct?---That's correct.

10

Would you agree that's a position that's not dissimilar to being CorpTech's CFO?---It is very similar, yes.

All right. Thank you. And have you provided two statements for the inquiry in relation to this matter? ---Yes, I have.

Would you look at these copies, please. The first is an 11-page statement with annexures that is dated 6 March 2013. Yes?---Yes.

20

The second is an addendum statement dated 15 March 2013? ---Yep, that's correct.

I tender the first statement of Ms Bugden.

COMMISSIONER: What I think I'll do, Mr Flanagan, is make them exhibit 22A and B. A will be the statement and B the addendum.

30

MR FLANAGAN: Thank you.

MR DOYLE: Ms Bugden's statement is already 14, our note is.

MR FLANAGAN: Oh, yes, of course. I tendered it because it had annexures to it that I had to use before.

COMMISSIONER: Yes, all right. In that case it will be 14A and B.

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ADMITTED AND MARKED: "EXHIBIT 14A AND B"

MR DOYLE: Well, Mr Commissioner, I've got an issue with respect to what is 14B. You'll need to see it.

COMMISSIONER: I've got it.

MR DOYLE: If you go, please, to paragraphs 11, 12 and 13.

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COMMISSIONER: I'll need a copy, Mr Flanagan.

THE COMMISSIONER: Paragraph 14?

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MR DOYLE: No, 11 to 13.

THE COMMISSIONER: Yes.

MR DOYLE: We would invite you not to receive those paragraphs. Ms Bugden has told us she was not involved in the evaluation process itself. The persons who were have been called and she - in these paragraphs, professes to give evidence simply by looking at a document and expressing a view as to what its construction is.

10

THE COMMISSIONER: She draws attention to what on the face of the document looks odd. What is wrong with that?

MR DOYLE: I can do that and my learned friend can. It's not evidence to say that - I, who was not involved in the drafting of the document or involved in the evaluation process, have looked at this document and formed a view about it.

20

THE COMMISSIONER: But all she says in it is that these things on their face appear to call for some resolution, they should have been asked about.

MR DOYLE: With respect, no; the paragraph 12 seems to conclude that from the document of annexure D, the price appears to have been the primary determining factor - - -

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THE COMMISSIONER: Mr Doyle, there is no doubt about that, is there? From what we have seen so far, there is no doubt IBM won the tender because of its price. Even if Accenture were close in ratings, IBM was much cheaper.

MR DOYLE: Correct; correct. Then why are we having evidence from someone who is - with respect, this should be deleted.

THE COMMISSIONER: Because there is a suggestion, as I'm sure that you're aware, that the IBM price was artificially low.

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MR DOYLE: With respect, I'm not aware of that but I'm grateful for the identification of the issue which we have to meet and we will deal with that issue but it ought to be dealt with by - - -

THE COMMISSIONER: It's not an issue, it's just an inquiry. It's not a trial.

50

MR DOYLE: I agree it's not a trial, Mr Commissioner, but it's an inquiry in respect of which you have the power to inform yourself as you consider appropriate and in our

submission, you should not accept really a third person's view as to what a document means which is all this is.

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THE COMMISSIONER: I'm sorry, I don't understand the objection. Ms Bugden draws attention to some apparent discrepancies in the pricing of three items in the ITO responses - - -

MR DOYLE: Which is not the subject of objection.

10

THE COMMISSIONER: It says the discrepancies are so large that questions should have been asked about them. I can't see what is wrong with that. She says that price appears to have been the primary determining factor in selecting IBM. I think that's undoubted, so I don't see what's wrong with that paragraph. What's left with D, with paragraph 13, rather?

MR DOYLE: It is the whole of paragraphs 11, 12 and 13 consisted no more than Ms Bugden looking at a document that she is not the author of, wasn't involved in the evaluation process in telling you what it means, and that, in my submission, is of no weight. Now, if, Mr Commissioner, you have formed a view about what those things mean, then with respect, it is of no weight what she says about them and the right approach is to have evidence from the people who drafted them - who conducted the evaluation process or a view based upon what we submit about. Anyway, that's the nature of our submission.

20

THE COMMISSIONER: But I thought it was apparent to your side at least - I shouldn't say side, this is not a trial - to your interests that - I haven't yet received information not given to the other contractors that price would be critical in the choice of the contract - and in the end chosen and that the amount of money available in the CorpTech budget was an important factor in fixing the price. Now, that is what exhibit D - appendix D to the evaluation report seems to say and there is no doubt that IBM won the contract because of its low price.

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MR DOYLE: It is without doubt IBM won the contract. It is without doubt it won it pursuant to the evaluation process, a factor of which was its price.

THE COMMISSIONER: I'm sorry, I missed that.

MR DOYLE: A factor of which was its price. There's no doubt about that. We don't accept that IBM was given information not given to other contractors.

50

THE COMMISSIONER: No, that is yet to be determined. There is a hint of that which is why we are looking into this aspect of the matter.

MR DOYLE: I understand but Mr Commissioner, what we can't understand is why it is - and I'll just test it in a hypothetical - if I called someone to say, "I've looked an annexure D and it means the contrary," that can't possibly, in our submission, advance the conduct of this commission. Do I call two people to say that? And that's all this is. 1

THE COMMISSIONER: You can't call any one.

MR DOYLE: That too we recognize is why this is an important point to raise. We're being met by someone who was not involved in the process and who didn't draft the document telling us what it means and I'm not in a position to call contrary evidence to say - - - 10

THE COMMISSIONER: No, but having said that, of course it's the case, if there is evidence you wish me to hear, you would approach Mr Flanagan and he will call the witness. 20

MR DOYLE: I shall, and in light of what you have told me about the topics that are being explored today, we will do that but that doesn't meet my present concern. Now, I have put it the best I can: it is a third person giving you advice about what a document means which can give no assistance to you. You have heard from each of the three members of the costs team, including people who drafted this document, as to what they meant by it. 30

THE COMMISSIONER: I must say, I thought Ms Dicarlo said much the same as appears in the third sentence in paragraph 13. I thought that's why she said she wrote it. That's the first part of the sentence, not the second part. 30

MR DOYLE: With respect, our recollection of what Ms Dicarlo said is exactly the reverse; that the amount - the level of funding available played no part in the selection of the prime contractor but the prime contractor having been selected, the government had to know how far they could get with the funds that they had available because both - - - 40

THE COMMISSIONER: All right. You can make that submission but it seems to me to fly in the face of commonsense and reason, and it was, I thought, was Ms Dicarlo said, but anyway, look at paragraph 13 again. The first sentence is surely uncontroversial. The second sentence is uncontroversial. The first part of the third sentence - well, that could come out. Let us start at the part there says, "There was not sufficient interrogation." So I'm prepared to strike out the third sentence from "based on" down to "an". Mr Flanagan, do you object to that? 50

MR FLANAGAN: No, Mr Commissioner. So based on the content of (indistinct) I acknowledge that - - -

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THE COMMISSIONER: So the sentence will start there. 1
"There was not sufficient interrogation."

MR FLANAGAN: Yes.

THE COMMISSIONER: So I will strike out the first part.
Do you object to paragraph 14 as well, Mr Doyle?

MR DOYLE: I haven't. 10

THE COMMISSIONER: You haven't. Do you want to?

MR DOYLE: I identified the ones that I objected to.

THE COMMISSIONER: Right. 11, I can't see - 11, I think,
the statement of fact that we all, I think, understand now,
and 12 is the same. All right. Yes, Mr Flanagan?

MR FLANAGAN: With that amendment, I think I already have
tendered the addendum statement. 20

THE COMMISSIONER: Yes. In A and B.

MR FLANAGAN: Thank you.

May I then take you back to your position at CorpTech
between October 2004 and 7 September 2007 as the director
of finance business administration contracts, what did that
position entail?--I was responsible for the financial
management of CorpTech so monitoring actual expenditure 30
versus the budget that was available. In relation to the
administration functions, management of the accommodation
arrangements, stationery, telephones and so forth and in
respect to contract management, there were two aspects to
that; there was oversight of the contracts that were in
place to support the legacy systems that were operating
within CorpTech as well as the resource management function
which was oversight of the actual contractors themselves
that run alongside CorpTech supporting the SSS program of
work. 40

Thank you. Now, who did you answer to prior to Ms Perrott
joining CorpTech as the executive director?--I answered to
Geoff Waite.

And after Ms Perrott joined CorpTech?---Soon after that, I
answered to Jan Dalton.

And what position did Jan Dalton hold?--I can't recall her
title but I do recall she had responsibility for corporate 50
services.

Thank you. May I then take you to some documents to test
your knowledge of the process before the ITO?---Yes, sure.

Can I start, Mr Commissioner, with volume 28, page 430?

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COMMISSIONER: Sorry, what page?

1

MR FLANAGAN: 430?---Thank you.

This was an email dated 6 July 2007. Just if you could take it from me that even though this email is address to IBM similar emails were sent out to other external service providers - - -?---Okay.

- - - of CorpTech, and I'm just going to ask you if you could turn to page 448. It's a letter from Maree Blakeney. Now, did Ms Blakeney work in your section?---Yes, Maree reported to me.

10

And she reported to you directly. Were you aware that a letter was sent out inviting information proposals from approximately 11 external service providers to CorpTech in or about 6 July 2008?---I don't recall the letter going out, no.

20

All right. First of all, can I just ask you to note that the information proposals were to be forwarded electronically to Terry Burns by Thursday, 12 July 2007, and that an opportunity to present proposals would be given to those wishing to do so by 13 July 2007. From there, can I take you to volume 6, page 34? Volume 6, page 34. Now, this time you'll see that the email is actually dated 17 July 2007, and you are one of the addressees?---Yes, I do.

30

It actually enclosed the responses that had been served for the information request from IBM, SAP, Accenture and Logica. Do you see that?---I do see that.

Do you recall reading those presentations?---I don't recall reading them, no.

All right. Thank you. Then volume 6, at page 41. Now, this is being called by some to be a request for proposal. You've read this email already?---Yes, I saw it this morning.

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How does it differ from a request for proposal that you would ordinarily expect?---Ordinarily I would expect a request for proposal would have a lot more detailed information in it. The eight points there are very brief, it doesn't provide any background context of CorpTech, nor does it have detailed information relating to the scope that vendors will be expected to provide a proposal on.

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In relation to pricing, you'll see in item 3 that, "Following on from your conceptual approach presented recently, would you now provide cost ranges and time scale ranges to complete the scope as defined in your approach." Do you see that?---Yes, I do see that.

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All right. Now, did you have any part to play in the drafting of this particular email by Mr Burns?---Not that I recall.

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Was it passed by you in your position as director of finance for CorpTech before it was sent out to the vendors? ---I had no recollection of that.

From there, may I take you, in the same volume, to page 53? It would seem that Ms Blakeney has actually sent to you what Mr Burns had sent out to the vendors that resulted in these presentations being sent to you. Is that correct? ---Yes, that's correct.

10

Do you have any recollection whether you requested Ms Blakeney to provide you with Mr Burns' email that caused responses to be given?---I have no recollection of that.

Thank you. It's the point, isn't it, that prior to your giving a statement to the inquiry you had very little recollection of your role, if any, that you had in the RFP. Is that correct?---Yes, that's correct.

20

And your recollection now is only based on documents having been shown to you recently?---It is, yes.

May I take you, though, with this process to page 57? This is an email from Mr Goddard, dated 3 August 2007. May I specifically bring your attention to page 58, and you'll see there that it's an SS replanning project. What was your knowledge of this phase 3 rebuild?---I don't have a clear recollection except to say that the program of work had not achieved many deliverables throughout its three year life. It started in July 2004, and I do remember in 2007 worked commenced to try and, I suppose, re-shape the project and give it some new direction to achieve what needed to be achieved.

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All right. And if you'll look under "RFI Objective", the RFI seems to be a reference to this process that had been initiated - - -?---It does.

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- - - by Mr Burns' email of 27 July 2007?---Yes.

But one of the purposes was to refresh, restate cost estimates to proceed. Do you have a recollection that was one of the purposes of this process?---No, I don't recall that.

All right. And then may I take you to page 59? There is to be a panel for the evaluation for what's described in Mr Goddard's document as an "RFI"?---Yes.

50

But in any event, it says, "Phase 3 costings, JB," that's you, isn't it?---That is me, yes.

Having looked at documents, do you now recall having a role to play in evaluating the costings put forward by the four entities that responded to the Terry Burns email?--I certainly do, and I recall putting together a spreadsheet which detailed that cost information. 1

And then if you look at what's called the "RFI Process" in that document at page 59, part of the RFI process as described by Mr Goddard was to be, "The scoring of the proposals will be done against stated evaluation criteria." Yes?---Yes. 10

Finally, in this sequence, two more documents. Can I take you to page 60 of the same document?---Yes.

The item that I'd like you to look at is Budget, which is - - -?---Yes.

- - - the second last item?---Yes. 20

And it says, "Cost estimates," and you are assigned to that for that panel focus group, "and a substitute for Tracey L.J," Who's that?---It's Tracey Laurence-Johnson.

And who is that?---She worked for CISIO, the shared services implementation office. She undertook a fairly senior financial role within CISIO.

All right. And then could you then turn to page 61? The key advisors to the group in relation to what Mr Goddard describes as the "RFI process" is Mr Burns and Mr Goddard, both consultants. Yes?---Yes. 30

Good. Can I take you then to page 62? Now, had you previously seen this document, which is a strengths and weakness analysis of the various proposals put forward in response to Mr Terry Burns' email?---I don't recall seeing it from 2007. I saw it recently, when I accessed some old emails, but I don't remember it from back then. 40

All right. Now, I'll show you this document. Mr Commissioner, this may be a document in the bundle but I haven't as yet been able to find it so I simply ask for spare copies of it. 50

Did you do a high-level analysis, if you like, of the indicative price ranges provided by the various four entities that responded to Mr Burns's email?---Based on the email that accompanies this document, I'm assuming that I did compile this document back in 2007.

1

All right. Now, can I just ask you to look at the notes to this document?---Mm'hm.

I note for, first of all, for IBM that you've identified a certain price there?---Yes.

10

IBM have actually indicated a range, have they not?---I don't recall seeing the - I'm assuming I did see the IBM response - - -

Yes?--- - - - but I have no recollection of that response.

All right. We see the email where Ms Blakeney has sent it to you or some officer has sent it - - -?---Yes, definitely.

20

- - - sent you all the proposals. And then you have the columns for SAP, Accenture and Logica?---Yes.

You have a note here, "Funds remaining after R5, 60 million." What's that about?---Assuming R5 stands for release 5. I'm making the assumption that we had estimated what release 5 was going to cost and once that added to the money that had been spent so far, the amount of money that was left in the bucket was the \$60 million.

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And similarly, would you please explain the second note, "Likely funding gap"?---I'm working on - the \$200 million cost for IBM, Accenture, when you look at the top of the table, if you look at the vendor cost plus the expectation around CorpTech staff, one comes in at - you know, they're roughly both about \$200 million. When you looked at then the funds that were left after release 5, plus money that would need to be set aside for accommodation costs, project management and so forth, that gave a total of 210 million. How this - I suppose what it was trying to do was give an understanding that - to be honest, I'm not quite sure because I don't recall putting this together, but, yeah, I'm sorry, I can't answer your question around that.

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This was a document provided to the under-treasurer. Is that correct?---Based on the email, it was provided to the deputy under-treasurer, David Ford.

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And in relation to the document, does it show that there was an expectation, at least from the analysis of the figures provided by the tenderers in response to Mr Burns's email, that this project or the continuation of the roll-out by prime contractor, could not be done within the

existing budget?---To be honest, I can't answer that question. I think based on this information, you would - I think management would draw the conclusion that the ability to roll out, whether it be prime contractor or any other model, was unlikely to happen within funding that was actually remaining within the budget.

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Thank you. I tender that document.

COMMISSIONER: Yes. The email from Ms Perrott to Ms Bugden of 20 February - no, that's not it, is it? 8 August 2007, and the attachment - - -?---Yeah.

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- - - is exhibit 22.

ADMITTED AND MARKED: "EXHIBIT 22"

MR FLANAGAN: May I take you then back to volume 6, page 67? This is a phase 3 solution options evaluation detailed workshop processes, and if you turn to page 69, Ms Bugden, you'll see there, "Workshop 7 budget cost, lead reviewer presents summarised submissions and lead discussions to draft recommendations - - -?---Yes.

20

- - - Joanne Bugden"?---Yes.

Do you have any independent recollection as you sit there of presenting a workshop to the evaluation panel?---I don't. My only recollection is I do remember the meeting after this had closed where all of the teams represented at that forum in terms of the nature of the discussions of that, I had no recollection, but I do recall us all getting together.

30

All right. And page 80, please. I take it, though, that you have no recollection of what you presented at that workshop in terms of - - -?---No, I don't, sorry.

- - - costing analysis?---No.

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Then page 80, this is not your document, but it's an Accenture file note - - -?---Mm'hm.

- - - of a presentation by Accenture on 7 August 2007 - - -?---Mm'hm.

- - - and the other tenderers made similar presentations. It has you in the table - - -?---Yes.

50

- - - as attending, and if you turn to page 81, under slide 21, you ask certain questions in relation to cost? ---Yes.

Similarly, at the very bottom of page 81, you ask other questions concerning time lines?---Mm'hm.

And over the page at page 82, you deal with questions of Health and the Department of Education Training and the Arts?---Yes.

1

All right. Thank you. Now, does that assist you in recalling what role you played in what's called the RFP process, or to be more accurate, the evaluation process leading on from Mr Burns's email on 27 July?---I do recall going to the vendor presentations. I clearly recall the Accenture presentation at Coronation Drive, the SAP presentation and the Logica presentation. I don't recall IBM; that doesn't mean I wasn't there, I just have no clear recollection of that. I recall the day that the RFPs were received and actually working into the evening to receive those and photocopy those, available for the evaluation team, but that's the limit of my recollection around that process.

10

Do you have any recollection of who was rated 1 after this process?---No, I don't, sorry.

20

All right. Thank you. Now, may I take you to the pricing presented by the four tenderers in response to the RFP - - -?---Mm'hm.

- - - and for that purpose can I start with volume 8, page 1132?---What was that page number again, sorry?

1132?---Okay, sorry.

30

We'll come to it but we appreciate for the ITO that you actually developed a price matrix, which identified certain items that required fixed prices - - -?---Yes.

- - - and best estimates?---Mm'hm.

It's the case, isn't it, that there was no such or similar process leading on from or following on from Mr Burns's email of 27 July 2007?---Certainly not from what I've seen.

40

So when these prices are referred to as "indicative pricing" - - -?---Mm'hm.

- - - how is one to determine the actual - apart from reading the documents - - -?---Yep.

- - - themselves and the proposals themselves, how is one to determine the scope of works in terms of phase 3?---I'm assuming that accompanying this price information would have been detailed information from each of the vendors that responded and it's that detailed information as well as the price information that would have been used to come up with an informed position about each vendor's - what they were offering.

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All right. Just for the present purpose, I simply ask you to note the estimate budget range in the middle column for IBM?---Mm'hm.

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Yes?---Yes.

And from there can I take you to volume 7, page 662? And if you keep volume 8 in front of you too, please. You'll see there for Accenture, for work orders one to 12, a price is given that for work order 22, remainder of implementation, the price is given?---Yep.

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Leading to an overall price of approximately \$176 million? ---Yes.

And volume 8, page 984 is Logica's price or summary of outcome estimates?---Yep.

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And as identified the last exhibit tendered, your price analysis for this evaluation, Logica was only bidding in relation to a limited package including finance. Correct?---That's correct, from what I have read, yes.

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Yes, thank you. Now, may I take you then to the ITO process itself? It's fair to say that your recollection of the ITO process and leading up to the ITO process is better than your recollection of what is called the RFE process?---It is.

10

Can I turn to paragraph 33 of your statement then, please? In paragraph 33, you identify your primary involvement in the ITO was the developing of the pricing schedules - - -? ---Yes.

- - - that were to be included in the ITO documents. Is it the case that at the time you read the entire ITO document?---I can't recall reading all of it. I do recall reading the main body of the ITO. I don't recall reading all the - there was a very large number of annexures to the ITO that got into the very clear specifics about what the vendors were required to do, I don't recall reading them, but I do recall reading the main body of the ITO.

20

And Ms Bugden, what was the main purpose of you reading the main body of the ITO?---In order to inform the development of the pricing schedules that would be included in the ITO document.

30

All right. Did you have any assistance in developing the pricing schedule?---I don't recall having assistance. There wasn't a very large finance team at CorpTech and given the sensitivity and the confidentiality required around this process, it wouldn't have been appropriate to actually get the rest of the team involved.

All right?---And if body of work required to complete those schedules was not extensive.

40

Now, who asked you to be on the evaluation team for costs? ---I don't recall. It either would have been Barbara Perrott or Terry Burns but I couldn't tell you precisely which one.

Now, we will come to the sequence after lunch but we understand that Ms Orange took your position when you left and took up your new position at Justice. Is that correct? ---She did, yes, that's correct.

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Apart from that, there were two other persons on the evaluation panel; Ms Dicarlo and a Mr Shah?---Yes.

Did you choose those persons to be on the evaluation panel? ---I don't recall my involvement in choosing those people.

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Did you know Mr Shah?---No.

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Is he the type of person you would have chosen to be on an evaluation panel for costs had you been the team leader or remained the team leader?---Not necessarily. He had - from the little I knew about him, he hadn't been in CorpTech very long, so on reflection, I wouldn't have thought that he would have had enough experience about the program of work to be able to offer value. Rose Dicarlo, she had been around Queensland Treasury for a very long period of time so I can understand her role would have been to give some independence to that process because she was independent of CorpTech.

10

All right, but it's the case that you didn't have any part to play in choosing either Ms Dicarlo or Mr Shah for the purposes of the evaluation panel for costs?---I don't recall. I don't believe I would have had a role in that but I couldn't exactly tell you.

20

Now, it has been suggested that Mr Shah was on the evaluation panel because of his technical knowledge. What do you say to that? Sorry, could I rephrase that question? ---Yes.

For the evaluation panel for costs, did you require a technical person to be on that panel?---I suppose - I don't think he required it. I actually think what the better option would have been just for the pricing comparison to have been done, where there were variances or things that needed further clarification because it wasn't clear to the pricing team, they would have been, I think, better served by seeking support from people in other teams, focusing on the specific elements for which there were large - were degrees of variation that the pricing team couldn't explain.

30

All right, thank you.

THE COMMISSIONER: What about where the pricing in one bid was based upon assumptions and you wanted to check the ability of the assumption?---Yes. I think the pricing team should have referred those assumptions to the relevant technical team for each of those assumptions to be validated back against either the CorpTech side of things or where assumptions were putting obligations on other government agencies to provide certain support or people or whatever it might be. As such, it should have been tested back against those other government agencies.

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MR FLANAGAN: You say in paragraph 35 that even though you can't recall, you assume it was Mr Burns who asked you to be on the evaluation panel?---Yes.

What do you base that on?---When Terry Burns came on board and took responsibility for this process, he had a very

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senior role. My impression was he pretty much had - he could do what needed to be done in order to progress this forward, so the position that he was in was not one where you could question the validity of what he was asking you to do. There was an expectation that if he asked you to undertake a certain function, that that function would be undertaken.

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THE COMMISSIONER: Who gave that impression, apart from Mr Burns? Who said that Mr Burns should get what he wants, that people should accept his instructions?---To be honest, I don't recall that - - -

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Sorry?---I don't recall the specifics of whether that message was a verbal message or whether it was by email.

MR FLANAGAN: We will come to your email of - where you withdraw from the process. Can you tell Mr Commissioner why you actually withdrew from being the team leader for the sub-team evaluating cost?---I withdrew from that role because I had commenced employment at the Department of Justice and Attorney General. Originally I had intended to still fulfill that role but my work obligations at Justice and Attorney General became so extreme that I wasn't able to continue. We had a number of - my supervisor at the time went on leave and then soon after that, left Justice and Attorney General and I had to assume the executive director role, so I wasn't in a position to divide my time between Justice and Attorney General and CorpTech, and I felt because I couldn't give that time commitment, it was best I handed that over to others.

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THE COMMISSIONER: When you initially went to the Department of Justice, had you intended to fulfill the panel role?---I had intended, yes, because the indication was that the process would be wrapping up around the end of October so it wasn't going to be a long-term commitment but on arriving at Justice and Attorney General, as I said, the circumstances changed there and I realized I wouldn't be able to fulfill that commitment.

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It's 1 o'clock, if this is a convenient time.

MR FLANAGAN: Thank you, Mr Commissioner.

THE COMMISSIONER: We will adjourn until 2.30.

MR FLANAGAN: Thank you.

THE COMMISSION ADJOURNED AT 1 PM UNTIL 2.30 PM

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THE COMMISSION RESUMED AT 2.31 PM

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MR FLANAGAN: Ms Bugden, may I take you to paragraph 40 of your main statement?---Yes.

You stated before that without annexures that you had read the ITO in full, and in paragraph 41 and 42 and 43 you outline certain concerns that you had after reading the ITO?---Yes.

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What were those concerns?---I don't specifically recall what I raised with them at the time. Since reading the ITO last weekend, my recollection of those concerns related specifically to the bodies of work that were required to be completed, particularly around 1E in the development activities that were required. I felt that the main body of the ITO was very brief and had the potential to cause contract variations subsequent the awarding of the ITO if we weren't very clear around what the requirements were for the vendor.

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And did you raise those concerns?---I raise the concerns with Terry Burns and Phillip Hood at the time.

Doing as best you can, can you recall what was said?---No, I can't recall what was said in response to that.

Can you recall the response to your concerns being expressed?---No, I cannot recall the response.

30

In relation to the time that you read the ITO to the time that the ITO was issued on 12 September 2007, can you tell us when this conversation took place where you expressed these concerns to Mr Goddard and Mr Burns?---I can't tell you that, except to say that I'm still in the employment at CorpTech at the time of raising those concerns.

And when did you leave CorpTech?---On 7 September 2007.

40

Thank you. Can I then take you to paragraph 14 of your second statement?---Yes.

In relation to paragraph 14, what I understand you're doing is identifying items in the ITO that vendors may have had difficulty with in terms of understanding the scope of what was being required, yes?---It more related to I suppose what I perceived as an inconsistency in the ITO document that had potential to cause confusion with vendors, and they resulted in vendors taking one of the two interpretations when preparing their response documents.

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May I show you the ITO which is in volume 12 then, page 23 to commence with, Mr Commissioner? At item 2.6 it deals with multiple statements of work. Is that correct?---Yes, it does. 1

And these are actually the line items 1A for transitioning, 1B for program delivery management et cetera?---They are, yes.

And then over the page at page 24, line item 1E: priority core development including awards?---Yes. 10

And then it goes on, "The awarding of subsequent statements of work will be dependent on the outcome and successful completion of the initial statement of work"?---It does.

And that was the intent of the ITO, that is, once these statements of work are completed and tested - - - ?---Yes, definitely. 20

- - - one would move onto the other statements of work? ---Yes, that's correct.

The line items, "The subsequent statements of work are listed below and are described as at part D, statement of work section 4, future statements of work"?---Yes.

And as I understand your evidence in paragraph 14 of your statement, what you're identifying is that statement at page 24 of the ITO seems to be prima face and consistent with attachment 6 to the ITO, which was the SSS replanning project program schedule. Is that correct?---That is correct, yes. 30

Would you look at this document, please? I'm showing the witness, Mr Commissioner, annexure or attachment 6 to the ITO, which is not contained in volume 12. May I hand up two copies? There may be a small copy of this in the volume. 40

COMMISSIONER: I think there is a copy that's a bit legible somewhere.

MR FLANAGAN: Yes. Looking at this blown up version of attachment 6, could you demonstrate what you are referring to in paragraph 14 of your supplementary statement?---What I'm referring to, at the top of the page you've got elements 1A through to 1E that essentially are boxed with a dashed rectangle around those items, and those items essentially are finishing, it appears, around March or April 2008, whereas further down the page you've got items 1G and 1H commencing in what looks to be around January or February 2008. So the inconsistency is such that the ITO is saying one thing but the attachment 6 is actually providing a different perspective on time frames. 50

Thank you. Would you like me to tender the blown-up version?

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COMMISSIONER: Yes, I think so. Annexure 6, is it?

MR FLANAGAN: It is, yes, Mr Commissioner.

COMMISSIONER: Annexure 6, the ITO, will be exhibit 23.

ADMITTED AND MARKED: "EXHIBIT 23"

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MR FLANAGAN: May I take you to volume 30 then? In addition to what you've got in paragraph 14, do I also identify over the weekend, of your own back, some other possible confusions that the vendors may have experienced in reading the ITO document as it was presented on 12 September?---Yes, I did.

For that purpose, may I take you to volume 30, page 1410? What I'm showing you is IBM's response to the cost breakup matrix, but the only reason I've come to the IBM cost breakup matrix is to demonstrate what you view as a possible inconsistency in the ITO or something that really did require clarification. If you look at item 5.48, is it, the item you referred us to?---Yes, it is.

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Could you explain, please?---In item 5.48, the deliverable that was expected was that the problems in the Department of Housing build that were identified in the presence of IT report would be dealt with as part of stage 1E. In the comments provided by ITM, basically essentially saying that the ITO didn't actually have as a requirement that work would be done, so therefore that had not been included, I'm assuming it therefore had not been included in the pricing because the ITO didn't actually spell that out.

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All right. In the comments column, it says, "We are ready to address the problems identified in the POIT," which is the presence of IT report. Is that correct?---Yes.

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Attachment 15 to the ITO, Mr Commissioner. And in relation to that attachment 15, even though there was attachment 15 it would seem a comment was saying that the actual item had not been identified?---Yes.

Did you also identify a further difficulty in items 7.11 and 7.24, and for that purpose we simply turn over the page. So item 7.11, "Design, configure and build demonstration of capability POCs," the inclusion of price for IBM is, "No."

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COMMISSIONER: Mr Flanagan, where's point 11?

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MR FLANAGAN: 7.11 on page 1411.

COMMISSIONER: Sorry, and what's the point about this?

MR FLANAGAN: Yes. So the point about this is?---The point about this is the fact that in the ITO document, the actual deliverables are very, very brief, they don't cover many items; whereas, the deliverables in this document are a lot more extensive and my concern was that this more extensive list, because it wasn't part of the ITO, there was a greater chance that vendors may not have priced in accordance with this greater list of deliverables because they weren't actually contained in the ITO itself.

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All right. And similarly with item 7.24?---The 7.24, this - my concern around this one was that IBM had a particular understanding around the conversion programs. In the cost overview session, information was provided around those conversion programs, which was different to what IBM's understanding was, so therefore, again, my concern was around the sufficiency of the ITO document in being very clear to vendors about what the requirements were and that issues were coming up subsequent to the initial offers being provided by vendors.

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Of course, with an ITO process, one has clarification processes of questions being asked by relevant sub-teams - - -?---Yes.

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- - - answers being given, further presentations being made?---Yep.

Would you expect those type of exercise to overcome the difficulties identified here?---They do. I would have expected, though, that the ITO document should have been, I suppose, more extensive and a lot clearer up front, given the very compressed time frame for the project and the very short time period that was essentially permitted from closure of the ITO to contract signing, there shouldn't be - I suppose if this information had have been contained, those time frames would have been quite achievable; whereas, with these concerns that are documented here have then made me wonder what other things may not have been as clearly documented as what they should have been.

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Can I just stop you there? You've identified an issue, namely, the time frame of the ITO process itself here - - -?---Yes.

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- - - including the response time. I assume for present purposes there was a week-long extension - - -?---Yes.

- - - for responses to be given. We do know from the documents I took you to this morning, though, that there was an information request, there was Mr Burns's email seeking proposals?---Yes.

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What do you say about the time frame of the ITO and the responses in terms of the previous steps that had been taken leading up to the ITO?---My view would be that request for proposal process would have provided little value to the vendors and the ITO because the information that was provided to vendors in those eight questions was pretty much non-existent; whereas, the ITO provided to them substantially more information so I don't think the request for proposal process would have given them any great insights into what the CorpTech requirements were because it was so brief.

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What is the usual period you would expect, from your own experience, of ITOs in terms of response time?---I think it would allow at least a minimum of six weeks.

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And for evaluation?---For something this size, I would think at least two to three months and that's two to three months that would include evaluation, presentations, reference site checking, as well as contract negotiations.

What do you say to the proposition, though, that here it's a closed tender to three existing contractors with CorpTech, namely Logica, IBM and Accenture, who have some knowledge of the workings of CorpTech, some knowledge of the Shared Services Initiative Solution?---Their - I suppose their inside knowledge would certainly make that process easier, but I would counter that with saying: given this was going down a path significantly around the HR side of implementations, which hadn't been embarked on significantly by CorpTech, I think a more - I think you're better off aiming for a longer period of time and if you can bring that in shorter, then that's an asset, but I think it was too compressed.

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Given your involvement in the ITO leading up to the time that you removed yourself, were you aware that there was a sense of urgency in relation to the need to replace LATTICE at Queensland Health?---I was aware of the sense of the urgency; I wasn't intricately involved in those discussions but I was certainly aware of that being a general concern in the environment.

COMMISSIONER: But the contract wasn't just to replace the Health payroll system; it was to bring in the Shared Services for the whole of government?---Yes, it was; yeah.

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A much bigger task than just replacing one payroll?---I agree. Yes, it was.

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MR FLANAGAN: So just from your own experience and in your position of director of finance, by the time periods you've given are the time periods you think should have been observed in this particular tender?---In my opinion, yes.

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May I then take you to - - -

COMMISSIONER: Do you know who fixed the time frame?---No, I don't, and I'd prefer not to make an assumption about who that was.

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MR FLANAGAN: May I then take you back to volume 12. Just dealing with the ITO generally, it would seem that it identifies price in a number of places and also identifies a criteria for price, but if we just start at page 6?---Yes.

Sorry, page 7?---Mm'hm.

Under "Evaluation Criteria", paragraph 8.2 - - -?---Yep.

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- - - "It is requested that the offerors pay particular attention to the questions and request outline in this document when addressing the criteria." And (2) is value for money. Do you see that?---I do see that.

All right. Did you draft the selection criteria for the cost evaluation?---I don't recall.

Value for money, though, is a readily identifiable criteria - - -?---Yes.

30

- - - from the state government's procurement policy? ---Yes. Value for money is a common thing in any government procurement process.

Quite. And then in item 9, pricing structure, 9.1. Do you see that?---Yes, I do.

Did you draft that part of the ITO?---I don't recall drafting it.

40

But it is in line with what you'd expected in an ITO of this type?---Definitely, yes.

And it's a statement that refers specifically to the pricing schedules which you had drafted?---Yes, and it's quite clear the vendors and their prices must be provided in that format to enable comparability.

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And when you drafted the pricing schedules, you identified that certain stages would have fixed prices?---Yes, I did.

And other stages would have best estimates?---That's correct.

And that was a structure that you came up with in consultation with anyone?---In terms of the determination of whether it was fixed price or best estimate, I can't recall who made that determination. I am, I suppose, I'm assuming, though, that a lot of the best estimate activities were a fair way out and those early activities, in terms of scoping and so forth, would need to be done in order for a vendor to be able to come up with a fixed price around those elements.

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Thank you. And can I take you then to page 58, which deals with response schedule for pricing? Did you have any input into this page?---I don't recall. It doesn't look familiar to me; that's not say I wasn't involved.

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All right. In any event, this is the schedule that makes it clear that fixed price quotes are to be given for items of work set out in tables 1H, 1F. Yes?---Yes.

And that in the fourth paragraph, "You're requested to provide best estimates for the items of work set out in tables 1G, 1H, 2A and 2B"?---That's correct.

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"The exact scope of work for tables 1G and 1H will be determined and agreed in accordance with the process set out in the contract"?---Yes.

That is, something to be agreed in the future?---Yes.

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All right. Then one major concern for the customer - this is in the paragraph above the table, is to ensure that ongoing work is performed efficiently and in a cost-effective manner, the customer does not wish to be in a situation where the contractor exacts higher margins from the customer for subsequent work. Looking at that from your position as a director of finance, the items in 93 to 99, what are they seeking to achieve in the context of the ITO?---It's getting confirmation around some of the specifics, so such as quite in most ITOs, you would want to know how long the price is valid for, is it 30 days or is it 60 days. It's more, I suppose, some surrounding pieces of work that surround those main costs, travel and accommodation costs, so they are going to be in addition to what was quoted or are they included, so it's - yes, it's what I would call peripheral pricing elements to the key pricing information included in the pricing schedules.

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All right. Then if you look at page 60, that is the pricing schedule which you drafted?---Yes, it is.

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And it has - obviously for stage 1A, a fixed price, stage 1B, a fixed price and so on?---Yes.

Then if you look at an example of page 66, the stage 1G, it's best estimates?---Yes, it is.

And with itemizing the work to be carried out. Correct? ---Yes.

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Now, was there any part, having read the ITO at the time, and having down the pricing schedules and knowing from your own knowledge of the procurement process of the state of Queensland, was there any part of this ITO that sought from tenderers their price in relation to the remaining budget available to Queensland Treasury?---No. The budget was not mentioned as part of the ITO. It was very clearly - here are the pieces of work and what is the pricing associated with completing those pieces of work. There was no reference to budget in the ITO document itself.

40

All right. In terms of an ITO process, what is your opinion as to the effect on an ITO process such as this of some tenderers tendering according to a remaining budget, and other tenderers according to value for money?---I suppose my opinion - if the remaining budget information was information that was known by people other than those people involved in this process, it could have the impact of tainting the financial information that is provided, and that is only if that information is known to others. If the information is not known to others, then the pricing information that should be provided should be based on - based solely on the information contained in the tender documents.

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Assume for present purposes that all tenderers knew that there was a remaining budget in Queensland Treasury for the rollout of the Shared Services Initiative for the whole of government?---Mm'hm. 1

And everyone knew that?---Yes.

It was out there in the public domain?---Mm'hm.

This tender document as you read it at the time and having done the price schedules was a tender document that simply sought the tenderer's best price for given work. Correct? ---That's correct, yes. 10

Can I just then deal with some specific items of costings?---Yes.

In relation to core development?---Yes.

Can I do this by first of all going to Accenture's price schedule and can I start with volume 18 at page 664? Mr Commissioner, as I'm going through this task, I'll deal at the same time with paragraph 4 of Ms Bugden's supplementary statement. 20

At page 664, can I first ask you to simply to note for the priority core development which is item or phase 1E what the quoted price is by Accenture for finance which is 6.23 million, and then the quoted price for HR standard functionality which is around 16.4 million. Do you see that?---That's correct. 30

Right, but for present purposes, having noted those two figures, I am just going to ask you to deal with item 3 which is HR awards. You will see there that there is an exclusion that Accenture refers to in its pricing schedule. "We have proposed that HR awards will be configured as part of each release and the price of this is included in items 1G, 1H2A, refer to question 16 for further details and rationale." Yes?---That's correct. 40

All right. From there, may I take you to exhibit 19. Keep that volume in front of you, if you would. At exhibit 29, Ms Bugden, is Accenture's response to clarification from the evaluation panel in relation to what items it has priced and what items it hasn't priced?---Yes.

But for present purposes, may I take you to page 5 of 16 of exhibit 19. You will see there that item 5.50?---Yes. 50

HR awards for Health, they say, "Yes, we have priced it. Please note that we have changed our approach as per request by CorpTech and moved this activity into line item 1E"?---That's correct.

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Now, line item 1E, of course, was a fixed price. Yes? **1**
---Yes, it is.

Similarly, item 5.51, HR awards for QCS, "Please note that we have changed our approach as per request by CorpTech and moved this activity into line item 1E"?---Yes, that's correct.

So there would seem to have been a request in the terms of the evaluation that that item be moved to a fixed price item. Correct?---Yes, it was; yes. **10**

Right. Now, may I take you then to volume 6, page 179. This would seem to be a clarification question 19 which is in relation to the priority core development item 1E?
---Yes.

And if you could just note, please, Accenture's response to that - - -?---Yes. **20**

- - - and it would seem that Accenture is holding ground in terms of keeping that item where they had it originally, yes?---They are, yes.

But then if you turn to page 191 in the same volume, Accenture comes up with - it says, "For the purpose of your evaluation, we can confirm that the component of our best estimate pricing that covers all of its configuration for core priority agencies," is that figure including GST. Yes?---That's correct, yes. **30**

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So that figure is ultimately added back into item 1E for the purposes of obtaining a fixed price?---Yes, in the pricing schedules that were put together, it was deducted out of one element and added back into 1E.

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All right. Thank you. And then can I do the same exercise for IBM? Can I take you to volume 15, and at volume 15, may I take you to page 621? And it's the case that IBM, as part of the fixed price for the priority core development, had in fact included in the HR awards an amount plus GST, correct?---They did, yes.

10

So, really, if you remember the figures, as between IBM and Accenture for this particular item there's nothing in it? ---There's a minor variance.

A minor variance, all right. But I did ask you to recall and keep in mind the pricing schedule for Accenture in relation to items of finance and HR standard functionality? ---Yes.

20

Do you recall those?---I do, yes.

And if you turn to paragraph 8 of your statement, of the supplementary statement, it is these types of variance, Ms Bugden, which you say would have caused you to pause. Is that correct?---That's correct, yes.

Can I ask you to put yourself back as director of finance of CorpTech and assume you had not removed yourself from the evaluation. When you have variances for these amounts for what is a fixed price for priority core development, and I don't want to make a comment about what price is right, or what price is high, or what prices is low, but when you have such a variance what would you ordinarily have done? Sorry, what would you have done?---Okay, the first things I would have done is looked at the assumptions behind both vendors pricing. I would have done a thorough testing of those assumptions with the relevant people in CorpTech as well as people from the relevant government agencies where there are expectations on agencies to provide resources or information. Secondly, from what I've read there are a number of evaluation teams that would have had relevant key people from those evaluation teams brought into the pricing camp to actually look at the variances and to have them, I suppose, try and explain the degree of variance between the price because it may well be in the solution that was offered by both vendors. There were significant variances in approach that warranted the variations in numbers. If that wasn't able to be provided and they weren't felt that those variances were too wild to be explained, then I would report upwards to the executive director and Terry Burns that further investigation needed to be undertaken of the solution that was being offered by both of the vendors.

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One variance is in the order of over \$13 million, isn't it? 1
---Yes.

It's significant?---Yes, definitely.

And the other variance is in the order of \$5.5 million?
---Yes.

And that's in the one item, item 1E, of priority core
development?---It is, yes. 10

So one actually has close to, you know, \$16 or \$17 million
worth of variance under item 1E?---Based on this
information, in looking at it now, I wouldn't be
comfortable that either price could be relied upon. It
would warrant a lot further investigation and, yes, that
would stretch the time frames out, but ultimately this was
a really, really big contract for the Queensland government
and government need to be - and it was a fixed price
contract with both vendors being so intricately involved 20
in work to date at CorpTech, I wouldn't have expected such
a degree of variation.

One thing you said to the commission is that you'd look at
the assumptions that were made in relation to those
pricings. Correct?---Yes.

Can I take you to volume 15, which we're on, and can I ask
you to look at appendix 2 to IBM's ITO response, which
you'll find at page 717? If you start at page 716 - in 30
fact, would you do me a favour, just so we understand this
document?---Yes.

Could you start at page 715, which is dealing with item 1D.
Do you see that, Forward Planning?---Yes, I do; yes.

Would you agree, though, by the time we come to HR core
that's got absolutely nothing to do with item 1D, but
it's actually item 1E?---I believe so. On reading this
document, I would suggest that there is a heading missing 40
in there.

In any case, we know that HR core came under item 1E?---1E,
yes.

So let's assume then that the finance part of this is the
finance part for item 1E which we've been dealing with so
far in your evidence, yes?---Yes.

Now, under the heading Finance at page 717, it says, "IMB 50
estimates for building configuration for priority core
development exclude any items which include an unspecified
number of WICEF, developments and/or some degree of
research or consultation." And that the excluded items
are, and you'll see those items which include 1.5.1 down to

item 3.4.2. Do you see that? And then over the page there's another three items excluded?---Yes, that's correct. 1

So what IBM's making clear in its response to the ITO is that for item 1E, finance, we are excluding these items for the reasons they're put there, yes?---Yes, that's correct.

From there, can I take you to volume 30, page 1408, and can I take you to item 5.2 - - -?---Yes. 10

- - - Functional specification for 31 processes listed? IBM says, yes, they have priced it, but, "Clarification is our 1E fixed price quote covers all those process identified in attachment 2.1 with the exception of the 12 processes identified in assumptions 1E: finance," which I've just taken you to - - -?---Yes, that's correct.

- - - "which we moved to 2A finance," and 2A finance being a best estimate. Is that correct?---Yes, that's correct. 20

Note, "We understand the 31 processes to be those referenced in attachment 2.1: core fixed worksheet." Do you see that?---Yes, I do.

Just as Accenture sought to move some best estimates to fixed price, or was requested to, from what you've read was there are request for these items that hadn't been costed as a fixed price to be moved?---Yes, information was provided to me this morning where a clarification request did go to IBM seeking that information. 30

Yes, can I take you then to that clarification request, which is volume 30, the same volume, but if you could turn to page 1424. And at item 10 it's dealing with further provision of information by IBM for a fixed price quote for the excluded items, that is, the 12 excluded items we've identified in the assumptions, correct?---That's correct, yes. 40

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Under 1E, "Please confirm your best estimate price," and the response ultimately is for CorpTech's budgetary purposes, "Our best estimate related to these components is that amount." Yes?---Yes, that's correct. 1

This is based on a review of the work effort for each of the items?---That's correct.

But accepting all those clarifications, one is still left with a very large variation on the two items under 1E that we've identified?---That's correct, yes. 10

So just explain again what process you would have gone through?---Okay. Firstly, I would review both entities' assumptions in detail to check whether those assumptions are correct or whether some incorrect assumptions were made. I would then seek expertise from people in other evaluation teams who are more knowledgeable about the particular pieces of work that needed to be done, particularly with respect to that priority core development to get them to have a look at the financial information, and this is subsequent to them completing their other evaluations, but to look at that financial information and to provide that, I suppose what you'd call a reality check, over the numbers that have been provided to get some - for them to see - provide information on whether those variations reflected legitimate various variations and deliverables by the two vendors or whether those numbers didn't sit well with what information was being provided in the rest of the offer documents. 20 30

Now, they weren't the only variations that you saw of significance - - -?---No.

- - - in your assessment. Is that correct?---That's correct. There's a number of significant variations, particularly in the area of best estimates.

Can I just, while we're on volume 15, can I take you to page 638, which is dealing with response 7. 40

COMMISSIONER: Did you just say - - -

MR FLANAGAN: Sorry, did I say 638?

COMMISSIONER: I think you did.

MR FLANAGAN: It's unfortunate that I said that. Can I take you to volume 18, page 669? When I say "response 7", I actually mean "release 7", of course. Here for Queensland Health, the best estimate given for finance core is that amount. Do you see it?---Yes, I do. 50

Do you have it, Mr Commissioner?

COMMISSIONER: Yes, I do, thank you.

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MR FLANAGAN: Thank you.

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And you've compared that in paragraph 8 of your statement to that of IBM. Is that correct?---Yes, I have.

And the IBM figure is approximately - there's a \$4 million difference in that one figure for Queensland Health? ---That's correct, yes.

And that's for Queensland Health finance core?---Yes, it is.

10

From your own reading of the ITO, do you have any explanation for why there would be such a variance in price between Accenture and IBM on such an item?---No, I don't, no.

No. Would you have required, as the director of finance for CorpTech, some technical information to inform you as to why there is such a variance?---Definitely, yes.

20

All right. Thank you. May I take you to paragraph 10 then of your second statement? Now, you've examined, have you not, the documents that were created by the evaluation panel for cost in the course of the evaluation for the ITO?---I did, yes.

And can I take you to those documents. The point of it is that you identified some material differences in pricing, whether one price is lower or one price is higher is neither here nor there, the point is there was great variation in the prices that were being produced or presented by the various tenderers in this process, weren't there?---Yes, there was, yes.

30

All right. Can we just start then with volume 20, page 595? This is a summary analysis focused on fixed price initial phase pieces of work?---Mm'hm.

So that would be looking at the phases that you have identified in your pricing schedule as requiring a fixed price. Is that correct?---Yes. This included fixed price as well as the best estimate line items are on here as well.

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Are they? All right?---Yes.

COMMISSIONER: Say that again?---This spreadsheet here contained the fixed price elements but - - -

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Yes?--- - - - it also included information on the best estimate pieces of work as well.

MR FLANAGAN: Now, in terms of variation in price here between Accenture and IBM, leaving Logica aside for present purposes - - -?---Yes.

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- - - what is that causes you concern?---What caused me concern particularly related to the line item priority core development, the Accenture and IBM price varies markedly from the Accenture price, and whether it does be the vendor cost or the vendor cost and CorpTech resources, the price is materially different. And then when I looked further down the document, look, for example, for release 7, finance, HR and other SAP functionality, the variance again is quite remarkable.

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Could you then turn to page 597. First of all, is that the type of document you would have created had you been heading the evaluation panel for cost on this ITO?---If I had been there, yes, you would complete your specific documents but then you would have a summary document that would be overlaid over the top, presenting on one page all of the relevant financial information.

10

All right, but this would seem to be a document that identifies the funding that was available to SSS to February 08?---It certainly does, yes.

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And is that the sort of exercise you would have carried out?---Funding would have been a core part of my role. In terms of the evaluation, though, and in terms of identifying which vendor was most suitable and the preference for selection, funding wouldn't have been a part of that consideration.

COMMISSIONER: Mr Flanagan, what page are you on, I'm sorry?

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MR FLANAGAN: Sorry, that was 597.

COMMISSIONER: Just let me find that. I think I've got that. And what's the point here? On the funding available?

MR FLANAGAN: Yes.

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COMMISSIONER: Did this come into existence before Ms DiCarlo's appendix D?

MR FLANAGAN: She wasn't asked and - - -

COMMISSIONER: What did the document suggest?

MR FLANAGAN: The documents unfortunately are not dated.

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COMMISSIONER: This is part, is it, of the cost panel evaluation? 1

MR FLANAGAN: Yes, it is, Mr Commissioner.

COMMISSIONER: Which led, no doubt, to - - -

MR FLANAGAN: The final report.

COMMISSIONER: Yes. 10

MR FLANAGAN: Yes.

COMMISSIONER: After which came appendix D.

MR FLANAGAN: Yes. May I take you to page 605 of the same volume, please? You may recall I asked you before about the IBM assumptions - - -?---Yes.

- - - particular in relation to item 1E, and there were 12 items that IBM had not priced?---Yes. 20

That, through clarification, they actually came back with a price for that. Correct?---Yes, they did. Yes.

And that price was \$241,000?---That's correct.

And if you look at then excluded finance components best estimate you'll see an amount of \$265,100 under the - - -? ---That's correct. 30

That's around, Mr Commissioner, it's in - - -

COMMISSIONER: I've got that, yes.

MR FLANAGAN: Yes. Which is, really, \$241,000 plus GST? ---That's correct.

All right. I know it's very difficult to read this document, particularly when things are underlined in red, but it would seem that certain figures were added that did not necessarily emanate from IBM by way of clarification, such as the figure of \$4 million. Do you see that?---I do see that. 40

Having read appendix D, do you know how that figure is identified as constituting an estimate?---No, I don't. No.

May I then take you to paragraph 13 of your statement, and take you to volume 22, page 23. 50

COMMISSIONER: Where are we here?

MR FLANAGAN: At page 22, Mr Commissioner. As director of finance, if you were on a panel evaluating cost - - -? ---Yes.

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- - - and you had that sort of variance which is identified in page 22, which is the appendix C: summary of offerors cost, what sort of question do you ask yourself?---For me the first question would be, "Is this level of variance readily explainable and able to be substantiated so that government going down this path is not going to open itself up to contract variations as the process proceeds," because one vendor may have made assumptions that might be incorrect, or they interpreted the ITO information in a different way to the other vendor. I would believe that the finance team in signing this off would need to be able to substantiate this very, very, very well.

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Had you still been there and head of this evaluation panel, would you have signed this document?---No.

Why is that?---Because I cannot see sufficient information to support the degree of variation in price.

May I go to exhibit 6, please? Actually, no, it's not necessary to go there, it's been covered already, thank you. We appreciate that the ITO did not require a tenderer to reconcile its indicative pricing in response to the RFP with its pricing for the ITO?---Yes.

20

We know that Accenture did provide such a reconciliation? ---Yes.

You've already identified the difficulties in identifying scope from Mr Burns' email?---Yes.

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Would you have, had you been heading the cost panel, taken any step in relation to identifying IBM's price range in response to the RFP and its price range, if you like, or its price for the ITO?---I would have. I believe as part of a larger piece of work to actually get a fuller understanding of the pricing information provided, you would interrogate and source information about the differences between the pricing provided in the RFP and the pricing provided in the ITO as part of that larger process.

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And why is that?---To try and get some comfort around the numbers that have been provided and to try and develop some understanding as to what changed so dramatically between July 2007 and October 2007 to warrant such a variation in price.

Can I then return to your statement, your main statement, if I could?---Yes.

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You've told us that you removed yourself from the evaluation process for the reasons you've identified? ---Yes, I did.

Were there any other reasons why you had removed yourself from the evaluation process?---No, other than my work commitments at Justice and Attorney-General there were no other reasons why I removed myself.

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We know that Colleen Orange applied and obtained your job as director of finance at CorpTech?---She did, yes.

Did you have any handover meetings with her in relation to this ITO process?---I don't recall having handover meetings before I left, because at that point I was still going to be involved in the ITO process. I have gone back and had a look at my diary going back to October 2007, and I have a number of meetings where I actually spent time down at CorpTech. It doesn't say who I spent time with, but on 8 October in particular and a few days earlier I did spend - I have a diary note that I spent time at CorpTech.

10

When was it decided by you that you had to remove yourself from the process? Were you contacted by Barbara Perrott or Mr Burns or anyone else to try to keep you involved in the process?---No, all I recall was sending an email on 8 October saying I was no longer able to continue.

20

All right. And that email is annexure A to your statement, is it not?---Yes, it is.

Yes, thank you. In that email you actually refer to Colleen being able to ask you any questions. Do you recall Ms Orange asking you questions about the evaluation process?---I don't recall, no.

30

Appendix B, or annexure B, to your statement is an email of 14 September 2007 to Mr Goddard and Maree Blakeney, is it not?---That is correct, yes.

You express some frustration in relation to the ITO process, but just so that we can understand it and not put too much on it, that frustration was in relation to what was going to be involved from various departments in terms of the roll-out?---Yes, it related to three entities within government, and from what I recall there was an annexure to the ITO that specified each agency and whether they were after finance, HR or both. And the concern I expressed was that the information with relation to three government entities had been incorrectly represented in the table.

40

Just to finish, annexure C to your first statement is simply you emailing the draft pricing index that you'd done for the purpose of the ITO?---Yes, that's correct.

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Thank you. That's the evidence-in-chief of Ms Bugden.

COMMISSIONER: Yes. Thank you. Mr MacSporran.

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MR MACSPORRAN: Ms Bugden, just in relation to the last point about your contact with Ms Orange - - -?---Yes. 1

- - - you've checked your diary, have you, in terms of - - -?---Yes, I have.

- - - the contact you might have had?---Yes.

You've identified the contact on 8 October where you spent some time at CorpTech, did you say?---Yes, I did. 10

The tenders posed on that day, were they 8 October?---Okay. Yep. I wasn't aware of the exact date but - - -

You would take that to be the date that they closed?---Yep.

And, sorry, you were about to check your document?---Yeah. I had a meeting there on 8 October, a meeting called Strategy for Prime Contractor Meeting, so that was on 8 October and then I had another meeting down there on 11 October where I had from 8 am to 1 pm set aside to meet CorpTech. 20

All right. Now, do you know whether, in particular, either of those meetings, but certainly the second one, related to any part of the evaluation process?---I couldn't tell you. I don't know.

Do you remember now whether you looked at, at around that time, the responses that had come in from IBM and Accenture?---I have no recollection looking at IBM or Accenture responses. 30

All right. Do you have any recollection of discussing with Ms Orange the responses that had come in around that time? ---No, I don't.

Do you have any recollection of Ms Orange discussing with you queries that she had about the evaluation process, the costing around that time?---No, I don't, sorry. 40

That is, though, I take it from your email, of that day, 8 October, that was the offer you were making, that if there were queries that needed to be addressed - - -? ---Yes.

- - - given your involvement earlier, you were more than happy to take part in assisting, if you could?---I was definitely happy to, yes. 50

But you don't recall other than is visible in those dates - - -?---No.

- - - whether you did, in fact, take part?---No. I had a lot going on in my - as you can appreciate, started a new

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role just before that. We've had a lot of activity going on in that area, so I don't recall. 1

Can I ask you to go to your first statement, your main statement, just to paragraph 26? Your comment there about not knowing how the process came to be a closed offer process - - -?---Yes.

- - - you had been working in that area between 2004 up until 2007?---Yes, that's correct. 10

Do you remember anything about an open offer or tender process occurring in 2005?---No, I don't; no.

Are you aware of any government procurement policy that talks about - if you had a closed tender process, you need to explain the reasons why you were adopting that as opposed to an open tender process?---No, I wouldn't have been aware of that at the time, no. 20

Are you aware now that there is a - or there was at the time a significant purchase plan in place to deal with those issues?---No, I wasn't.

All right. Thank you.

COMMISSIONER: Dr Doyle.

MR DOYLE: Thank you. Ms Bugden, can you go to your statement, please?---Yes. 30

That is your first statement?---Okay. Yep.

In paragraph 19, you say, "On reviewing my emails dating back to 2007, I was able to identify a series of workshops we had in May 2007"?---Yes, that's correct.

Should we infer you were somehow involved in that?---I was involved in them, yes. 40

Okay. And they were workshops with people within CorpTech only or were there people from outside CorpTech involved? ---I don't recall who was involved.

Can you help us, please, do you recall meetings back in May 2007 which included representatives of Accenture?---No, I don't recall, no.

Or Logica or IBM?---No. 50

Very good. And then you say, "It may have led to the request for proposal process that was run in 2007." Were you aware of at least a proposal in between May and the July step for the possible engagement of someone to act as a program management officer or to be involved in project management functions?---I have no knowledge of that.

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I'll ask that you be shown volume 28, please. Who is Kirsty Trusz, T-r-u-s-z?---She was a person performing an administrative role, I think within the office of the executive director.

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Of?---CorpTech.

CorpTech?---Yes.

All right. Thanks. If you would open it at page 428. Is there an email dated 29 June from Kirsty - - -?---Yes.

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- - - no doubt on behalf of someone else, but advising IBM that they have been unsuccessful in relation to the project management office activity?---Didn't see that.

You don't know anything about that?---No, I don't.

Okay. If you turn to the next page in that book, you should have an email dated 29 June?---I do.

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That's the same date?---Yep.

Inviting IBM to a supplier briefing on 2 July?---Yes, I see that.

And you know, don't you, or tell me if you know, that a similar invitation was extended to other suppliers?---I don't know, no.

30

Okay. I'll show you a document about that in a minute. And can I infer from that, that you weren't involved in preparing anything that was to be presented at that suppliers' briefing?---I don't recall being involved. Given my focus was around the financial side of the business and not around finding the scope of what the SSS program is all about, I don't see that I would have had a part in that.

Turn to page 431. You might recall it, I'll show it to you if you need to, that Mr Flanagan was asking you questions, he showed you a letter dated about 2 July?---Yes, I recall that.

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It's been sent out to all of the - - -?---Yep.

- - - suppliers, inviting them to do something?---Yes, I saw that.

Do you recall that?---I remember that.

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Now, is it the same that you weren't involved directly in extending that invitation or - - -?---No, I wasn't involved.

- - - any aspect of fulfilling it?---No; that's correct.

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You are, however, aware of something you call a request for proposal process?---I am aware of that, yes. 1

Which you became aware when?---The earliest recollection that I have is when those - is - as I say, I'm not clear on the timing of events, but the two key events that I am aware of was attending presentations by at least three of the four vendors. I can't be sure about IBM; that's not to say I wasn't there. I also recall when those submissions came in, printing those submissions out and collating them, ready for the evaluation teams. 10

I will ask that you go to volume 6, please. Would you turn to page - just excuse me?---That's all right.

41, please?---Yes.

You should have on the bottom half of that page, an email which you know to be the email - - -?---Yes. 20

- - - that people have been referring to as the request for proposal?---That's correct.

Or some kind. And it's plainly a very truncated, abbreviated request of some kind?---I agree, yes.

All right. Now, I want to direct your attention, though, if I can, to item number 6?---Yes.

"The process that we wish to follow from here onwards is to collate these proposals from all interested suppliers by 7 August"?---Mm'hm. 30

"And we suggest that you may wish to make a presentation to senior management group before this date." So it's obviously a contemplation that there'd be a presentation - - -?---Yes.

- - - to the senior management group?---Yes. 40

Who is that? Can you help me, please?---Senior management group would have comprised Terry Burns, Keith Goddard, possibly the executive director at the time, Barbara Perrott, Darrin Bond, Jan Dalton, myself from the financial point of view.

And do you recall if - sorry, this is possibly the thing in response to which you went to these?---Yep. I do recall - - - 50

The presentations?--- - - - presentations, yes.

All right. Thanks for that. Now, at the time, that is - I know it's hard to do, that's dated 25 July?---Yep.

Leave that open, if you would. Tell me if this is accurate, that - if you can recall it, that there was at the time available to CorpTech a budget of \$108 million, which was a mix of capital and expense?---I cannot confirm the amount of money but I know there would have been a remaining amount of capital and operating money to fund the initiative.

1

And you were of the view that there was flexibility to change the mix of that without too much trouble? ---Sometimes we had the ability to liaise with Treasury around doing what we call operating equity splits, shifts between the two.

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Right. Well, so it is - - -?---It is possible, yes.

There was a figure; you can't now remember what it was? ---Yes.

But it was a mix of capital and expense?---Yes.

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And that there was flexibility about its composition?---In consultation with Treasury, again, traditionally have to get Treasury approval to change the mix.

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But you had been told by then that the under-treasurer would be unlikely to provide additional budget to CorpTech unless additional benefits could be delivered?---I don't recall that piece of information but that is not a surprising that Treasury that would take.

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It sounds?---It's very - - -

It has a ringing truth about it?---Definitely, then and now.

10

Then and now, all right. Those things that I put to you are things that you told the various vendor suppliers around about 24, 25 July?---I can't provide information in relation to that.

Okay. Although it true - assume for the moment the figure was 108 million but otherwise what I suggested to you was true?---In terms of whether that information was provided to vendors, I couldn't tell you that.

20

You can't recall?---No. No. I don't imagine that providing financial information to vendors would have been a very wise thing to do but no, I can't recall what was said at those meetings.

Okay, thanks for that. All right. Now, would it be right to say - I'm sorry, whatever was the outcome of - let's call it the RFE process - - -?---Yes.

30

The July, August, process. Its purpose was to identify those possible vendors who could go onto the next stage and be sent the ITO?---From what I have read, I think that was the position, yes.

Okay. The outcome of that was to pick four?---Again, from what I have read, that was the situation but I don't recall precisely what the decision making process was at the time.

Right. But having picked whatever it was, those three or four, one of them dropped out, I will tell you?---Yes.

40

Three or four. You know that the process was one by which a lot of information would then be provided to them in the from of an ITO?---That's correct.

Which contained prescriptions. I will start again. Do you know that the presentations which were the July, August presentations - - -?---Yes.

50

- - - were in the form of asking the vendors to come up with their ideas?---Yes.

And some of them did?---Yes.

The ITO took the form of the government in fact telling them what the prescriptions were for the work to be done?
---Yes. 1

And identifying the form which the various phases are to be released?---Yes.

Various forms in which the technical requirements were to be satisfied?---That's correct. 10

And to perform indeed in which the offers were to be made?
---Yes.

All of which was a substantial departure from the form in which the email of 25 July was expressed?---Exactly.

Okay. Now, I think it's right to say you have told us somewhere that you read the ITO by which we understand - we should understand you to mean the ITO excluding its attachments?---Excluding its large number of attachments. 20

Well, I wanted to ask you about that and you can put volume 6 aside, please. Perhaps before you do - there's just one more thing I wanted to ask. Could you turn to page 71 now, please?---Yes.

You should have, amongst other things, an email from David Ford from 3 August?---Yes, I do.

Which you can read to yourself?---Yes. 30

It's directed to you and to Maree Blakeney?---Yes.

And he is asking you a question, "Is this really an RFI process?" and he says he had in mind it was something more informal?---Yes.

And your response, you will see, is, "No, it's not an RFI process, Keith just keeps calling it an RFI"?---Yes. 40

Keith is Mr Goddard?---Keith Goddard, yes, that's correct.

So it's right to understand your response is saying it's not really a formal process at all, although Keith keeps calling it a formal process?---Yes.

Wrongly?---Yes. Around procurement stuff, my experience, people use terms interchangeably and the purpose of this email was try to be clear that it was not an RFI, it was RFP. 50

Right. It wasn't a process by which there was going to be a selection of someone to contract with at the end of?
---Definitely not, no.

There was always going to be a formalization of - a formal invitation to tender?---Yes. If anything, this RFP process would constitute what you could call early market engagement sourcing information that can help aid in the future processes that you are looking to undertake.

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If anyone was to ask - - -

THE COMMISSIONER: That was the government's point of view. Do you know what the suppliers were told?---No, I don't; no.

10

MR DOYLE: Now, can you go to volume 12, please? You should in the same volume have something called part G attachments? ---I have that, yes.

And there are 18 attachments?---There are, yes.

None of which are in the volume that you have?---That's correct.

20

The vast bulk of which is not in that volume, for reason that I'm about to give you?---Yes.

Can we take it that you haven't read the various attachments?---No. I had an attachment 6 I looked at last week. I had a brief look at attachment 2 last week to try and develop an understanding around - particularly around the finance scope to see if I could get a better picture of the variations but that's all.

30

Right. I understand from what you have said that your role in respect of the ITO was to read it and then to produce some price schedules, some price matrix?---Based on the information that was being requested and sufficient information was available in the main body of the ITO to enable those price schedules to be compiled.

Thank you. Back then, you didn't read these part G attachments?---I don't recall reading then but again, I couldn't say categorically.

40

If I were to suggest to you that these attachments if printed out would occupy 45 volumes - - -?---Then I would suggest that I didn't read them.

It's obvious you didn't read them. Indeed, I think it's right to say that attachments 1, 2 and 3 themselves represent close to 45 volumes?---That was the impression when I had a quick look at them last week because they were quite voluminous on a CD.

50

That's why they haven't been printed out?---Yes.

And it's there one finds a lot of the technical description of the IT components that have to be provided pursuant to this ITO?---That's correct, yes. 1

Indeed, it is fair to say, you agree, reading the part that you did read that it doesn't describe the IT component of what is to be provided?---In the main part of the ITO, no, it doesn't.

Okay, thanks for that. Now, would you turn please - you can put that aside for the moment, back to your statement? ---Yes. 10

To paragraph 41. Read 40 if you need to to answer the question?---Yes.

What you tell us in 41 is that you recall liaising with Terry Burns and Phillip Hood concerns about the sufficiency of the ITO. I felt the scope of works identified in the ITO was not sufficiently detailed to give the market a clear indication et cetera?---Yes. 20

Now, whatever we should understand, that is a view expressed without having looked at the attachments to which I have just referred?---That view I had related to the body of the ITO and generally under the main elements, there are about eight dot points providing high level detail of what was expected and it was with respect to that that I was concerned about the level of detail. 30

And to be fair to you, your expertise or your training as in finance of training - - -?---It is, yes.

- - - but even if you looked at the technical data, it may not mean very much to you?---That's correct.

Mr Hood is someone whose expertise is such that he would understand those things?---I believe so, yes.

And indeed the evaluation team comprised amongst others a series of people with different skills and expertise selected, good or bad, but selected because they had expertise to assess these things?---That's correct. 40

50

Okay. Thank you. Now, still on the statement, if you turn please to paragraph 44, you do recall, don't you, there being at least perceived to be urgency related to something to do with Queensland Health?---I do, yes. 1

And it was something to do with replacing its LATTICE software system?---That's correct, yes.

And you describe it as urgent, is that the perception? ---That's the perception. I was of the understanding in the role I was in that the support being provided for LATTICE was not far off expiring, and therefore there was a level of urgency around ensuring a replacement was in place given it was one of the single biggest payrolls in Queensland government. 10

And you may recall that if you read the ITO you'll see it refer to the fact on the losses of LATTICE? You've got to answer audible. Yes, you can recall that?---Yes, I do recall that. 20

You recall it saying there was no LATTICE upgrade option available?---Yes, I do recall that.

And that it was important to accelerate something for Queensland Health - - -?---I do recall that, yes.

- - - which was to be achieved by initial or an interim solution followed by a more complete one?---I remember reading that in the documentation. 30

And that's consistent with your recollection, that people were believed and were saying that something had to be done urgently?---I do, yes.

And the second thing you refer to is, in this paragraph 44, "There was a pressing need to issue the ITO to the market because the SS initiative had been going on for a number of years and there was not a lot of deliverables being achieved"?---That's correct. 40

Again, within CorpTech what was being said and discussed was going on very long time - - -?---That's correct.

- - - and not much has happened?---That's correct.

And it's been costing us too much?---It was burning through a lot of money very quickly.

You're not the first one to use that expression, is that a work that was being used? "Burnt through the budget" or words to that effect?---It's probably more of a term that I use, it's not a term that I've heard others use. 50

Okay, but it's nonetheless an accurate description of what was - - -?---I believe so, yes. 1

- - - said to be the case. Again, I'll show you some documents about this later, but what was claimed is that there was a need to do something urgently - - -?---That's correct.

- - - and different - - -?---That's correct, yes. 10

- - - in order to avoid repeating the history of slow spend without deliverables?---Potentially, yes.

Okay. Now - - -

COMMISSIONER: But did the need to replace LATTICE and stop the burning of CorpTech's money justify compressing the ITO process?---Not at all, no. If anything, the issues around LATTICE, from my perspective, should have actually increased the robustness of the ITO process because of the award complexity around the Health payroll. 20

But it was more important to get it right than to save five or six weeks?---Definitely.

Thank you?---If you had to weigh up value for money versus getting a good outcome, a good outcome will win out every time.

Thank you. 30

MR DOYLE: The decision to issue the ITO positioned on 12 September - - -?---Yes?

- - - was made within CorpTech or within the government somewhere?---I don't know where that decision was made.

You're drawing on your experience, as you've told us today?---Yes, I'm assuming the decision would have been made within CorpTech in consultation with the under-treasurer. 40

So it would not be an overstatement to say that's a government choice?---That is a government choice, yes.

And the duration that it was open for you know, don't you, that it was originally issued on 12 September with a closing date of 1 October?---Yes.

And one or perhaps more than one of the suppliers asked for an extension?---And I can understand why. 50

Yes, and what was granted to them was a week?---Yes.

Which you could say would be inadequate?---I believe so, yes.

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And then the decision as to how long the evaluation process was to be conducted was, itself, a government decision? ---It would have been a government decision, yes. 1

And if it started, as it seems to, on or about 10 October, and the report's dated 23 October, you would describe that as too short?---Very much so, yes.

For all of those things, a decision to which the government, in a sense, imposed on the tenderers?---Yes, definitely. 10

COMMISSIONER: I thought you told me earlier you can't say who fixed the time frame for the ITO process. The government is meaningless in this context, you don't know who, do you, that fixed the time frame?---Whilst I can't say specifically which individual fixed the time frame, it's the government ITO process and therefore it would have been the government - - -

Someone in government did but you don't - - -?---Someone in government fixed those time frames, it wouldn't have been the industry fixing those time frames. It was the government that prepared the document and identified the date. 20

Yes, of course.

MR DOYLE: Now, the process for the evaluation was, and tell me if you don't know this, one which divided up all of the things which had to be considered into teams or sub teams?---From what I've read in recent times, that's my understanding. 30

By "recent times", you mean in the last couple of weeks? ---Yes.

Is that not something that you were aware of back in 2007? ---I don't recall. I can say on reading back into past emails I certainly would have been well aware of the process at that point in time, but my recollection now of specifically knowing that is not there. 40

Right. Well, I'll see how we go. You were, at least at one stage, going to be on the cost team?---That's correct.

And you recall that?---Yes, I do recall that; yes.

So you knew, I suppose, there was going to be other teams even if you didn't know what they consisted of?---Yes, that's correct. 50

And you knew that, or at least you hadn't prepared yourself to read the various appendices that I showed you a moment ago and referred to a moment ago - - -?---No.

- - - because you didn't see that as relevant?---It wasn't relevant to the work the costing team was required to undertake. 1

Thank you. And had you, and I'm repeating myself, the likelihood is it would not have been something you could assess or understand?---Correct.

Now, I want to take you to your second statement?---Hang on. I'll just find it. 10

You, for the purpose of giving your evidence, read or reread the ITO responses?---I read them. They were provided to me last week, and that's only with respect to the pricing components of those ITO responses.

Well, I just need to understand. I'll show you the IBM ITO response, which is in volume 14. You'll see it's a very substantial document, to say the least?---It is, yes. 20

It has schedules to it; it includes the pricing - - -? ---Yes.

- - - which follows the pricing schedules which were attached to the ITO?---That's correct.

Should we understand that you've read the schedules but not the body of the document?---I read the pricing schedules. There are a number of other sections referred to in the pricing schedules that I was able to obtain that information, in particular the assumptions document. So if there are references in the pricing schedule to other components, I asked for those other components as well to help me understand the pricing information. 30

Okay, well, we'll see how we go and I'll take you to parts if we need to - - -?---Yes, sure.

- - - but we may not have to. You've referred to there being material variations in the respective thing, the prices?---Yes, I did. 40

And no clear information available to explain the material price variation?---From what I could see, that's correct.

From what you've been taken to?---Yes.

All right. Now, the pricing information is in the form of schedules, which, in each case largely at least, followed the form of the pricing schedules in the ITO?---Okay, yes. 50

Which you designed?---Yes.

Okay. It's right to say that those schedules do not require the tenderers to identify their profit margins? ---That's correct.

Or their risk margins or continuance allowance?---That's correct.

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All right. Do they require them to identify the different mix of international resources, that is, whether they're using people overseas rather than people in Australia? ---Certainly not in the schedules, there was a question in there in relation to where the work was being done but it wasn't specifically required for each individual item.

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So at least in terms of the pricing schedule that you've drawn, it was not one the outcome of which would require the tenderers to tell you what their profit, what their - - -?---No.

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- - - contingency, what their margins were?---And nor would it be suitable for a vendor to provide that information.

Okay. And secondly, would it be right to say that you know that IBM proposed to apply a particular methodology to the delivery of the Shared Services Solution, and I'll tell you what I mean by that?---I'm not aware of that, no.

10

Okay. That it had said in the body of its response that the way that it had been done in the past was not a good way to do it, that it wanted to put much more effort into what it described as forward planning?---I understand.

And do you recall reading the parts of its response where it said that?---No, I don't.

20

Well, I'll put a related proposition, you tell me if you recall seeing it?---Yes.

That, in fact, what it wanted to do was to identify all of, from speaking to the agencies and the departments, the services which they require - - -?---Yes.

- - - or the facilities they require so it could define and then implement a baseline, which admit as many of those as is possible?---Okay, I understand.

30

With minimising, therefore, the requirements for implementation of variations in individual departments? ---Okay.

And that it described as a fundamentally different way from the way things have been done to date?---Okay. I understand.

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And you know, at least, the latter, don't you, you know it was true to say that is not the way it had been done prior to the ITO?---My understanding prior to the ITO is not an in-depth understanding but I do understand that government agencies were - they were having difficulty coming to grips with a standard offering and standardising the business processes and supporting systems around that.

Well, maybe I should ask you this: we looked some little while ago at some sheets that showed the comparison between the pricing of particular items - - -?---Yes.

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- - - and you identified some variations between them? ---Yes, I did.

One of them you'll recall was the overall figure for forward planning was higher than the Accenture figure. Do you recall that?---Yes, that's correct, I do recall that.

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I think it's more than twice, the Accenture figure?---I think it was relative to around 4 million to 7 million, something like that, but there was a degree variations and - - -

Okay. And also the IBM figure for management, project management was \$3 million more than - - -?---Yes.

10

- - - Accenture. Now, we should understand that you identified those dollar differences but you haven't been asked or you haven't, at least, read the ITO responses to identify whether they recollect a different methodology? ---No, I haven't. There hasn't been the time and that wasn't my - - -

I understand, I just want to understand - - -?---Yes, no, I haven't got into that part - - -

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- - - what you're saying?--- - - - of the ITO, the offer documents.

And indeed to understand whether one methodology is superior to the other in terms of satisfying the IT requirements, would itself require you to understand what those IT requirements were?---Well, I think it would but I think the position I would have taken, though, is relied on experts in those other evaluation teams to provide that information to support the variation in pricing.

30

Okay. So the other teams who - and just take a hypothesis - - -?---Yep.

- - - who were dealing with forward planning, if there was such a thing, would you identify the differences in the two tenderers or three tenderers - - -?---Yes.

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- - - and rate them, and say, "Well, this one's going to do a different methodology which we think is better," by a certain score?---That would be correct, yes.

That would be the process you would imagine?---Yes, definitely.

Thank you. Now, still on your supplementary statement, in paragraph 8, you give some examples of things?---Yes, I do.

50

And I wanted to take you, please - I don't dispute the figures you put there, they seem to be right. I just want to ask you about the release 7 - - -?---Yes.

- - - to which you refer in 8C?---Yes.

It is right to say, isn't it, that you know that the two tenderers, and we can ignore Logica, so it's just Accenture - - -?---Yep. 1

- - - and IBM, had different inclusions for releases 6 and 7?---I know with respect to the awards side of things Accenture had quoted for awards as part of release 6 and so forth, whereas IBM had quoted for awards in terms of 1E, but around the finance side of things, I'm aware that IBM was unable to quote on particular elements due to the sufficiency of information; whereas, they included that information further down in the best estimate area. 10

All of which you've been taken to this morning?---Yes, definitely.

Which is in fact identified in the documents that were provided to the evaluation teams?---Yep.

And regard had to them in whatever way they were thought to be made?---They - yes, yeah. In terms of more specific information, again I'm not aware of more material variances. They may well have been there; I just haven't been provided with that documentation. 20

I'll show you, if I can, volume 20. Open it, please, at page 597. I'm not sure if you've seen this before?---I have seen this before, yes.

You have, yes?---Yes. 30

You'll note the notes about halfway down the page?---Mm'hm.

And the second last one of them says - - -?---Yep.

- - - connote that each vendor have different inclusions in releases 6 and 7, so the dollars are not correctly comparable?---Yep, I read that.

Okay. Well, someone at least identified that as a difference, someone in the - whoever prepared this document. And to assess the significance of that, you need to understand in a qualitative sense - - -?---Yep. 40

- - - what the differences were in the inclusions in releases 6 and 7?---I agree, definitely.

Which would be a non-financial input. It would be a technical input, I suppose?---Yep, definitely. 50

You know another difference, if you like, or another method that IBM was proposing in the ITO response was the use of something called Workbrain for award implementation. I did read that, yes.

Okay. And you know, don't you, that is to be compared with the use of SAP for award implementation?---I do read that, yep.

1

And do you know what would be involved in terms of writing the code for use of SAP and award implementation?---No, I don't, no.

Again, that's a technical question?---Correct.

10

Did you read those parts of the IBM ITO response which relate to explain what it's doing with Workbrain?---The limit of my reading was understanding that IBM was looking to do awards in Workbrain; whereas, Accenture was looking to do awards in SAP for non-rostering agencies, but I think it set awards in Workbrain for rostering agencies. I didn't explore further than that.

All right. So that is a summary of the totality of your understanding of this document?---Yes. I'm not a technical expert in this regard.

20

Okay. And - all right. Well, whether Workbrain is a good thing or a bad thing for award implementation, whether it's faster and cheaper are matters which the technical people would have to assess?---Exactly, yes.

But would you accept that if, I ask the hypothesis - - -? ---Yep.

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- - - the tenderers provided approaches which were materially different in the methodology to be employed - - -?---Yes.

- - - then it's inevitable there'll be differences in the price figures which are identified for different stages, different steps?---Difference in process doesn't automatically lead to a difference in pricing and I think that's played out with respect to awards where the processes - what's being proposed was quite different but the pricing, as discussed earlier, was actually quite similar.

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Right. Well, if the implementation of an awards reading facility in SAP required a different kind of programming you would expect that at some stage in the design and roll-out process, that would have to be costed and included somewhere?---Yes. Oh, definitely, yes.

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And that might be in project management or in - sorry, in section 1G?---It potentially could do, yes.

It would have to be in section 1G. Yes?---Yes, 1G or which was the sum of the HR; the remaining HR for joint agencies was in - - -

10

1H?---Yes.

Okay. So the costing of the different methodology would appear in those two releases, releases 6 and 7?---Yes.

They might be achieving, if they work, achieving the same outcome in terms of process but the cost can be different?---That's correct.

20

Okay, thank you. I think our friend has taken you to a question which related to what you described as the peripheral costs, one of which was travelling and accommodation charges?---I do recall reading that, yes.

Did you read the respective responses to see whether there was any difference between the parties about that?---I did. Accenture's costs around travel and accommodation were included in their pricing, whereas IBM's would be a cost that would be in addition to the pricing.

30

Right. The Accenture ones are not identified as a separate item, they are - - -?---No, they are built in.

- - - included in the other things to which the item relates?---That's correct.

So for example, if item 1E is core, whatever is the staff travel and accommodation charges for Accenture for performing the core work includes the cost of the travel and accommodation?---I'm assuming they put it in in each item, yes.

40

Yes. Whereas it's not included at all in the IBM?---That's correct.

It's undoubtedly plain on the face of the ITO responses? ---Yes. It wasn't had for me to find that information.

50

There is a specific question asked about it?---There was, yes.

And each - well, I haven't looked at one but the IBM response is plain?---Yes. 1

That it's a pass-through cost?---And Accenture one is equally plain.

THE COMMISSIONER: I didn't catch that answer?---The Accenture response to the question is equally plain, that the costs are included in their prices. It's not an additional cost that will be charged. 10

But weren't the tenderers asked to give a fixed price for item 1E?---They were. They were asked to give a fixed price from 1E right through to 1F.

Is your last answer, does that result in the conclusion that - at least for part of 1E, IBM didn't give a fixed price?---You couldn't - - -

It gave a price plus something that was not identified? ---You could interpret it that way because travel and accommodation costs has the potential, depending on where the workforce was coming from, could be quite small or they could be quite material. 20

MR DOYLE: Have you got volume 14 with you, please? ---Thanks.

Would you turn, please, to page 188. This is the IBM response to the ITO?---Yes, I can see that. 30

But you know that the form the ITO took included at least asking a series of questions of the vendors - - -?---That's correct.

- - - to which a response was provided?---Yes.

And one of the questions which the drafter of the ITO included was to ask, "What is your proposal regarding travel costs and other expenses"?---That's correct. 40

Because you wanted to know whether they were - sorry, you can infer so that we can read the document and know clearly whether they were or were not in the tendered price?---It's key information for that comparability between offers.

Okay. It's in response to this that is made clear in the IBM response that they are excluded?---That's correct.

Can we infer that it's in the same part of the Accenture response?---Yes. 50

THE COMMISSIONER: Mr Doyle, I'm having trouble hearing you, I'm sorry.

MR DOYLE: I'm sorry.

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This is the part of the IBM response which identifies that these travel and other expenses are excluded from the quote?---That is correct. 1

I think you have said the same part of the Accenture response identifies that their price includes these things? ---Yes, that's correct.

Thank you. I thought I heard you say a moment ago that this could be quite a significant sum?---Yes. 10

Can you give me an idea of what kind of order we are talking about?---In the pricing evaluation tables that were put together, a notional sum was added in there for IBM for this particular element and I recall that was in the vicinity of about \$5 million.

5 million?---Yes.

And that, as far as you can tell, is an assessment made by someone in CorpTech of the - - -?---I would assume so, yes. 20

- - - equivalent figure?---I would assume so.

Okay.

THE COMMISSIONER: Do you know how much IBM charged for travel in the end?---No, I don't know; sorry, your Honour.

(indistinct)?---No, because I wasn't there but no, I don't know. 30

All right, thank you.

MR DOYLE: You have also seen reference in the responses to something called a WRICEF?---I have, yes.

Do you know what it means?---My vague recollection is the R is for reporting, there's integration with other systems - - - 40

Do you know the significance of what something which is a WRICEF is to the understanding?---Yes. From my perspective, the WRICEF clearly defines how many individual pieces of work will need to be done in order - that would have assisted vendors in putting together that pricing information, so how many interfaces with other systems and so forth were required, for example.

Sorry, I didn't want to speak over you. That is that an assumption needs to be made as to what level of options, if you like, functions need to be performed by the system which is being designed for particular agencies?---That's correct. 50

And the function can be the production of a form of a report or a print out of something, those sorts of things?
---That's correct, yes.

1

And the number of people that who can access it at once and a few other things like that?---That's correct, yes.

Now, you know, don't you, that there were articulated in both sets of ITO responses statements - we can call them assumptions, as to the level of WRICEF which had been assumed for different purposes?---Yes. From what I have seen, that information was there.

10

You also know, don't you, that they provided different analysis of the complexity, a range of complexity of WRICEF?---I do recall seeing that last week.

IBM identified five different ranges of complexity and Accenture three different ranges. Do you recall that?---I don't recall that, I just - as I say, it was information I quickly glanced at last week.

20

And they gave some pricing indications fort he different WRICEFS within those different ranges?---Yes.

Now, understanding what that means in the sense of whether 47 WRICEFs is enough or 470 is enough - - -?---Yes.

- - - is really a technical question?---Very much so.

30

Which someone else has to assess - if anyone is to, someone else has to assess?---Definitely.

But you understand, at least, that those assumptions are things that will affect the cost which is being quoted from in the ITO?---Definitely, yes.

Thank you. Would you agree with this general proposition, that the 13 days, if it was that, from 10 October to 23 October was a very tight timeframe to analyse the very large volume of information that had been provided?---Yes. I think it would have been an impossible timeframe.

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And it can only be achieved, if at all, by teams of people focusing on activities about which they have expertise, or hopefully have expertise?---Yes.

And providing a shared response as to what that analysis shows?---I agree, yes.

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Thank you. Can I ask you to go to volume 22, please. You should have in that folder the evaluation report?---Yes.

When did you first see this?---I first saw it last week. I haven't seen the whole lot. I have seen appendix D and I have seen appendix C.

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Okay. I will take you to some other parts now. If you turn, please, to page 3?---Yes. **1**

You will see it starts with - well, the part I want to take you to first is part 2 of clause 2, evaluation criteria? ---Yes.

The evaluation criteria has defined in the ITO document and weighting used to assess the offers are described in appendix A. Had you read that?---No. **10**

But you know, don't you, that the ITO document identified that there was to be an evaluation process and its form?---Yes. Any ITO document would make comment in relation to there being an evaluation process.

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Okay. Now, it says that the evaluation waiting methodology was approved by the rebuild project steering committee on 12 September. Were you a member of that?---Not that I'm aware of.

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And you don't have any recollection of - - -?---No.

- - - considering and approving the methodology?---No, I don't actually have any recollection of that steering committee full stop.

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And then it's got an evaluation process, and do I understand you to say that you've not read that?---No, I haven't read this; no.

If you turn across, please, to page 7 there's a heading Evaluation Model?---Yes.

Which then has some criteria and weightings?---I can see that.

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And cost analysis?---Yes.

Have you read that before today?---No, I hadn't; no.

And if you turn to page 9, the weighted scores outcome, which is the scoring?---Yes.

Have you looked at that before today?---No.

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All right. And then paragraph 4.4: cost benefit analysis, it says what it says, "IBM provides a greater cost benefit than the second ranked offer, Accenture," and there's some figures identified - - -?---Yes.

- - - and a cost benefit - - -?---Yes.

- - - table with some figures. Had you read that before?---No.

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And if you turn to the next page it's got Contract Negotiations?---Yes, I can see that.

I'm sorry, I've skipped something. Just at the head of that it's got, "Refer to appendix C for summary cost analysis," and that's one of the documents you have read. Is that right?---Yes, I have seen that; yes.

And then it's got Contract Negotiations. Had you read 5.1 before now?---No.

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"Upon completion on the evaluation," perhaps that should be "of the evaluation and scoring", so, "on completion of the evaluation and scoring the highest rank offeror will be invited to participate in post offer negotiations and

settle any issues that the evaluation panel has identified. Should such negotiations fail, the second ranked offeror will be invited to enter into post offer negotiations." Now, you hadn't read that before - - -?---No. 1

- - - but you knew that to be the process?---I didn't know that that would happen at the time. Certainly the ITO document talks about contract negotiations commencing at the time of 5 October, but I am aware that this is a normal process that would be followed in an ITO situation. 10

And then page 13, there's a whole series of people who have signed that?---Yes.

Is that the ordinary process within the government, that people sign the report that they're advancing?---Yes, definitely.

Okay. I want to take you to appendix D, which you've told us you have read. It starts by saying, "The IBM offer represents both the least cost and the most cost effective option." Cost effectiveness, is it a notion of value or cost benefit or something of that kind? Yes?---Yes, I believe so. 20

That is, it reflects the cost benefit analysis?---Yes, the cost effective is a mix of the weighted score, and I'm assuming they received other elements over the total cost.

Okay, so the cost effectiveness is a reflection of the output of a process which includes various people identifying non-financial aspects and - - -?---Yes. 30

- - - technical aspects and management and so on?---That's correct.

Plus something about the total cost of those things? ---Exactly.

Now, if you'd turn, please, to the bottom of that page there's a heading Funding Limits. It starts by saying, "150 million remains as the pool from central funds"? ---That's correct. 40

Did you know that to be right at the time or not?---I don't recall. Actually, hang on, no, I do. In the document that I saw recently where a briefing note was provided up to the under-treasurer in August 2007 that quoted the \$153 million in that document. 50

It's of the order of being right, if not precise. Turn to the next page and you'll see it sets out a table which breaks up that 153 million into various things?---It does, yes.

And they are, can you help me please, SPO and SDA structures. They are the costs, they are bodies within CorpTech or within some government organisation. 1

COMMISSIONER: SDA was the solution design authority?
---Design authority.

MR DOYLE: Yes.

COMMISSIONER: SPI, I can't remember. Can you remember, Ms Bugden? What do you think it is? 10

MR DOYLE: We think it's strategic project office.

COMMISSIONER: That sounds right?---Strategic program office.

MR DOYLE: Program office, yes?---I think it's program office.

And I'm going to defer to Mr Flanagan, who is here to assist you, with what SDA stands for. 20

COMMISSIONER: Solution Design Authority?---Solution Design Authority.

MR DOYLE: Solution Design?---Yes.

And they are both bodies which will have a cost of government - - -?---Yes. 30

- - - they have to provide these - - -?---They do, and my thought, they sit within CorpTech and provide a level of oversight around the future program of work.

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So that the author of this document is identifying the in-house expenditure for which central funding allocation is required?---That's correct. 1

And identified those two government expenses - - -?---Yes.

- - - for the next three years at the figure which is shown there?---That's correct.

And they've also identified as an in-house expenditure some infrastructure provision - - -?---Correct. 10

- - - which is another thing the government has to fund for the departments or the agencies?---Yes.

Citech service fees?---Yes, correct.

The same category of thing?---Yep, definitely.

Accommodation and other?---Yep. 20

Whichever that is, it's obvious, and a contingency, which I'll get you to read?---It says, "This - - -"

No, you just read it to yourself so you know what it is? ---Okay.

So covering the, if you like, contingency for blowout on some things?---Yeah. In particular, as it notes here, converting the best price, best estimates to fixed prices, there's a level of uncertainty around that. 30

Of course, and then if you take all those away - sorry, those things add up to \$81.9 million?---They do.

If you take them away from the 153, you're left with a sum of 71.1 million - - -?---That's correct.

- - - which you know was inadequate to meet either the IBM tender or the Accenture tender?---Based on the financial information I've seen, that's right. 40

Right. And this document, what it does, is really firstly identify that there's not going to be enough in the budget to pay either IBM or Accenture - - -?---Yes.

- - - and that's IBM. And then give advice to the reader as to just how far you can get in pursuing the roll-out on what money you've got left?---Correct. 50

And that this should be understood therefore, really, in this way, is it right, the selection of the successful tenderer is pursuant to the evaluation criteria that was set out earlier in this report?---It should have been, yes.

And the cost benefit analysis?---Yes, definitely.

Having selected the successful tender, the government then has to consider whether it can afford it?---Yes, definitely. 1

And this document is designed to address that question of how much, in fact, or how far in fact can we get in carrying out what IBM, the successful tenderer, have offered?---Based on what's written here - - -

Yes?--- - - - that's the position that's been provided. 10

Based on what was known then as the budget?---Yes.

Thank you. Just excuse me. One more thing?---Mm'hm.

You were taken in your evidence to the assumptions which appear in the IBM ITO response?---Yes, I was.

And it is right to say that the impact of those assumptions is something which requires - broadly speaking, requires an IT expertise to understand - - -?---I believe so. 20

- - - what they mean for the deliverables for the performance of the work?---Yep, definitely.

Thank you. I have nothing further, thank you.

COMMISSIONER: Mr Flanagan, any re-examination?

MR FLANAGAN: Yes, may Ms Bugden be excused, please, Mr Commissioner? 30

COMMISSIONER: Yes. Ms Bugden, thank you for your assistance, you are free to go.

WITNESS WITHDREW

MR FLANAGAN: Mr Commissioner, can I just raise one thing? There has been a request from the - - -

COMMISSIONER: You needn't stay, Ms Bugden. Thank you. 40

MR FLANAGAN: There has been a request from the press as foreshadowed by you in relation to all the documents that have been tendered for a particular email that was shown to Mr Uhlmann this morning and I'm not sure in terms of your direction whether an order would be required from you or whether it's simply permission.

COMMISSIONER: No, I got the same note. Mr Doyle mightn't know about it. One of the media outlets has asked for a copy of the email which Mr Flanagan questioned Mr Uhlmann on. It's in the bundle exhibit 4, I think. He said at the outset today, "Don't put that exhibit on the inquiry's 50

web page or web site for the reason principally - there a number of reasons, but principally for the reason that it contains a great deal of commercially sensitive material." I don't know that I see it as the time but certainly I have it in mind to the extent that a member of the public or a media outlet expresses interest in a particular exhibit, it doesn't have that constraint about it, I intended to make it available publicly, and the email in question, I think, would fall from that category, it's not commercially sensitive.

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MR DOYLE: I wouldn't suggest it's commercially sensitive. I mean, there's a degree of unfairness to my client in having these things subpoenaed from him but not the like documents subpoenaed from other suppliers, but I will address you about that - - -

COMMISSIONER: Well, I don't know it's unfair, is it? I mean, it's part of the process. I'm calling inquiry into - - -

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MR DOYLE: Not unfair in the process but the publication of the process.

COMMISSIONER: I understand your client's concern and I'm obviously concerned with making the inquiry as fair as possible, but it is a public inquiry into matters of public interest and to the extent that the evidence can be made available to the public, I think it should be. The obvious exceptions are those documents which are, as I say, commercially sensitive, but this isn't one.

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MR DOYLE: No, I'm not urging you it's commercially sensitive.

COMMISSIONER: Sorry?

MR DOYLE: I'm not urging that it's commercially sensitive.

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COMMISSIONER: Yes, all right. Thank you. Well, I don't know I have to make an order; I just will give permission for that part of exhibit 4 to be released to whoever asks for it. All right.

MR FLANAGAN: That's it. If we could adjourn until 10 o'clock tomorrow. And can I say, Mr Nicholas and Mr Horton will be taking the witnesses for tomorrow.

COMMISSIONER: All right. Thank you.

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MR FLANAGAN: We'll adjourn until 10.00 tomorrow.

THE COMMISSION ADJOURNED AT 4.33 PM UNTIL
TUESDAY, 19 MARCH 2013

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