



**QUEENSLAND HEALTH PAYROLL SYSTEM
COMMISSION OF INQUIRY**

Statement of Witness

<i>Name of Witness</i>	Marcus SALOUK
<i>Date of Birth</i>	2 April 1967
<i>Address and contact details</i>	[REDACTED]
<i>Occupation</i>	Director
<i>Officer taking statement</i>	Amanda Hickey
<i>Date taken</i>	5 March 2013

I, **MARCUS SALOUK** of [REDACTED] state as follows:

Background

- 1 I am the owner and director of Scancorp which comprises two companies, Scan and Scan Capital. Scan Capital is a corporate advisory business and Scan is a business brokerage. I have been in my current role since September 2010.
- 2 Prior to my work with Scancorp, I performed some contracting to IDA International in Singapore for about nine months through to the end of 2010.
- 3 I was employed by Accenture between September 1994 and September 2009 for a period of 15 years.

Employment at Accenture

- 4 When I commenced work at Accenture in 1994, I joined the Brisbane office, which was Andersen Consulting at the time. I started work at Andersen Consulting at the level of Manager. I was an experienced hire.
- 5 I was initially employed as a management consultant so I was focussed on business process engineering, then I worked as a project manager and program director.

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- 6 In the last 8 years of my career at Accenture (2001-2009), I focussed on acquiring new business for the company and worked on the largest transactions that Accenture had within Asia Pacific.
- 7 At the end of my time with Accenture 2004-2009, I was employed as a Managing Director, and was a Senior Partner. At the time, I was what is referred to as a Level 2 Partner. I was the Managing Director responsible for new business across the Asia-Pacific region, with a focus on public sector work.

Accenture and the Queensland Government

- 8 During my time at Accenture, I had significant involvement with the public sector. Government was one of my areas of expertise.
- 9 Throughout my career at Accenture, I very much had an Asia-Pacific focus, but I knew the Queensland government sector very well.
- 10 In 1995 I was engaged to do some work on a Queensland Rail project as a project manager for several years.
- 11 I subsequently worked with Queensland Treasury in 2002. I led the business case process, by which I mean Queensland Treasury went through a series of consultations before embarking on the whole of government Shared Services Program.
- 12 As part of this process, I recall that the Queensland Treasury used the services of a number of different IT organisations. They tried out Accenture as well as IBM.
- 13 Accenture was responsible for a piece of work that focussed on the business case. I led that piece of work. I subsequently did some work for QBuild.
- 14 In 2001 I was based in Singapore. This coincided with the time I was doing work for Queensland Treasury.

Queensland Government's Implementation of SAP

- 15 Around 2005 a decision was made by the State that the whole of Queensland government would implement a software application known as SAP. This decision was made as part of a Shared Services Initiative (SSI).

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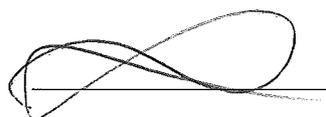


- 16 Leading up to that decision, I recall that Accenture conducted a few pieces of consulting work for the government. Accenture was engaged to draft the business case, to structure the program, identify the potential cost savings for government and to help structure how Shared Services would work in terms of roles which should be retained in the various departments. I played a key role in that process and led the business case referred to in paragraph 11 of this statement.
- 17 I do not believe that it was Accenture who identified SAP as the software that should be used to replace the Lattice payroll system. I believe there was a subsequent piece of work and it is possible that SAP was selected as part of that process.
- 18 I recall at the time our advice to the government was *"to keep the software vendors hungry - you want to create a competitive environment"*. At the time there was a view held within the government that SAP was probably the only system that could carry a whole of government implementation of that size.
- 19 After the whole of government decision around 2005 to implement SAP, Queensland Treasury effectively decided that they were going to be the systems implementation lead, by which I mean they were going to implement SAP themselves. They ran the program from 2005. Accenture was involved on what is known as a "time and materials" basis whereby they were contracted to provide people for fixed daily rates (as opposed to a fixed-price contract to achieve an outcome). For that reason, I considered that it was a low risk job and we were basically operating under the management of Treasury. Accenture was focussed on process and application. At the time I recall that IBM was more focussed on systems and infrastructure.

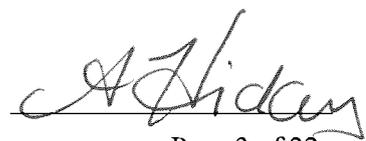
Appointment of a Prime Contractor

- 20 In 2007 Accenture advised Queensland Treasury that they should engage a professional Prime Systems Integrator as Queensland Treasury were not experienced systems implementers and that they were burning through their budget without getting commensurate outcomes. We believed they needed to go to market and appoint a Prime Systems Integrator.
- 21 Most critically, Queensland Treasury were, in my observation, not professional project managers. That was not their core skill.
- 22 Through the course of that advice in mid 2007, Treasury decided they were going to go to market and appoint a Prime Services Partner.

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- 23 Once Accenture was in a position where we were being asked to consider a tender under certain conditions, that is when we started to look at holistic problems and possible solutions.
- 24 I saw Queensland Treasury as being the driving force who was issuing the orders at that stage.
- 25 I led Accenture's bid for the Prime Contractor role in 2007.
- 26 Barbara Perrott was a main point of contact for Accenture at Queensland Treasury, and she was ultimately reporting to the Under Treasurer, Gerard Bradley.

CorpTech Consultants

- 27 I recall that in 2007 there were a lot of external contractors and consultants engaged by CorpTech. Some of those consultants were from Accenture. Accenture as an organisation had a "time and materials" contract and our focus was on processes and applications. IBM also had contractors within CorpTech, as did Logica. CorpTech also had its own independent contractors.
- 28 A consultant named Terry Burns was working within CorpTech around the time the Prime Contractor decision was being made. I believe Terry Burns became involved in the project in early 2007.
- 29 I had significant personal dealings with Terry Burns, but none of these were ever one-on-one.
- 30 Accenture played a major role in the government's decision to appoint a Prime Contractor. I personally played a major role in that decision. It was my belief that the government needed a Prime Contractor to be appointed. I knew the business case and I was very passionate about it. I knew how much the government had to spend to get an outcome and how quickly those outcomes had to be achieved. I knew that the Queensland Treasury was burning its budget, but I was concerned that going through that process, they would end up with insufficient budget to actually get where they needed to get to with implementing the new system.

Request for Proposal

- 31 An RFI is a Request For Information. Through an RFI, you tend to spoil your client in terms of giving them a broad range of information. The commercial reality is that you know the RFI is going to be used to educate a client and your IP is not protected through an RFI process. You do expect some of the information in an RFI to come back to market and be presented to your

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competitors, so you deal with that accordingly. If you have some competitive advantage, you would be naive to give that information to your competitors in an RFI.

- 32 An RFP is a Request For Proposal. A government generally awards a contract on the basis of an RFP. You can have an RFP that is in multiple stages, but in the case of Queensland Treasury, I always wanted to understand how many stages there were going to be for the RFP. An RFP means the government is formally committed to the process of protecting a tenderer's confidential information and it is a competitive environment. A tenderer would generally put its best foot forward in an RFP. Even if you stage an RFP over a period of time, you do not expect for there to be a leakage of information.
- 33 From my own recollection and from having refreshed my memory from recent file notes constructed by me from Accenture documents dated 3 August 2007 and 27 August 2007 the RFP process leading to the ITO was as follows:
- (a) on or about 25 July 2007 Accenture received a request from CorpTech by email asking Accenture to put forward a proposal for the SSI. There was no Request for Tender or terms provided at this time. Contract terms were not included in the RFP. Contract terms were to be negotiated but it was expected that a contract with a Prime Contractor would be negotiated broadly based on the Queensland Government GOTC5 contracts with work orders under that contract.
 - (b) This email which Accenture treated as a RFP was sent to four existing suppliers already under contract with CorpTech, namely SAP, IBM, Logica and Accenture.
 - (c) To the best of my recollection there had been a more general request for information in July 2007 from CorpTech which had been addressed to several existing external service providers of CorpTech but only 4 had responded.
 - (d) The 25 July 2007 RFP sought firm price offers and the proposed approach of the relevant supplier in respect of taking delivery responsibility for the remaining build, deploy and support work for the Shared Services Solution SAP program across all of Queensland Government.
 - (e) Any proposals in response were to be submitted by 7 August 2007. SAP did not provide any proposal in response to the request.

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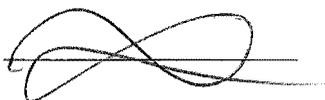


- 34 A major concern which Accenture had in responding to the RFP was that sensitive pricing and structuring information contained in its response to the RFP may be leaked to the market.

Meeting with Gerard Bradley, Terry Burns and Barbara Perrott

- 35 In July 2007 I had concerns about the RFP process which I expressed to Gerard Bradley, Terry Burns and Barbara Perrott and I requested a meeting with them.
- 36 I recall that on 2 August 2007 I met with Gerard Bradley, Terry Burns and Barbara Perrott and asked them the question *"Is this RFP the first stage of two, because if it is, we have concerns around commercial information being leaked after this stage if we have to go through another process"*. I recall that they advised that they had legal advice and that the RFP for the PSP was going to be the binding RFP. I understood that to mean that the RFP was a one-stage process, after which the contract would be awarded to a Prime Contractor.
- 37 I have reconstructed a file note of the meeting on 2 August 2007 from an email that I sent to Mr Sneddon at around the end of July. This email contained the full proposed agenda for the meeting that was to take place with Mr Bradley on 2 August 2007. From my own recollection of the meeting, I recall that Mr Sneddon followed the agenda and discussed each of the items listed in the file note dated 2 August 2007.
- 38 I asked for confirmation in that meeting that the RFP process would be in accordance with Queensland government tendering guidelines, and that it would generate a legally binding contract process because it would cost Accenture a lot of money to go through the business development required to submit a bid. I was concerned that Accenture's information would be leaked to the market if we had to go through the RFP process twice.
- 39 In my observation, the RFP process was loosely defined – it did not have the usual stringent government, very structured RFP process around it. My concern was that the government was going to get advice that they were not going to be able to appoint a contractor as a result of that RFP process. I had concerns about whole the RFP process.
- 40 Despite my expressed concerns, I never felt that I totally received the necessary assurances I was seeking about the tender process. However, Accenture had directly asked the question about the Government's ability and intention to contract from the RFP many times. I recall that I asked the question to each of Terry Burns, Barbara Perrott and Gerard Bradley in the two weeks preceding 7 August 2007 and Accenture had been assured that the Government could contract directly from the RFP.

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- 41 I recall being told in a meeting with Gerard Bradley that Treasury had taken legal advice and was confident in the tender process. To the best recollection, Gerard Bradley confirmed this fact in the meeting.
- 42 At that point I believed Accenture had to stop asking the question about due process and either not bid, or bid and give it everything. Accenture chose the latter option.
- 43 I do not know who the government obtained legal advice from in relation to the tender process. I believe it was a Tier 1 law firm.

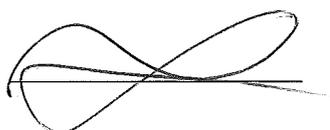
7 August 2007 Presentation

- 44 Accenture decided to give a full and complete proposal in response to the request. An Executive Summary presentation consisting of 55 pages and a proposal of approximately 111 pages was provided to CorpTech. I recall the contact officer at CorpTech at the time was Terry Burns for the purposes of the RFP. The Accenture proposal was provided under a cover letter dated 6 August 2007 from Mr Sneddon, the Managing Director of Accenture, addressed to the Under Treasurer, Mr Bradley. This letter outlined Accenture's proposal. I have been shown a copy of the letter of 6 August 2007 by the Commission.
- 45 Accenture's response to the RFP included a 111 page proposal and a slide presentation which occurred on 7 August 2007. My file note of this presentation and the questions asked by CorpTech personnel is dated 7 August 2007 and forms part of the documents I supplied to the Commission.
- 46 Mr Bradley, the Under Treasurer, could not attend the 7 August 2007 presentation. I therefore met with Mr Bradley and Terry Burns on 8 August 2007. Mr Burns had invited Accenture to present to the Executive Summary to Mr Bradley.
- 47 On 9 August 2007, I and other Accenture team members including Simon Porter met with Terry Burns, Barbara Perrott and approximately 30 other Queensland Treasury representatives. At this meeting Accenture presented the highlights of its original proposal.

Other Tenderers

- 48 The RFP process was open to Accenture, IBM, Logica and SAP. The RFP was effectively issued as a brief email requesting submission of proposals.

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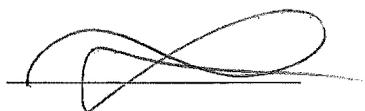


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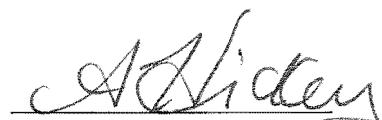


- 49 Had the government issued to the whole of the market at the time, I would not have had any concerns because Accenture thought we were very well placed to help the government solve its problem and no one, other than Accenture, IBM or Logica had been inside the organisation and really could have put forward a credible bid.
- 50 In terms of the whole of the market as at 2007, I believe only Accenture, IBM and Logica would have been able to deliver the program as Prime Service Provider (PSP).
- 51 I recall that my point of contact at CorpTech was Terry Burns. I would direct all of my queries to Terry Burns. In Accenture's view, and the way Terry presented it, Terry was reporting to Barbara Perrott, and Terry was managing the process on Barbara's behalf.
- 52 The RFP was ultimately conducted in two stages as the Government decided not to award from the first process. The Government followed the initial RFP with what they referred to as an Invitation to Offer (ITO).
- 53 From our conversation with Gerard Bradley, Accenture believed that the government was in a position to appoint a Prime Contractor at the end of the RFP process.
- 54 At the end of the RFP process, the market rumour was certainly that Accenture had won the RFP for the PSP. Accenture was confident that we had won. Unfortunately, what happened over the next couple of weeks was that Treasury came back and advised that it had new legal advice that said that it could appoint as a result of the RFP, however, it would be unwise to do so.
- 55 The government did not expand on why it would be unwise for them to do so. I believe that they ran too loose a process the first time around with the RFP. There was mention that one of the bidders had made a complaint. If that was the case, I do not know which.
- 56 I recall that the RFP was then conducted again. The second time it was a far more structured process and it was referred to as an Invitation to Offer (ITO).
- 57 The ITO for the Prime Contractor role was issued on 13 September 2007. This was a closed tender process. Only Logica, Accenture and IBM participated in this process.

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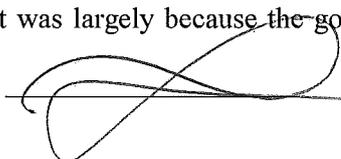
Accenture's Response to the ITO

- 58 I reviewed the ITO when it came in and I led Accenture's bid. I recall that the ITO was a very long, very detailed ITO. It was an arduous ITO but Accenture had no real concerns about the structure of it. We had seen good and bad ITOs in our experience.
- 59 At the time, Accenture was concerned the ITO may have contained some of Accenture's Intellectual Property.
- 60 Accenture fell victim to providing a fulsome response to the RFP tender process. During the time Accenture responded to the RFP, Accenture was engaged on a "time and materials basis". Accenture was in a position where we had a much broader understanding of the whole SSP than IBM did, because IBM was really operating at a systems and infrastructure level. Accenture was engaged for a job and by virtue of that job, we had far more visibility of the government's requirements. As such, I believe we had far more insight that we were able to articulate within our proposal than IBM did.
- 61 In our initial RFP we told the government what order they should do things in, we gave them a schedule. We told them how they would mitigate risk and we gave them a revised budget. We advised them on how they could take a team of what was, in our opinion, a very big team of various contractors and unmotivated staff and create a high performing team around that. Unfortunately, by the time the ITO came out, there was a lot of Accenture's themes reflected throughout that document.

Discussions with Terry Burns

- 62 We expressed those concerns to Terry Burns and Barbara Perrott at the time in a meeting on 20 August 2007. At that meeting I commented that it appeared as though Treasury was commoditising Accenture's approach, giving IBM time, levelling the playing field and setting up for a price shoot-out. I said that it appeared as though Treasury wanted to buy IBM and were giving them a better chance. I recall that Terry and Barbara advised that this was not the case and it was simply a process issue that prevented them from awarding from the first RFP. As we were in a competitive tender environment we could elect to continue to bid or protest which would have disrupted the process. We elected to commit to the ITO process.
- 63 I recall that Terry Burns was copied in on a lot of Accenture's emails. A lot of our interaction with Terry, certainly at the RFP stage, was face-to-face. Accenture would meet with Terry and Barbara, and that was largely because the government, having tried to run the project for two

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years by themselves, suddenly found themselves in an urgent bid to appoint a prime services lead. They were in a big hurry to make that appointment so we were meeting Terry face-to-face for much of the first stage. Through the ITO stage there was a lot more structure in place.

64 We were aware that Terry Burns had conducted a review for the government in April 2007, reporting in May 2007, suggesting the appointment of a Prime Contractor. I recall that Terry was quite proud of it. He saw himself as the architect of that recommendation and, in my opinion, that was reasonable advice.

65 I recall that Accenture never knew where we stood with Terry. During the tender process, there were still some contractors working at Queensland Treasury. We urged Treasury and CorpTech to roll off all of the contractors. A couple of those contractors were from Accenture. I was of the opinion that it did not matter where those contractors came from – the government should not have had people on the inside effectively working directly for the bidders and for the client as there was an increased risk of loss of confidentiality. I believe that some of those contractors were from each of Accenture, IBM and Logica.

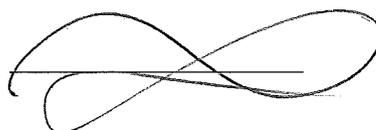
Use of Confidential Information

66 I recall that in October 2007 Accenture sent an email to Treasury asking them to confirm that the ITO submissions were secure. Treasury advised that they were.

67 However, Accenture had concerns about how confidential pricing information in the tenders was being used. For example, Queensland Treasury's budget remaining for the project was around \$80m. Accenture's estimate of the effort required to complete the task was around \$180m. During the ITO stage, Accenture's price remained the same as the RFP stage as nothing had changed in the few weeks between the two tenders. However, I believe IBM reduced its price to \$70 million or \$80 million consistent with Treasury's budget. From my own recollection and from having refreshed my memory from recent file notes constructed by me from Accenture documents dated 27 August 2007, Accenture identified this risk in the following terms:

- (a) "given the procurement process followed to date, content, including approach/ price etc. of Accenture's bid is out in the market. The implementation plan that Treasury published on 17th August has similarities to that which Accenture proposed. With another step now to occur in the procurement process there is concern that Accenture's differentiators (Based on our knowledge/ insight of the program) is being undermined"; and

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(b) "Accenture's previous offers to client are believed to be known to the market. So we risk that IBM will adopt our approach (that is preferred by the client) and focus on undercutting on price".

68 I am not sure if this information was leaked. However, I observed that Terry Burns ran far too loose a tender process and did not apply enough discipline about what different tender proponents were told. I recall having discussions with Terry Burns and I remember thinking that he was being very generous in his information and I hoped that Accenture's information was not being treated in the same way.

69 At no point during the RFP process did Terry Burns meet with me on an "off the record" basis.

70 I have never met with Mr Burns on a one-on-one basis. I have never had coffee with Mr Burns on a one-on-one basis.

71 Whenever I met with Mr Burns, I believe other representatives of CorpTech such as Barbara Perrott, Philip Hood or Darrin Bond were present.

72 Mr Burns, at no stage, provided any coaching to Accenture as to how we should structure our response to the RFP.

73 Mr Burns never strongly recommended the position that Accenture should adopt in its approach to the RFP response.

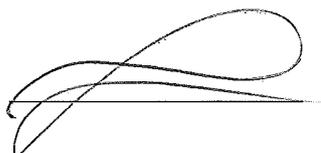
74 Mr Burns never indicated to me that he was a "long time IBMer". Mr Burns never told me that IBM was grossly under-represented on the Shared Services engagement or that the CorpTech program needed a significant increase of involvement by IBM.

75 Mr Burns never indicated to me that there were no "sacred cows" within CorpTech, meaning that Accenture shouldn't discount those components of the Shared Services program that had the involvement of other IT consultant companies prior to the RFP.

76 Mr Burns never provided encouragement to Accenture to be competitive in its pricing. I recall telling Mr Burns that the budget required for the RFP was not related to the budget that Treasury had remaining and Mr Burns appeared supportive of this position.

77 Mr Burns never offered Accenture a dry-run for any presentation that Accenture gave to CorpTech as part of the RFP process.

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Response to the ITO

78 I believe that Terry Burns was brought in as an expert consultant and Barbara Perrott had basically delegated her role to him and he was going to manage the project on her behalf. Accenture witnessed him running the process, taking recommendations to Barbara Perrott and Barbara signed off on those recommendations. Ultimately, however, Terry was doing all of the work to run the bidding process.

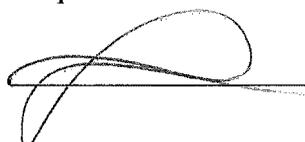
79 I recall that the response time for the ITO was extended. I believe one of either IBM or Logica requested the extension. It was a very onerous ITO, but a company like Accenture or IBM should have been able to respond in that time. Accenture assembled a very comprehensive proposal in that time frame and I would have expected IBM to have been able to do the same, certainly having been through the process for a second time. It was a tight time frame but I think the government should have defended that by saying that the tenderers had already been through the process once and that those answers would not need to change the second time around.

80 My point of contact in CorpTech during the time I was in charge of leading Accenture's bid was Terry Burns. I also had contact with Barbara Perrott, but primarily my contact was with Terry Burns. My contact was a little more structured during the ITO process than it had previously been. We certainly sent out most of our clarification questions through email to Maree Blakeney, who was the designated officer to contact at CorpTech.

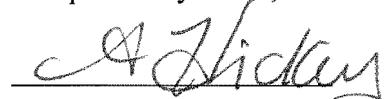
81 I recall that Accenture in the course of the ITO process responded to a number of clarification requests in respect to its response to the ITO. Accenture also attended meetings at which the ITO process was explained. I have seen an Accenture file note of one of these meetings dated 17 September 2007. The file note records a meeting from 1pm to 5 pm. My best recollection from the file note is that Barbara Perrott, Terry Burns and Keith Goddard were present and outlined the ITO process. The evaluation process was explained to us, including the criteria that would be used by 8 separate teams in evaluating each response. The file note in respect to the evaluation criteria "Value for Money" which contained 5 matters states: "these are our criteria from RFT". By this notation I understand that these were the criteria for "Value for Money" identified by Accenture in our response to the RFP. I provided a copy of this file note to the Commission.

82 This was not the first time that I had cause to be concerned in relation to Accenture's information in its response to the RFP being leaked to the market. As previously stated, I had

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already expressed similar concerns at the beginning of the RFP process. When it came to the ITO process Accenture received a letter on or about 17 August 2007 from Barbara Perrott. I have supplied to the Commission a string of internal Accenture emails which outlines the concerns held by Accenture and me that our response to the RFP was being used to structure the ITO so that IBM would have the benefit of such a structure for the roll-out of the Shared Services Solution.

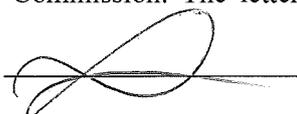
- 83 Another internal contemporaneous email I have supplied to the Commission is from me to other Accenture executives dated 20 August 2007 at 2:10 pm. This email stated:

"We asked QT many times whether they could buy from the prior process, we highlighted that once they had our proposal it would be on the "market" and hence that that needed to be end of the process – so we'll ask them where they got it wrong and also where we fell short such that they couldn't buy us now".

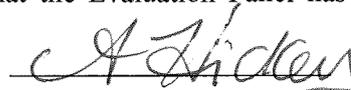
IBM is awarded the Contract

- 84 The ITO closed on 8 October 2007.
- 85 In the course of the assessment I recall that Accenture was requested to attend a meeting for the purpose of doing a presentation to clarify questions that had been raised concerning price. In this respect I have provided to the Commission 3 documents, the first is entitled "Accenture responds to questions raised by email from Marie Blakeney – Wednesday, 17 October 2007". The second is entitled "Questions raised during presentation Wednesday, 17 October 2007 – presentation session 3: Pricing Overview". The third is entitled "Accenture responds to question on pricing impact on change to program schedule to accommodate early retirement of LATTICE payroll". Accenture also provided clarification to 17 questions, excluding pricing questions. In this respect I have supplied to the Commission a document entitled "Accenture response to clarification request – clarification question 1-17 (excludes pricing questions)".
- 86 In recall that Accenture have two pricing presentations. The first was high level and I did not attend this presentation. I attended the second pricing presentation which was held at CorpTech. I believe Accenture was given a couple of days notice for the purpose of doing a detailed price presentation in the course of the ITO assessment.
- 87 On or about 26 October 2007 Accenture received a letter from Barbara Perrott advising that CorpTech was going to enter into exclusive negotiations with IBM. I have provided a copy of this letter to the Commission. The letter informed Accenture that the Evaluation Panel has

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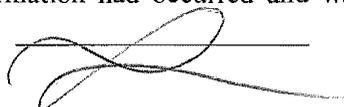
concluded that Accenture's offer was the second-ranked offer. Accenture was extremely disappointed. We were gutted. From our perspective, we had been through the whole process, and I believed we had won the bid the first time.

- 88 I had made the point many times with Treasury that \$80m was not going to fix their problem.
- 89 After we completed our first bid, Accenture thought it was critical to maintain our integrity. We did not want to win the second-time bid just for the sake of winning. We wanted to help the government fix the problem. Our second bid contained a budget of around \$180m. I recall that we spent another \$1m worth of business development in completing our second bid.
- 90 The structure of the ITO contract enabled bidders to provide a fixed-price, a firm price and then a not-to-exceed (NTE) budget. Accenture believed it could execute the program for \$180 million and so all of the fixed, firm and NTE added to \$180m. We treated the NTE as a budget that would not be exceeded and would ideally be reduced as scope became more certain and as contingency reduced.
- 91 I recall that IBM was rumoured to have submitted a revised price that was within the budget of around \$80m and of this their fixed-price commitment was likely to be around \$10m or less. I believe IBM bid such that their total was within Treasury's remaining budget and then intended to contract manage their way to increase their price to commercial levels.
- 92 Accenture did not work like that. In my view, the IBM budget and schedule was just not achievable.

Meeting with Mr Grierson

- 93 I recall that Accenture was so disappointed that I went and met with Mal Grierson in the first week of December 2007. I was aware that Mal Grierson was going to inherit the problem and I expressed my disappointment to him. I recall him saying that there were tens of millions of dollars between IBM and Accenture's bid and that left the Government with no option. I asked him to "hold IBM's feet to the fire". I recall saying words to the effect of "*if you get IBM to deliver on the schedule they promised, for the budget they have committed to, I will personally write you a letter congratulating you on this decision*".
- 94 I also recall turning my own mind to the procurement policy of the State government at this time to see whether due process had been complied with. I spoke with Accenture Legal to understand whether the firm had appetite and grounds for legal action. I was confident that leakage of information had occurred and was surprised that the Government would award a

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contract to an organisation that drastically reduced their price on the second submission. I believed this created an exceptionally high risk for the Government. I believed the Government was exposed under the "not-to-exceed" methodology with a contractor who was in a position to and had intention to ratchet up their price.

95 I observed that price and scheduling were key drivers in the decision to award the tender to IBM. The schedule around the Queensland Health payroll was of particular concern.

96 In my observation, the Shared Services Project was very large and could have been done on a work order-by-work order basis. Accenture offered that as an option. You would need a very disciplined and experienced government to be able to keep a service provider accountable, and for them not to add in additional fees out of future work orders because they become entrenched. Accenture had experience with a not-to-exceed framework with Government and our interpretation of it was that the total fixed-price work orders would be within the not-to-exceed umbrella. I had concern that IBM would use the not-to-exceed framework to simply bid low, get contracted then increase their price to ensure they made commercial returns.

Implementation of the Contract

97 Once IBM commenced the project, the first rumour Accenture heard, which I considered to be an extremely reliable rumour, was that IBM soon after submitted a revised "not-to-exceed" figure which was around \$180m. I considered that to be extraordinary given that \$180m was what Accenture bid in the first place. Soon after that, the rumour in the industry was that IBM's bid had then gone from \$180m to \$300m plus.

98 What the market was basically saying was that IBM got in the door, won the work, could not carry out the job and so it priced itself out of the Prime Contractor role. I believe Mal Grierson terminated IBM's whole of government appointment and held them accountable for Queensland Health payroll.

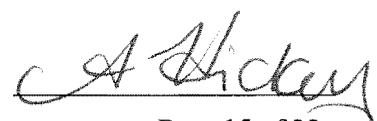
Further Meetings with Mr Schwarten and Mr Grierson

99 I recall that on 9 December 2008 I flew up to Rockhampton to have dinner with Mr and Mrs Schwarten. Mr Schwarten was the Minister for Public Works at the time.

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100 I recall that the contract was awarded to IBM in December 2007 by Treasury. It was a whole of government contract. I recall that at some point after that, the delivery of that contract or the execution of that contract would have been given to Public Works.

101 I recall that when I met with Mr and Mrs Schwarten, also present were two members of Accenture. One was an Accenture partner called Brad Cable and the other was a gentleman called Josh Kennedy-White. Mr Kennedy-White arranged the meeting. The purpose of the meeting was to meet the minister.

102 Although I cannot recall exactly what was said at the meeting, I made the point that I believed that IBM's schedule was high risk. From my own recollection, at the 9 December 2008 meeting we discussed the risk associated with SSS Program with regard to IBM's schedule and budget.

103 I recall that Mr Schwarten's response at that meeting was that he had left the project in the hands of Mr Grierson, but that he would touch base with him subsequent to our meeting. I recall telling Mr Schwarten that we were also going to see Mr Grierson.

104 At a meeting on 15 December 2008 at Augustine's restaurant I met with Mr Grierson. In the course of that meeting we advised that we had met with his Minister. From my own recollection and from having refreshed my memory from recent file notes constructed by me from Accenture documents, Mr Grierson said words to the effect of:

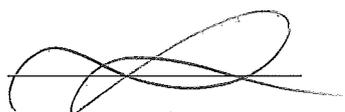
" 'there are some tough decisions to make after Xmas with his 'blue' colleagues'. He also said 'what was being put forward now was close to what Accenture had originally proposed'. Assume last comment was about price – not timeline".

105 I had a further meeting with Mr Grierson on 12 February 2009 at CBD restaurant. Also present were Paul Chapman and Janine Griffiths from Accenture as well as the Deputy Director General of Public Works Robyn Turbit.

106 Accenture's motivation for setting up the meeting and attending on the Director-General was because we had a genuine concern about the project. We felt confident that the project was going to fail and we thought it was diligent to express that.

107 We felt that DPW was desperately looking for a "quick win" and was using Queensland Health Payroll to achieve that purpose. Accenture's view was that fixing the Queensland Health payroll problem was going to take at least 2 ½ years to fix and that the government was going to have to spend a lot of money keeping LATTICE alive with continued vendor support in that process.

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108 I advised Mr Grierson that I believed the decision to contract IBM for Queensland Health Payroll was extremely risky. I said that I didn't believe it was appropriate as a quick win as it was too high risk. I recall that Mr Greirson advised that he had IBM on a "water-tight contract". I replied that relying on a contract may not be where the Government wants to be if they have Doctors and Nurses that weren't paid or rostered correctly. I recall that Mr Grierson stated that he didn't expect that Accenture would have wanted to undertake the Queensland Health Payroll. I advised that we could not deliver it as a standalone project to the schedule IBM had planned nor within the budget allocated and that Accenture saw it as the highest risk component of the whole of government program.

109 Accenture looked at taking LATTICE and negotiating continued vendor support to keep the system alive. We then had a parallel run strategy, which meant that the Queensland government would never lose LATTICE until the other system was tested and proven. The two systems would be run in parallel under Accenture's proposal but that solution takes time and costs money.

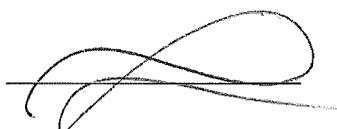
110 I recall explaining to Mr Grierson at this meeting that I considered the Queensland Health payroll project to be a loss leader. Accenture had structured its bid in a way that calculated pricing for the whole program. By that, I mean that a company would only take on the Queensland Health payroll project because you had to as a whole of government solution. An IT company needed the whole of government project to compensate for the Queensland Health component, because you would not make a dollar out of the Queensland Health element.

111 I am aware that the governance structure that Queensland Treasury and CorpTech had in place disintegrated soon after IBM commenced work. I recall that soon after IBM started on the project, people within the department who had key skills were lost.

Consultants

112 A consulting company called Arena played a key role in restructuring the ITO. I do not know what relationship they have with IBM. I believe Terry Burns came from a firm called Cavendish. I believe that Cavendish was Terry Burns' consulting company. Prior to his work with Queensland Treasury, I thought Terry Burns was engaged on an SAP project possibly overseas or interstate.

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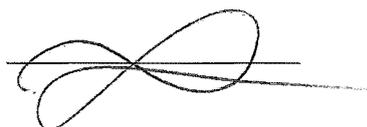
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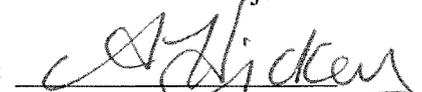
Concerns

- 113 My primary concern with the tender process was, given how Accenture was positioned after the RFP process, Accenture was naturally so far ahead because we had so much more insight into the government's businesses requirements. The way that IBM caught up between the two tender processes was outstanding.
- 114 I do not have any personal knowledge of who caused the legal advice to be sought and given about the tender process. I recall that Terry Burns' explanation to us was that one of the proponents had made complaints about the tender process. As a result of those complaints, CorpTech had received legal advice and that advice was to the effect that they could award the tender, but they should not. I do not know who complained.
- 115 I recall that Accenture spent a lot of time thinking through some very unique concepts for the first RFP response. I recall that Accenture's first response was approximately 100 pages. The second response was several volumes.
- 116 Accenture's IP in the first 100 page document was commercially sensitive. It is my opinion that if somebody had given another tenderer Accenture's proposal, that tenderer would have known exactly how Accenture was going to bid. I believe that if IBM had access to our pricing from our first response, the commercial advantage to them would be enormous. It would also be an enormous commercial advantage to have access to another tenderer's structure and staging of the project. Unlike many private sector tenders, Government tenders rely heavily on the documented proposal. The ITO evaluation would have been weighted almost entirely against the written responses, as opposed to other methods such as relying on interviews with the proposed team members or conducting workshops. So any tenderer that had another bidder's proposal would have had enormous competitive advantage.
- 117 I do not have any personal knowledge that the IP in our first proposal was passed on to IBM. However, Accenture firmly believed there was leakage of confidential information. So much so, I recall that the partners of Accenture came together at the time to work out if there was a leak within our team.
- 118 I believe that Terry Burns had his own interest and he was looking to bring some contractors onto the project. Accenture was never asked by Terry Burns to help him realise that ambition. Accenture is not a great employer of contractors. For example, with the Shared Services tender, Accenture was ultimately willing to bring in most of the man power itself and do the job with

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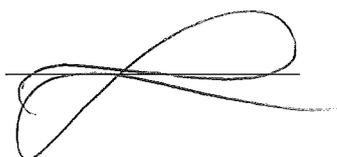
very little subcontracting. As a form of risk mitigation, Accenture had formal policies limiting the percentage of contractors to be used on a project. I believe the market would be well aware of Accenture's stance.

- 119 IBM, by contrast, came in and to the best of my knowledge subcontracted up to 60% of some of its projects.
- 120 I cannot recall the exact date, but I believe Terry Burns had carried out a very recent project for IBM before the ITO. I believe it was in around 2006 and the project took place in New Zealand or interstate and was an SAP project.
- 121 Any relationship between Terry Burns and IBM was never declared by him to Accenture in the tender process. He certainly never raised any conflict of interest issue with us. We found out about the previous work that Terry Burns had conducted for IBM through our SAP practice.

Further observations

- 122 It does not surprise me that there were at least 47 change requests to the contract that IBM entered into with the State. In my observation IBM's strategy throughout the Asia-Pacific region was to bid low and contract manage. IBM were better contract managers than Accenture were.
- 123 I recall that Accenture gave a lot of thought to governance of the project. We believed that a high performing team needed to be put in place. Accenture bid for the whole of government project and a high performing team board was, in our opinion, necessary. We advocated an Advisory Board. I recall the Board Accenture proposed had Mr Bradley and myself on it. There was a methodology around identifying initiatives for process improvements and there was a very robust governance team around that, not dissimilar to what you would expect to see in the private sector with a Board and the appropriate committees.
- 124 In my observation, Terry Burns was not sufficiently experienced to run a project like this. To be a good consultant, one needs to be able to call out what they do not know. Terry always presented himself as a very knowledgeable person that was across a lot of detail, and he simply was not, in my experience. That, in my observation, was one of Terry's shortfalls. He just did not have the sufficient level of experience.
- 125 If I was in the position of assessing a tender such as this, price should never have driven the result.

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126 I recall an Accenture staff member receiving a call from Lochlan Bloomfield of IBM a day or two prior to the final due date for the ITO submission. I believe Mr Bloomfield boasted to the Accenture staff member about IBM's position, that they had already submitted their response, were off to play golf and were confident.

Security of SSS Program Documentation

127 In the course of the ITO process certain information was sent to Accenture entirely without a solicitation or request. This information came from an Accenture contractor who sent an email attaching Excel spreadsheet information relating to the SSS Program that I appeared to contain IBM financial information.

128 This breach was brought to the attention of Barbara Perrott by Accenture. I have provided to the Commission a letter dated 22 October 2007 from Simon Porter of Accenture to Barbara Perrott. To my knowledge the contractor involved had his contract terminated by Accenture and he returned to Italy soon after. I have also supplied to the Commission a letter from Barbara Perrott to Accenture dated 8 February 2008. None of the information leaked by this contractor was ever used Accenture's response to the ITO. Accenture's response to the ITO was submitted on 8 October 2007.

Verification of IP Concerns

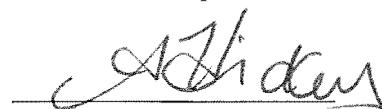
129 At the request of the Commission I considered the responses to the RFP of both Accenture and IBM. I also considered the ITO itself as well as IBM's response to the ITO. I was asked to undertake a review of these documents by the Commission for the purpose of identifying any examples of information contained in Accenture's response to the RFP being used in populating either the ITO or IBM's response to the ITO. I found this task difficult in the sense that it required a comparison of what is an extensive amount of information. I spent approximately two hours examining this material. I was highly familiar with Accenture's response to the RFP. I was also generally familiar with the contents of the ITO. The only documents I was not familiar with was IBM's response to the RFP and ITO. Having undertaken this task I cannot specifically identify a misuse of either the Intellectual Property of Accenture or more generally misuse or reuse of the information contained in Accenture's response to the RFP.

130 I have, however, identified some similarities in approach between Accenture's response to the RFP and the ITO. These similarities include the organisational structure. By this I mean how the Program Team would be structured (see for example page 18 of Accenture's response to the RFP and Attachment 8 of the ITO).

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- 131 There were also some similarities in the Schedule of the Program of Works in terms of scheduling (see for example page 45 of Accenture's response to the RFP and Attachment 6 of the ITO).
- 132 Whilst in the time available to me I have been unable to identify any misuse of Accenture's Intellectual Property it is still my belief that Accenture's extensive response to the RFP generally informed the structure and approach contained in the ITO. It is still my belief that the two stage process resulted in IBM being advantaged.
- 133 My concern is not that IBM as a tenderer should not have been given information to make it an equal playing field. Rather, Accenture would have been far more cautious in the information it provided in response to the RFP if we had known it was to be a two stage process.
- 134 Accenture spent approximately \$1 million dollars in its response to the RFP. This was spent in anticipation of a contract being awarded at the end of this process. The fact that a contract was not awarded at the end of the RFP process meant that by its fulsome response Accenture had shown its hand both in terms of price and structure.

Price Comparison

- 135 Accenture's response to the RFP identified a price (excluding CorpTech's staff expense) of approximately \$176 million (page 13 of Accenture's response to the RFP). The \$176 million was a not-to-exceed price.
- 136 From my examination of page 60 of the IBM response to the RFP, IBM's indicative pricing for the cost of implementation was \$156 – 190 million dollars. This price was also exclusive of Agency implementation teams (that is, CorpTech's staff).
- 137 Accenture's not-to-exceed price in response to the ITO was approximately \$175 million. Page 19 of Schedule 4 of Accenture's response to the ITO reconciled our initial figure for the RFP (referred to in this document as the RFI) of \$176 million to our figure for the ITO (in this document called the RFO) of \$175,097,369.
- 138 I have attempted to identify from IBM's response to the ITO IBM's price. I have been unable to do so. I have been shown a document entitled 'Summary of Financial Issues – Appendix D' which I have been instructed to assume constitutes the final evaluation regarding price with respect to the ITO by CorpTech. Having read this document it is clear to me that IBM did not price at all a number of integral components of the program.

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139 Having read the 'Summary of Financial Issues' and IBM's response to the ITO in respect to price I cannot determine what price IBM was suggesting in terms of the fixed price or the total expected price.

140 Unlike Accenture's response to the ITO, I can not find in the IBM response to the ITO a reconciliation of the prices quoted by IBM for the RFP and the ITO. I note in this respect that I have not been provided by the Commission with IBM's full response to the ITO and the details of any IBM pricing presentations.

Declaration

This written statement by me dated 5 March 2013 and contained in the pages numbered 1 to 22 is true and correct to the best of my knowledge and belief.

Signed at South Brisbane Signature this 5 day of March 20 13

Witnessed:

Name Amadea Jane Hickey Signature [Signature]
Rank Legal officer Reg. No. _____

Witness signature:

[Signature]

Officer signature:

[Signature]