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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 10/04/2013

Continued from 9/04/13

DAY 13

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THE COMMISSION COMMENCED AT 10.10 AM

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COMMISSIONER: Mr Doyle, can I follow up with Mr Bloomfield with the question I raised as we adjourned last evening?

MR DOYLE: Of course you can. I was going to deal with it myself, if that's - - -

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COMMISSIONER: No. You do it, please.

MR DOYLE: I'll do it at the end, unless you particularly want me to deal with it. I was going to continue dealing with the topic that I was dealing with and then move on.

COMMISSIONER: All right. Are you at some stage going to deal with this schedule, too?

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MR DOYLE: I'm also going to take him to that.

COMMISSIONER: All right.

MR DOYLE: Is it convenient if I leave that pricing question till the end?

COMMISSIONER: Yes.

MR DOYLE: Thank you.

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Mr Bloomfield, the topic that I was dealing with yesterday when we rose was the presentations that you made in August 2007, the first one which has been described as the dry run?---Yes.

And the second one which occurred three or four days later, which is the presentation to the broader group. Do you recall that?---Yes, correct.

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When you were giving your evidence yesterday, you were asked about your objective in having the dry run meeting, that is the 3 August meeting - - - ?---Yes.

- - - which you had with Mr Burns and Mr Goddard. Is that correct?---That's correct.

I'll read you what you said and I'll paraphrase parts in fact, "To our mind because we, at this point in time, are still scrambling to really understand the full magnitude of what we needed to present that it would be wise for us to make sure we're on the right" - and then you started hitting the objectives of the session that was planned for the 7th?---Correct.

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That same sort of proposition you were asked a couple of times and you said that was your objective, at least? 1
---Yes, correct.

Was it your objective in that meeting - - - ?---It was.

- - - with Mr Burns and Mr Goddard?---That's right. It was.

I wanted to ask you yesterday whether back then you had an expectation that the other tenderers might wish to have a meeting of some kind to ensure that they were hitting the objectives ahead of their presentation of the proposal itself. Do you understand?---Yes. 10

What's your answer to that?---I would absolutely expect that's what they would do.

All right. I want to show you some documents now, if I can. You should have volume 32 with you, tab - if they're tabbed - 31, towards the back?---Yes. 20

The first sheet should be an email from Mr Duke to Burns and others. Do you see that?---Yes, I do.

We're looking at the right thing?---Yes.

But in the order of these things, you've got to read emails from the back to the front. If you would turn please to page 2. At the very bottom you should have an email which is dated 31 July 2007 at 11.54?---Yes. 30

It seems to be from Mr Duke, is it, to Terry Burns and Kirsty Trusz?---Correct

At CorpTech?---Yes.

If you turn the page you'll see it says, "Hi, Terry," and you'll see that it's sent by Mr Duke?---That's right. Correct. 40

It says, "We have booked a meeting with you and Barbara for tomorrow at 1 pm. So that would be 1 August?---1 August.

Just read that to yourself?---Yes.

Apart from arranging the meeting, it asks for information and I don't want to go into the detail of it, but it's the kind of information that you would think a proponent would need in order to provide a response to the email of 25 July which asks for a proposal?---Yes. 50

The kind of information you'd be seeking?---Yes.

Turn back to the page please. You'll see there's, about halfway down the page, an email from Mr Burns responding to that email?---Yes.

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It says, "This meeting is fine," responding to the request for the meeting, "We will also have the requisite people at the meeting who will be tasked with assembling this information for those portions which are available"?---Yes.

Then at the top of the page you'll see Mr Duke responds and to put it in time you've got to go to page 1 now to see that it's sent a little after 4 o'clock on 31 July?---Yes, just to Mr Burns; yes.

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Yes. Then it says, "Hi, Terry. I'm sorry. We actually wanted to meet with just you and Barbara at 1 pm tomorrow. We wanted to use this meeting to test our approach on you both and to put some of our cards on the table in what we are trying to complete within the time frames," and then, "From our side, we'll have various people," and then read down and you'll see, "We are interested in the information but at this stage - and our time frame do not intend to have further meetings with CorpTech staff unless we have a specific need to meet"?---Yes.

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Just dealing with the first part of that email, the suggestion that the meeting would be just with Mr Burns and Barbara and that we infer is Ms Perrott?---Correct.

"To test our approach on you both and put some of our cards on the table." Is that consistent with your expectation of what you'd imagine someone like Logica would be doing ahead of the formal presentation?---Yes, I'd expect they'd be doing that.

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Is this email surprising to you or is it exactly what you expected they would have been doing?---It's not surprising, no.

Thank you. If you turn in that same volume back to tab 30? ---Yes.

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You should now have some emails that come from Accenture and the first one you have there starts with an email from Mr Porter. Do you have that?---Yes, correct. I've got that.

Again, with the nature of these things, you've got to go towards the back to read them in sequence. Could you go to page - - -

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COMMISSIONER: Mr Doyle, sorry. Where are you in volume 30?

MR DOYLE: We're in volume 32, tab 30. It was in the same volume as I just had, but a tab earlier. Sorry.

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COMMISSIONER: Yes, thank you.

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MR DOYLE: All right. If you go to page 3, you should have an email from Mr Porter to Mr Burns, copied to Dianne McMillan and two other Accenture people. Do you have that about halfway down the page?---Correct. Yes, I have that.

It's dated 20 July 2007?---Yes.

That's the day - I'm sorry, I'll withdraw that. You'll see at the bottom it says, "Dear Terry, our initial planning for our next meeting, as indicated, that we would like a whole day to present to your team, preferably 31 July. We will send you a draft agenda for discussion early next week as well as a list of questions that will help us direct our proposal to you." Do you see that?---Yes, I do.

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"Please confirm your willingness for a one-day workshop. Thanks, Simon." Then if you go back to page 3 to the top of the page, you have the response. In fact, you've got to go back a page to see that it comes from Mr Burns, but it's a response from Mr Burns to Mr Porter on 23 July, "Re Accenture proposal. Simon, no problem in principle for a one-day meeting. We just need to see the draft agenda and also probably need to give you a briefing update on our thinking in the next few days as well," et cetera. Do you see that?---Yes, I do.

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Then if you go back to page 2, commencing at about a third of the way down the page, you've got an email from Mr Porter 24 July 2007?---Yes. 1

At 5.31 pm?---Yes.

It says, "Terry, thank you for the meeting today," so there must have been a meeting, presumably, on 24 July? ---Presumably, yeah. 10

"As a result of what we discussed, we'd like to move forward with the following plan," and just read to yourself the plan. There's a 1 August date. I don't know if on your copy it's obscured by the hole punch?---I can see the date, Mr Doyle.

Okay. So there's two "our key issues". Do you see that? ---Yes, I do.

And then there's a second date, 7 August, which is the presentation?---Yes. 20

In relation to the first of those, the meeting on 1 August, the team which Mr Porter identifies is identified as being a small audience at the executive level, comprising people he names from Accenture plus Gerard, which would be Mr Bradley, I take it?---Yes, correct.

David, is it Ford?---David Ford, yes. 30

Barbara as in Perrott and Terry as in Burns?---Yes.

And he says that they can limit Gerard and David to one hour, if necessary?---Yes.

Then the 7 August presentation is proposed to be to a bigger group. Is that as we should understand it?---That's correct.

Can you help me, please, with the next sentence? "Prior to 1 August we'll be conducting one on one meetings with SDA members to assist us with our preparations." Now, I'd understood Mr Flanagan was questioning you yesterday about the composition of SDA?---Yeah. 40

Was Mr Burns a member of it?---Yes. My understanding is he was leading the SDA at that point.

And who else comprised the SDA?---The only names, sorry, I could remember was Brett Matthews. I know Brett was part of the SDA. I really - I can't recall the other members; I'd have to check my diary notes. 50

Never mind. Thank you. And then you'll see at the top Mr Burns responds saying, "Happy with these dates, the format." Do you see that?---Yes, I do.

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And then if you go back to page 1, I want to direct your attention to the top email. It is from Mr Porter to Trish at CorpTech?---Yes. 1

COMMISSIONER: Which one are you looking at?

MR DOYLE: The top one.

COMMISSIONER: Addressed to Trish? 10

MR DOYLE: Yes. And I don't wish to prevent you reading both, Mr Bloomfield, if you want. The bottom one requests an agenda and the top one says:

The high-level agenda at this meeting will involve discussing our plans for the executive level of governance for the program, including organising structure, our proposed contracting model and approach. 20

---Yes. 20

Now, is this consistent with what you expected a tenderer such as - well, proponents such as Accenture to be seeking to do ahead of the provision of its final presentation on 7 August?---Yeah, I think that's consistent. Yes.

All right. So just turning back, if you would, to page 2 of that bundle. I want to direct your attention to, again, to the email of 24 July?---Yes. 30

Which you, of course, set out thanking Mr Burns for a meeting that day and setting out the way forward by way of two meetings?---Yes.

Including 7 August presentation of the Accenture proposal? ---Yes.

And help me with this, please, Mr Bloomfield: the document which is identified in this inquiry as to the RFP is an email dated 25 July?---Correct. 40

And I'll show it to you if you need to see it, but it's the one that suggests a presentation to the senior management group?---It's effectively one page long.

Yes, but it's dated 25 July as well?---Correct, it is.

Was there some indication to the proponents ahead of the receipt of that email that there would be a requirement for a presentation of some kind by 7 August or 8 August, or some date such as that, that you can recall, made publicly known to you?---Not that I can recall, no. 50

COMMISSIONER: Is it possible to tell from these emails where these meetings occurred?

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MR DOYLE: I think it's possible to say where they were planned to occur. 1

COMMISSIONER: And that was at CorpTech?

MR DOYLE: The second one is at Accenture.

COMMISSIONER: At?

MR DOYLE: At Accenture. 10

COMMISSIONER: Where's that at?

MR DOYLE: On page 2 at about point - well, against the 7 August date, "Presentation preferably at Accenture."

COMMISSIONER: All right. And does it appear from these emails that these meetings prior to the formal presentation were with people from CorpTech and not just with Mr Burns? ---Well, it appears from these emails that the proposal was to have it with - the initial meeting with Mr Bradley, Mr Ford if possible, Ms Perrott and Mr Burns. Excuse me, Mr Commissioner - sorry. 20

MR DOYLE: Yes?---I was just going to say, are you referring to the first line that says, "Thank you for your meeting today," because that's another meeting - - -

COMMISSIONER: No, I was referring to the several emails that Mr Doyle's mentioned this morning, the one by Logica as well Accenture. 30

MR DOYLE: Correct. I'm going to ask a question about that.

COMMISSIONER: All right.

MR DOYLE: In terms of - I'm now asking you about how it might be that Accenture was able to say on 24 July that they could plan for two presentations, one on 1 August and one on 7 August, which was to be the more and complete and formal one, ahead of the email of 25 July, which actually calls for a presentation of that kind?---Yes. 40

Now, can you help me with that, please?---Based on this, that first line, "Thank you for your meeting today," and because of this response, potentially Mr Porter was highlighting at that point that it was coming.

All right. Now, in terms of the question that I asked you earlier, that is your expectation back in 2007 of what the other tenderers were doing to make sure they were meeting the expectations, if you like, of CorpTech in their presentations. Is arranging the kinds of meetings that we've seen here ahead of the formal presentation consistent 50

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with your expectation of what they would have been doing? 1
---That's consistent.

Now, is there any significance in the selection of the personnel to whom this anterior presentation was to be made, the point Mr Commissioner just asked me; that is, you met Mr Burns and Mr Goddard. Mr Duke suggested that the - I think the language used, "Just you and Barbara," so it's just Mr Burns and Ms Perrott, and as we've seen, Logica - sorry, Accenture was suggesting that Gerard, David, Barbara and Terry. Is that disparity of personnel of any significance?---I think it just reflects the fact that they were using the opportunity to prepare for the session in a different way than we were using that, potentially, but that doesn't surprise me that different proponents would have a different approach to use in that time. 10

Now, why is that tenderers want to have these anterior meetings? You understand what I mean by - - -?---Sure. 20

Each of them is going to make a presentation of some kind on the 7th or thereabouts?---Yes.

But each of them has made arrangements to make some anterior presentation. Why do they do that?---Certainly I'm not sure about Mr Porter but certainly Mr Duke, who makes reference to the fact that they would put the cards on the table, potentially referring to being more of a change in approach or do something different to what was anticipated. We were, in our preparations, looking to align very much the objectives that were set by CorpTech. We weren't looking to necessarily change that governance or approach in any way. I think the other one is, if I look at Mr Porter's email, when he refers to Mr Snedden, involved plan to discuss the expected respective organisational commitment required to see the success of the program, seeking to garner their senior level commitment to them moving forward prior to that meeting. Once again, that wasn't our objective of our session. 30

All right. I'll show you one more document which bear upon this and you can put that volume aside, please. I want you to have volume 26. 40

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If you turn to page 1169, it's the second-last sheet at the bottom?---1169? Yes. 1

Do you have that?---I have that.

I want to assume that this is a - I think it's described as a reconstructed email or reconstructed note of a meeting, I'm not sure, that emanates from Accenture?---Yes. Okay.

I also want you to assume it's an, if you like, agenda, the part I'm going to take you to first, for a meeting to take place on 2 August?---Yes. 10

You will recall the timing that the RFP is 25 July and the presentation is 7 August?---Correct.

You'll see the people who are shown as attending?---Yes, I can.

I'll let you read it. The things I want to direct your attention to are under the heading Proposed Topics as things which are on the agenda to be discussed at that meeting. Do you see that?---Yes. 20

You can stop when you've halfway down 1170, at the end of number 12, if you would?---I'm at the end of number 12.

If you turn back to page 1169, you'll see a heading Objectives?---Yes. 30

And then, "Mr Salouk stated in internal Accenture communication." It includes, you'll see, number 2, "Confirm Accenture's commitment to acting as SI"?---Yes.

Number 3, "Engage with exec prior to workshop of 7 August," and then number 4, "Ideally, test one or two key ideas." Putting aside number 2 for the moment at least, are three and four - that is, "To engage with the executive," I assume that means, "prior to the workshop on 7 August and, ideally, to test one or two key ideas," consistent with your expectation of the kind of thing that Accenture would have been doing prior to its presentation on 7 August? ---Once again, for them to be testing those ideas, that's in line with their approach, I suppose. My understanding was the 7 August presentation was to really test the ideas, to put our ideas on the table, as opposed to test them prior to that. 40

All right. They may have wished to sound out the waters a bit beforehand?---That's right. Correct. 50

When we come to the proposed topics, I want to direct your attention - you've read them all and please help me if you need to go beyond the ones I asked you, but number 5 speaks of, "Feedback on Accenture's sessions with CorpTech staff."

Would you expect ahead of the presentation on 7 August for a tenderer to seek to have sessions with CorpTech staff and then to get some feedback from them or from their superiors about how Accenture is going?---I wouldn't say that that's surprising.

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All right. Then you've read the rest of the proposed topics?---Yes.

Are any of them inconsistent with your expectation of what a tenderer would do ahead of the formal presentation?---No, not particularly.

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Thank you. When you had what you've described as a dry run with - an expression I imagine you now regret using. Is that right, Mr Bloomfield?---Yes. People seem to have latched on to it.

Of course. When you had it, did Mr Burns say to you, "I've already had meetings with Logica and Accenture where they've sounded me out and made sure that they're meeting our objectives"?---No, I don't recall him saying anything.

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Did he tell you that he had those meetings?---No.

Did you ask him if he had those meetings?---No. No, I don't think so.

All right, thank you. Is it right that you saw yourself nothing wrong with your having the dry run meeting with Mr Burns and Mr - - - ?---I saw no problem with it.

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Thank you. Would you go, please, now to exhibit 32? If you could turn to the first attachment to that letter which is the email from Simon?---Yes.

It is right to say, isn't it, Mr Bloomfield, that you did not solicit whoever sent you this document for that person to send it to you?---That's correct. I did not.

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You said yesterday something about it shocked you or it was shocking. Do you recall that?---Yes.

What? What aspect of it?---I think in summary just shocked that Mr Porter would be asking someone to influence Ms Perrott's thinking was probably the most surprising thing to me.

There is some information in it. I'll come back to deal with that in a moment, but you were asked yesterday whether this may have been sent to you by someone to your private email address?---It was possible.

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Have you checked that overnight?---I have checked overnight.

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Have you been able to identify whether this document is in it?---No, I haven't found anything. 1

COMMISSIONER: Have you got emails going back that far? ---I've got some emails going back that far. It's a long time ago, so there's not - - -

You wouldn't normally keep them that long, I take it?---I don't go out of my way to keep personal email. I don't look at much personal email past 12 months ago, so that's the first time I've really gone back that far, maybe ever, but didn't find anything. 10

Have you got an archiving system?---No, I don't archive them per se, no.

So what happens over time? They just disappear off the delivery box?---I don't know, Mr Commissioner, where they would go. I don't know. I couldn't ascertain it. I looked for them. I looked extensively. I could not find anything. 20

MR DOYLE: I want to ask you about some of what's said to be information contained in this email. Do you understand? ---Yes.

The first - you'll need to take it up. I want to direct your attention to the third paragraph where there's a reference to the transitioning period. Do you see that? ---Yes. 30

It says there, "Over and up to a six-month period." Can you explain please relevant to the project with which we're concerned here what is a transition period?---A transition period is being able to deal with the fact that there was quite a number of - quite a large number of activities on foot at that time. The program wasn't starting from scratch. It was already well in train and to be able to - whoever was to commence as a prime contractor would need to take over the wheel, if you like, from the relevant owners of those activities. So that would take a certain amount of time and it's common practice to plan that well, to make sure that transition runs smoothly. 40

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All right. So the fact that it was to be in a transition period is something that you would know would be required in any proposal - - -?---Correct. 1

- - - in respect of a prime contractor appointment?
---That's correct.

Are you able to tell us, please, IBM make its own assessment of such a period, or allowance for such a period, when it did its August 2007 presentation?---I can't answer that definitively. I'm sure we would have - well, I think we would have. We would have known that was something that we needed to do. 10

Can you tell me, please, if any use was made in doing that, as best you can recall it, of the knowledge that a transition period of up to six months was contemplated by Accenture?---No use of that information was used.

Did you alter the proposed RFP response because of anything that appeared in this email about the transitioning period? ---No, we did not. 20

Later when the ITO was issued, did IBM then make its own assessment for what was an appropriate transition period and allowance in terms of dollars for that?---Yes, we did.

And did the knowledge that Accenture had earlier on propose a transition of six months, or up to six months, influence that at all?---Not in any way. 30

The second thing that I want to take you to in this email is: if you'll see in the next paragraph, that's the fourth paragraph, Mr Porter records that they say, "They have about 100 million left," which was obviously reference to the government?---That's consistent with what everyone knew.

That's what I was going to ask you, that's nothing you didn't already know?---Correct. 40

And then in that same paragraph, it says, "Next Tuesday we will present a not to exceed budget figure." Do you see that?---Yes, I do.

Now, it is right to say, isn't it, in the RFP response IBM did not submit a not to exceed price?---That's correct.

You provided a ball park estimate range, as you've described it?---Correct. 50

As I've understood you yesterday, you said that knowing or learning that Accenture was contemplating a not to exceed price put you in a position of being able to prepare to explain why you didn't, if you like, is that a correct understanding?---Correct. That's right.

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Tell me if that is correct?---That is correct. Once again, we didn't change our approach, we didn't offer a not to exceed price, but we made, you know, we anticipated being under pressure to provide one ourselves so we wanted to be prepared for that. 1

Right. In the dealings you had with CorpTech in relation to the RFP process, were you asked by CorpTech to provide a not to exceed price or to explain why you haven't?---No, we weren't. 10

Thank you. Given what you told us yesterday about IBM's relatively newness to the project, or it not having as great an involvement as Accenture and Logica perhaps - - -?---Yes.

- - - and the - my word - force-feeding information?---Yes.

Was the best that IBM was able to do was to provide the ball park price range that you've identified?---Yes, that's the best we could do, that was hard enough as it was. 20

When the response to the RFP was provided, did you have an expectation that there would be a second and more formal process?---Absolutely, I did.

Engaged in?---Correct. It would be highly unusual for - I would never have seen it before that a government organisation would contract off the back of what is effectively a one page email from Mr Burns. 30

COMMISSIONER: Mr Bloomfield, you say why you regarded Mr Porter's email as shocking, I understand the reason, but you were seeking to have some influence on Ms Perrott and CorpTech?---Yes.

Why then didn't you bring it to CorpTech's attention, wouldn't that have been the proper thing to do? ---Potentially. Yes, it probably was. 40

Do you have any doubt about that?---Sorry?

Do you have any doubt about the fact that the proper response to this email, having received it, was to draw the contents to Ms Perrott's attention?---Yes, in hindsight it would have been the right thing to do.

What did you think that obvious thing then at the time when you got it?---Potentially, I don't know, I might have been concerned about the difficulty that might have caused Mr Porter. 50

Yes, all right.

MR DOYLE: Well, if you have a concern about the propriety of what Mr Porter is doing in this email, or seeking to do in the email, presumably that would be known to Mr Porter as well. Do you know him?---Yes, I know, I worked with him. 1

Is he an experienced man?---He is an experienced man.

So that he too would know the rightness or wrongness of what concerned you about this email?---He would. 10

And it's evident, can I suggest to you from reading the email, that the person who is seeking to have influence Ms Perrott is someone who is close to her?---I would expect so.

That is, who has access to her at least. I don't - - -? ---Has access to her.

- - - mean personally necessarily?---Correct. 20

COMMISSIONER: It was someone you knew, wasn't it, although you say you can't remember now who it was?---No, I can't. They sent it to me, they knew me email address.

Are you asking me to accept that a perfect stranger sent that to you?---No, I didn't say that at all, I said I'd expect that I knew the person.

MR DOYLE: In fact, Mr Bloomfield, you say, don't you, that it was a mutual friend?---Correct. 30

Someone that you knew, even though you can't recall, and obviously someone Mr Porter knew?---Correct.

And we can infer someone that knew Ms Perrott?---Correct.

All right. And such a person, themselves, would know the rightness or wrongness of what Mr Porter was asking them to do?---Yes, I would expect so. 40

COMMISSIONER: If your concern was not to embarrass Mr Porter, why wouldn't you contact him directly and say, "I've got this information, you're behaving badly, really, you must stop"?---Once again, because the fact that it was of little value to us - - -

I'm sorry, I missed your answer?---It was of little value to us. It was something that was - - - 50

But it was shocking. Mr Porter is behaving in an abominable way. You don't want to embarrass him by telling CorpTech that; you want to contact him and say, "I know what you're up to. Stop it"?---I don't know. Maybe part

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of my approach was to effectively ignore it, put it out of my mind and move on. 1

MR DOYLE: I want to come back to that topic, Mr Commissioner, is it convenient if I move on?

COMMISSIONER: Yes, of course.

MR DOYLE: You were shown yesterday exhibit 34, which I'll bother only if you need to see it for this point?---Yes. 10

That's the complex deal meeting document that you had a hand in preparing?---Yes.

And it records as a risk for IBM that, "CorpTech may look for a not to exceed cap price"?---Correct.

And that is what Accenture will be saying - - -?---Correct.

- - - that there should be a not to exceed price. Is your recollection that it is likely Mr Porter's email informed you of that?---It is likely, yes. 20

Okay. Now, that document, exhibit 34, was prepared, was it, for the purposes of, if you like, getting ready for an anticipated ITO process?---Correct. Which document?

I will show it to you?---Yes, just to refresh my memory.

Might he be shown exhibit 34?---Yes, I've got that now. 30

Am I right that you were expecting a formal process and this is part of your getting ready for it?---That's correct.

And it identifies various things, including a risk that we just talked about?---Correct.

By which time CorpTech had, you now know at least, received and assessed both Accenture's and IBM's and Logica's proposals arising out of the RFP?---Yes, that's correct. 40

Why do you mention the not to exceed point as a risk in this document, that is, in what respect is it a risk? ---It's a risk to the extent that that's something that, once again, would be unusual that Accenture would offer but it is something - and potentially some of the reason for that is something that is fairly unusual, very unusual for IBM to offer, so it's seen to be something that's differentiated for Accenture, if you like, above IBM. So the understanding from everyone involved, that would be something that potentially we might need to step up to, is a risk that was worth highlighting. But the likelihood of us ever doing that in IBM is very, very low. 50

All right. You said a couple of things in the course of that. I'll deal with the last part first. Was it to identify that there may well be a different proposal by Accenture, namely a not to exceed one, and to be in a position to explain why you're not going to do it - - - ?
---Correct.

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- - - or why you haven't done it, if that arises?
---Correct. The risk being either Accenture may offer that or that the ITO asked for it as a mandatory requirement.

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I'll come back to that?---Okay.

But you said in the course of answering my earlier question that it was not unusual for Accenture to offer not to exceed prices and quite unusual for IBM to do so?
---Correct.

On the basis of what?---Just based on my working there for 16 years, that's one thing that they knew was something that was, effectively, compelling, hard to beat.

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So having worked at Accenture you knew that it had, what, a habit? Was it its usual course or - - - ?---I wouldn't say it was habitual, but it was something that they knew was something that was a compelling offer.

The (indistinct) is to put a not to exceed price?
---Correct.

30

All right, thank you. When it came to submitting IBM's response to the ITO, it is right to say you did not submit a not to exceed price?---Correct. We did not.

You submitted a fixed price for some phases and a best estimate for others?---Correct; as requested in the ITO.

I was going to ask you that. The ITO did not call for a not to exceed price, did it?---It did not.

40

It in fact called for what you submitted - - - ?---Correct.

- - - a fixed price for some parts and a best estimate for others?---That's correct.

In the course of your dealings in relation to the ITO, either before you put your proposal in or subsequently, were you ever asked to explain why IBM had not put in a not to exceed price?---No, it never came up.

50

Were you ever asked in fact to put in a not to exceed price?---No, we weren't.

Thank you. Nonetheless, Mr Bloomfield, you would expect, wouldn't you, that IBM had an expectation of you that you would not use competitors' private information?---Correct.

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You knew that?---I knew that.

1

In exhibit 34 you do not identify the source of the knowledge which you identify as being that Accenture will provide a not to exceed price?---No, I don't.

On reflection, you accept it was an error, don't you, to put that reference in, exhibit 34?---I do.

You accept it was wrong to provide it to Mr Surprenant?---I do.

10

All right. To take up the commissioner's point, on reflection, do you think you should have reported it to CorpTech or to Mr Porter or someone else?---On reflection, that would have been a much easier thing to do.

I'm sure it would have been an easier thing to do. On reflection, do you think it's something you should have done?---Yes, correct.

20

Can I take you back to the form, though, of the email that Mr Porter sent. Do you have it?---32?

The second sheet of exhibit 32?---Yes, I have it.

You've said that one of the things that concerned you about Mr Porter's conduct in this was attempting to influence Ms Perrott and we can read the email and see what it say? ---Yes, correct.

30

I want to direct your attention, though, to the second sentence or second paragraph, "Be interested in any feedback you can get with respect to that session." That would seem to be feedback about the session which Accenture itself had had with the executives that are referred to? ---Yes, correct.

So the sense of this email is that he is asking someone to give him information about what the executives may have thought of that meeting?---Correct. Potentially, any debrief session that they had afterwards, for example.

40

Then it goes on to express interest in any meetings that IBM may be having with those guys, presumably Mr Bradley, Mr Ford, Ms Perrott and a few others?---Correct.

And it asks whether they've been in front of Mr Bradley so that - Simon Porter was seeking from this person some information about whether you had - that is whether IBM - been to see government officials and some feedback about that meeting?---That's correct.

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Was that a matter of concern to you as well?---Absolutely.

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I'll repeat my question. Do you think now with respect to that aspect of it, not only the aspect that he was seeking to influence Ms Perrott or have Ms Perrott influenced, but that aspect, was that a matter that on reflection you think you should have reported to someone?---Yes, I should have.

1

To CorpTech?---To CorpTech, yes; potentially Mr Bradley.

COMMISSIONER: I missed the answer. Potentially?
---Potentially to Mr Bradley not just CorpTech.

10

MR DOYLE: That is Treasury?---Treasury, not just - - -
Treasury or CorpTech?---Yes.

To Mr Porter, who as the chairman has suggested - - - ?
---Potentially, but once again in hindsight, it still would have been appropriate to bring it to CorpTech's attention.

Reflecting on it now, it was wrong not to have done so?
---Correct.

20

Thank you. Can I move from that to some other parts of exhibit 32 which concern the two emails, one from Cheryl Bennett and one from Joseph Sullivan, which you've got there?---Yes, I do.

Before I go to those, I want to take you to, again, the email Mr Burns sent to Ms Perrott which is in volume 33 please?---33-1 or 2, Mr Doyle?

30

Give me a moment.

COMMISSIONER: What page number?

MR DOYLE: 36.

COMMISSIONER: Part 1?---Page 36. Yes.

MR DOYLE: You touched upon this in your statement?---Yes.

40

So you've obviously read this document before. Mr Flanagan asked you about it previously?---I have read this. Yes.

Your recollection is that where Mr Burns refers to IBM having called, that's you?---I think so. Yes. That would be me.

In the scheme of things, if someone was going to approach Mr Burns from IBM to raise concerns about the types of things that are referred to in this email - - - ?
---Correct.

50

- - - unless you were away, that someone would be you?
---Correct. That's me. Even if I was away, I'd probably still call him.

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All right, thank you. It refers to concerns about two things, you'll see. One is access to - that a staff member at an agency had access to the RFI evaluation matrix. Do you see that?---Yes, I do.

1

And also to - it looks to be - a concern about the draft RFO. Do you see that?---Yes.

As I think was said to you yesterday, they're not your words, Mr Burns' words, but I want to ask you about aspects of those things as we go through. Would you go now, please, to exhibit 32?

10

COMMISSIONER: Before you do, Mr Bloomfield, as best you can remember, did you talk about an agency? It's in inverted commas, I see, so it might or might not be your word?---No, I don't recall talking about a specific agency. No, I don't.

As best you can recall, was your complaint that someone at a government department had made that comment to you? Do you understand that to mean a government department? ---Correct, Mr Commissioner. Correct.

20

All right.

MR DOYLE: Would you go now, please, to page 4 of exhibit 32?---Yes.

This is the email dated 22 August from Cheryl Bennett to various people, including you?---Yes.

30

I want to just go through what it says, "That something," which I'm going to take you to, "has evidently been fed through CorpTech today." Right? So it was at that stage, at least on the face of it, something that had been learnt on 22 August. Correct?---It would appear so. Yes.

Because reading it, that's as you would understand it? ---Yes. That's correct.

40

One of the first things it does is identify the scoring or some scoring which in the context of events which had been occurring, you would understand to be scoring in relation to the proposals that were put forward in August? ---Correct.

50

And, now, do you remember - do you now remember that back in August 2007 you became aware of those figures?---Yeah, I have a limited recollection of getting this, yes.

1

All right. Well, I'll remind you that by an email dated two days earlier, that is 20 August, you had been told by CorpTech that as a result of the evaluation, IBM and Accenture have been the two most highly rated. Do you recall that?---Yes, I do recall that.

10

Now, with that knowledge, that the two of you are the most highly rated, you also were told that there was to be another process, a more formal process?---Correct, that's right.

Did the scores - that is knowing that Accenture was 76 and you were 71, or whatever you were, have any impact upon how you progressed IBM's response to the ITO?---No.

At the time, that is up to 22 August 2007, you have, I think, described Accenture as the incumbent?---Correct.

20

And it was better informed about the program and the requirements of it?---Yes. I would expect so.

You also told us that you had sought, but not been provided with, all the information you had needed for your presentation?---Correct. We had many items still outstanding.

30

If you had been asked then whether Accenture - you'd expect that Accenture had scored more highly than IBM, what would have been your expectation, before seeing this email? ---Before seeing this, I would have said they would have been in front, almost for sure.

And if I ask you to assume now that Accenture in fact put in a detailed proposal of the 110 pages plus 50 odd other things that Mr Flanagan asked you about yesterday, and did so expecting that there would only be a one stage proposal by which a contract could be entered into, again, with that initial information but without knowing the figures shown in this email, would you have expected them to have been rated more highly than IBM in any evaluation?---I would have expected them to be much higher.

40

All right. Thank you. Now, the second thing that sort of touched upon this email is that IBM are perceived to want to offshore more than Accenture, which is why they have a higher rating. I think it makes sense that the "they" there must be Accenture?---Yes, that's how I read that.

50

All right. Now, offshore means what?---Means resources - - -

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People?--- - - - team members who come from part of - well, 1
outside of Australia, who are contributing from outside of
Australia.

And I think the document - I'll show it to you if you need
to see it, but the document my learned friend showed you
yesterday showed - that is the evaluation, showed a figure
of 60 per cent, I think it was - - -?---Correct.

- - - offshore, with 30 per cent of them being landed. Is 10
that the right word?---Landed, correct, who would be
working here in Australia.

That means of the 60 per cent of the total resources that
would be sourced offshore, 30 per cent of that 60 per cent
would be - - -?---In country, if you like, on site.

- - - brought to site?---Brought to site.

Hopefully for the duration?---Correct. 20

All right. Now, when we go to the ITO - you're familiar
with it, I take it. I'll show it to you if you need to?
---Yes, I am.

Good. Do any of the pricing - sorry, you understand that
the format of the ITO was to require prices to be nominated
in particular items?---Yes, certainly did.

1A, 1B, et cetera?---Correct. 30

Did any of those require the identification of the
percentage of offshore personnel?---No, no it did not.

Did the ITO elsewhere require the identification of
offshore personnel?---No, it didn't.

To your knowledge, was the size of the offshore element,
which was assumed for the purposes of the ITO, altered or
influenced at all because of what's said in this email? 40
---It wasn't influenced at all.

And are you able to say whether in fact the offshore
element for the purposes of the ITO response was
60 per cent or more than 60 per cent, or less? Did it go
down or stay the same?---It was more than 60 per cent; it
increased.

Now, is it right to say - and I think you've seen your 50
statement - you believe that the Cheryl Bennett email was
one of the things which was the catalyst for your complaint
to Mr Burns?---Yes, correct.

Going back, if you've got it in front of you, to his draft
letter or his email, or whatever it is - - -?---Yes, I've
got it.

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- - - he refers to you calling and telling him that a staff member in an agency had mentioned that they have access to the RFI evaluation matrix. Now, in fact what you knew was that something had been fed through CorpTech today which identified the scoring and some other information from that matrix?---Yes.

1

But is it that - to the best you can recall, is it Ms Cheryl Bennett's information that you are communicating to Mr Burns in which he's recorded in that first sentence of the email?---That's all I can recall. That's what's in the emails; I haven't got anything else. I may have been - that might have been followed up by another conversation but I can't recall one.

10

All right. Well, as best as you can recall that?---As best as I can recall that.

Now, in your statement, you also tell us of a conversation you had with Mr Pullen?---Yes, correct.

20

Would you go to your statement, please? That's at paragraph 107?---Yes.

Now, you've said there to the best of your recollection that it was Mr Pullen who said these things?---Yes.

Does that remain the best of your recollection?---It does.

But you accepted yesterday that it's possible that it was someone else?---It could be somebody else.

30

All right. Do you recall if it was face to face or on a phone, or, you know, how did - as best you can recall it, how did he communicate this to you?---That recollection I have is that he expressed that to me face to face.

Where?---In the office.

Well, in the IBM office?---In the IBM office.

40

Was he working in the IBM office?---At that time, he was spending a lot of time at CorpTech, so both.

Well, thank you. He's working between the two. Is that - - -?---Correct. That was my - that's my recollection.

All right. And you've said in your statement that in substance he said to you that presentations to CorpTech were available to all staff at CorpTech on the LAN?---Yes.

50

And that's the best you can recall?---That's the best I recall.

LAN is, you've said, local access network. Is that a network within CorpTech by which, if you were there, you can access the hard drive?---Correct.

1

Subject to security - - -?---Yes, correct.

- - - intervention of some way. All right. And are you familiar with the operation of the local access network at CorpTech?---No, I'm not. I never had access myself.

10

All right. If someone had a CorpTech email account, does that give us a clue whether they have access to the LAN or not?---That is my understanding, that they had access to - that gave them the security clearance - sorry, they had - access to the LAN security clearance they had would vary depending on what role they were performing.

Now, do you believe that Mr Pullen's information, or if it wasn't him, the person who it may have been as an alternative to him, were themselves a catalyst before your complaint to Mr Burns?---I believe so, yes, absolutely.

20

Going back to Mr Burns' document, he expresses that you've said, "IBM were concerned that the draft," and then it's in shaded for reasons I can't understand, "the draft RFO might also have been compromised." As best you can recall it, is that what you told Mr Burns or not?---No, I don't recall talking about the draft RFO. That wasn't - I wasn't - I wasn't - my recollection, I wasn't thinking forward, a risk in - more backward in terms of the risk of stuff would have been done.

30

The best you can recall, your concern was the risk of what you had already provided rather than what might be coming?---Correct.

All right. Thank you. Would you turn, please, back to exhibit 32, now to Mr Sullivan's email, and to the second paragraph about which you asked yesterday?---Yes.

40

And it was suggested to you that the natural reading - and I'll summarise rather than put the exact wording. The actual reading of this was that it was an attempt to obtain copies of the vendor proposals and that it was disappointing that he was too late. That's the suggestion?---That was put yesterday, correct.

And you rejected it yesterday. What is your recollection, if you have any, or your reading of what's said in the second paragraph?---I really don't have any real recollection of it, but my reading of this is that it was an attempt to understand whether or not any or all of our vendor proposals were exposed in any way to whoever was on the - - -

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Would you have attempted to verify the accuracy of what Mr Pullen had conveyed to you?---I may have. I really don't recall instructing Joseph or Jason to do that. They may have done that off their own bat.

1

Thank you. It would seem Mr Sullivan was not able to access them. It's the case, isn't it, that IBM did not at any time have access to Accenture's or Logica's RFP response?---That is correct.

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Or, indeed, to their ITO response?---That's correct.

It was suggested to you yesterday - going back to Mr Burns' document - that your complaint to him was somehow to cover your tracks. Do you recall that?---I do recall that.

What was, if you can recall it, your motivation for making a complaint to Mr Burns?---My motivation was to firstly express serious concern that there was a potential security breach and to bring it to his attention so that he could act appropriately to close that security hole, if it existed, for not only the betterment of vendors, but also for CorpTech - to the exposure of CorpTech.

20

Thank you. Again, nonetheless with respect to the Cheryl Bennett email, I'll ask you the same proposition I asked you before, you know that IBM's expectation was that material of this kind would not be circulated; would not be used - - - ?---Correct.

30

- - - provided to anybody within IBM?---That's correct.

Or elsewhere?---That's right.

And that you know what should have happened was that she should have not done what she did in sending it to you? ---Correct.

And she should have reported it to CorpTech to say, "Look, I've heard this information is available. You should do something about it"?---Well, certainly at least brought it to the attention of her superior to then maybe do that.

40

And she did by the email?---Yes, correct.

I think you said yesterday that you may have spoken yourself to Mr Pagura about this?---I may have. I have a limited recollection of talking to him about that - about it being inappropriate.

50

Will you accept that you are mistaken about that?---I could be mistaken about it. At any rate, since Mr Pagura was her superior, it was his responsibility to take action.

Thank you. You can put those documents aside. Thank you. Can I move to a different topic? You can put what you have - keep your statement and put the rest aside. I want to ask you when you're ready about Workbrain?---Yes.

1

Two topics: one is what made IBM's approach to its use innovative and then, secondly, I'm going to deal with some reference site material that you were taken to yesterday? ---Yes.

10

Just dealing with the innovative nature of it, can you tell us please what it is that you had - that is you IBM - had proposed for the use of Workbrain that you thought was new in the RFP and then in the ITO?---Yes. What we thought was new was the use of Workbrain for award interpretation, that is what has been referred to also as the award interpretation engine, and using it outside of SAP.

COMMISSIONER: Sorry, outside of?---Outside of the SAP product that was responsible for payroll; to use it outside of that for non-rostering agencies, that is, organisations that are not using Workbrain for rostering. So to explain that a little bit further - - -

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MR DOYLE: Can I interrupt you and start again? ---All right.

We've had this before, but the agencies and departments can be notionally divided into those which are rostering and those which are non-rostering?---Correct.

30

The rostering being ones who have complex timetables for their staff, that sort of question?---Work on a roster and have to submit time sheets. Correct.

Correct. The rest are described as non-rostering? ---Correct.

Workbrain was intended to be used, quite apart from the RFP and the ITO, for some purposes in the rostering departments?---Correct.

40

COMMISSIONER: Yes, for rostering, not for awards interpretation. Is that right?---For both.

To both?---For both.

MR DOYLE: Thank you. That's what I wanted to take you to. So quite apart from the proposal in the RFP and the ITO, Workbrain was to be used in the rostering departments for both rostering and awards interpretation?---That's correct.

50

Can I just show you please a document, which I have now lost - volume 27 at page 20?---Yes.

Just give me a moment till I can get it myself. We see there two attempts by Mr Bond to send you something and one where he got the - - -

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COMMISSIONER: Sorry. What page are you on?

MR DOYLE: I'm sorry, page 20. I'm sorry. I meant to say page 20?---Yes.

Thank you. Anyway, Mr Bond is sending you some information in April. So that's on 5 April?---That's correct, the start of April, yes.

10

If you turn across, what he's given you is the rostering management Workbrain application development requirement? ---That's correct.

Why? What is this document and why is he giving it to you? ---So with reference to the discussion yesterday that at this point in time CorpTech had decided to get IBM to put a quotation on the table to do this application development in Workbrain for roster management.

20

This is part of or the commencement, if you like, of the process which led ultimately to IBM being engaged to do the Workbrain end-to-end, as you've described in your statement?---That's correct. This is the first informing document.

Does it suggest somewhere that Workbrain will be used in the rostering departments for awards interpretation? ---Correct. I think when it refers to the pay rules on page 38.

30

Thank you. So under the heading Pay Rules - - - ?---Yes, correct.

- - - it identifies, "Workbrain uses pay rules to process the award interpretation from an employee's time sheet"? ---Correct. Halfway down the page on the right-hand side.

40

COMMISSIONER: Which page, 38?

MR DOYLE: Yes, page 38?---17 of the document, Mr Commissioner.

COMMISSIONER: Thank you.

MR DOYLE: Can I ask you to go back to the start of the document and just take you through some parts of it, if I may?---Yes.

50

It's headed The Workbrain Application Development Requirement. This is something that's been provided by CorpTech to you as to what you've got to do, simply. Is that - - - ?---Correct. That's right. Yes.

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If you turn to page 26 - - - ?---Yes.

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- - - it has a schedule which says, "The following slide provides an indicative schedule for the delivery of the rostering solution to Health," and then to some other rostering agencies which - - - ?---Yes.

Some diagrams which I won't trouble you with, but if you go to page 29 - - - ?---Yes.

10

- - - it has a diagram which has two boxes, one marked SAP and one marked Workbrain with arrows and some information showing something happening between those two boxes?---Yes.

Should we understand that the diagram assumes, at least, that Workbrain and SAP are able to communicate the required information between themselves?---That is correct.

If we turn to the next page, 30, we have a different configuration, if you like, which shows a heading Workbrain at the top and then SAP ECC at the top of the adjoining column?---Correct.

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With, again, lots of information and arrows suggesting that those two systems can communicate with each other?---That's correct. 1

All right.

COMMISSIONER: Mr Bloomfield, I want to understand this, can you help me?---Yes.

Workbrain's not itself a payroll system, is that right? ---No, it has a very - well, I think it can produce pays out of it but in a more limited fashion. 10

It's right, isn't it, that IBM's proposal for the Queensland Health payroll system required a combination of Workbrain and SAP?---The solution for whole of government, correct.

Yes, but that was also for the reduced scope of the contract, Queensland Health payroll system?---Yes, correct. Yes. 20

All right. I'm concerned about that, of course. So if Workbrain both arranges rosters and makes the award interpretation so one knows what figure comes from working under various conditions - - -?---Correct.

- - - according to the roster, why do you need SAP as well to produce the payroll?---Simplistically, because it is very complicated, but simplistically the Workbrain in doing the award interpretation, which is quite complex over many awards and the times people work and the time sheet, it does all the complexity around and the award interpretation does the complexity around the pay rules, which include award interpretation, handles the complexity around getting from zero to gross pay, that's sent to SAP which does the gross to net, which is a relatively simple calculation. That's my understanding of it and that's very, very simplistic, but that's the roles they both fulfill, they both have a role to fill and all of the pays across government. For salary employees that don't need time sheets, the view was that the gross to net would be done for that as well. 30 40

The time sheets or the rosters are fed into the Workbrain system, is that right?---Correct. That's right.

And that produces a figure, I take it?---That's right.

And then that figure is fed to SAP - - -?---Correct. 50

- - - and produces the dollar figure for the payroll? ---Correct.

Why can't Workbrain do both?---Once again, I'm not familiar about the - and certainly this time the capabilities of Workbrain to do that - it has an ability, my understanding, to do that, but because of the nature of - the decision, effectively, inside CorpTech to have SAP be the payroll engine, the other product that is Workbrain was to supplement it but not replace it.

1

All right?---Potentially worried about complexities that may cause, because you'll see that a lot of connections between SAP and Workbrain to do what it needs to do. If you were to take payroll into Workbrain as well, that potentially could cause a lot more complexities.

10

Anyway, in any event, your proposal for the Queensland Health payroll was to utilise both Workbrain and SAP?
---Correct.

To your knowledge, and Mr Doyle will cover this in a minute, but to your knowledge had other employer used Workbrain and SAP in that combination for that purpose? I'm talking in late 2007?---My understanding, it was certainly possible and other people had done it. We didn't have any references in Australia that had done it, but through Workbrain my understanding was they'd done that with other people in other parts of the world with SAP.

20

All right. And why was it innovative to use Workbrain as an awards interpreter for non-rostering agencies, you wouldn't need it, would you, for non-rostering agencies?
---Correct.

30

You could just use the payroll program?---That's correct. It was a, it's probably fair to say, hotly debated topic as to whether that made sense. We talked about whether it's innovative or not, some people would say it's very, very clever, some people would say it was a dumb idea, why take it out of SAP, and there were people in the middle probably like myself which thought it made a lot of sense to save time and money. But at the end of - - -

40

Your criticism of the Accenture proposal, whether it required rewriting or recoding, a lot of the SAP software. Is that right?---Correct.

Time consuming, expensive and difficult?---Correct. Our understanding is that the Housing implementation which I think had four awards, which was a non-rostering agency so it was all done in SAP, took a significant amount of time, I think it took 18 months or more. In our initial stages when we were engaged there, they were still attempting to get the payroll window down to less than two weeks to run payroll. Our view of that was, both in terms of running the payroll and in terms of getting the work done, to be able to do it in Workbrain would significantly have an impact on the program.

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Would be quicker and therefore cheaper?---Absolutely correct. Even though, as you quite rightly say, to take it out of SAP wasn't the natural place for it to be for non-rostering agencies, but it would make sense to help save the program in terms of delivery and cost.

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Thank you.

MR DOYLE: We've covered a number of things there which I'd like to deal with, if I can. Firstly, I want to understand that the document we've just been looking at is one which requires the use of Workbrain for award interpretation in the rostering departments? Yes? You've got to answer audibly?---Yes, sorry.

10

And those rostering departments would, at that stage; that is, in April 2007, have been proposing to use SAP for the remainder of their HR requirements?---Yes.

But as the shared services program was to use to SAP? ---Correct. That's right.

20

So what was proposed on this document was an arrangement by which, for the rostering departments, it would be essential for SAP and Workbrain to be able to communicate with each other?---That's correct.

And to do so in a time effective way?---That's correct. And I'm not the best person to answer on the solution, but I know that there was certainly award interpretation and pay rules with Workbrain. There was some work that SAP did in that regard as well, I think, so it wasn't as clear cut as all that, but certainly without Workbrain doing that award interpretation for rostering agencies, that would be inconsistent with the approach that CorpTech had, had for a number of years, is my understanding.

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Can we just concentrate then on the non-rostering agencies? ---Yes.

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If they were to use SAP for everything, including awards interpretation, so the whole of their payroll administration - - -?---Yes.

- - - SAP would itself need to be configured in such a way as to interpret the awards?---That's correct.

And that requires, doesn't it, tell me if this is not your field, that requires a programmer to code in information into SAP?---Correct. That's right.

50

And every time there's a change to award a programmer has to write a back code?---Correct.

Thank you. And you had some experience of just what was involved in that from the only department where that had been attempted, that was Housing?---We didn't have experience.

1

There was experience available?---There was experience, correct.

And were you aware of it back in April, May 2007?

---Absolutely. It was one of the items of frustration from, my understanding, management of CorpTech at the time and how long that was taking to get done.

10

All right. And you've told the commissioner some examples of that. Can you tell us please, as best you can recall it, what was being expressed about the task which was being undertaken at Housing in relation to awards interpretation in SAP?---My understanding, two critical things happened around the end of 2006 and the start of 2007, once again, that was time - I found out about this when I joined IBM, and this being explained to me by management at CorpTech, was that, firstly, the schedule had slipped which was originally supposed to be - I think it was October or November 2006, and it slipped through to the middle of 2007 for Housing. I think, ultimately, they went live in July 2007 or something, so it slipped significantly, that was one thing that happened. Secondly - sorry, the primary driver for that, as I was told, was the difficulty in doing the award interpretation work and was taking Accenture's team a long time to do that, a lot more than they ever expected. Because it's not only the development issue, as you quite rightly say, in ABAP you have to then test it thoroughly because it's custom code. The second thing that happened - - -

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Sorry, I missed at the last few works you said there?---It was because of custom code, the ABAP code being developed, so it requires a lot more rigorous testing and more likelihood for errors to creep in as opposed to configuration through Workbrain. The second thing that happened, though, was that - this is what I was told - was that for the first time government had spent - had been able to invest the time and energy to go through the whole of government and get a good handle on how many awards were across government. Before that time, there was not a good handle on how many awards there really were across government, so, once again, for Housing it was taking a long time, there were four awards, a longer than they thought. They now had a view that there was something like - I think it was 160 or whatever the figure was - a lot more than they thought of awards, so both of those two things combined gave a very acute focus on the fact that, now, if we continue to go down the path we are that will significantly extend the program and concern that we'll get it actually done in the budget that's remaining and the time that's remaining.

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All right. Well, is the innovation, if you want to call it that, that IBM proposed in its ITO, the use of Workbrain in the non-rostering agencies for award interpretation?
---Correct.

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Now, even if they're non-rostering, they still need to work out by reference to awards what people are entitled to be paid?---That's right. And they still can be quite complex.

And doing so would avoid whatever complexity there would be in having to deal with those awards interpretation within SAP?---Correct.

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Having to write the code and so on as you've just described?---Correct. The other advantage is that if there was an award that had already been, for example, developed or configured in Workbrain, for example, the first rostering agency within Health, if that award was then needed in another department, they could just use the one that was already developed as opposed to developing it again in SAP. So if non-rostering agencies had the same award and there was overlap, we would have the award in two places, so once again if an enterprise bargaining agreement went through and changed that, it would need to be changed in both places.

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But with Workbrain, it wouldn't. Is that - - -?---Well, if you had them all in the one place, they would all be there together, change-wise.

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All right. Thank you.

COMMISSIONER: Is this right, that if you have a rostering agency and a number of awards - - -?---But it isn't just - sorry, Mr Commissioner.

Yes, go on?---It isn't just about the number of awards. Its complexity - for example, an agency may have 10 awards or five awards, that mightn't be as complex as one that has three awards but they're very, very complex. I mean, the devil is in the details.

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I understand?---Yes.

But still, it's the general rule, the more awards, the more chances of - - -?---Correct.

- - - complexity and combinations of permutations which the payroll has to adjust to?---That's right, yes.

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I'm trying to formulate the question so I understand things. You explained the advantages in having Workbrain do the awards interpretation on non-rostering agencies?
---Yes.

That required the interfacing of Workbrain and SAP?---Yes.

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The same was true, wasn't it, for the rostering agencies - - -?---Correct. 1

- - - because even there, is this right, as at the end of 2007, no other rostering agencies were using Workbrain at SAP in the manner of your proposal, IBM's proposal? ---Correct. Queensland Health was the first.

Was the first?---Correct. 10

All right?---In fact, they had only gone live with - Housing was the only agency that got along and had gone live with HR, and they were a non-rostering agency just - - -

Yes. So the likelihood was, was it, that the challenges of making this innovation work would be greater for a rostering agency than a non-rostering agency?---Yes, I think so, potentially, yeah. Yes. I think it's - it was - I think the general consensus was the rostering agencies were potentially the most difficult ones - the most challenging ones that we would confront as a program. 20

It mightn't matter; I'm just curious to know why the innovation with using Workbrain for non-rostering agencies when, as you say, the challenge would have been greater for the rostering agencies?---It's still - once again, still a significant amount of reduced effort and time frames.

I understand that, but I would have thought if there is innovation in this, and I'm not saying there wasn't, it would have been to solve the greater problem with the rostering agencies rather than the smaller problem with the non-rostering agencies?---I think to the extent that - well, the innovation, per se, had already been decided on as part of picking Workbrain to be used for rostering agencies. Back in - my understanding, back in 2005 - - - 30

2005, yes?--- - - - CorpTech made a decision to use Workbrain with SAP but innovation happened at that point in time, it was decided on at that point in time SAP would have thought they would just use SAP for all HR payroll without - - - 40

Sorry, would you say that again, please?---So originally when that tender went in and SAP bid for the work, the expectation would have been to do payroll completely, including rostering, inside their product.

In SAP?---In SAP. 50

Yes?---Even for rostering.

Yes?---So CorpTech had already made a decision in using Workbrain, that innovation had already been taking up for the rostering agencies.

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Well, who came up with the idea that you combine Workbrain with SAP for payroll rather than just using SAP?---So not that I was at IBM at the time, it was an IBM bid - - -

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It was IBM on there, was it?---Correct. It was the team before that I - that was there before I was there, had a - put a proposal to government which had SAP and RecruitASP, Saba and Workbrain working together, effectively, that those products would supplement the SAP product where it was supposedly weaker, and that was the successful bid.

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All right. Thank you.

MR DOYLE: Right. So it's a good idea to use - it was perceived to be a good idea to use Workbrain in the rostering agencies for rostering and award interpretation? ---Yes.

You're not disputing that?---No.

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Just that it was thought of earlier than your response to the RFP and the ITO?---That's right. Correct.

That the innovation for - the expansion of that idea in the response to the RFP and the ITO is to also use Workbrain for awards interpretation in the non-rostering agencies? ---Yes.

Where hitherto it had been assumed SAP would be used for that purpose in the non-rostering agencies?---That's correct.

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And assuming for the moment that's a good idea?---Yes.

Was it understood to be one which would save time and money?---It was, yes. We absolutely thought so.

All right. Now, can you go, please, to volume 30? I want to take you to page 1206?---Yes.

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You should have a document that's an IBM paper but called "Clarification Questions"?---Yes, correct.

And you know, don't you, Mr Bloomfield, that in the course of the evaluation stage of the responses to the ITO, requests for information came from CorpTech and - - -? ---Request for clarification, yes.

Yes. And you gave - that is, the company gave responses - - -?---We did.

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- - - for various things, and this was one of them?---This is, yes, one of them.

Yes. I'm just putting it into context, and this one that I want to take you to is at page 1216 and it concerns some references - there are some reference sites that you ask for?---Yes. 1

And Mr Flanagan took you to this yesterday, I think. The first of them, which I think it's been named already, but the first which is mentioned on page 1216 is a reference to an organisation which has deployed Workbrain?---Yes. 10

And if you look at about point 7 of the page, it says, "Workbrain has been employed at the company to manage all time and attendance, rostering, leave and employee entitlements processes." See that?---Yes.

And then across the page at about point 3 of the page, it says, "The Workbrain solution provides enterprised time and attendance and award interpretation with real-time confidence"?---Yes, correct. 20

So this is an organisation which - tell me if you know this - it was being presented, at least, as an organisation which was using Workbrain for, amongst other things, award interpretation?---That's correct.

Now, it wasn't using SAP, was it?---No, it wasn't.

It was using a system called Oracle?---It was using Oracle, correct. 30

And it presumably is a system which provides an alternative function to that which is provided by SAP?---Correct.

And for Workbrain to operate, it needs to be able to communicate with Oracle?---Correct, in the systems, yes.

And if it's to be used with SAP, it would need to communicate with SAP?---Correct.

But this was a reference of the application of Workbrain in a large company with a seemingly diverse payroll for awards interpretation?---That's correct. 40

And that's, as you understood, why it was being given to the evaluators?---Correct. Complex awards, yes.

If you go to the next - that is page 217 - I'll summarise: is the same true of the company which was named about halfway down that page, it's using Workbrain for awards interpretation, not with SAP but with another operating system?---Yes, I believe so, yes. 50

But being presented as a company with a diverse payroll where Workbrain is being used for awards interpretation? ---Yes, correct.

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You know, don't you, that the question of those references were something which was raised by CorpTech in the course of the evaluation as a matter of interest to them to - - -? ---Yes, definitely. 1

Information was provided, including a document that you were shown yesterday?---Yes.

And an evaluation was made by whomever makes evaluations of those things?---Correct. It was their decision to make. 10

I wanted to show you one more document in that same volume. If you'd turn please to page 1457 - 1457?---Yes, I have it.

I don't think you were shown this by Mr Flanagan yesterday, but this is a report by Gartner?---Yes, I wasn't shown this yesterday. I have seen this before, though.

You've read it?---I have read it. Yes. 20

Can you tell me please what is the standing in the IT world of Gartner?---Gartner would arguably be one of the top analyst firms in IT. It's a very well regarded organisation.

Its published information would be seen to be a reliable reference source for information about an IT system? ---Absolutely. It's often used in Queensland government.

Thank you. Was that document, can you tell us, provided to CorpTech in the course of the evaluation process?---Yes. That's my understanding. 30

If you turn back to page 1455?---Yes.

This is another document. I'll ask you to accept it, too, was provided to CorpTech in the course of the evaluation process. This is a Workbrain document, isn't it?---It certainly is. Yes. 40

Are you familiar with it or not?---I've seen both of these and - sorry, both pages. I've read this previously.

Thank you. Can I move to a different topic now, please, and that is the topic of price which you were taken to yesterday?---Yes.

You can put some of those volumes away, if you will. Do you still have your statement?---I do. 50

Can you go to paragraph 89?---Yes.

That's the commencement of a topic dealing with the pricing of the August presentation. Do you see that?---Yes, I see that.

You've described it as very much a ballpark indicative estimate?---It was. 1

Did you undertake it; that is, are you the person responsible for the - - - ?---Correct. I am.

- - - assessment of the prices?---Sorry? The assessment of the prices?

Yes?---No. 10

You were in charge of collating the information to make the presentation?---Correct.

What I'm asking you is, are you the person who worked out the figures or was that done by someone else?---No. That was done by - we had tender people.

Thank you. Then in relation to the ITO, you deal with the pricing of that. Just excuse me. I'll ask a different question. Was there a more intensive and more complete process for the assessment of the prices which were used in the IBM response to the ITO?---Very much so. 20

Can you briefly describe what it was?---For the ITO, because of the size and complexity of the program of work, there was contribution by numerous, what we call inside IBM service lines, so people who have specialist knowledge in particular areas who estimated the relevant components and worked out how much effort we required. That was then reviewed by relevant parties in each of those areas to make sure that those estimates are realistic and then we go through a rigorous QA process and also assessment in terms of commercial decisions to present a price on top of that estimate. 30

I'm sorry, I didn't want to speak over you?---It's all right.

You're in charge of collating all that, I gather? ---Correct, and seeking the relevant approvals. 40

But in terms of actually identifying the resources that are required and making decisions about the size of the profit margin and so on, things I'll take you to in a moment, are they decisions made by others?---Correct. With regard to the commercial decisions are made up the line as part of the approval process.

When you started answering my question, you said that people in various specialities would identify the effort required?---Correct. 50

Does that include an estimation of the number of days or hours required and over a period - - - ?---That's correct. That's what they do.

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- - - for the performance of particular tasks?---That's correct. 1

All right. Is there anything else that is - I know that's summarised what is, no doubt, a great deal of work briefly, but is that it to identify the number of people over what period to fulfil a particular function?---Correct; and those people - potentially that's when we mentioned before, our global delivery function, so that is part of that - is what contribution they would make and how they would fit into the process as well. 10

Where you get the people from?---Where you get them from, but because they are going to be involved, they, themselves, need to work out relevant estimates as well. They aren't simply a resource pool, a talent pool. They're actually involved in the estimating process.

Is there an assessment of - quite apart from that question - the degree of certainty or the size of any other uncertainty for the purposes of identifying a contingency? ---Correct. Our QA - I mention QRM yesterday - perform a QA function. They have the job of making sure they assign a relevant risk grading to the activity and that risk grading then drives the amount of contingency we put on to that particular offer. 20

Is there also a question about the mark up, if any, on subcontracts?---Correct. 30

Is that a commercial decision?---That's one of the commercial decisions.

Is it also a commercial decision what profit margin, if any, to seek from - - - ?---That's correct.

Is that a decision made by someone more senior than you? ---It certainly is.

All right. The form in which the prices were presented by IBM in the response to the ITO was to follow the schedules in the ITO. That's right, isn't it?---That's correct. 40

You did not - ignoring for the moment the executive summary - provide a total. Why?---Because it wasn't asked for. We very much saw what was asked for in the ITO as, I suppose, in lay terms, a shopping list for CorpTech to pick and choose the components of which they saw fit that they wanted in the program. 50

I'm sorry, I missed that. You saw it as a shopping list that CorpTech had picked the bits it wanted?---Correct.

Why does that bear upon whether you give them a total? ---They certainly did - they didn't ask for it, that's why we didn't, but our perception was that they would let us

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know through the process, if we were successful, which components they wanted and which ones they didn't and then that would form the price.

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Could Mr Bloomfield now be shown exhibit 42 please?

COMMISSIONER: Yes.

MR DOYLE: Can I ask, have we - - -

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COMMISSIONER: Have you got the amended version?

MR DOYLE: I'm hoping you've got the amended version.

MR FLANAGAN: We're going to tender the amended version. May I do that now?

COMMISSIONER: I thought I made it an exhibit subject to getting the amended version. I think I made it exhibit 42.

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MR DOYLE: Thank you. That's the one I'd like him to see.

COMMISSIONER: Yes. You think I have got the proper version?

MR DOYLE: No, you mustn't have. If I look at it, I can tell?---Yes, I can tell quickly.

COMMISSIONER: Anyway, I have been given a new version which I'll accept as being the authorised one.

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MR DOYLE: Thank you.

I don't want you to go through every line of this. What I'd like you to do is to explain - sorry, firstly, this is a schedule you've prepared - - - ?---Yes, I have.

- - - to use the pricing information contained in the schedule - the pricing schedules - to the IBM response? ---That's correct.

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And to work out how you get to a figure of approximately \$98 million?---That's right. Correct.

Is it right to say you've used only the information contained in the pricing schedules?---That's correct.

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Well, can you walk us through briefly just the process, maybe with respect to one or two of the items?---Okay. So the figures that are represented here, to start with, is from the appendix 1, which is the pricing schedule. For the most part the total days at the bottom of each of those areas, for the most part, there are a couple of exceptions, which I'll talk to. In terms of the - if you look down the items at the far left-hand side, you'll see 1A, 1B and so forth. They refer to the particular sections of the pricing schedule and particular statements of work or statements of scope, and I've also got a reference here to the appendix in the next column to the right, the relevant page number that this has come from, the appendix 1. So once again, this is completely referencable back to that. So the totals that are given in the "excluding GST" in the bold column, there are a number there - - -

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COMMISSIONER: No, you missed - we skipped over the next column, Full Prof Fee. What's that?---That was the - full professional fee was, once again, the figure that was represented in appendix 1, so it's - - -

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Sorry, you're speaking too quickly?---It's the figure that's in appendix 1 of the pricing schedule, so it's consistent. You will see those figures inside that - in appendix 1.

And the next column, Total, is that the extrapolation, is it?---It is - for the most part, it's effectively extrapolation, it's the total figures, and then a couple of reasons why the full professional fees is slightly different, and I'll walk you through those changes, those differences. So for the most part, they are effectively for a fixed price component, it's the fixed price, it is what it is. For some of the - so, for example, 1A transitioning, fixed price is the same as professional fees, like, for, like, for program delivery management, that was given a monthly rate so that the full professional fee was a monthly rate.

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Just tell me - I see what you've done. I can check this myself but just tell me if you can remember, if we go to page 2 of the appendix - - -?---Yes.

- - - will we see that you've allowed 10 months for that monthly rate?---Correct, yes. Well, sorry - - -

If we go to page 2 of the appendix, will we see both the monthly rate and the number of months?

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MR DOYLE: Yes?---You would see the monthly rate and the number of months is on page 32 of the offer, because it's the length of time that we would need the program management involved.

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COMMISSIONER: So you've got to go to two places in your response to get that figure?---Yes, sir. Once again, to explain that, what they asked for was a monthly fee, that was it, we gave a monthly fee. The question was how - the question would be how long would we need to be involved. Our view is we needed to be involved 10 months, which is consistent with our offer. CorpTech may have said, "Actually, we only need you for eight months," we didn't know that, but this assumes - - -

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The rest of it, whether it would take you two months to do it?---Well, correct. There was other work going on for 10 months, so our expectation is we would be there for the full 10 months managing it. So this reflects a position that was consistent. So that situation is 10 months. For 1C, the shadow management - - -

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MR DOYLE: Well, can I just stop you?---Sorry.

I think we will go to the document, if I may.

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COMMISSIONER: Yes.

MR DOYLE: Volume 15.

COMMISSIONER: Volume?

MR DOYLE: 15. And if you turn to page 616, you should have there the first page of the pricing schedule. Mr Bloomfield, are you looking at?---That's right. Yeah, that's correct; yes.

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Okay. That's the transitioning which you've told us is a fixed price?---Yes.

Go to the next page, this is the item 1B point you were just discussing with the commissioner. I see on the right-hand column it's got "On-site per month FT estimate"?---Correct.

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Is that an estimate of the number of months?---No, that's an estimate of the number of people for the number of months.

Thank you. That explains it. And you've got to go to page - as you've recorded here - page 32 of your ITO response to see the number of months. Is that - - -?---Correct. That's right, which is on page 445 of the volume.

And, look, that template, if you like, can be interpreted from this information. You said there might be some which are different?---Some are different. This bit - - -

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Perhaps if you could just explain the ones that are different, if you would?---Yes, I will. There's really - there's three main ones.

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Goodo?---So I'm at page 445. This is a view of the agency roll-out over time and into the future, which is effectively both phase one and phase two, and all the activity that we were performing in the first statements of work, so 1A to 1F, was occurring prior to that and effectively the longest period of time that we would need management involved would be for the LATTICE replacement, which is what we nominated to be a - effectively, the piece of work that had to happen as part of - it's explained in our ITO response, is that would need to happen as soon as we started.

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COMMISSIONER: Where do you find the 10 months? Is that in the - - -?---That's actually in the schedule at the top - - -

In the schedule. Yes?--- - - - 16.1. Correct.

MR DOYLE: All right. Thank you?---1C, the next line down, is shadow management and I'm fairly sure - just let me check the - so this particular one, you can go to a couple of places but on page 618 it actually - we nominate there how long transition is. It's a little bit different to management to the extent that this was a defined amount of time that we would transition - - -

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COMMISSIONER: Whereabouts is it, 618?---It's on page 618 - - -

Yes?--- - - - you will see the figure "1606" - "166069".

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Yes?---That's the monthly figure, and then you'll look across under the comments section, "This pricing has been developed based on a three month duration."

Yes, thank you?---But it was a monthly price, so multiply those two out three times. Now, as you go down the page, the rest of the next couple of - 1E and 1F. Sorry, 1E. Just transfer of the figure. 1F is a monthly figure which goes for seven months, so it's multiplied by seven, and that's on page 9. I'll take you to it. That's page 624 of the volume. Once again, you'll see there in the comments section beside the monthly figure. It says in the comments, "Based on a seven month duration."

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Yes?---So that's multiplied by seven months, both of those figures.

I understand why you say you didn't put in a total price. Was there some reason why you couldn't produce a schedule like this? It would have made Ms Orange's task much easier?---Probably time. We were so busy getting appendix 1 complete in its own right, let alone working out how best to present it in a way that we hadn't been asked for. We could have done a lot of extra work and been

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wrong, so we left it to CorpTech to effectively come back to us and ask us if they had a particular proposition they wanted to discuss. We were very, very busy.

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MR DOYLE: Well, if they had asked you for this, you would have - - -?---Correct. If there was a clarification that came to us, we would have - correct.

Do you wish to have Mr Bloomfield go through the rest of this, or - - -

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COMMISSIONER: You might just explain the condition of the figures in red and green?---So a little bit more complexity with those. So as you get into 1G and 1H, they're in blue and they're all fairly simple calculations as before, number of months, 17 months, for example, for management, that's based on the schedule I took you to before, figure 16.1. If you actually map that out, that's 17 months. The one in red refers to the fact that if you go to the schedule, I'll have to take you to it, so it's page 12 of the pricing schedule, so that's page 627. So on page 627 of the volume, you will see there that there are prices asked for which are the core agencies with rostering, core without rostering for two agencies. They're agency specific. In that particular situation, what the refers to is, if you go back and look at this a couple of pages, probably the next page back, you'll see, for example, Queensland Health at the top of the page, effectively it was just rostering and agency specific A and B, 1A, B. For corrective services, however, we had to provide a price which was with rostering, without rostering agency specific. Now, both with rostering, without rostering are mutually exclusive, you can't do both, pick one or the other. So the red - the item in red here refers to if you pick a price without rostering, this is the figure. If you pick it with rostering, it's another figure, mutually exclusive. So the figure at the bottom of the page, the 97.5, 98, rounded to 98 million, refers to, like, a worst case scenario of picking the larger price of doing rostering in each of the agencies. I did - we haven't added both.

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Yes, I see, all right. And the green figures?---And the green figures are the statements of phase two.

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These are the best estimates, are they?---Well, the blue ones are best estimates as well. The best estimates - so you'll in LATTICE there is 2B, we effectively saw that as being something that needed to commence straightaway, so that's in blue. Regardless, that's a figure that can be identified in page 93 directly. The only thing to explain, I think, extra for the figures in green is if you look at 2A there are some -when we looked at the work, so I'll just take you to page - if I take you, first off, to page 659 of the volume, you'll see those totals down at the bottom of that page A, B and C are reflected - - -

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Yes, I see them?---So you see the 19 million?

Yes?---Those figures, you'll see them in the full professional fees. Effectively, those figures are simply everything added up, however, as stated in our comments, very clearly on page, for example, 655.

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Yes, whereabouts?---You'll see in the comment section - if you just go back to 654 you'll just see the title for that particular figure ahead is for the Department of Justice and Attorney-General, right down the bottom of page 654.

Yes?---So just turn over to 655. So if you do justice and attorney-general and the figures that are outlined there, you'll see as per the comment against Anti Discrimination Commission, and the comments Electoral Commission Queensland, the comments read, "The Anti Discrimination Commission implementation costs that have included as part of the Department of Justice and Attorney-General, if the implementation of the Department of Justice and Attorney-General is (indistinct) this cost is not required." Effectively, if you buy one you get the other for free, so to speak. That occurred not only for Anti Discrimination and Electoral Commission, it also occurs for the Prostitution Licensing Authority, that is free if you do the Queensland Police version. So because of that the green figures you'll see on the schedule, or exhibit 42, are less because effectively if our offer, if it was to do all of them, we wouldn't charge you twice.

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I see?---So it's the discounted amount, and that is what adds to the 97.5.

All right.

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MR DOYLE: You provided the executive summary four days later?---We did.

How did that come about it wasn't provided on the due date? ---My recollection is when we put together that bundle of

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documents to send through we just omitted it, we forgot to include it. 1

COMMISSIONER: Mr Bloomfield, if you hadn't done this exercise because of the constraints of time, I understand that, where did you get the figure of \$98 million from for the executive summary?---98?

98?---No, we did. What I mean when I say that, although this schedule is being produced to help explain all of this, when I sought approvals, when you've got a pricing schedule like that, the first question is, "What are we approving?" I had to put together what was an absolute - a figure, if you like, internally for us to seek that approval, and that has that figure on it that has the \$97.5 million. What I sought is approval as part of our internal - - - 10

All right?---So we had already done it internally. 20

Was there some reason why you didn't, when you submitted your ITO response, include that figure of \$98 million?---It just wasn't in a presentable format for us to present that way, that's all.

MR DOYLE: You've probably answered the question I was going to ask you. The executive summary went four days later via error that it wasn't included earlier, but when you sent it with the figure of \$98 million, that didn't reflect any change in the information in the pricing schedules?---Correct. Appendix 1 remained as it stood. 30

Thank you. I think only two more broad topics, one is you were asked by the commissioner yesterday afternoon, in effect, I reflect on and identify things which you didn't know at the time of the August proposal or which you knew in a different form, but which you became aware of or became aware of more detail by the time of the ITO response?---Yes. 40

Have you been able to do that overnight?---Yes, and as request I've thought through some examples of what would I think be easier to explain and hopefully easier to understand. So three things that we were - and I know for a fact we were still asking for clarification right up and to the start of the ITO, and even after the ITO had commenced we were still getting clarification, and three of these were what was the remaining - effectively, what was the progress on the implementation of HR and payroll at CorpTech, because we were taking that over mid stream. Our offer and our price was dependent on how much had already been done to date, and we still didn't have that clarity right up until very close to the ITO being released. And, obviously, granted it was a bit of a moving target because people were still working on it, but we did not have any 50

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clarity on that and certainly not clarity in the start of August. The second one was the list of awards and the complexity of those awards, we had a long list of what the awards were after asking that question, however, the complexity of each of those awards and hence the difficulty for us to implement those was very unclear to us at the time of 6 August. And the third item refers to concurrent employment, which concurrently employment is a particular topic of discussion through many meetings both, I think, probably before we were engaged in an after about how the government would handle employees in the state government who were employed by a particular department but were seconded into another department. That happened a lot, and depending on how that was defined and how that would be handled it would make a difference as to whether or not it applied to a vast number of state government employees or a smaller number. It was a very complex problem and took a long time to get agreement on, and I know for a fact that was still a clarification we sought during the ITO process as we were trying to respond.

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COMMISSIONER: All right. Thank you.

MR DOYLE: In the second of those, you referred to clarification of the complexity of the awards?---Yes, correct.

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I want to show you a sample of a document. Sorry. You know, don't you, that the ITO included as one of its annexures part G, which referred to lots of data?
---Correct. It did.

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Part of that included the details of the complexity of the awards?---Yes.

I'm going to show you what is, sadly, an almost illegible document, but I'll explain why.

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COMMISSIONER: Have you seen this, Mr Flanagan?

MR FLANAGAN: It's part of the ITO.

MR DOYLE: If you turn to the third sheet, this is a sample, is it, of the kind of information, if you could read it, that would give you details of the complexity of the awards which was provided to you as part of the ITO process?---That's correct.

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I can tell you, Mr Commissioner, we've only printed out a sample of it. There are many more and you can't read them on this form, but I'm told that the disc which contains all of this data is part of the tender bundle.

COMMISSIONER: Yes. Could you perhaps - it might be easier for you to do it - provide one page as a sample in a size that's legible.

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MR DOYLE: A bigger one. We'll do that.

COMMISSIONER: When that comes, I'll make it exhibit 43.

MR DOYLE: Thank you. I'll have that back, Mr Bloomfield. You needn't trouble with that?---Thank you.

The next topic I want to take you to also concerns price, but can you go to your statement please at paragraph 150?
---Yes.

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This is responding to the topic, if you like. The price which was bid by IBM was not capable of being performed, if you like, because it's said to be so much different from some other things?---Yes.

You've given five reasons why the IBM price was competitive, if I can put it that way?---Correct, yes.

It's right to say that even now you haven't seen the Accenture proposal to be able to provide a more informed comparison?---That's correct.

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I'd like you to explain briefly each of the five points that you make here please?---Okay. So first off, paragraph 151, this reflects an approach which was to fully

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understand the amount of effort required for each agency as the program commenced or as our work commenced, as opposed to a process that had been in place in the past which was to uncover some of this effectively in the longer term. So this gave us ability to not only understand and put our arms around the size of the problem, but also to make very informed decisions around how much of the solution would be sitting inside the core and, hence, developed once and, effectively, increase the size of the core standard offer as opposed to having what could be an excessive amount of agency specific requirements and implementations so that would significantly drive down that price.

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You've said there this involves us, the "this" you're talking about is - - - ?---Sorry; forward planning.

The forward planning that IBM proposed to carry out? ---Correct.

You saw that as being a departure from the way things have been done in the past?---That's true. Correct.

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Is that right?---That's true.

You saw it as an important change from the way things have been done in the past?---That's correct.

You've given us some references to pages in the ITO response. Are they pages where you explain the new approach and why it's an important one?---That's correct, yes.

30

In the course of answering or explaining that point, you said something like, "Making the core bigger." Would you mind - is it the case that this forward planning program that you proposed was one which would lead to what you've described as a bigger core?---Correct. That's correct.

Yes, all right. Can you explain why and what you mean by the bigger core and what benefit flows from there being one?---Yes. When I say "core" referring to the size of the standard offer, the size of what would be the common solution that everyone would use and, effectively, increasing the size of that common component of the standard offer and ensuring - is more difficult to do because ultimately it requires a lot more work and consensus up-front in terms of running workshops to get that consensus, but the huge benefit to that is that the amount of unique agency specific work would be considerably reduced and so there was - I know at the time - some people's view that the smaller the standard offer, the easier work it would be because CorpTech was paying for, effectively funding, the standard offer and that the agency specific work would be funded by agencies. So although driving down the size of the standard offer would mean

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easier work and less cost for CorpTech, it would require in the longer term a lot more cost for Queensland government. So our view was to drive the size of the standard offer up as large as possible and to get as much compromise up-front as much as possible and to get - for economy to scale - and less risk for the program moving forward.

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An element of that, you said, was hard to do because it required cooperation or words to that effect?---Correct.

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Was it an important aspect of the forward planning in fact to have the agencies and the government departments assist by identifying their requirements early on?
---Correct.

And then to be kept to them?---That's correct. So as part of that forward planning exercise and we executed that work quite successfully, it involved in many, many workshops with agencies and that work was not only driven by IBM as part of the forward planning, but worked hand in glove with the Solution Design Authority who had, effectively, the authority to control the size of that standard offer and to, as you say, control that over time.

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Is that the end of that topic?---I think so.

The next one we've probably already dealt with. That's the awards interpretation?---I think so, if there aren't any other questions on it.

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No, no. Can we move on to the third, which is you proposed or IBM proposed a single instance of SAP? Can you explain what that is and then why that's an advantage or a cost effective course?---Correct. Effectively, to have multiple instances of SAP in the environment, every time there's an instance of SAP requiring its own, effectively, intervention, it's own work - - -

COMMISSIONER: What do you mean by instance?---So one particular - one occurrence of it, effectively, one - as you may see it in layman's perspective as that application running once as opposed to saying, "We have a server here running a version of SAP and we've got another one over here running SAP and another one here running SAP." For example, the big agencies, Health, Education and the rest of government, which is similar to - potentially it may end up, but to have those things separately, you then need to not only stand it up and maintain those and make sure they don't fall over and all those good things that you need to take care of. However, if there are changes to SAP, upgrades, you apply - if there's a central - once again, a standard offer would be running on each and if you needed to upgrade that standard offer, upgrade pay rules and so forth, it would have to be applied to each. So from our

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perspective, that gave you a total cost of ownership which is much larger in the longer term and we saw it as something that was ideal, something that would be a very ideal thing to achieve. It was probably a bit more difficult to make happen, but our view was we could do that because we'd done it for many other clients. Our experience with that is we - as an example, we had in the order of 150 instances of SAP running inside IBM at one point. We've now consolidated that down to three across the whole of the globe. So we have got ourselves - IBM has received huge savings in doing it that way so we have a track record in doing it.

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MR DOYLE: All right. The fourth one you mentioned is travel costs, but you've explained that to Mr Flanagan and I won't trouble you with that?---Yes.

Then the fifth one is priced competitively with low profit margins and low mark-ups on subcontractor price and that's self-evident, isn't it?---Yes, correct. It's something - - -

20

Lower margins?---Yes, that's right. Correct. We were very keen to win the business and so it was priced accordingly, but priced in a way that we could deliver it.

I might just take you back to the first of those again, the forward planning?---Yes.

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And you've explained what it was that was IBM's objective in terms of securing, as a result of forward planning, of a larger standardised offer with less variation. Is that - - -?---Correct. 1

Less variation thereafter?---Yes.

How does that compare with the way it had been being done? ---One of the criticisms that I had heard from numerous agencies - well, numerous agencies, probably three, maybe four, was that the way that the previous HR implementation had been progressing under Accenture's stewardship was that it would take, effectively, for example, the work that was done at Housing as a first instance and proceed to the next agency on the schedule, for example Education, and determine how best to apply that to Department of Education, Training and the Arts, then when that was complete, then talk to the next agency about what they needed and what needed to change in the standard offer to actually make it work for that department. That was potentially a very difficult and risky approach considering that it would - you would now know necessarily what was required by an agency five, six, seven, eight down the line, the decisions we were making now would affect those decisions and you would need to potentially do significant rework to satisfy those requirements longer term, so it was not - what was happening previously, once again, I think, potentially easier to start with, would have caused a lot of extra pain, dollars and a blow out in schedule in the longer term. 10
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All right. One last thing, I think. Yesterday it was - this topic was raised with you that by August 2008 the progress of the Shared Services was stopped and you were told to focus on Queensland Health - - -?---Correct, yes.

- - - itself, and that's what happened. Why it happened we'll deal with, no doubt, in due course?---Correct.

But I want you to help us, please, in understanding whether such a decision to change from the whole of government regime - sorry, I'll start again. The IBM ITO response proposal was to have a whole of government roll-out with an interim arrangement for Queensland Health. Is that so? ---Correct. 40

If there is a decision to stop the progress of the whole of government program but to do Health first - - -?---Yes.

- - - does that represent a change in the scope of the performance of the work and, if so, in what respect? ---Well, yes, it did. The - not only in terms of the schedule, which we had agreed, effectively, from the outset in the contract as what would be the indicative schedule that we were working towards and that needed to be 50

confirmed, but we were working towards - but also, as you quite rightly say, the next series of discussions, it'll be considered more closely, but certainly - - -

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Maybe I'll ask you this and you can tell me if I'm right or wrong. Was the post August 08 program for Queensland Health a larger scope of works than was contemplated within the interim fix at the original ITO proposal?---Yes, absolutely, without a doubt.

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And the detail of that would require some examination?
---Correct.

I have nothing further. Thank you.

COMMISSIONER: Thank you. Mr Bloomfield, can I just ask you a couple of things?---Yes.

Do you still have your schedule there, 42?---I certainly do.

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Is this right, that the figure there, 97 and a half million dollars, is for phases one and two of the - - -?---Yes, correct.

- - - whatever you call it, the Shared Service Initiative?
---That's right.

And I've done the sum quickly in my head. Is it right that, in round terms, the figures IBM proposed for phase two about \$40 million and 58 million for phase one? ---That's about right. Correct. It depends on where you put LATTICE because LATTICE is 2B and it depends on if you put it - because it was - - -

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Well, all I've done is add up 2A - the figures with 2A and 2B and additional cost items, 2A?---Yes, right; yes.

All right. I think I included 2B, which is LATTICE?---Yes, that's right. Yes.

40

Can I put this figure to you - see if it sounds familiar - in the financial years 07 or 08 and 08/09, take us to end of June 09, IBM had been paid by Queensland Treasury pursuant to the December 07 contract 49 and a half million dollars. Does that sound about right?---That sounds about right, yes.

It sounds about right. All right. Thank you.

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And it's right, isn't it, that in October 2008, IBM made a presentation to CorpTech entitled "Go Forward Strategy", which proposed a new approach to the Shared Service Initiative?---I'm not sure about October 2008; there was certainly in - I though it was September 2008 we presented - we were fixed pricing our best estimates moving forward.

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Yes. Well, the document I've got is October 08 (indistinct) the pricing that IBM proposed for phase one only was \$96.8 million; 26 and a half for phase one design, 57.7 for phase one build and 12 and a half for phase one implement. Do those figures sound familiar?---They don't sound familiar. As I said yesterday, the - when we converted the best estimates to fixed price, it was the order of - the best estimate was 63,000,500 or something, and it was about 63,000,900 or something.

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Well, the document will no doubt see the light of day in our next session of evidence, but what I've been given is an IBM document that has those figures. The total price associated with the go forward strategy, phase one, covered by this proposal is \$96.8 million?---Not sure whether or not that - that could have included some CorpTech work as well. I don't know. I'd have to look at it.

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Doesn't look like it. Anyway, so there was \$96.8 million on top of the 49 you'd been paid and for phase one only. Does that sound right?---Once again, it doesn't sound right.

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Doesn't sound right. All right. I'd show you the document but I've only got one part of it here, so perhaps it might help to show it to you. But it's right, isn't it, that following that October presentation to CorpTech, the decision was made to limit IBM's contract just in replacing the Queensland Health payroll?---At that point in time it was to postpone what we were doing on the whole of government and then focus on Queensland Health.

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Yes. And the September 09 decision was made just to do Queensland Health payroll?---That sounds - from what you said yesterday, that sounds right.

For which, I think, IBM proposed a price of just over \$19 million?---I can't remember the figure, sorry.

You can't remember? All right. Thank you. Mr Doyle, anything arising out of that?

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MR DOYLE: No.

COMMISSIONER: Mr Flanagan?

MR FLANAGAN: May I simply tender some documents in and, Mr Bloomfield, could you stay there? I might need to ask you one question?---Sure. Okay.

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May I first of all tender the covering email that goes with exhibit 34, Mr Commissioner?

COMMISSIONER: Yes. It'll become part of the exhibit.

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MR FLANAGAN: Thank you. This morning we received the schedules that were referred to by Mr Bloomfield yesterday in his evidence in relation to the pricing for the RFP. Those schedules have a covering email, which I would seek to tender. It's an email dated 5 August 2007.

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COMMISSIONER: The email between IBM employees of 6 August 2007 is exhibit 44.

ADMITTED AND MARKED: "EXHIBIT 44"

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MR FLANAGAN: And, Mr Commissioner, that email itself has sensitive information confidential to IBM, so we will, before it goes on the public record, a redacted - - -

COMMISSIONER: Yes.

MR FLANAGAN: - - - copy will be provided.

MR DOYLE: We've got it.

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MR FLANAGAN: Yes, we've got it. Thank you. Mr Commissioner, with that email, you'll see that two pricing attachments were provided. The second attachment is in fact 273 pages of pricing by IBM; the other document is a smaller document but, again, having printed it out, it's impossible to read, so we would tender the electronic form of both those documents and I think they can be described as pricing whole of government version 3 and pricing CorpTech version 11. The first version is 2.6 megabytes and the second version is 4.7 megabytes.

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COMMISSIONER: So the first one: pricing whole of government, version three. The second one was pricing?

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MR FLANAGAN: CorpTech version 11.

COMMISSIONER: All right. Thank you.

MR FLANAGAN: Those documents, the email and those annexures were supplied this morning at 8.29 am by the solicitors for IBM.

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COMMISSIONER: All right. Thank you. They will become, together, exhibit 45.

ADMITTED AND MARKED: "EXHIBIT 45"

MR FLANAGAN: And for my purposes, Mr Bloomfield, if one looks at those spreadsheets it would seem that there's two amounts, one is an amount for expenses relating to the pricing whole of government of \$4,366,000, and the other amount for the expenses for pricing CorpTech is \$20,662,650, coming to approximately \$25 million. Is that correct?---That adds up, yes.

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And when you gave your evidence yesterday in respect to paragraph 154, where you referred to the schedules that contained that pricing information for expenses, these are the documents to which you were referring?---I think so, I'd have to look at them but that sounds right.

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Thank you. May Mr Bloomfield be excused?

COMMISSIONER: If I could perhaps ask one more question, just so that Mr Bloomfield has a chance to comment. I put those figures to you, Mr Bloomfield, they didn't sound familiar and you thought they might be wrong. But if it's right that in October 2008 IBM proposed that it be paid \$96.8 million on top of the 49 that had been paid to that date to design, build and implement phase one only, would you adhere for there opinion you express in paragraph 146 of your statement that the total IBM price of \$98 million was one for which the shared services program could have been carried out?---Certainly, yes. I mean, to the extent that things change on a program but you certainly engage this program expecting that we could do it for that amount of money, absolutely.

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Yes, thank you, you are excused, thank you.

WITNESS WITHDREW

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MR DOYLE: Sorry, the electronic form of those schedules obviously contains price sensitive material that we would not wish to be made available publicly. It would be difficult to redact it and make any sense of it.

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COMMISSIONER: I understand that. Yes, all right, that sounds reasonable. So exhibit 45 will not go on the commission's web site.

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MR DOYLE: Thank you.

COMMISSIONER: Yes, Mr Flanagan?

MR FLANAGAN: Yes, I call Terry Burns.

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BURNS, TERRENCE ERROL sworn:

MR FLANAGAN: Mr Burns, would you give your full name to the inquiry, please?---Terrence Errol Burns.

And your present occupation?---Retired.

Thank you?---I thought I was.

Mr Burns, have you given a statement to the inquiry which is 24 pages in length and dated and signed by you on 8 March 2013?---That sounds correct.

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Would you look at this document, please, sir?---Yes, that looks correct.

Yes, and are the contents of that statement true and correct to the best of your knowledge and belief?
---Absolutely.

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I tender that statement, Mr Commissioner.

COMMISSIONER: Mr Burns' statement, exhibit 46.

ADMITTED AND MARKED: "EXHIBIT 46"

MR FLANAGAN: Can I start with your background, and do it fairly briefly, if I may, and for that purpose may I ask Mr Burns to be shown volume 2, item 2.1, page 1?

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Mr Burns, may I bring to your attention under "Industry Experience", you commenced your career in IT with IBM where you received intensive training before moving into consultancy and management. Is that correct?---Yes. There were various copies and versions of my CV.

Quite. I'm going to take you to a couple of them, if I may?---Okay.

And we'll also try to put some dates on the various versions, if we can?---Sure.

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You hold a bachelor of commerce, is that correct?---Yes.

And you've done a post graduate of management training?
---Yes.

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And it also notes here that you are the winner of three IBM management awards. Yes?---A long time ago. 1

A long time ago? And what were they in relation to?
---Marketing performance.

The particular version of this CV I'm showing you seems to be undated, but can I ask you to look at volume 2, page 2? The CV actually refers to your government work at CorpTech between April 2007 and January 2008, do you see that? 10
---Yes, that was obviously post that initial involvement.

Quite. From looking at that page and that notation, is this actually the CV that you provided to Queensland Health for your consultancy services there to CorpTech?---No, I don't believe so, I'm sure the same one would have gone as I gave to the under-treasurer.

All right. So what was this CV used for or compiled for?
---I actually don't know. I'm not sure where it comes from. 20

But in any event, we know it postdates January 2008?---Yes, it does; yes.

Thank you. Could I ask you, in the same volume, to go to page 13?---In the same subsection?

It's item 3.1. Can I ask you, first of all, if you look at page 1 of item 3.1, it's a policy and program office consultancy for the Shared Services Initiative dated 30 May 2007?---Yes. 30

Which is after you had completed your May 2007 review for CorpTech?---Yes.

Good. If I could just take you then to page 13, it says, "From 1974 to 1980," this is at the bottom of the page, sir?---Yes. 40

Thank you. "IBM: started as a systems trainee and rose to the position of branch manager and twice won the international top 10 marketing awards." Those marketing awards, they were in addition to the three management awards you had been - - -?---No, they're the same.

They're the same? All right, thank you. Now, in terms of your statement, you state at paragraphs 3 and 4 that you were at IBM for approximately 13 years?---That's correct. 50

This CV seems to suggest you were there for six years?---I notice some of it seems to have been left off. I think the 74 period was probably the period that I used to have on it which had management, and before that was training.

And just so we understand, you had three years of management and then three years of, I think, senior management of having the top job, correct?---Well, it was the equivalent in Australian terms of state manager for the Cape Province.

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And you held that for three years, from 1977 to 1980? ---Sounds correct.

All right. Thank you. So we should take it that you were actually employed with IBM in South Africa for 13 years - - -?---Correct.

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- - - but these six years shows the years of your management and senior management?---I believe that's the way it was on the CV.

Great, thank you. If you look at page 5 of this document, it's headed Terry Burns CV?---That's page 6, is it?

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Sorry, page 5?---My page 4 is just a blank one.

I see, if you go to page 6 then, it just says "Terry Burns"?---Yes.

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This was the CV used by Mr Uhlmann from Arena for the purposes of your employment or engagement - - - ?---Yes.

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- - - with the Queensland government after you had done your May 2007 review?---Correct.

Thank you. Can I then take you to the same volume at 3.1 to page 3? In relation to that can I commence with the second paragraph at page 3. This is actually giving some of the background of what you've been doing for the Queensland government and I'll take you to the specific documents rather than test your memory, but initially you were engaged through Information Professionals - - -? ---That's correct.

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- - - with Mr Uhlmann and others to do a fairly intensive five-day review of CorpTech at the request of CorpTech? ---Yes.

Yes?---Correct.

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Then after that you were engaged, and we'll come to the actual documents, through Information Professionals - - -? ---Yes.

- - - to carry out the five-week review that you did, resulting in your report of May 2007 and thereafter you were engaged through Arena - - - ?---Yes.

- - - until about 1 September 2007 to really do what you've described as the rebuild program or phase three. Does that sound right to you?---It sounds correct.

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Can I just ask you this: at the second-last paragraph above the heading Requirements For Consultancy it says you had received another job offer at or about this time 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 the assignment." Was that a job that you actually did not take up ultimately?---Yes. It was the Commonwealth Bank of Australia and Mr Uhlmann was obviously using his sales skills there.

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The heading then is Requirement of the Consultancy and this is the requirement of the consultancy that you were to undertake in relation to program rebuild or phase three. Yes?---Yes.

"The purpose of the new consultancy is to lead a review of the currently defined standard offering and the current proposed solution for all agencies." That's a reference, is it not, to the Shared Services initiative?---Yes.

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"And to verify current solution direction, definition and the benefits that were previously assumed would be delivered from the solution roll-out across government. This consultancy would work with agencies at all levels and would then provide clear recommendations on the options to deliver the greatest benefit to government within the time and resource constraints of the project." My question is this: does that accurately describe your consultancy after May 2007 with the Queensland government?---It is Arena's words, of course, but in general terms it does sound accurate.

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Good. Thank you. Could you turn to page 9 of that document? This is in your CV itself, where you deal with the Fonterra project in New Zealand - - - ?---Yes.

- - - for the period August 2003 to September 2004. Under the heading "Performed two program director roles for Fonterra, but directed a global business transformation program involving the roll-out of SAP R/3 across all the international regional operating companies of Fonterra Cooperative Group, directed a large team of Fonterra and vendor personnel, including Cavendish International" - that was your company at the time, was it not - - - ?---Yes.

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"- - - IBM, Capgemini NZ, EDS, SAP and Sistoc and others." Is that correct?---Yes.

So IBM was simply one of a number of organisations that you were dealing with as project director in the Fonterra project?---Yes. They had, along with these other people, resource groups within the program.

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Can I take you then to paragraphs 41 and 42 of your statement, if I may? You say in paragraph 41, "I did not really deal with IBM much at all on this project," which is a reference to Fonterra; "I was just the recipient of what had been decided of the hierarchy," and then at paragraph 42 you say, "I only met David Bostock once or twice on this project and I struggled to get to see him because he only flew in rarely." Is it the case though that in your role as project director for the Fonterra project that you were able to direct IBM employees?---Not specifically, no, because there were all these different people in the group. They each reported technically to a subject matter expert. So I was a program director and directing packages of work.

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Right?---The people themselves would report into specific heads.

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Can I take you to volume 32, item 29.2.1.

COMMISSIONER: I'm sorry, where?

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MR FLANAGAN: Item 29.2.1, it starts at page 7?---Sorry, the pages?

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Yes. Mr Burns, it's item 29.2.1?---29.2.1?

Yes. It should have page 7 there, which is the very first page of that item?---29.2.1?

Yes. Thank you?---Yes.

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You said in your statement that you had very little contact with Mr Bostock, who you knew to be the lead IBM representative in relation to the Fonterra project. Is that correct?---Yes.

Yes. But this is a reference check carried out by Information Professionals quite early on, namely, 10 April 2007, so it would have been when you were first engaged by them or looking at being engaged by them?---Yes.

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The reference check is done with a Mr Les Greeff, G-r-e-e-f-f, of IBM New Zealand?---Yes.

Did you work with him on the Fonterra project?---Yes. I think in my statement I mentioned that at that time he was with Capgemini and he was also a person who had certain resources then. By the time this reference was taken, I'm assuming he had now moved to IBM.

Yes. So that's just what we wanted to clarify that when one reads this document, one might be given the impression that you're actually putting forward an IBM person from Fonterra as your referee, but he was in fact working for a different organisation at the time, wasn't he? ---Absolutely, yes.

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Yes, thank you. That can be put aside please. Can you tell us then in your own words, quite apart from your statement, which deals with certain matters, but in your own words what was your interaction with IBM in the Fonterra project?---Initially they were not part of my program at all. If I can just possibly put the context. There were three parts to that Fonterra project.

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Yes?---The first was around a manufacturing specification; the second was then the solution build, which involved the SAP build; the third was the one I took over and that was the actual roll-out and the implementation around the different countries of the world. So the solution had been built and then I was brought in to complete that implementation. At that time - sorry.

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When you were brought in were there any difficulties in terms of the timing of the project or was it running over budget or over time?---Yes. It was under stress; it was running out of time. The budget had been significantly eroded and the challenge I was presented with was, "It's got budget constraints. We need to look at some possible lateral thinking approaches to get this work done." Certainly, one of the things I would have looked at was possibly scope production, given the time that was left and the budget that was left and that's how we approached it.

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Now, when you touched on that, in terms of Fonterra, of coming into a project that was in distress, is that part of your experience in the IT world of project managing projects that are in distress?---It was definitely, I would say, over the last eight or nine years a specialisation I'd developed rather than a straightforward program management or straightforward delivery, so I had a number of projects that I had developed certain methodologies, certain approaches and it was an interesting to get into when you had projects that were in trouble. There was never a shortage of them.

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We'll come back to this email but can I show you an email at this stage, which is in volume 27, page 230? That's an email that would have been shown to you for the purpose of taking your statement. We'll bring that volume up to you. Mr Burns, I appreciate first of all it's not your document; it's actually a document compiled by Mr Bloomfield on or about 2 May 2007 - - -?---Sorry, I haven't got the reference.

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It's page 230. It's an email you've seen before, is it not?---I have seen it.

Yes. Thank you, sir. The only thing I wanted to draw to your attention in this email at this stage is that you say that you're expecting - this is the fourth line down:

You're expecting big things from IBM on this one, innovative and expansive thinking. This is based on his experience with what IBM was able to achieve at Fonterra. Terry was very impressed with what we were able to do over there and is encouraging us to really push the boundaries on this one. It will be very well received by him.

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My only question is this at this time on this email it was the fact, wasn't it, that you had been impressed with IBM's work that they conducted at Fonterra?---Yes. I can put that in context, if it would be helpful.

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Yes. Thank you?---When I started that program of work, to the best of my recollection IBM was not involved at all, certainly not in my section. What did happen is in my

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interaction with the head of the program, we were discussing the difficulty in the remaining time of trying to get what was called localisations done in many countries all round the world, places like Brazil, Russia, Mexico, so they were difficult places to operate in, difficult places to communicate with. Eventually I was informed by the head of the program that they'd engaged IBM and they had a proposal from IBM to move teams of people into these remote countries at short notice and perform these localisation investigations. So that was a very interesting piece of lateral thinking, it was a speedy approach, it was arranged by the head of the program, then some IBM resources appeared, but they were mainly deployed in these different countries, so it was a coordinating function that I was engaged with at Fonterra. About that time, I would have met Mr Bostock, I think, briefly.

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Yes?---So what happened was that the IBM resources moved into these different countries and under our direction on the program completed certain checklists of work, and it was good work and they did it speedily.

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All right. So it's fair to say, without putting too fine a point on it, you came away from the Fonterra project with a favourable impression of the capability and professionalism of IBM?---In that context.

In that context. Thank you?---If I may add - - -

Yes?--- - - - when I first got to New Zealand, the big scandal in the IT industry then was the failure of the (indistinct) police project, which was heralded as the biggest failure in New Zealand IT history, and that was an IBM project so there was tremendous negative publicity around IBM's performance in New Zealand at that time and when I got there.

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Thank you. Can I move then to the topic of your engagement with CorpTech and can I start with paragraph 47 of your statement, please, Mr Burns? Now, you arrived in Brisbane in January 2007, not for the purpose of retirement, was it? ---Not at that time.

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Not at that time. Thank you. That was the first time though that you had lived in Australia?---Yes.

And you had never worked in Australia before?---No.

You certainly had never worked in Queensland before?---No.

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And you certainly had never been contracted to the Queensland Government before?---No.

If you look at paragraph 48, this deals then with your first interaction with Mr Mark Nicholls of Information Professionals. Can you tell us the actual date that you

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met him or approximately when you met him?---I'd have to be pretty vague, I'm afraid. I would assume it would be around February, March. 1

The reference check that's being done by Information Professionals that we took you to, was on 10 April 2007, so by that time at least you had provided your CV to him in reference - - -?---It's possible also they did the reference checks when there was a possibility of something coming up. 10

Coming up. Yes, thank you. And then may I take you to paragraph 49? This is when Mr Nicholls informed you that there is a possible job going on with Mr Uhlmann of Arena? Is that correct?---Yes.

Thank you. That resulted in a short review being undertaken by yourself, Mr Uhlmann and others. Can I take you to that review at this stage, which we'll find at volume 1, page 158?---158? 20

Yes, please. Now, that's the review that was undertaken by yourself and Mr Uhlmann?---Yes, and two others.

Yes. Now, can you recall who the other two people were that were involved - - -?---I believe it was Dave Ekert and Keith Goddard.

Keith Goddard. Right. And that was the first time that you met Mr Goddard?---Yes. 30

And you knew Mr Goddard to be a contractor contracted to CorpTech?---I probably wasn't aware he was a contractor; I was just introduced to people who were working at CorpTech.

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All right. Thank you. And this was a rapid five-day high-level review, which is shown on page 159. Can I take you to page 161 then, and we'd appreciate your assistance with this, Mr Burns? The overall conclusions as at April 2007 was that Queensland Health should not be brought forward. Can you tell us why that reasoning was determined on?---Yes. To the best of my recollection at that time, it was considered to be a hard nut to crack. It was a complex situation. Obviously in five days looking across the whole of the Queensland Shared Services initiative there was very little detail that I certainly was party to, but mainly in the discussions with stakeholders on the various agencies and at a senior level in CorpTech, the opinion was that the complexities around that would probably mean that it would best be left to a later stage. At that time I think, if I recall - and it's six years ago - I think there was a lot of discussion around the schedule. I think it was referred to as schedule 9. This was a much debated list of priorities and agencies and departments. I think at that time there was discussion going on inside CorpTech about where Queensland Health should come because there was a mounting concern around the fragility of their LATTICE system.

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Yes. Can I ask you, at the time that you did this April review with Mr Uhlmann and others were you informed that the support for the LATTICE system by Talent2 was to be withdrawn by around mid 2008?---I'd have to be honest and say I wouldn't be aware. I can't recall specifically if that point was made to us.

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Yes. Can you tell us the main reasons why Queensland Health should not have been - it was thought that Queensland Health should not have been brought forward by yourself and Mr Uhlmann?---I'm afraid I can't be much more specific other than to believe it was complex and I know they had done a Housing payroll system and there was certainly, I think - certainly some discussion around the complexity of the awards and at that time I wasn't familiar at all with what the awards were. I don't think that was principally my opportunity at that time. The other three people on that snapshot review had a much better understanding of a lot of the agencies' situations than I did.

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Yes, thank you?---I was looking more at strategic issues and I think that was my principal contribution to that review.

You at least found out whilst doing the snapshot review that both the time frames and the budget for the Shared Services initiative roll-out were being blown?---Yes.

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That was one of the main concerns of Queensland Treasury in relation to this particular roll-out?---I believe that was - - -

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Yes. If you look then at page - we'll go through this.

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COMMISSIONER: Mr Flanagan, can this wait until 2.30?

MR FLANAGAN: Of course. Thank you.

COMMISSIONER: The clock is not correct.

MR FLANAGAN: That clock is not right.

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COMMISSIONER: All right. We will adjourn until 2.30.

THE COMMISSION ADJOURNED AT 1.01 PM UNTIL 2.30 PM

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THE COMMISSION RESUMED AT 2.30 PM

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COMMISSIONER: Mr Burns, we were dealing with the April 2007 review. Can I take you back to that, please? It's in volume 1 and could you turn to page 162, please. Now, in the course of conducting this review, did you speak to any CorpTech personnel?---Yes.

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You recall who you spoke to. For example, did you speak to Mr Waite?---Certainly.

Mr Hood?---I would assume. I can't specifically recall.

And Mr Bond?---Yes. I'm certain I spoke to Mr Bond.

All right. Thank you. If you look at the bottom of page 162, the last dot point, it says, "Inaction now will result in program failure." Was that your view that you shared with the other authors of this report?---Yes. I think the intention of that comment is that the program was heading for a financial blowout and it would not meet its time line, so there was a need for action.

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Thank you. Then could you turn to page 171? At page 171, at the last dot point it says, "Appointing the OPD is the best chance of maintaining internal control." Can I just draw your attention to what you said about this in paragraph 54 of your statement, please? You say:

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I put in the review presentation the project lacked a person who held the single point of delivery accountability. I said, "You haven't got one, it's missing. You've got a committee of people all doing a number of things, HR, finance, procurement, all the way doing their thing."

---Yes.

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Yes. So was this your idea of a way forward, being the appointment of an OPD?---Yes, it was. It was a position that had a number of names over time but it was essentially a single point of delivery accountability that was recommended.

COMMISSIONER: Mr Burns, tell me, what was your role in this April review. There were four of you, I think, conducting it?---Yes.

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What was your particular role?---As I mentioned earlier to Mr Flanagan, my input was principally strategic because I had done a number of recent program rescues, as they're termed, programs in distress. I didn't have the detailed knowledge that certainly other two CorpTech members of that

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review held, so a lot of the information I was given was simply tabled in front of me, and my role, I think, was definitely one where I looked at strategic issues based on my experience.

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Was this April review the first employment you had in Queensland?---Yes.

And your first involvement with CorpTech?---Yes.

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How quickly did you come to grips with the problems? ---Well, it's difficult when you walk into a complex environment like a Shared Service Initiative program, it's very difficult, but I think that is why over the last eight or nine years, I developed certain skill sets, certain experience and certain methodologies which enabled one to look and, as it were, identify problem areas. That didn't mean you had to go into the great detail, because in my experience you will find that the knowledge of what is actually wrong is there in the team somewhere. The solutions are usually down there on the work floor as well. The key to solving these complex problems and turning them around is the ability to flush out the key issues and these are usually strategic, and then find the key opportunities to turn those around.

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Thank you.

MR FLANAGAN: Were you aware that Mr Uhlmann, through Arena, had conducted a review of the Shared Service Initiative roll-out as early as 20 December 2005?---I would probably - he would probably have mentioned it to me, but specifically I didn't have any knowledge of it.

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Can I take you to the same volume we were in, volume 1, and if you could turn to page 1 of that volume?---Just at the very front?

Yes, please. First of all, had you read this document before you did the snapshot review with Mr Uhlmann in April 2007?---I'd have to say I wouldn't recall.

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All right. Thank you. Can you just turn to page 6 of that review though? Almost at the bottom of the page above the last paragraph, it says:

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.

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So it was an idea that Mr Uhlmann had flagged as early as December 2005?---Yes.

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Is there any difference between that solution being proposed by Mr Uhlmann in December 2005 and the solution that you have suggested was yours in the April 2007 document?---Probably in principle it would be the same kind of solution. It would really be a question of how one implemented that and how the governance was structured.

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All right. Now, when you say you inserted that in to the April 2007 review, did you have yourself in mind for filling that position?---No. I have to be frank, my skill set, I'd always - well, for the last nine years, I believed it was in strategic work, it was in problem solving. Delivery is a different skill set. I had done some but it usually would involve significant technical knowledge.

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In terms of your project management position at - sorry, when I say "project management position", for the Fonterra project in New Zealand - - -?---Yes.

- - - did that involve implementation or was that a strategic - - -?---It did but I can clarify that for you, if you would be helpful.

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Yes?---I mentioned earlier that the solution design and the build was done in stage 2, so that was the stage that preceded my work. When I received the solution, as it were, it was built, and my role was to look at the business issues and take them out into those different countries in the world, with the solution in simple layman's terms, a cellophane wrapped box, in theory.

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In terms of the next step then, if I can take you to paragraph 59 of your statement. Mr Uhlmann had a meeting with the under-treasurer, Mr Bradley, and then in paragraph 59 you recount a conversation you had with him where Mr Bradley inquired of Mr Uhlmann whether you'd be interested in taking on the role that had been identified in the April 2007 report. Is that correct?---Yes, it is.

But you say here, "They didn't want me to come in and take it over, and run it." Do you see that?---Yes.

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Could you expand on that, Mr Burns, and tell me what you mean by that?---Well, the understanding I had from that interview and discussion was that from the earliest point of that position being discussed, the view in the public service was that only a public servant could fulfill that role and they were very open about it, and I understood that. The discussion and my interest was certainly around the opportunity to work at a strategic review and revision of the way things were going. They did, in the end, ask me to fulfil that role on an interim basis, but it was really that I was running reviews and rebuilds.

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Yes, because there are already people in positions such as Mr Waite as the executive director of CorpTech and Mr Bond who was particularly involved in the roll-out of the initiative?---Yes.

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Because there were already people in positions, such as Mr Waite as the executive director of CorpTech and Mr Bond who was particularly involved in the roll-out of the initiative. Yes?---Yes.

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So when you took on the role that you were taking on for this review that lead to your May 2007 report, you weren't in fact taking on any part of their roles?---No.

No. And it was in fact a review. Yes?---Yes, it moved in stages, so there was the initial review and then they engaged me on a short term basis to do four or five weeks. We kind of moved in steps, they would then say, "Okay, well, we accept what you've got in your report," and it was a team of people who put the data together, not just myself, and then they would say, "Would you take an extension and would you perform the next piece of work?" So we kind of moved in this leapfrog manner.

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Can I ask you to do your best now to recall what Mr Uhlmann said to you in relation to this conversation stated in paragraph 59 of your statement?---I can only surmise that he came back to me with the position that there was interest in engaging me, and it was to do a review of the issues that we'd highlighted in summary form in the snapshot review and to take that into a level of detail, and to recommend rectification strategies.

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Before Mr Uhlmann took the April 2007 review to the under-treasurer and took him through that review, he actually makes a recommendation to the under-treasurer that he engage you for the purposes of the review. Did you speak to Mr Uhlmann prior to him going and seeing the under-treasurer?---I'd have to be honest, I wouldn't recall when the discussion on that would have taken place.

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All right. After Mr Uhlmann has spoken to you, you actually go and see the under-treasurer, is that correct? ---Well, it was only when I think they then said we would specifically like to meet Mr Burns and interview him.

Yes. We'd like to know what the under-treasurer said to you in terms of the nature of the review and what your role would be in the review?---Yes. He really, as I understood at that time, accepted the points that had been made in the snapshot review which Mr Uhlmann presented to him, so the impression I got was that he agreed that there was significant issues. He was interested in my background, because I think Mr Uhlmann had mentioned to him that I did have a specialisation in turnaround in problem program

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rectification. So he was interested in exploring with me some of my background and strategies that we used, and then I believed the conversation was essentially around, "Well, I'm interested in you taking on this as a short project, and would you be interested in analysing it and recommending what we might do to solve it?"

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Was any part of the role that he explained to you on this occasions, that is, Mr Bradley, that involved engaging with potential or existing vendors? When I say "vendors", I mean entities such as Accenture, IBM, SAP and Logica for the purpose of identifying who one should contract with, for example?--Well, it was certainly a key, almost a starting point would be to talk to the vendors. I mean, the vendors were performing a large part of the work, so he would instructed or he would have indicated to me that the role would encompass a lot of liaison working with the vendors. Because at that time the vendors were performing a very large part, as I understood it, of the skilled technical work.

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And what would be the purpose in speaking to the vendors then?---Well, to find a different way of moving forward with then and a different approach, possibly.

For the purposes of you writing your review?--Well, my review was to come back and recommend specific strategies, so it wasn't a review which would be treated simply as advisory, it was looking for definite strategies, recommendations, plans to put it right.

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All right. Without taking you to the documents, it's the case that you accept now that you were actually contracted through Information Professionals to carry out the May 2007 review rather than through Arena?---Yes, it started off through them and at some stage Mr Uhlmann took it over from Information Professionals, and I wasn't quite clear on how that worked.

At your meeting with under-treasurer, was there other people present?---Not in the interview, when we had an interview it was definitely Mr Bradley and myself.

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When you were with Mr Bradley, did he discuss with you your curriculum vitae?---Yes, I'm sure he did because I think he had a copy of it.

May I take you then to volume 32, and at volume 32 could you look at item 29.7.3, at page 32?---Point 3, is it?

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Point 3, yes, 29.7.3, and it commences at page 32. Do you recall that after your appointment had been confirmed and you had been engaged to do this five-week review that Ms Perrott has sent around a letter to all CorpTech personnel outlining what your review would be about?---I don't recall it specifically but I can see it now.

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Can I take you to page 33 of this, to the third paragraph?
"It refers to our implementation partners, including SAP, IBM, Accenture and Arena, have also been providing advice on options to address these challenges and our shared services CEO governing board will consider scheduling issues next week." Were you aware that Mr Waite had sought from certain vendors information about their possible involvement in the way forward?---Yes, at various stages I became aware of certain discussions, certain I think ideas and even papers that had been tabled through Mr Waite or through various people.

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Yes. Could I just ask you at this stage: when you're engaged to do this review, did anyone talk to you about what sort of protocols one should follow, or did they explain to you that the Queensland government had a particular procurement policy?---Not formally, no.

No? All right. Later on when you come to see Mr Bloomfield, which is recorded in that 2 May email that I've taken you to already, there is actually a presentation that he takes yourself and Ms McMillan through, which is a presentation of 12 March 2007. Is that the type of document that Ms Perrott, you think, is referring to in this paragraph?---This email would have preceded that, would it not?

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Actually, this letter is dated 27 March 2007, but the IBM presentation are a document called "Conceptual Model", is actually dated 12 March 2007?---Well, as I said, I think there were a number of papers, I do remember Mr Waite giving me one.

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I'm just wondering, were you actually briefed with the relevant documents that CorpTech had received from the various vendors prior to commencing your review?---It was a trickle feed, to be honest. In discussions people would say, "Actually, there's something that you might want to look at," and they would go back to it, but it was not a case of me being presented with a fine set of briefing documents and historical documents.

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All right, thank you. If I can then take you to the implementation replanning, "To address the range of implementation issues and factors, the SSI policy and program office in conjunction with CorpTech SSS has engaged an experienced independent project director and it's to do these things: first, to replan the overall delivery time line of the program from now until the completion of implementation." That's specifically in relation to what you've described already as schedule 9. Is that correct? ---I would assume so, yes.

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Yes. Then, "Secondly, recommend appropriate strategies to accelerate the delivery of the SSS program," so that's strategies to accelerate. Yes?---Yes.

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What did you understand that to mean?---In programs and particularly in programs that are in distress, there are certain strategies that one can employ and in the industry certainly a common term would be "these can be accelerators". So they're ways of approaching it or ways of using tools which could make things move more quickly.

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All right. Then the final thing is, "Recommend structural process and productivity improvements and program." Do you see that?---Yes.

So this was ultimately going to lead to recommendations by you in your May 2007 report. Yes?---Yes.

It was no part of your role, however, Mr Burns, was it, to be negotiating with the vendors with a view to contracting? ---Well, one of the key recommendations that came out of the snapshot review was that the PMO was in a very bad shape and the first thing that Mr Ford did on my appointment was call a meeting in his office, at which all the vendors were asked to be present, and it was a case of me being introduced to the vendors and the vendors being introduced to me and the tenor of his comments were, "This is Mr Burns. He's going to be talking to you. You should be talking to him. There are going to be issues that he's going to want to discuss with you." So there was a very clear directive from Mr Ford that I should engage with vendors and should start discussions with them. But moving on to the second point, there was a PMO that was in very bad shape and one of the key recommendations that we did have authority to move on immediately was to restructure

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the PMO and very early in that process I did begin a process of engagement of finding a vendor or an approach that would enable us to strength that PMO. So we did look at outsourcing it, in effect.

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When you say the PMO was in a bit of a mess at that time, who was the PMO?---There was a lady managing it and it was one of the things we did look at quite carefully in the snapshot review. It was significantly understaffed and certainly under skilled and it certainly did not have, in my opinion, and in the opinion of the other reviewers, the proper tool set to perform the work and I think Mr Bond, in particular - and I remember making that point - the person managing the delivery should be leaning very heavily on his program management office, particularly for the generation of schedules, managing risks and issues and there was also an element that I thought was very clearly missing from that PMO and that was performance management and that would have been a very useful segment to have for anyone managing delivery when there were vendors doing pieces of work.

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Do you recall whether the PMO was actually a contractor or a company contracted by the name of SMS?---No. Well, my recollection, it was a lady and I thought she was a public servant.

Sabrina Walsh?---I'm sorry, the name doesn't ring a bell.

COMMISSIONER: Mr Burns, can I ask you, did you feel qualified for the role, given that your only knowledge of CorpTech and the Shared Services initiative was the five days you had spent in April on that snapshot review? ---Yes. I was very comfortable with my credentials in the area of strategic review in the area of governance, approach, tool sets, et cetera, on program implementation. I did make clear a little earlier that I never put myself forward as a very technical delivery manager. There's a very big difference between looking at strategic issues or business issues and in technical implementation.

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MR FLANAGAN: You yourself didn't hold any IT qualifications. Your qualifications were in commerce and - - - ?---They were.

Yes, thank you. It then goes on to say in this letter that Ms Perrott sent to CorpTech employees, "Terry will be assembling a small team to assist him and this team will provide a final report by 31 May 2007." Did that team include Mr Goddard?---Yes, I believe it did.

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Mr Bond?---We consulted, I think, very extensively with Mr Bond, but it was Ms McMillan, myself, Mr Goddard. I do remember Mr Ekert playing a small role, but he did have another full-time role. At a certain point, but it was well after this, Mr Shah joined that team.

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In terms of how you went about this review, the last paragraph on page 34 gives some indication and I'll take you to your report shortly, but it says, "The work will involve many of you from across the program in working groups relevant to particular expertise"?---Yes.

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How did you structure the review in terms of obtaining the information you needed to make recommendations?---Yes. I think this was a key element and it certainly was part of what I'd originally touched on with Mr Bradley - is that in moving into a role where I would be charged with delivering an analysis of problems and then determining recommendations, I said that was an impossible task for one person to perform, so an alternative would be, for example, to engage an agency like KPMG, who would arrive with 10 or 12 very skilled analysts and who would spend a few months there and who would deliver you a substantial bill and a very fine report. An alternative approach that I'd found worked very well in practice was - and I did mention this earlier this morning - that the knowledge of the problems in programs, in my experience, is nearly always out there on the floor in the teams. It may be broken up and the role that often I would play as a strategic analyst would be to draw components of issues together, summarise them, sift out the large from the small. So the approach that I had suggested was that I could not deliver an in-depth analysis of issues, but the team could. I'm sorry, I'm damaging your equipment. We set up a team of 14 different focus groups, I think it was, and each team was drawn from the program. So these teams then were charged with a process and a methodology which was to look at problem areas, to go back and look at their experience on having done things from inception and come forward with risks, issues and from that we would workshop. So it was an intense process of workshopping where teams would present results, team leaders would speak to them. My role was very much a facilitator and a coordinator.

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In relation to those 14 teams that you assembled for this purpose, did they include people from the various agencies, such as Health, Education, Corrective Services or was it more CorpTech teams?---I think initially we were working with CorpTech teams. There was a list of each of the team compositions and if it was important, I'm sure we could reference and just see if there were agency people.

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Good. Thank you. Can I digress for a little while then before we come to the report itself? There's been evidence given at this commission by Mr Nicholls that he requested you to show him the draft of the May 2007 report and that you refused to show him. Yes?---Absolutely.

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Can you explain why?---Well, I believed it was an unethical request. I was simply coming to that position through Mr Nicholls' agency. I remember going to Ms Perrott with his request and discussing it with her, and I believe I then went back to him and said that I felt that it was not possible for me to provide such a draft report. There were potentially sensitive issues that clearly should first go to Ms Perrott or Mr Bradley, and it was certainly not appropriate, in my view, for Mr Nicholls to request to have a look at a potentially very confidential piece of government work before even the government principals had seen it.

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But you had been engaged through him and through his organisation for Information Professionals, hadn't you? ---Yes, but that didn't mean he had a right to review and interpret, and potentially modify any of the work I was producing. My understanding was I had a confidential relationship with the client, which was Queensland Treasury.

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Can I take you to a couple of documents on this topic then? May we go to volume 32, which you should have there, I think. It's item 29.5.2.

COMMISSIONER: What page?

MR FLANAGAN: Page 21?---29 point?

29.5.2 at page 21?---Yep.

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Did you have any knowledge that Mr Nicholls, on 27 May 2007, was actually writing to Ms Perrott and Mr Waite in relation to confidentiality arrangements concerning your engagement?---I'm not aware of it.

All right. But for the terms of reference for your report, Mr Nicholls was involved in those terms of reference, wasn't he?---No, I don't believe he was, not to my recollection.

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Fine. I'll show you a document, if I may. In the same volume, item 29.7.7, and if you start with page 48, this is emails between yourself and Mr Nicholls.

If you then read the email at page 47. That's the dispute that you and Mr Nicholls have in relation to the report, is it not?---Yes. Well, giving him first look at it.

Yes. Then can I ask you then to go to item 29.7.5. If you go to page 36 of that item, 29.7.5, this is done at a time when Mr Nicholls is about to depart for Hawaii. Yes? ---Mm'hm.

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And he writes to you that:

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CorpTech have taken some time agreeing on the best contracting arrangements. Anyway, there is a confidentiality and privacy deed they wish you to sign as well as us -

that is, both Mr Nicholls and yourself were subject to the CorpTech confidentiality deed. Yes?---Yes, I understand he was also doing contracting work for the government.

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Quite, but can I suggest that he had been involved with you in agreeing the actual terms of reference of your review at the very beginning with Mr Waite?---I think only in a very general sense, Mr Flanagan.

Yes, quite, but what was the real reason that you didn't want to show him the report?---Well, I was not familiar with Australian Queensland government confidentiality terms, so I took his request straight to Barbara Perrott and, as I recall, her advice was to me that I should not show him the report.

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All right. Thank you. Now, can I deal with one more topic before we come to the May 2007 report. That's in relation to your direct line with Mr Bradley. Can I take you to paragraph 63 to 67 of your statement. First of all, in relation to paragraph 63 you state that the under-treasurer wanted you to personally undertake the review. Yes?---Yes, that was the interview.

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Albeit, engaged through Arena and that should be Information Professionals. Do you agree?---I think initially it was, yes.

Yes.

Mr Bradley said to me, "I'm very happy. I think you're the right person. Do you think you can unravel this place?" I said, "Well, I've got a very good idea on the approach I would take." There's no guarantee that you can succeed because this in an enormous, complex, long-term project, which accounts on the basis that I would get out there and get the thing underway, and agreed that I want to have a very short line of communication to Mr Bradley.

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Now, you explained to people that you came in contact with, such as Mr Bond, Mr Waite and indeed Ms Perrott, that you had a short line of communication to Mr Bradley; that is, you could go directly to Mr Bradley to get the job done? ---Well, my understanding is that he wanted a line of communication directly to myself since we had identified and discussed issues that were potentially structural, which involved people deployment, so my understanding of

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what Mr Bradley wanted from me was that if I had a view that potentially sensitive restructuring was required, he would like to discuss it with me first since it could involve senior people.

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Yes. It's been suggested by Mr Bond that at one stage you and Mr Goddard came into his office in a fairly aggressive way, which he's described as aggressive, told him that in spite of him having access to Mr Bradley and speaking to Mr Bradley about the roll-out on previous occasions, that he should not be going to see the under-treasurer to speak about the roll-out?---I really have no recollection of any conversation of that type.

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It would be strange, would it not, for contractors such as yourself and Mr Goddard - - -?---Yes. 1

- - - to be giving a direction to a public servant. Yes?
---I would agree, and I know for a fact that any public servant who wished to - Mr Bradley had a very open door if they went up through the proper channels, and I recall in fact once or twice - well, certainly once I went - I was in a meeting with Mr Bradley and he said, "Darren was in here chatting." My impression is that Darren had a very easy access to Mr Bradley if there was a specific issue. 10

Was it the case that you and Mr Bond actually have a different view of what should be happening in terms of the roll-out?---I don't - you know, I had a lot of respect for Darren's ability, he was a very intelligent and I thought an incredibly hard working person. I didn't agree with the approach that was being taken, and I also held the view that, and I expressed that certainly to Mr Bradley, that I thought it was unfair to have a person such as Darren Bond who, in my opinion, was relatively inexperienced in delivery in such a position of responsibility. And I also expressed the same view regarding Mr Waite, who I had tremendous respect for, but I believed that he did not have the background to be overseeing an enormous, complex IT implementation. So from the time that I first arrived, I have to say I thought Darren was a bit prickly with my position turning up as it were reviewing his schedule 9. It was something that I think Darren felt a lot of ownership around and certainly the opinion in the corridors was schedule 9 was Darren's, so I would believe and possibly expect that he would have a certain amount of discomfort in a stranger turning up and reviewing his work. 20 30

Were you critical of Mr Waite to Mr Bradley?---Never.

All right?---Critical? Never. I mean, I thought he was a very capable man.

Did you play a role, or did you see yourself as playing a role, in Mr Waite leaving CorpTech?---I hope not, but clearly there was a recommendation from myself that a restructuring should take place. It was certainly not my position to determine who went into the roles, but the key point, again, was simply that the structure that I was recommending is that a very experienced IT delivery person and strongly supported on the one side by the Solution Design Authority, and on the other side by a program management office, needed to be in the centre or in a direct reporting line to the stakeholders. 40 50

Did you know what Mr Waite's qualifications were?
---Probably not.

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Can I put this directly to you: that you were in fact critical of Mr Waite in front of Mr Bradley, and soon after that meeting Mr Waite took leave and ultimately never returned to CorpTech?---I wouldn't - I need to know "critical" in what sense.

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I'm asking you because it's suggested that you were critical of him.

COMMISSIONER: You just told us you thought he wasn't qualified for the job he was doing. Did you mention that to Mr Bradley?---Sorry?

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You've just told us, I think, that you thought Mr Waite wasn't qualified for the role he had. Did you mention that opinion to Mr Bradley?---Yes, I did.

MR FLANAGAN: And did you mention that opinion in front of Mr Waite to Mr Bradley?---No, I would have had that discussion privately with Mr Bradley.

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Do you know, having expressed that view to Mr Bradley, whether Mr Bradley actioned it?---Could I just add one other step in it?

Yes?---I did have that discussion with Mr Bradley, I thought it was a very sensitive matter. That's an example of the sort of issue that I did not want to share with a person like Mark Nicholls, for example. I took it to Mr Bradley, I thought it was very sensitive, I was very concerned that people with exceptionally good backgrounds were not being ground into a situation where they might end up performing poorly, so I had a discussion with Mr Bradley that I thought it was unfair for a man of Mr Waite's background to be charged with such complex IT delivery. I think the conversation would have been around, "If you want him to remain at the head then you must put this intermediary person underneath with powerful supporting structures around them.

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And who was that?---No, I was talking conceptually around a program delivery director with a PMO.

Yes?---But then when Mr Bradley and I had - - -

Can I come back to my question?---Yes.

Who did you have in mind for that role?---To me, it needed to be someone like a KPMG person, it certainly wasn't something that I would have sought out. My role, I would have seen - if they'd put that person in right at the beginning I would have been, I think, very much happier because then my role would have been to work strategically alongside that person assisting in delivering a solution design authority delivering a PMO, assisting with accelerator strategies.

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In any event, Mr Waite goes on leave, does he not?---Yes, when Mr Bradley and I had that discussion I did ask Mr Bradley if he would mind if I went and had an initial discussion with Mr Waite. I felt I owed it to Mr Waite, I'd worked under his direction and I'd been there for some weeks, I had a great deal of personal respect for Mr Waite and Mr Bradley agreed. So I went and actually had a discussion with Mr Waite, and I said, "Look, I'm going to be putting in this report, the report is going to be saying that I'm recommending a different kind of skill set needs to be deployed as the head of the program." So Mr Bradley accorded me with that courtesy that I could first have a conversation personally with Mr Waite to brief him so that, "Look, my report is not going to be critical of you but it's going to say there's a skill set that I believe needs to be slotted in."

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Which you had already told Mr Bradley Mr Waite did not possess?---Yes, it was my opinion he was not qualified to run delivery.

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And you told him face to face that your report would be mentioning that or dealing with that?---I told Mr Waite face to face.

Yes, all right. Now, Mr Waite was replaced by Ms Barbara Perrott, is that correct?---My understanding was that what Mr Bradley had in mind was that they would be in parallel, and there was a time when I was reporting basically to them both. I thought it was something that occurred between Mr Waite and Mr Bradley that Mr Waite chose not to remain.

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Do you agree that Ms Perrott replaced, or ultimately replaced, Mr Waite as the executive director of CorpTech? ---Yes, I do, my reporting line change to Ms Perrott.

Did Ms Perrott have the skill set that you referred to in your report?---No, and my understanding was that we were moving still towards generating certainty around that role.

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Well, given that there was a vacuum then and you were conducting this review and you ultimately. then started to conduct the rebuild, was it you, Mr Burns, who actually stepped into the breach, if you like, and fulfilled the role with the necessary skill sets for the program rebuild?---I wasn't doing the delivery, so the delivery still remained with Darren Bond and various other people. In fact, Ms Perrott, I believe, gave my role the title of project review director in order to be quite clear that it was not the program delivery director.

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Can I just be clear about this, though: at the time Ms Perrott takes over from Mr Waite as the executive director of CorpTech, she knows and appreciates that you

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have a direct line to the under-treasurer. Yes?---Yes, but I should clarify that as well for you, Mr Flanagan. It wasn't as if I would, you know, pick up the phone and whiz up the road to Mr Bradley. Invariably, I worked through Ms Perrott or Mr Waite and there were very, very few meetings that did not involve them. So I was quite clear that I should work through Mr Waite or Ms Perrott.

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May I then finally take you to the May 2007 review?---Yes.

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COMMISSIONER: I thought you said earlier that you had a direct line to Mr Bradley because he wanted you to discuss things with him first before raising them with CorpTech people, in case they got upset or there was confusion?
---Yes, but that was, if you like, a safety line access, if there potentially sensitive issues, so I did not make use of that, except possibly on that occasion when I went up to discuss with Mr Bradley the positions of certain people. The reporting line was typically through, first of all, the deputy under-treasurer because there was a steering committee set up, so that was Mr David Ford, Mr Geoff Waite sat on it, Barbara Perrott, it met weekly and IP had to present a weekly progress review to the steering committee. So there was a very formal line. It was just that I had an agreement with Mr Bradley if there was an issue that I felt should first be taken to him, that he would be quite happy to do that.

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You don't doubt, I take it, that what you had to say to Mr Bradley about Mr Waite was instrumental in Waite's leaving CorpTech?---Well, I can only say that if he was not the right person, in my opinion - - -

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I understand that?---Yeah.

I'm not being critical of your opinion or the expression of it, but that's the fact, isn't it, that the dissatisfaction you expressed to Mr Bradley about Waite was instrumental in the Waite's leaving?---Yeah, I wouldn't use the word "dissatisfaction", though, Mr Commissioner. I was very clear that I thought it was unfair to Mr Waite to put him in a position where he was being held accountable for delivering complex IT programs.

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Because he wasn't qualified, you thought?---Because he didn't have the experience.

Yes, that's right, but is it right that Ms Perrott knew of that connection, too, that Waite had gone because of your opinion which you expressed that Mr Waite wasn't adequately qualified for the role he had?---I'm sure I didn't express that opinion to Ms Perrott.

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No, but these things weren't done in a vacuum. People are aware in CorpTech what had happened, what was going on. You accept that, don't you?---Well, I would have thought that the process of me expressing a confidential view to Mr Bradley on the appropriateness of one or two people would have been kept very, very confidential, and the only person who could have passed that on any further would have been Mr Bradley.

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MR FLANAGAN: In answer to Mr Commissioner's questions before, you actually used the plural that you had brought to Mr Bradley's attention the lack of skills of a number of people, that is more than Mr Waite. Did you also have I

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occasion to bring to his attention what you perceived as a lack of skills of others at CorpTech?---Again, Mr Flanagan, wouldn't use the term "skills", I would term it as appropriate experience and certainly we discussed the person who was head of the PMO, who, in my opinion, was clearly not adequately experienced for that role, and certainly I discussed Mr Darrin Bond who, in my opinion, did not have the experience to be in charge of such a wide and complex implementation.

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Did you ever raise the same concerns in relation to Ms Perrott?---I believe once Ms Perrott came into the position where I was reporting to her, we would have discussed the restructuring and appropriate skill sets, so I'm quite sure I would have discussed that in confidence with Ms Perrott.

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Can I ask you this question, then: did you perceive or experience a level of resistance from Mr Waite and Mr Bond that you did not perceive or experience from Ms Perrott? ---Well, just to be clear again, when I started work, the people in the positions in situ, as it were, were Mr Waite and Mr Bond. Ms Perrott was in something that I understood to be called the SSIO or - - -

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Yes?--- - - - SSPR. I've lost track of the acronyms, I'm afraid, but she was over to the side slightly, and it was only later when Mr Waite left that she was moved into a position which I understood was consolidating her previous position with Mr Waite's.

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Once she's moved into that position, did you experience any resistance from her in terms of what you were seeking to achieve?---No. I had a very good professional working relationship with Ms Perrott. I had a tremendous regard for her mental strength and her ability to negotiate. In fact, all the people I met in CorpTech impressed me as people.

Can I ask you to take up volume 1 at page 182, which is your May 2007 report?---Sorry, it's volume 1?

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Volume 1, page 182. There might be two parts to volume - oh, no, it should be page 182 of volume 1. Just while that's coming, even though you brought to the attention of the under-treasurer that you didn't think that Mr Bond had the necessary experience to be in the position he was as the program director for the roll-out, he remained in that position, did he not?---I believe so.

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Yes. Thank you. Did he become answerable to you at any stage in relation to the program rebuild?---No. My recollection is that I never had any direct reporting line down to the CorpTech staff. I was given authority to coordinate processes, so if it was reviewing or structuring

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workshops, I know that both Mr Waite and Ms Perrott did instruct the staff that they should act on my requests. 1

All right. And indeed on your instructions?---Yes.

Yes?---But, of course, those were always reviewed through either Mr Waite or Ms Perrott.

Who was it that empowered you that way? Was it Ms Perrott or the under-treasurer himself?---Well, I believe it came down from the under-treasurer through Mr Waite to myself. 10

Yes?---And then as you saw in that one letter you read to me, Ms Perrott also sent out notes basically authorising me to request action.

Now, who actually wrote this report?---I would say it was a fairly composite piece of work, certainly the results were results coming from the collegiate approach that had been taken by the 14 teams. The approach I used all along on all the issues other than possibly the restructuring was that we looked for a consensus approach. 20

But the report comes under your name, does it not?---It was my job to compile it and my job to issue it.

All right. Thank you. And in that sense, Mr Burns, you had final editing of the report?---Yes. I would say there were a lot of people who read it and I had a lot of people pointing out anything that they did not think had come up correctly and was changed. 30

Thank you. Can I take you to page 187, then. That's a summary of the key recommendations from the phase one report. So the phase one report, the April 2007 report that you did with Mr Uhlmann, Mr Ekert and Mr Goddard? ---Yes.

And that repeats those conclusions from that - - -?---Yes, we put it there for clarity. 40

Thank you. And then page 188, you identify there under the current program budget, "The current budget of \$316 million will run out in June 2008 at the current monthly cost burn rate unless drastic cost reduction strategies are employed." That's something you've been informed of? ---Yes. A lady by the name of, I believe - - -

Ms Bugden?--- - - - Bugden - - - 50

Yes?--- - - - compiled those figures.

And there was identified a funding gap if the roll-out continued as it was then structured of \$573 million. Yes? ---Yes. Those were her figures, that is correct.

So you identified at the bottom of page 188 the urgent need for action. Yes?---Yes. 1

One of the other things that was suggested is either the remedial or close-down actions, that is close down the entire Shared Services initiative?---Yes. It was certainly an option I put forward to the teams and then later put forward to Mr Bradley. I'm saying, "Are you sure you want to continue with this? Are you convinced you're doing the right thing?" 10

Yes. Had you been given access to the original business case for the Shared Services initiative?---No. It was probably my second request on taking up the review position. That would be my normal starting point with any commercial organisation to say - and I do recall the questions that I was asking very clearly and that was, "Why are you doing this? Please explain. Can you show me the business case?" 20

You spoke to Mr Bradley about the business case, didn't you?---It's difficult to be clear, but I would certainly have discussed with him the financial rationale, whether it was called a business case then, I'm not sure.

Did you understand from your conversations with Mr Bradley that he had a role in the creation of the business case for the Shared Services initiative?---No. I wouldn't have known if he had a role. I did understand that in a sense it had been delivered to him and, if you like, he had ownership of this business case. 30

What did he say to you about having ownership and the fact that it was going wrong?---He was extremely concerned and hence his sense of urgency in appointing me into a process to try and reverse that issue.

Page 192 then. At the very top there's a heading Characteristics of the Reconstituted Program. It says, "The restated functional and technical solution design owned by the Design Authority on behalf of the stakeholders' steering group and the program executive board," can you explain what the Design Authority was to be?---Yes. It was one of my recommendations that I'd syndicated and reviewed extensively with the teams. It was an idea that I believed was extremely suitable for the situation at CorpTech. I believed that with the complexity and the huge variety of different technical solutions being discussed around the whole of government, there was a strong need for a central agency that would, if you like, create a library of as built solutions and, particularly, would be the responsible body for negotiating scope. I was very uncomfortable with the fact that the scoping, which was a critical part of each sub-project, took up a great deal of Mr Bond's team's time and I was struck by the 40 50

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amount of acrimony and argumentation and delay that went on. It was their technical design people in the project would be engaging directly with the agency to say, "Should we have this function or that?" It was clear to me, because it was a system that I used in British Rail and it worked extremely well. We had an incredibly complex user stakeholder group and we set up a Solution Design Authority and I thought this was the perfect solution for CorpTech in that this - am I going on too much?

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No, you're fine. Thank you. Can I take you to the third dot point then? The third dot point is that you're suggesting a highly-empowered PMO to provide the disciplined processes which the PDD will rely on to meet the implementation time line. Just remind me what the PDD is?---I think at this stage it was referred to as the program delivery director.

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Yes. Just stopping there, did you ultimately become the program delivery director?---I can't recall if they gave me that title. I think at the time of these reports, I was referred to as a program review director.

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Right. In any event, you became the head of the Design Authority, did you not?---Yes. It was purely because no-one else was appointed. I believe Ms Perrott was of the opinion that I was probably best placed to take it on. I remember being significantly uncomfortable with that because I was of the opinion it needed a dedicated person from the outset who had the time to build it from the floor up. So, in my opinion, it was spreading me very thinly, but I did have to function in that role initially.

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Still under that same heading, can you assist us with the final dot point there which says, "The budget required to deliver the new solution from the time of the new high-level functional design is available"; that is, we're not talking about how the program was being rolled out by CorpTech, but rather how the program is going to be rolled out by the Design Authority in the future?---Yes.

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"It's likely to be in the range of 350 to 400 million. This estimate has no science behind it at this stage and is based purely on the experience of the lead consultant of similar size programs of work involving only HR and financial applications." I take it that that's your estimate, is it?---It was my committing to those figures based on a lot of discussion in the teams and a lot of very varied opinions.

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Yes?---But in the end I had to put a report in and I had to take account of giving the under-treasurer some range.

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Yes. We know that you've referred earlier in your April 2007 report you did with Mr Uhlmann that there was \$108 million remaining in the allocated budget for the roll-out of the Shared Services initiative. Is this including that \$108 or is it in addition to that \$108? ---108 million? 1

Sorry, 108 million?---Well, this would have been simply the estimate to complete and if one applied the simple approach, you'd say, "The first 108 we've got, the rest we don't have." 10

Yes, all right. But as at May 2007 this is the type of figure that you had in mind that would be necessary to complete the program in the way you were envisaging it being structured?---Yes, again on the basis of continuing with the same scope and not reducing scope.

Thank you. Can I take you then to the bottom of that page at the last dot point, "Consider the option to isolate the current LATTICE, Orion and other critical legacy applications"? In your April report with Mr Uhlmann you had said that Queensland Health should remain on hold. Yes? Is this a change in position that you're identifying in that final dot point?---I think at this time we had discussed the option that the legacy payrolls were looming so large and it's such a critical issue in the whole implementation that we should look at taking those two aside and looking at a separate way to solve the problem so that their implementation didn't hold up everything else that the agencies were desperately needing to run their businesses. So there was an opinion that we had, I think it was three, four LATTICE agencies, and I believe there were two Orion, and one of whom was the Department of Education Training and Arts, which was another very large problem sitting out there. I had, very early in the process, if I may just point out, challenged the question. I said, "Why are you not outsourcing these payrolls? Why do you want to do them yourself? They are very complex and there are specialist companies in the world who run payrolls," and I said, "I assume there must be some in Australia. The answer I was given that it would never be sanctioned to outsource confidential government payroll data, but it was a huge concern of mine and the team's from the outset." 20
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In item 6 then on this - sorry, if you then go to page 194, Mr Burns. I need to deal with item 1 first. "The interim role of PDD is established with full accountability for the whole end-to-end program into implementation." Then in item 6, "Examine the possibility of obtaining a PMO partner, either for partial or full component of a PMO." Now, when you say "PMO partner," there what did you have in mind?---A specialist vendor who ran a program management office. 50

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Then you identify at page 195 of your report some key risks. One of those is the LATTICE support arrangements that may not be able to be fully implemented by 30 June 2008. Yes? Was that a particular reference to Queensland Health?--Well, at that time it was relating to all the LATTICE agencies. The one I believe that was sort of banging on the window the loudest would have been Queensland Health and a lot of that thinking, I do recall, came from Mr Philip Hood's group who were responsible for running the payroll and, particularly, the one that had been implemented at Housing and I know that these risks, of course, all come from the teams who reviewed them and I remember he was very articulate in pointing out the risks of retaining LATTICE payrolls.

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Thank you. And then can you explain what is meant by "item 7" under the Key Risk?--Yes, I believe Ms Perrott or possibly working for identified to the team that there were a lot of contracts expiring at a certain point, and we either had to extend those, and I think a lot of those would have been public servants, so they would have had a significant rollover period, or we had to have our restructuring thought through as early as possible so that we didn't rollover contracts for people who were then not required.

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And then, finally, on this report, at page 196, under Key Issues, item 6 is yet another reference to LATTICE being unsupported by Talent2 from 1 July 2008?---Yes.

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Thank you. Now, as far as one can tell from reading this report, there is no recommendation for a prime contract model. Yes?---No, not at that time, I don't recall that.

We'll come back to this, but, at this stage, can you recall when you first decided that the way forward should be by means of a prime contractor?---I should clarify as well that wasn't an idea that I sat in an office one day and produced, this was very much a syndicated view around the teams. We spent a lot of time debating the structure of different partnership arrangements, because this was not a new idea to CorpTech. There had been significant discussions that I was aware of around different partnership relationships, and I believed I'd had various proposal from vendors like Accenture and others on partnershiping structures.

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Yes?---So I think at this time, given this first report, we were focusing on the issues and the problems, we hadn't yet devised, as it were, how we would solve all the problems. But I know there had been a lot of discussion on different partnership models.

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You're aware of Mr Goddard's views of a prime contractor model, weren't you?---I don't recall them specifically.

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All right. Can I suggest that he said to you that, "An external prime contractor would not result in a lower price but only an increased risk"?---I don't recall that view, but I do recall that he was less enthusiastic about a prime contractor approach.

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There is a difference, is there not, between a prime contractor model and having discreet packages of work that you sent out to tender at different stages?---The difference in this context would be accountability. What really concerned me in CorpTech, and this was the view that I'd expressed in this report and to the senior management group, was that if a package of work was developed and completed and it took longer than had originally been planned and it was more expensive, there was no particularly accountable entity. So, yes, it took longer, it cost more, tax payers of Queensland are going to have to dig deeper. This lack of accountability was, to me, clearly a major issue and that was what I was seeking very much in a solution, was there was an accountability and that it was supported by a contractual basis.

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Thank you.

COMMISSIONER: In reference to Mr Flanagan's question, when did you first rise with Ms Perrott or Mr Bradley or Mr Ford the notion that a prime contractor should be given responsibility for the delivery of the shared services? It's been pointed out it's not in the May recommendations? ---I'd have some difficulty in pin pointing a specific date, Mr Commissioner, but I would suggest that certainly during this initial view it would have been something that we would have discussed as an option. But we were still reviewing time lines, priorities, issues and the risks so we hadn't yet moved to what we termed the "rebuild", which was really an in-depth analysis of possible solutions. I would suggest that we probably started discussing it around a partnership model.

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It doesn't figure in any of the recommendations which we've seen in the May review?---No, and it's certainly - - -

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And is it right that the next formal review you undertook was the one in September?---Yes, the next one ran for about three months or so.

MR FLANAGAN: In your statement, at paragraph 130, you say, "As a result of that, the group began discussing the idea of moving to a prime contract." And what you're referring to there is that you told Mr Bradley, the leadership team and the CEO board that this, that is, "The current SSI approach is not working, if you look in report 1 we are heading for a financial disaster so we need to do something differently." And then you think that it's in or about August or September 2007 that you put together the

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report, dated September 2007, first suggesting the prime contract. Yes?---Yes, that would have been where it would have come together as a formal proposal from the team.

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But in terms of the work that was done for your May review and the intensive five-week review that it was with the workshops and whatever, one of the recommendations that came out of that was not a prime contractor model, was it? ---No, it certainly the wasn't the highlighted recommendation.

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No, so it would seem - - -

COMMISSIONER: It wasn't even mentioned, was it?---No, that's right.

It wasn't even mentioned?---As I said earlier, it would have been something that we would have discussed but we were not yet focused specific solution models.

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MR FLANAGAN: By the time the prime contractor model is engaged, which is at least by 25 July 2007, which is when you send your email out requesting proposals from the various members?---Yes, but that was still in the RFI/RFO process, we were still quite away from the authorisation to go for a prime contractor model.

We'll come to the document itself, but it would seem that the document itself refers to prime contractor. I can stand corrected if it doesn't, but I'm pretty sure the 25 July email does refer to a prime contractor. My question is this though: we don't find any report or any study by the Queensland, or indeed by the Queensland government through you for moving to a fairly radical change to the existing system?---It came out of the RFI process which then became the RFO, and that was also done on a collegiate workshop basis, and at that point I certainly was of the opinion that was a strong possibility as a solution to the dilemma we had.

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COMMISSIONER: We're going to assume there is a hopeless confusion if you don't tell us what you understand by the terms "RFI" and "RFP"?---Yes, and I'm not sure there has been total consistency.

I'm sure there hasn't been?---My understanding, Mr Commissioner, is that if we went to a request for information, which was the first process, we then went to a process which was to give all part price ranges which I understood to be called a "request for offer", and then - - -

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Is that the July invitation?---Yes, which was to try and put prices around the ideas that had been garnered from the marketplace, and then eventually there was an ITO.

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Can you just explain to me what you understand by the RFI process?---It was the process of engaging with all the vendors and I believe initially we went to nearly a dozen and sent letters out, and we were canvassing new ideas, so as we had discussed a moment ago, in the May report we kind of got our heads around the problems and we now went to the marketplace to say, "Well, let's have every possible idea we can engender from the marketplace on how we might solve it," and that was the RFI, so it was requests for information and some requests, obviously, led to substantial responses and others didn't lead to much at all. From that, we went through a process, as I recall, where the top four vendors were identified and then there were the approach of asking them to give us ballpark pricing, so we had a significant array of potential solutions. We then wanted to try and cost them. Then those costings went to the key process, which was the scenario teams, who did the actual modeling and that was a process where eight major scenarios were modeled with, I believe it was, about 19 Siberians. There was a very powerful team who worked in complete seclusion and eventually came out with a recommendation, and they gave prioritised options, and that was when the first time the Lattice agencies had been prioritised as a top priority.

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All right.

MR FLANAGAN: So perhaps we'll go through the documents now, if we can, and put that into some sort of sequence. Can I start with volume 27, please. Would you turn to page 228, please, Mr Burns. Actually, if we start at 226, it might make more sense, Mr Burns. This was an invitation that was sent out by Queensland Treasury on 27 April 2007, so it's after the April review by you and Mr Uhlmann but prior to you doing your review?---Yes.

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This is the invitation from the deputy under-treasurer that you've already referred to in your evidence and it was at this meeting that, I think, you first meet Mr Bloomfield. Is that correct?---Yes.

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Then at page 228, this is not your document but it's a summary by Mr Bloomfield of what took place at the meeting between the deputy under-treasurer and Ms Perrott, and yourself, and others, including a SAP representative, Accenture representative and Mr Bloomfield?---Yes.

If you look at those three matters that you are to determine in the course of your review, they are the same three matters that appear in Ms Perrott's letter that I've taken you to already?---Mm'hm.

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Now, Mr Bloomfield refers there to meeting with you that week to field some of your questions regarding previous ideas sent to CorpTech on 12 March 2007. I take it that you hadn't read that review or that conceptual model of IBM

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at the time that you had this meeting with the deputy under-treasurer and vendor representatives?---I certainly don't recall it.

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All right. If you look at item 2, though, which we've discussed already, it's to suggest a new organisational structure for CorpTech which does more to leverage its key implementation partners; that is, its key implementation partners at that time were Accenture, Logica, SAP and, to a lesser extent, you'd agree, IBM. Yes?---Yes, from my understanding.

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And so how did you envisage creating greater leverage with the key implementation partners?---Well, I think it's a fairly general description. He's probably quoting the presentation that was given by Mr David Ford. I think the term "leverage" would be based on getting more output, getting them to be more effective, more productive, more accountable.

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In any event, if you turn to page 227, you'll see there that Mr Bloomfield sends you an email giving you his contact details?---Yes.

And he sends it to your email address at Cavendish Risk Management?---Yes.

Do you know how he got to that email address? Did you give him a card or something?---I probably had business cards at the meeting with Mr Ford and would have given them to all the vendors.

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Thank you. Then if we could go to page 229, it's an email from yourself using your CorpTech address on 2 May 2007 at 9.02 am where you ask that you meet with him as soon as possible to discuss IBM's past and future role on the program. Now, what was the purpose of you wanting to meet with Mr Bloomfield?---Well, I was meeting extremely regularly already with Accenture and SAP. They had senior people on the project. They were down the passage from where I had a shared office. They would have a habit of people would come by and sort of say, well, "Here's the document, you might find interesting. Could we have a chat?" Various topics were discussed. What did not happen, however, is that we couldn't engage with IBM because they weren't present. So that was one of the reasons we had to set up meetings, they had to typically take place somewhere where we could meet, and it was a slightly different process in trying to talk to IBM; whereas, we had a lot of access to the other vendors.

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Now, who were the main representatives, first of all, with Accenture? Who were the main representatives from Accenture that you were dealing with at this time?---Simon Porter, who I was introduced to by the deputy under-treasurer. There was a lady called Janine Griffiths

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who was based just around the corner from where I had an office and there was a very senior lady called Karen Mottershead, who I believe was one of the most eminent SAP consultants, and I certainly availed myself of the opportunity to spend a lot of time with Karen Mottershead and Janine Griffiths was someone who I engaged with regularly. Simon Porter was typically around the place frequently, so - - -

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And from Logica?---I actually didn't meet many people from Logica, to my recollection. It seemed to be less imperative from the Logica people to make contact with me. Also, they were down - I understood they were working in the finance area. But their management, certainly, they only seemed to come to formal meetings and they'd certainly did request them at times.

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Do you remember a Mr Michael Duke?---Yes.

Can you say how many times you would have met with him?---I really would be guessing, Mr Flanagan, but - - -

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Now, for SAP, who was the person that you would deal with? ---There was a Mr Pedler, Rob Pedler, I believe his name was, and he had a lady who actually filling quite a senior role, I believe, in SAP architecture called Megan Janke, if I'm guessing right, from my memory, and she was also based, I believe, on the same floor that I was, and I certainly had a lot of discussions with Megan.

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Can I then take you to page 230, which is the email I've already taken you to? You've read this email before?---I have. 1

Yes. First of all, can you explain to the commission why this type of conversation and, in particular, the off the record conversation, with Mr Bloomfield - how it fell within the terms of your review?---It was certainly an opportunity to start engaging with IBM, as I said. I had had an opportunity and continued to have opportunity to meet with the Accenture and SAP people, in particular. We didn't have an opportunity to meet with IBM. I don't recall anything about off the record, to be quite candid. I have a feeling that this probably was an impromptu meeting. I might have bumped into him somewhere or he might have said, "Come and have a coffee," or something like that. I don't have any recollection of the circumstances or the - - - 10

Can I suggest on that day, 2 May 2007, there were two meetings: first of all, a meeting where Mr Bloomfield came to your office where Ms McMillan was present and actually met you and went - - -?---Yes. 20

- - - through the 12 March 2007 presentation - - - ?---Yes.

- - - that IBM had given to Mr Waite. It was called a Conceptual Model?---Yes.

He took you through that presentation in the presence of Ms McMillan. Yes?---Mm. 30

On the same day you end up meeting him on a one-to-one basis. It may have been over coffee or whatever - - - ?---Yes.

- - - I don't know the circumstances of that, but do you have a specific recollection of actually meeting Mr Bloomfield a second time that day where Ms McMillan was not present?---I don't have a specific recollection, Mr Flanagan, but that's not surprising given the amount of time. I would have no problem with the fact that I might well have met with him. 40

This is, of course, an email that Mr Bloomfield writes on or about the same day as the meetings take place?---Yes.

You didn't keep any notes of this meeting yourself, did you? ---Certainly not.

All right. Can I ask you this: do you have an independent recollection of the conversation with Mr Bloomfield on 2 May 2007?---I would have to say no. 50

If you look at what is recorded as things that you said to him, first of all, you say to him that you are expecting big things from IBM on this one, innovative and expansive thinking. Did you ever make a similar comment to Accenture or Logica or SAP?---I'm sure I would have expressed the same sort of encouragement that

we needed to rethink. We were looking for very innovative thinking. I know that was a word that I used until it became fairly tired with all vendors and a lot of the staff. It was a key phrase. I used to talk about lateral thinking. I expressed the view many times to many people that, "There are no sacred cows," you know, "we must think about anything we can do and we have to come up with a different way to stop the bleeding for Queensland taxpayers."

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It's suggested here that you - he, at least, got the impression - Mr Bloomfield got the impression that you were coaching IBM? ---No, Mr Flanagan. I certainly would - I wouldn't know exactly what he means by coaching, but I'm assuming he would mean I would be encouraging him to take decisive marketing action. That's what we wanted from all the vendors and we were telling all the vendors that.

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All right?---We needed a sharp incisive approach.

Can I ask you this: from your experience with IBM and having worked for IBM in South Africa for 13 years, does the word "coaching" have a special meaning internally in IBM?---It's not a term I would use. I don't even know what he means in that context, to be quite honest, Mr Flanagan.

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Did you strongly any recommend any position that IBM should be taking in response to this meeting?---No.

He does record, however, that you told him that you were a long term IBMer. Yes?---Again, that's not a term that I even, you know, am familiar with. So I would assume that in the normal courtesies of meeting someone for the first time, I would quite possibly have mentioned that many years ago, I used to work for IBM, but the term long term IBMer is not one I'm actually familiar with.

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He puts it in a slightly different context, you see. He actually says, "Terry admitted today with a grin that he was a long time IBMer"?---It's very descriptive, but I'm afraid I have no recollection of using that term, which I said is not one that I would be familiar with. I'm familiar with IBM as it was when it was mainframe company.

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It's certainly not something that you would have said to an Accenture representative or a Logica representative?---I had the opinion that most people knew I had at one time worked for IBM. It was on my CV. Most of the people I thought who had questioned me about my background would have known I had vendor background and it was IBM.

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You said to him, "IBM was grossly underrepresented on the engagement and what the CorpTech program needs is a significant increase of involvement by IBM." That's actually an indication, is it not, that you were envisaging a stronger presence of IBM on the engagement?---I have no recollection of saying that, Mr Flanagan.

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Quite, but let's accept for the moment that it was said because it's recorded contemporaneously by Mr Bloomfield after his meeting with you and he's reporting the meeting to other persons in IBM. So let's just accept that you did say it, shall we? If you did say it, Mr Burns, doesn't it suggest that as early as May 2007, you were already envisaging IBM having a more significant role than it presently had on the Shared Services initiative roll-out?---I can tell you quite candidly and I'd be very keen to make the commission aware of that. I believe IBM could play a very useful role for us in CorpTech and that was they could create price competition. They had a very small role in the work at that time and certainly what we needed to do was create a competitive price environment amongst all the vendors. There was a very, very comfortable demeanour operating in CorpTech at that time. The vendors had no particular price competition. It was all on time and materials. Work packages, you know, just flowed one after the other. There was no real consequence of non-delivery. I was of the opinion that we needed to stir this up and I wanted all the vendors to understand that there was going to become a very competitive atmosphere and that applied to all of them, not just IBM.

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The comment, however, is quite different. It's not a comment saying, "I want IBM involved so that there will be competitive pricing between the various vendors," it's actually a statement which says, "The CorpTech program needs a significant increase of involvement by IBM"?---As I said, I didn't say that to my recollection at all.

Do you agree with me that had you said it and if, for example, this commission was to find as a fact that you said it, it goes beyond mere encouragement. It's actually a statement of your intention as early as May 2007 that you want IBM to have a larger role in the program?---As I said, I don't believe I said that at all.

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Would you agree with me though, even if you don't recall saying it, that if it was said it could carry that inference?---I suppose it could carry that inference.

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Thank you. You asked IBM to put together a proposed approach schedule, resource plan and cost model for the CorpTech program. Can I just be clear, when you're referring to the CorpTech program there, you are in fact referring to the roll-out of the Shared Services initiative, aren't you, for the whole of government?---I'm assuming I would have suggested, as I did to all the vendors, that there were components of work that they could possibly feel they could address and indicate approach, pricing, et cetera.

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I just want to be clear about this. Had you asked all other vendors for a proposed approach schedule resource plan and cost model?--At this time, I wouldn't know. This was, I think, very, very early, this was 1 May, if I'm reading this email correctly.

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Yes?---So it would have been right at the beginning, and certainly those were questions put to all the vendors in the course of that engagement.

You might be able to assist us again. What's the difference between a cost model and costings?---Probably not a great deal in different contexts, but costings, I would assume, are more specific whereas a cost model might be a different approach.

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Now, from doing your April review, and this is at 1 May or 2 May that this email was sent, but having done your April review you knew that Accenture were well and truly ensconced at CorpTech as one of the primary contractors for the roll-out, for HR at least? ---Yes.

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And that Logica was ensconced in terms of the roll-out for finance?---Yes.

So when you refer to "no holy cows" in that context to Mr Bloomfield, you're actually saying to him, are you not, "Just because Accenture's in place and just because Logica's in place doesn't mean that IBM can't take over that sort of work"?---I don't think there would be any specific implication, but clearly what I was indicating, as I did to all the vendors, is that nobody should just assume, in my opinion, that they can continue in the way they have been, that we needed to come up with a different model.

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You see, he actually puts it in a slightly different context than that. He suggested, that is, you suggested, that, "We shouldn't discount those components of the program that currently have Accenture involvement." Sorry, I'll just ask this question: isn't that an encouragement to Mr Bloomfield that just because Accenture is embedded doesn't mean that IBM can't get that work? ---Well, I think that's the colour he's putting on it but it's not the colour that I would have put on it. As I said, I was comfortable with the approach of no holy cows so anyone could address anything, in my opinion, going forward with a different model.

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Just to be clear, this conversation between yourself and Mr Bloomfield wasn't about a limited role of IBM fulfilling the PMO, was it?---I'm not sure what it could have covered, as I said, I don't specifically recall this meeting at all.

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Quite, I can understand that. Refreshing your memory from this email, the conversation isn't about IBM fulfilling a PMO role, is it?---I don't know when IBM raised that as a possibility and expressed some interest in it. I would suggest that this would be very early in the day, to be specific.

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Thank you. Can I take you then to volume 33, page 153?

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COMMISSIONER: 150?

MR FLANAGAN: 153?---Sorry, what page?

153. In the email I showed you just before, you sought a number of things in Mr Bloomfield, did you not? And in this email he is identifying those same things, that a project plan, resource plan and cost model, and it says, "We need to assemble a list of requests for Terry to enable us to do that work." Do you recall receiving from Mr Bloomfield a list of requests for material in order to carry out the work that you had asked them to do?---No, I don't.

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You don't? All right. Thank you. Can I then go back to volume 27, Mr Burns, page 233. Now, this is a request from Ms McMillan to Mr Bloomfield to send the 12 March 2007 conceptual model, and it asked to be sent to either email address or your email address. In any event, the model is sent and if you look at page 234, do you recall receiving this document and reading it at or about the time that you received it?---I can't say I recall it.

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Thank you. Can I then take you to paragraph 97 of your statement. At paragraph 97, you say, "I had very little involvement with any vendors, it was all internal. I was looking at the problems from the CorpTech point of view and around the schedule." Do you see that?---Yes.

This is in the context of you doing your May 2007 report, is it not?---I don't know, it might have been referring to - - -

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COMMISSIONER: Well, go back to paragraph 92, perhaps, there might be context for you. 97 appears to occur in the section which you deal your May 2007 report.

MR FLANAGAN: Just in terms of your evidence, I'm just trying to understand what that paragraph means. When you say, "I had very little involvement with any of the vendors," what do you mean by that having described the contact that you had with the representatives of Accenture, Logica, IBM?---It simply means we didn't get engaged in serious pieces of work, serious analysis. Given the nature of my appointment and the fact that the deputy under-treasurer, from the first day introduced me to all the vendors and invited them to engage with me and they invited me to have discussions with them, there was going to be contact. And given that they were the key players, by the analysis of the problems was an internal process, as we discussed earlier, involving 14 teams and a large group of CorpTech people. So while we had some contact with the vendors it was not significant, and the work was internal looking at the internal CorpTech problems. Certainly, there would have been contact and engagement and initial discussions, and a lot of the problem areas that we would have been interested in involved Accenture and SAP people who were on site.

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But for the purposes of informing you so that you could do your report?---Yes, and certainly it was already a stage where we were very keen on anyone having ideas that could improve the situation.

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As at May 2007, you hadn't been offered any further work beyond your engagement - - -?---No.

- - - of this five-week review, had you?---No.

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You certainly wanted more work, didn't you?---Well, if it was the right kind of work, yes.

Quite. But at that stage, you were only engaged for the five weeks to do your review, report to the government in terms of that review and then either leave or stay on in a different capacity. Yes?---Yes, that's my recollection.

As at May 2007, what you're aiming to do is to compile and complete on time a report for the under-treasurer?---Yes.

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Now, you then deal with at paragraph 99, you say:

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I have been asked what discussions I had with IBM in April or May 2007.

At paragraph 101, you said:

I met with IBM about once a fortnight. Also present at some of these meetings were Dianne McMillan from CorpTech because I had shared an office with her. These meetings occurred in CorpTech's offices. I also had meetings with IBM representatives, which were not at CorpTech offices. On occasion, I had meetings with IBM representatives over coffee across the road from CorpTech.

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First of all, who were the IBM representatives that you were meeting with once a fortnight?---I would assume Lochlan Bloomfield would have been one of them. At various times, he brought other IBM representatives, I don't recall their names.

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Can you give us a percentage of the number of times that you have a recollection of Ms McMillan being present at these coffee meetings or other meetings?---Well, I shared an office with her and therefore all meetings that took place in my place involved Ms McMillan. There was a great shortage of meeting rooms in CorpTech. It was very difficult to find anywhere to go and have a discussion, which tended to mean that we did use coffee shops down the road on occasion.

Can I just, while we're on your statement, may I take you to paragraph 108. Now, at paragraph 108, you say you probably met with Mr Bloomfield away from CorpTech in April/May 2007 on occasion. Is that a reference - you've said before that it was once a fortnight, but what's your best recollection?---Once a fortnight. I mean, I'm struggling to be helpful to the interviewer at this time of the statement and trying to come up with an estimate.

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You say on occasions Mr Goddard and Mr Shaurin Shah may have been present?---Yes.

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And they were the two people you named as assisting you on this review?---Yes, they were. Mr Goddard and later Mr Shah were very much part of any deliberations and discussions - - -

And - - -?--- - - - occasionally - - -

Sorry?---I said: occasionally, they might have been present.

Then at paragraph - - -?---With all the vendors, not just IBM.

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Quite. And at paragraph 110, you say, "I clarified the objectives of the rebuild program." Just so I can understand, the rebuild program was actually a recommendation you made after your review, wasn't it?---Yes. I think in the statement

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I was probably using "rebuild" when I should have used the term "review", which was that phrase. 1

Had either Mr Bradley or Ms Perrott indicated to you that your engagement would be extended beyond May 2007?---To my recollection, it was very much an ad hoc thing. I would present a report, it would be a period of consideration and reaction, and then I would get a request to either stay on or depart, which eventually did happen. 10

Right. Now, when you gave your May report, did you in fact stay on at CorpTech?---I'm actually not 100 per cent sure. I would assume I was probably still there.

That is, did you physically stay at CorpTech with a CorpTech email address or did you move back home?---I actually can't recall.

May I take you to page, then, 249 of volume 27. 20

COMMISSIONER: Sorry, what was that? 20

MR FLANAGAN: 249 of volume 27. Now, all I want you to know about this email is that it's sent to yourself and Dianne McMillan, both at your CorpTech addresses?---Mm'hm.

And it seems to be following on from your meeting with Mr Bloomfield where they're putting forward their thinking at that time. Yes?---Seems to be. 30

Thank you. And from there, may I take you to page 250, which is over the page. Of course, in this email or the previous email, they were actually requesting certain information from you, which included the business case for the Shared Service Initiative, and you're responding to that, saying, "I will get back to you on these requests." Just to be clear, those are the sorts of documents you would be giving - sorry, I'll withdraw that. Can you tell us why you gave those documents or are seeking to give those documents to IBM?---I think I got a request and I would have then gone away and worked out whether: (a) those documents existed; (b) whether it was appropriate to give them out; or (c) whether all vendors had access to them, so my response would have been a, "I'll consider your request and see if any of it can be actioned." 40

What were you seeking from IBM at this stage? If they had come back to you with a, for example, a proposal for the roll-out of the Shared Service Initiative for the whole of government with a cost model and with the other things that you had required, if they came back to you with that full model, how were you going to use that in your report?---Well, we were looking for ideas, we were looking for any approach that possibly represented savings, and if IBM had come back to us with something that looked potentially interesting and potentially viable, I think it would have been something that the team would have liked to taken in 50

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and consider, and say, "Well, hey, we're moving these three vendors. Here's one who thinks we might do it slightly differently and these costings look attractive." That would have been the reason the team would have taken that in and started looking at it.

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And that's the same explanation for other vendors?---I'm sure.

Is that a convenient time, Mr Commissioner?

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COMMISSIONER: Yes. We'll adjourn until 10.00 tomorrow.

WITNESS WITHDREW

THE COMMISSION ADJOURNED AT 4.28 PM UNTIL
THURSDAY, 11 APRIL 2013

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