

THE HONOURABLE RICHARD CHESTERMAN AO RFD QC, Commissioner

MR P. FLANAGAN SC, Counsel Assisting

MR J. HORTON, Counsel Assisting

MS A. NICHOLAS, Counsel Assisting

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 11/03/2013

DAY 1

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THE COMMISSION COMMENCED AT 10.06 AM

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COMMISSIONER: Yes, good morning, ladies and gentlemen.  
Mr Flanagan?

MR FLANAGAN: If you please, Mr Commissioner, I appear  
with Mr Horton of counsel and with Nicholas of counsel.

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COMMISSIONER: Thank you. Mr MacSporran.

MR MACSPORRAN: Yes.

COMMISSIONER: Good morning.

MR MACSPORRAN: Thank you.

COMMISSIONER: Mr Doyle, I know you're here; I gave you  
leave to appear.

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MR DOYLE: I'm with Mr Cregan and Mr Webster.

COMMISSIONER: Yes, thank you. Mr Ambrose.

MR AMBROSE: Mr Commissioner, I seek leave to appear for  
Mr Michael Reid. I'm instructed by (indistinct).  
Mr Michael Reid is a former director-general of the  
Department of Health.

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COMMISSIONER: Yes, I'll give you leave to the extent to  
represent Mr Reid's interests. You may know, Mr Ambrose,  
that we're scheduled to sit for two weeks but, you know, in  
the area of investigation, I don't think it involves  
Mr Reid.

MR AMBROSE: I understand.

COMMISSIONER: It's a matter for you whether you stay or  
not but I'll give you leave, as I say, to appear to  
represent Mr Reid's interests.

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MR AMBROSE: Thank you.

COMMISSIONER: Thank you. Mr Traves, good morning.

MR TRAVES: Mr Chesterman, good morning. I seek leave to  
appear for Michael Charles Kalimnios, who was the deputy  
director-general of corporate services at relevant times,  
Adrian John Shea, who was executive director of corporate  
services for Queensland Health at relevant times, and  
Mr Ray Brown who was at relevant times chief information  
offender, instructed my Minter Ellison.

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COMMISSIONER: Yes. I'll give you leave on the same  
terms, that is to represent the three gentlemen you

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mentioned, but the same information applies, for the next two weeks I doubt very much whether there'll be any evidence relevant to your clients.

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MR TRAVES: Thank you.

COMMISSIONER: But it's a matter for you whether, as I say, you stay for those two weeks or not. I will, of course, give you notice when we intend to resume to take evidence on the later part of the inquiry.

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MR TRAVES: Thank you, sir.

COMMISSIONER: Yes. Is that all? Yes. Mr Flanagan.

MR FLANAGAN: Mr Commissioner, in the course of the opening I intend to tender a bundle of documents. I understand that there are representatives from Accenture and the former Logica in relation to their responses to the request for proposal and the invitation to offer, and in that respect they are seeking certain orders or certain assurances from the commission as to the commercial in-confidence nature of those documents. We should note, however, that those documents were presented as part of a tender process in 2007. It is now 2013 and there is a strong public interest in respect to the conduct of this commission that the commission itself and witnesses who look at these documents have full access to these documents for the purpose of this commission.

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COMMISSIONER: Mr Flanagan, do you happen to know, what's the present name of what was Logica?

MR FLANAGAN: It's CGI, as I understand it.

COMMISSIONER: CGI. Thank you. Is there someone here for Accenture or CGI? Would you mind coming forward? Yes.

MS WALSH: Commissioner, Rachel Walsh from (indistinct) for Accenture Australia Ltd.

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COMMISSIONER: Thank you, Ms Walsh. And?

MS ELLIS: And, sorry, Kate Ellis, legal counsel for - - -

COMMISSIONER: I'm sorry, I didn't catch your name.

MS ELLIS: Kate Ellis, E-l-l-i-s.

COMMISSIONER: Ms Ellis, thank you. What do you want done? What I thought I'd do is just ask Mr Doyle if any copies of the Accenture or the Logica - I'll call it Logica, if I may - responses have been provided to IBM. Mr Doyle, what's the answer to that?

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MR DOYLE: We've received the tender bundle - - -

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COMMISSIONER: Yes, I know, but - - - 1

MR DOYLE: - - - which includes - - -

COMMISSIONER: But has - - -

MR DOYLE: Beyond the lawyers?

COMMISSIONER: Yes. 10

MR DOYLE: Can I just get instructions?

COMMISSIONER: Yes.

MR FLANAGAN: I could assist with that. IBM has received the responses of both Accenture and Logica in brief versions to the ITO and they have received the responses of Accenture and Logica to the RFP process.

COMMISSIONER: When you say "IBM" has, is that Ashurst or IBM itself, do you know? 20

MR FLANAGAN: Ashurst, your Honour.

COMMISSIONER: Yes. So, Mr Flanagan, if - you can't do that.

MR DOYLE: Sir, I'm instructed, Mr Commissioner, that the documents have not gone beyond the external lawyers and in the in-house counsel for IBM. 30

COMMISSIONER: All right. Well, then, what I thought I'd do - we might have to give some thought to the final form of the orders but what I'd thought I'd do is to order that no copy of the response by Accenture or by Logica to the RFPs has been called in July 2007 or to the ITO in September 2007, or any note or a record of the contents of those responses be given to IBM and that officers of IBM be allowed to inspect those responses for the purpose only of instructing counsel and solicitors retain to represent IBM in this inquiry. Mr Doyle, can I have in due course - I note what you say about IBM's in-house counsel having the documents. That's obviously convenient. Is the best way to handle it that he or she gives undertaking that no copy of the documents or note or record of the contents will be given to any other officer or employee or IBM and he or she will use the documents, or inspect the documents, only for the purpose of instructing counsel and solicitors? 40

MR DOYLE: I'll get a note of what you've said, Mr Commissioner, and have him sign something to that effect. 50

COMMISSIONER: All right.

MR DOYLE: It's a he.

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DOYLE, MR

COMMISSIONER: Yes, all right. 1

MR DOYLE: And, your Honour - I'm sorry, it's a force of habit. We apprehend that the same ought to be true of the IBM response to what's called the RFP; although, there's a note about that and the response to the ITO, would they not be released to our competitors?

COMMISSIONER: That may be right but I don't think that's going to be a problem, is it, because IBM's been given the documents for obvious reasons. Neither Accenture nor Logica are involved in the inquiry apart from giving evidence. 10

MR DOYLE: No, that's true. I'm not sure what you have in mind with respect to documents once they're tendered, though.

COMMISSIONER: For a number of reasons, this being one of them, I didn't intend to make the tender bundle available publicly. 20

MR DOYLE: We're content with that, Mr Commissioner, thank you.

COMMISSIONER: Yes. All right. Does that meet your concerns?

MS WALSH: Yes, commissioner, it certainly does from Accenture's perspective. 30

COMMISSIONER: All right.

MS ELLIS: And from Logica's as well.

COMMISSIONER: All right. Thank you.

MS ELLIS: Thank you very much.

COMMISSIONER: Well, look, what we'll do is tomorrow you finalise and formalise those orders, and we'll get you a copy of them. 40

MS WALSH: Thank you.

MS ELLIS: Thank you.

MS WALSH: May I be excused, commissioner?

COMMISSIONER: Yes, of course. Yes. Thank you. 50

MS WALSH: Thank you very much.

COMMISSIONER: Yes.

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MR FLANAGAN: May I make it clear for Mr Doyle's sake that in the course of examining witnesses who were former employees of Accenture or Logica, that I will be taking at least one of those witnesses to a part of IBM's proposal or response to what we call the request for proposal process, but only in limited field?

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COMMISSIONER: Thank you. Yes, Mr Flanagan.

MR FLANAGAN: Mr Commissioner, before I open, we have attempted in the course of the last month to obtain as many documents that are relevant to our inquiry as possible. We were wondering whether some indication could be given by you, Mr Commissioner, in relation to the supply of documents that are not part of the tender bundle to counsel assisting the inquiry before they are presented or put to inquiry witnesses.

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COMMISSIONER: Yes, thank you. Yes. I think it appropriate, ladies and gentlemen, for the efficient conduct of the inquiry that all tender documents be made through Mr Flanagan, Mr Horton or Mr Nicholas so that if there is a document any of you wish to put to a witness in questioning, that you first provide a copy of it to counsel assisting or to Ms Copley or solicitor for the inquiry and in good time for them to read it and understand it so that, as I say, the process of tendering documents will be only through counsel assisting.

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MR FLANAGAN: Thank you, Mr Commissioner.  
Mr Commissioner, this first two weeks of evidence will look at the adequacy and integrity of the procurement process. This issue was not within the scope of the auditor-general's review nor any other view. The commission will be calling 23 witnesses to give oral evidence and will tender the written statements of a further six witnesses. The tender process itself was the subject of anonymous allegations of collusion made on ABC radio on 2 November 2012. These allegations were made by a person referred to by the interviewer as "Margaret".

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The commission has identified and interviewed the person who participated in the ABC radio interview, a statement has been taken from this person and will be tendered in evidence. Suffice to say, that upon investigation, the person who made these allegations was not employed at Queensland Health until the tender process had concluded. Accordingly, no direct evidence of any alleged collusion in the tender process was provided by this witness. Since the commencement of this inquiry on 1 February 2013, the commission, over the past month, as received and reviewed an enormous number of documents provided pursuant to request directed to the state of Queensland, IBM and other parties.

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The commission has conducted numerous interviews with witnesses and potential witnesses and has informed itself about matters concerning the tendering process, as well as state practices and procedures in that regard. Over that month, certain lines of inquiry emerged and issues of apparent importance to the tender process were identified. The commission has distilled, as best it could in the time available, the most relevant documents in respect to tender process. This has resulted in a 32 volume bundle of documents which recently has grown to 35, which I now tender.

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COMMISSIONER: The 35 volumes together will be exhibit 4.

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ADMITTED AND MARKED: "EXHIBIT 4"

MR FLANAGAN: Although, this may appear to be a large bundle it is only a very small portion of the even larger number of documents which were produced to the commission. There are, however, key documents relevant to the tender process which despite numerous request have not as yet been located by the state. We are still looking at documents that have been given to us recently, and when I say "recently", I mean Friday afternoon, but the documents we have not presently identified for the purposes of inquiring into the tender process are the tender director which would contain every document that was used for the purpose of evaluation and used in the tender process, and conflict of interest declarations for the invitation to offer process.

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FLANAGAN, MR

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I propose, Mr Commission, in these remarks this morning to give a brief overview of the issues which the lines of inquiry exposed, and which will be the subject of the evidence to be led in the next two weeks. Generally speaking, the tender issue involves, first, the events which led to it, including what we call an "initial request for proposal"; secondly, the issue of the tender invitation itself, known as the "ITO", invitation to offer, which occurred on 12 September 2007; thirdly, the way in which the responses of the three companies that responded to the tender invitation were analysed, and IBM selected as the party with whom the state would ultimately contract, and fourth, the people involved in those events and the people involved in the making of the relevant decision, and whether each fulfilled his or her obligations.

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There will emerge questions as to whether senior officials discharged their obligations, and in particular the extent to which those officials ought to have relied upon an outsider to the extent they did to advise upon or decide the course the state ought to take. It will be informative we hope, Mr Commissioner, for us to set out a little more about these points so as to give an overview of what we expect the evidence to be and the themes to be. These are the themes which we have identified from having analysed the documents and interviewed numerous witnesses.

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Until early 2007, the state was pursuing what it called the "shared services initiative" by itself rolling out computer system upgrades for government departments. One of the agencies responsible for this was within Queensland Treasury and was known as CorpTech. The model which the state adopted in its roll-out was to engage contractors to assist it. Under this model, the state remained the project manager and had prime responsibility for the initiative. CorpTech was, in effect, the prime contractor of the state for the work it was gradually undertaking.

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The shared services initiative, however, was not entirely smooth. There had been a significant slippage in its roll-out and its initial budget was rapidly being expended. The state commissioned several reviews in respect to that initiative. Queensland Treasury wanted a new approach and commissioned various outsiders to help it decide what to do to speed up the delivery and to slow the rate of spending. The service delivery and performance commission prepared a report on the shared services initiative in March 2007. That report made a number of recommendations about changes which ought be made to the initiative.

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Many of them recommended that the under-treasurer cause certain tasks to be undertaken directed in a general sense to seeing if the initiative could be better and more cost effectively organised. The under-treasurer was, at that stage, Mr Gerard Bradley, who will be called in these two weeks of evidence. He commissioned in April 2007 a

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high-level review of the initiative. That review was conducted over about five days by Mr Gary Uhlmann, Mr Mark Nicholls, Mr Terry Burns and Mr Keith Goddard. 1

Mr Burns had only recently arrived in Brisbane and this was the first work he had ever done for the Queensland government, indeed the first work he had ever done in Queensland or Australia. He was, apart from having come well recommended by at least one contractor, was generally unknown to people within CorpTech. He came, however, with an impressive CV having worked in senior roles, and importantly for present purposes, in IBM in South Africa as its top man, as he describes it, for approximately three years and he had experience in running and saving several very large projects in the United Kingdom and New Zealand. 10

The 18 April 2007 report or presentation became known as the phase one report, this was the first of four reviews. The subsequent reviews were undertaken by Mr Burns alone. The reliance placed upon Mr Burns for such an important matter is a particular issue which is of interested and which will be pursued in oral evidence. We know that within a very short time he had what he described as a "short line" to Mr Bradley, the under-treasurer. Mr Burns undertook a review in May 2007 called the "shared services planning report", and that report, also known as the phase two report, gave a pessimistic view of the shared services initiative as presently being implemented by CorpTech. 20 30

"It would be late and over budget," it was said in the report. Mr Burns recommended that the state appoint a program delivery director and a highly empowered program management office to provide the disciplined process which the program delivery directory, or director, would rely on. At this stage, there does not seem to be any suggestion, on the documents at least, that the state would change course and appoint a prime contract to assume the role it had previously had for the initiative. But that advice must have been given and acted upon before late July 2007, as will be seen presently. 40

It is a matter of interest that Mr Burns came to occupy some of the very positions which he had recommended be established, and which he recommended to be highly empowered ones. Even at the early stage of the phase two review, and well before the state had decided to change the model for delivery if the shared services initiative, Mr Burns was having discussions with IBM about its possible involvement in the initiative. It will be a line of inquiry to ascertain the nature and extent of those communications, whether they were authorised and whether they gave IBM an unfair advantage in the tender process which was to follow. 50

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At some stage, we are not entirely sure when precisely, Mr Burns suggested to the state that it move to a prime contractor model, that is, engage a major company to not just deliver the initiative but to project manage it.

These events coincided with then then head of CorpTech, a Mr Geoff Waite leaving his job. He was replaced by Ms Barbara Perrott who up until then, had been working on other aspects of the Shared Services Initiative. As I have previously stated, Mr Terry Burns had never before done work for the Queensland government. He had never before worked in Queensland but he came well recommended by one contractor who was known to CorpTech.

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The next review was one dated 15 September 2007 which was known as the phase three report. It, too, was a report of Mr Burns. It recommended the establishment of what was called a solution design authority which would identify and own the restated solution model. There was also a phase four report. The issue of a prime contractor model had been considered, perhaps as part of the restated solution model.

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In late July 2007, CorpTech sought the advice of Mr John Swinson from Mallesons as to whether, given the existing contractual arrangements which the state had in place with various vendors, it was legally even possible for the state to move to a point of prime contractor. Advice of that kind was sought on 26 July 2007. Mr Swinson was asked to consider the matter overnight.

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The very next day, he conferred with treasury legal officials and advised that there was no impediment to the state moving to a prime contractor model. This was legal advice. The advice about the desirability of that move seems to have come from Mr Burns in his various reviews or reports. We say, and it has been described itself by the under-treasurer, Mr Bradley, that a request for proposal was issued in or about July 2007.

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It was issued to some 11 external service providers, including IBM, Accenture and Logica. Now, there is some confusion about the terminology used. Some called it a request for information; some called it a request for proposal. It doesn't really matter what one calls it because we will, in chronological order, outline those documents which describes the process in some detail.

In relation to the request issued in July 2007, of the 11 external service providers, only four companies responded, namely IBM, Accenture, Logica and SAP, which is capital S-A-P. There was an evaluation of these responses. It has been unclear on the material we have seen just how extensive or rigorous that evaluation was.

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The participants in it, which included Terry Burns, signed a conflict of interest declaration. Mr Burns did not declare any conflict and his form simply reads, "None." After the RFP process, there was some attempt made to regularise the tender process. Advice was obtained from Mr Swinson of Mallesons and treasury legal officer, Mr David Stone. In one meeting with treasury legal officials, Mr Burns told the meeting that he had already had RFO discussions with two vendors.

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Treasury had become involved, it seems, after Ms Maree Blakeney who seems to have an important role in the RFP process and the tender process which followed it, raised

concerns that Mr Burns had been out talking to potential vendors. The evidence will show that Mr Burns had a number of one-on-one meetings leading up to the RFP process with Mr Bloomfield of IBM. 1

It has not yet appeared clearly which of the RFP respondents was preferred and whether there were any attempts to contract with one of them at that stage rather than the government proceed to the ITO stage. Some of the documents which are in the tender bundle do demonstrate that after the RFP process Accenture was rated first, followed by IBM. 10

This was certainly the belief of Marcus Salouk who at that time was leading the Accenture proposal and who will be the first witness in the inquiry. It was later decided to issue an invitation to offer. That took place on 12 September 2007. It was a closed tender process and was issued only to IBM, Accenture and Logica. SAP had withdrawn from the process.

The ITO responses from a Shared Services Solution prime contractor, the ITO actually invited those sorts of responses. The scope of the response was wide and the prime contractor was to plan, resource, coordinate and manage the overall Shared Services Solution program. Each of the three invitees submitted responses. Logica was regarded as non compliant because its tender did not respond to all of the relevant services which were required. The person who led that tender was Mr Michael Duke, who will be the second witness in the inquiry. 20

Before turning to the evaluation phase, can we pause, Mr Commissioner, to make some observations. First, the process up until this point was conducted in an atmosphere of urgency. We have inquired about the causes of it. It would seem that there was a concern that because the Shared Services Initiative to date had been expensive and was delayed, there was a need to proceed with urgency to a new model. 30

We see the urgency manifest in asking Mr Swinson to advise overnight. We see it in the discussions taking place before it has been even decided to engage a prime contractor. We see it in the engagement of an outsider charged with accelerating the solution, and we see it in an abbreviated timetable for the drafting of the ITO and for the submissions of responses to it, which was a process less than four weeks. 40

Secondly, we see a change from the early review to the later review. At first, it is recommended that the rollout in Queensland Health be one at a later stage. By the phase three report, Queensland Health is one of the first or perhaps the first agency in which there is to be a roll

out using the prime contractor model. It was known that Queensland Health was a complex agency from a payroll point of view. 1

So it is unclear to the inquiry at this stage why a decision was made to bring Queensland Health forward in terms of the rollout of a Shared Services Initiative. One reason may have been a belief, as was the case, that the vendor of the payroll system then in place at Health, Lattice, would soon cease its support of it, meaning that the need for the new payroll system became more important. 10

You will hear evidence however, Mr Commissioner, that it is far from clear that this is the case, both because CorpTech, through Mr Darrin Bond who will be called, had acquired people who were capable of maintaining Lattice and CorpTech had acquired the necessary codes to permit it to do that. Moreover, there is some evidence to suggest that the Lattice vendor, a company called Talent2, would have, if paid to do so, continued its support of the Lattice system.

We know of course that Lattice stayed in place at Queensland Health until the go live date for the SAP payroll system in March 2010. Given those facts, we don't necessarily perceive the same urgency that some perceived in bringing Health forward in terms of the Shared Initiative rollout. We have had, Mr Commissioner, some difficulty in understanding why there was such urgency and we will inquire whether and to what extent it was justified to adopt such an approach and cut the corners which an urgent approach seemed to justify. 20

Whether that was warranted in such a large and important project is one of the issues which we will submit requires some attention. Third; the move to a prime contractor model involved that company providing the project management component. By that, we mean preparing the schedule, the specification and program and project management documentation. 30

One of your terms of reference, Mr Commissioner, directs you to inquire whether project management practices were breached. You will hear evidence of the extent to which IBM met its obligations in the next block of hearings which will concern the contract and party's performances under it and the state's management of it. 40

May I then move to the ITO evaluation? We indicated earlier saying something of the ITO evaluation, an evaluation panel was established, it comprised as project lead advisor, Mr Terry Burns. Again, we see his name prominent in the process. The panel was divided into sub teams with various leaders, including Mr Darrin Bond, who

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was responsible for functional and business and technology; Mr Phillip Hood, for operations and support; and Ms Colleen Orange for pricing.

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The time allowed for the evaluation was short. Responses were received on 8 October and the evaluation report was signed by the chair, Ms Perrott, who was then the executive director of CorpTech, on 25 October 2007. You will hear evidence, Mr Commissioner, of what this process entailed. Sub-teams met according to topic to which they had been assigned. They also met as a group.

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The team with responsibility for pricing was kept quarantined from the others, the idea being that the other aspects of the evaluation not be taken by questions of price. Price takes on a special relevance so I will turn specifically to it in a moment. Evidence has emerged that about two thirds the way through the evaluation process, Accenture was ahead. Mr Burns, at this time, met with sub-team leaders and urged them to reconsider their assessments.

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Mr Darrin Bond's evidence, for example, is that this occurred and that as a result and feeling uncomfortable about it, he revisited the provisional scoring he had adopted. The result was that at a time when it looked as though Accenture was in front, IBM took the lead on the provisional scoring. Not all team leads have this recollection. There are others, however, who do have a recollection similar to that of Mr Bond.

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What is interesting, however, is that the documents which the commission obtained showing the draft scoring - and I'm not suggesting that we have all the documents showing draft scoring but we have some, it does show that IBM, on many issues, not to have been ahead in the initial evaluation. One important example of the change in assessment of IBM's tender response is that more strengths are listed for IBM and in particular, IBM's response is described as being "innovative".

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This is a word which resonates with the discussions which Mr Burns apparently had with Mr Bloomfield of IBM in about early May 2007 about IBM's response needing to be innovative. The reference to the IBM proposal being innovative seems to be using a program called Workbrain as the awards engine; that is, putting the details of the Queensland Health awards which are numerous in Workbrain rather than in SAP, the other and more prudent program which was being used.

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This issue, too, is of interest but it primarily arises which it comes to considering IBM's performance under the contract which will be in the second session of hearings. The question remains, however, at this point whether this was innovative of IBM or simply unsafe or overly risky, but we will be taking you to these documents in some detail and Mr Bond and other team leaders will be speaking to them.

We said that we would say something of the evaluation of price. The assessment of the pricing component was that IBM's proposal was the least cost. We have had some difficulty understanding how that assessment could have been made. Not only is the pricing in the various tender responses difficult to follow, the various proposals are difficult to compare, especially with the certainly which the pricing assessment seems to assert. There is another

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complication: IBM's pricing was, in large part, on a best estimate basis, so when the pricing was to be compared, it is difficult to see how the comparison was on a like-for-like basis.

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Might we add, Mr Commissioner, that we pursued this issue with some focus, but we have not yet been able to ascertain, despite having interviewed all the relevant price evaluation witnesses, not only precisely how that assessment was arrived at but whose view it represents? This is an issue which will require some further attention in the public hearings, being one of the most important reasons why IBM was selected over other tenderers, The assessment on the other criteria being, for all present material purposes, relatively close as between IBM and Accenture.

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It is also an issue of public interest because it involves the expenditure of public funds and is part of the point to which one of the terms of references directed, namely how the contract price increased over time. Ultimately, IBM won the tender. It was selected as the party with whom the state would enter into negotiations for a contract. As we know, that contract was executed on 5 December 2007. It was for the provision of services directed to the now-revamped Shared Services Initiative. Mr Commissioner, if you please, I call Marcus Salouk.

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THE COMMISSIONER: Yes.

**SALOUK, MARCUS** affirmed:

THE COMMISSIONER: Sit down, please. Yes, Mr Flanagan?

MR FLANAGAN: Thank you, Mr Commissioner.

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Would you give your full name to the commission, please?  
---My name is Marcus Salouk.

You are presently the owner and director of Scancorp which comprises two companies, Scan and Scan Capital. Is that correct?---That's correct.

Scan Capital is a corporate advisory business?---That's correct.

And Scan is involved in business brokerage?---That's correct.

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You have been in your current role since September 2010?  
---Yes.

Now, Mr Salouk, in relation to the proceedings before this commission, you have signed a statement. Is that correct?  
---That's correct.

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SALOUK, M. XN

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Could Mr Salouk please be shown his statement.

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THE COMMISSIONER: I'm not sure we have it, Mr Flanagan.

MR FLANAGAN: Mr Salouk, is that the statement that you have executed on the 5 March 2013?---Yes, it is.

Consisting of 22 pages?---Yes, that's correct.

And you have declared that the statement is true and correct to the best of your knowledge and belief?---Yes.

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Yes. I tender that statement, Mr Commissioner.

THE COMMISSIONER: Yes. Mr Salouk's statement, exhibit 5.

ADMITTED AND MARKED: "EXHIBIT 5"

THE COMMISSIONER: Did he keep one with him, Mr Flanagan?

MR FLANAGAN: Yes.

Have you got a copy of your statement in front of you?---I do.

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You do?---Yes.

Mr Salouk, prior to 2010, you performed some contracting to IDA International in Singapore for about nine months through until the end of 2010. Is that correct?---That's correct.

You were employed by Accenture between 1994 and September 2009 for a period of 15 years?---Yes, that's correct.

I will not go through your employment history at Accenture which is set out in your statement but in any event during your time at Accenture, you had significant involvement with the public sector. Is that correct?---That's correct.

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Government was one of your areas of expertise?---Yes, it was.

Now, in 2002, you, through Accenture, worked with Queensland Treasury. Is that correct?---Yes.

What was your role in that respect?---Accenture was engaged to assist Queensland Treasury to undertake a business case for the Shared Services Initiative and I - from Accenture's perspective, I was the lead for the business case.

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Given that you are the first witness, I will ask you some questions which might seem obvious to others but in your own words, what was the Shared Services Initiative?---It

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SALOUK, M. XN

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was an initiative that was aimed at generating cost savings within the ministry areas of the state government so that those savings could be reemployed to frontline services. It contemplated a series of Shared Services (indistinct) which agencies would come together and share common processes and systems and those admissions - the government. 1

To your knowledge, what entities in Queensland Treasury were involved in the Shared Services Initiative rollout? ---CorpTech, most definitely. 10

Right. In terms of CorpTech leading the rollout, can you just tell us what you understood to be the structure and how Accenture fitted into that structure?---I believe it was around 2005, it was after the consultation - business case, it would have been around 2005, Queensland Treasury via CorpTech led the implementation of the Shared Services Initiative. Accenture's role at that time was a time and material - which meant that Accenture was providing resources and they basically (indistinct) resources, it wasn't taken - - -

Now, for the purpose of this rollout, did Queensland Treasury engage a number of external service providers apart from CorpTech?---That's correct. 20

All right. Did they include Logica?---My understanding is it was Logica and IBM.

Was SAP also an external service provider?---SAP (indistinct)

But in terms of project management, the management of that rollout removed with CorpTech. Is that correct?---That's correct. 30

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Thank you. Was Accenture involved in the Queensland government's decision to adopt a package of software solutions for the Shared Services initiative?---No. No, Accenture (indistinct) engaged or involved in the package.

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Did you provide any advice to the government in relation to the types of packages they should be adopting for the Shared Services initiative rollout?---Certainly during the business case I can recall us having general discussions with the government about packages that may have made sense. SAP was certainly one - - -

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COMMISSIONER: Mr Salouk, just want a moment please. I'm not sure we're being recorded. Thank you. You're right? ---Okay. SAP was certainly one of the packages considered. I do recall at one point during the business case work advising the government that it's probably best not to select a package without going to tender and creating some competitive tension.

MR FLANAGAN: Just so we understand these packages, did the package include SAP for finance and human resources? ---Yes, that's correct.

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Workbrain for rostering?---Not during the time of the business case. We didn't get into that bit.

SABA for learning and performance management?---During the RFP but not at the business case - - -

And RecruitASP, which allowed to recruitment?---Yes, during the RFP.

Do you have any recollection or knowledge of a 2005 contract being entered into by the state of Queensland with an IBM led consortium for the use of particular tools, such as SAP, Workbrain, SABA and RecruitASP?---I believe so. I'm not certain.

30

From 2005 to 2007 did CorpTech conduct this implementation of the rollout itself?---Yes, it did.

You've explained that Accenture's involvement in this rollout was on a time and materials basis. Can you just explain what you mean by that?---Yes. Accenture was paid to provide skilled resources under the direction of Queensland Treasury, so CorpTech. CorpTech was ultimately driving the program and, effectively, taking the risk.

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From your own knowledge did Accenture, through its involvement from 2005 to 2007 with the CorpTech rollout of the Shared Services initiative, form a view as to the necessity for a prime contractor model?---Yes, we did.

Can you tell the commissioner about that, please?---We felt that Accenture was being under used. It's good to have a time and materials contract because the organisation doesn't take an enormous amount of risk, but Accenture was an organisation that was capable of driving the program and getting the government to an outcome. We felt that CorpTech was spending a specific amount of budget without getting commensurate outcomes for those programs.

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Can I take you then to paragraphs 20 to 26 of your statement?---26?

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20 to 26 of your statement. Is that where you outline in some detail your advice or Accenture's advice of the need to appoint a prime contractor?---Yes, that's correct.

Did you at that time, or through you Accenture, form a view as to CorpTech's ability to roll out the Shared Services initiative?---Yes, we did. We had a view that Queensland Treasury and then became CorpTech were not professional project managers. That wasn't their core business and our view was that they just didn't have the ability to drive the program to achieving the outcome.

20

Did you become aware in or about April, May 2007 that a contractor by the name of Terry Burns was conducting a review of the Shared Services initiative?---Yes. Yes, we became aware.

Did you have contact with Mr Burns in the course of him conducting his review of the Shared Services initiative? ---It's possible that some Accenture employees did have contact. I personally didn't prior to the - - -

All right. Where were you physically stationed as at May 2007?---I believe that from 2005 to early 2007, I was still in Tokyo.

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In any event, did you return to Australia for the purposes of leading Accenture's response, both to the RFP and the ITO?---Yes. When I returned to Australia, one of my key roles was to lead Accenture's response.

Did you read Mr Burns' review of May 2007?---I believe I did.

Yes, thank you. Ultimately to your knowledge, did Mr Burns recommend to Queensland Treasury that a prime contractor model be adopted?---Yes, he did.

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As at mid 2007, who was your main contact with Queensland Treasury?---From mid-2007 it was Mr Burns.

Did you understand Mr Burns to be a contractor or a public servant?---A contractor.

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Do you know when he commenced his contract with Queensland Treasury?---I believed that it was earlier in 2007. 1

Did you also have contact with a Ms Barbara Perrott?---Yes, we did.

You knew her to be the executive director of CorpTech?  
---Yes, I did.

When you say that you had contact with - or your prime contact was with Mr Burns at Queensland Treasury, was that one-on-one contact or with other persons present?---Always with other CorpTech or other individuals present. 10

When it became clear that Queensland Treasury would proceed with a prime contractor model rather than rolling out the Shared Services initiative through CorpTech, did you return from Singapore?---I believe I was based in Australia at that time.

Can I just take you to paragraph 31 of your statement? I'll take you through the entire process that happened and I'll try to do that chronologically by gathering documents from different sources. Just for present purposes, can you explain to the commission what is the difference between an RFI, an RFP and an ITO, that is a request for information, a request for proposal and an invitation to offer?---An RFI is a request for information. It is basically when a government seeks to be educated. Anyone that responds to an RFI knows the basis on which they're responding and that is to provide general information to their client. It's very likely that information provided through an RFI process may be used by the government in any way they see fit and so any proponent providing information through an RFI would be very, very careful about any IP associated with an RFI. 20  
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Just for the sake of everyone here, when you say IP, you mean intellectual property?---Intellectual property. Yes.

Fine. Yes, go on?

COMMISSIONER: What's the commercial incentive for a company like Accenture to respond to an RFI?---That's a very good question, commissioner. It's normally a requirement. If a client requests an RFI early in a procurement process, it's an appropriate thing to do to assist your client in educating them. 40

In the hope of things to come in the future?---Exactly; and in the hope that they will then come back to market with an RFP at a later stage and you would be invited.

Yes, thank you.

MR FLANAGAN: Given one contract after an RFP process? **1**  
---After an RFI?

After an RFI process?---After an RFI process, generally  
not, no.

After an RFP process?---After an RFP process, that is the  
intention, yes.

I said I'll take you through these documents. Some of the  
documents aren't yours, they're other entities, but it's **10**  
for the purpose of seeing if you can recall the process in  
some detail. May I start with volume 27 at page 285?

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COMMISSIONER: Sorry, Mr Flanagan, page?

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MR FLANAGAN: 285. It's the bottom email that I'm interested in. It's actually an email from Mr Bloomfield to Mark Landon of IBM. The reason I'm taking you to it is that it refers to a meeting. It says:

*Further to our recent discussion, some significant activity is finally happening at CorpTech. Along with Accenture and SAP, I was asked to attend a meeting yesterday with the Deputy Under-Treasurer David Ford to discuss CorpTech delivery issues.*

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So you'll see this is 1 May 2007.

*Queensland Treasury now realise that the way they originally structured the CorpTech program was flawed. They have appointed Terry Burns, risk management contractor, to spend four weeks determining those matters that are listed in 1, 2 and 3. I am meeting with Terry this week to feel some of his questions regarding our previous ideas sent to CorpTech on 12 March 2007. After that he will be looking for IBM's views on the items above, primarily item 3, but also item 2. I am seeking your assistance in involving the right IBM shared services professionals to ensure we are putting our best foot forward. Whilst no-one is suggesting that IBM will take this over in our own right, we are certainly in an excellent position to significantly increase our presence and influence inside CorpTech.*

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He also refers to:

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*We are very heartened by my willingness to collaborate, or they are, CorpTech, is very heartened by my willingness to collaborate closely with Accenture to achieve CorpTech's goals. Accenture trust me and are willing to split the work up between us and not take it over as previously intended.*

My first question is this: do you have any recollection of being invited by the deputy under-treasurer, Mr Ford, to discuss CorpTech's delivery issues as early as May 2007? ---I can't recall, but I may not - it predates my involvement.

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Right. Did you have any conversations with Mr Bloomfield about Accenture and IBM working collaboratively in relation to any redesign of the shared services initiative roll-out?---No, I didn't.

Did you previously know Mr Bloomfield as at May 2007? ---Yes, Mr Bloomfield was an ex-Accenture employee.

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Do you know when he left Accenture?---I can't recall exactly, I suspect it was 2004, maybe.

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All right. Thank you. And prior to that, do you know how long he had worked for Accenture?---I'm not certain, I'm not certain. Several years. He left as a senior manager, I understand.

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Can I then take you to volume 28, page 429? This is an email from Terry Burns to Lochlan Bloomfield dated 29 June 2007, at 3.28 pm:

*Lochlan, this is an invitation to IBM to send representatives to supply a briefing on the status of the program on Monday, 2 July, at 2 pm at level 8 of Santos House. Please liaise with Dianne McMillian for details.*

10

Now, you were back in Australia by 29 June 2007, weren't you?---I believe so, yes.

Do you recall attending, and I'll show you some more documents on this, a supply a briefing on the status of the program on or about 2 July at 2 pm?---I personally can't, but it wouldn't surprise me if Accenture had representatives there.

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All right. May I take you to, in the same volume, to page 450? This is an email sent to a number of persons, included for Accenture, a Janine C. Griffiths at Accenture. Do you see that?---Yes, I do.

Who was she?---Janine Griffiths was a senior executive at Accenture.

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This seems to be an email that was sent on 3 July 2007, that is, actually after the meeting or presentation on 2 July 2007. It gives certain contact details for CorpTech, and if you look over the page you'll see contact details there on page 451?---Yes.

It simply ask you to note that none of those contact details, Mr Commissioner, includes Mr Burns or Mr Keith Goddard. Now, did you know Di McMillan from CorpTech?---I can't recall.

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You can't recall?---I can't recall.

All right. You might be able to assist us with this. You've told us who Terry Burns was, did you know a Mr Keith Goddard?---Yes, I knew Mr Goddard; yes.

And was he a contractor at CorpTech?---I can't recall whether Mr Goddard was a contractor or an employee.

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Do you know what his role was at CorpTech?---I remember he had a fairly senior role in the CorpTech project office.

Did you ever had a one-on-one meeting with Mr Goddard without any other persons present from CorpTech?---I did not.

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To your knowledge, did anyone from Accenture have a one-on-one meeting with Mr Goddard without any CorpTech representatives there?---I'm not aware of any.

From there, may I take you to the actual presentation that was done on that day, which is in volume 28, the same volume at page 431 to 447? You'll see it's a presentation that was presented by Terry Burns and Keith Goddard on 2 July 2007, "Supply a partner briefing." Have you ever read this document before?---I believe I would have seen it, I expect that I would have seen it prior to us commencing the RFP.

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May I just briefly take you to aspects of it? Could you turn to page 432? It outlines the various phases that had been undertaken, "Phase one: problem identification completed; phase two: in-depth analysis of problem areas completed", and it says in the dot point underneath that, "Confirmed concerns about the ability to delivery the current scope with existing budget and time frames." In terms of that, with CorpTech being ultimately responsible at this time for the roll-out of the shared services initiative throughout, I think, 24 government departments, were you aware that the budget that had been set aside for the roll-out was being eaten up more rapidly than people wanted it to be eaten up?---It definitely was.

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All right. And part of the reason for the budget being eaten up was that CorpTech had engaged a number of subcontractors, such as Logica, Accenture, SAP, IBM to do various parts of the roll-out. And most of those subcontractors were being paid the same as Accenture, on a time and materials basis?---Yes, ultimately my view was that the budget was being eaten up because CorpTech weren't professional project managers, they weren't running the project as efficiently as they should be.

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Can I take you to page 433? I'm only going to ask you to note something or come back to it, but if you note the third dot point there under - sorry, the second dot point under "restate the goal of the shared services solution program", in terms of, first, "A refreshed business case," and then, secondly, " Manage within current available funding." Do you see that?---Yes, I do.

That is the objective at phase three, at this stage, was to manage the continued roll-out of the shared services initiative but without the current budgetary estimate? ---Okay.

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Did you know that?---I can't recall that.

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Now, you'll see in the next dot point a steering group is referred to as the "program rebuild steering group". Had you ever heard of that group before?---I can't recall.

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And I'll ask you the next question, but do you recall at all who led the program rebuild steering group?---I can't recall.

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Now, that presentation by Mr Burns and Mr Goddard of 2 July 2007 was actually annexed to an email sent from Queensland Treasury to Lochlan Bloomfield and more particularly sent by Maree Blakeney. If you look at page 430 for that purpose, please. Now, did you know Maree Blakeney?---Yes, I did. 1

What did you understand her role to be at CorpTech?---I understood that Maree was responsible as the project administrator for the procurement process. 10

All right. Now, for this briefing that they sent, which was the SSI program replanning update, do you know how many external service providers attended to that update?---No, I don't know.

Thank you. Now, in that email, it refers to a solution design authorities requirement or a solution design authority. Did you know of the existence of the solution design authority?---Yes, I did; yes. 20

All right. Now, what was the purpose of that design authority?---My recollection is that the solution design authority was intended to identify a common solution set that would work across Queensland Government.

Now, who headed up the solution design authority?  
---I can't recall.

Do you know whether Mr Burns had any part to play in the solution design authority?---I can't recall whether he had a part to play. 30

Thank you. May I then take you to page 455 in the same volume?

COMMISSIONER: 4?

MR FLANAGAN: 455.

COMMISSIONER: Thank you. 40

MR FLANAGAN: Mr Salouk, having looked at the actual document that constituted the presentation by Mr Burns and Mr Goddard on 2 July 2007 to various external service providers, would you now have a memory or recollection of attending that presentation by them?---No, sorry, I don't recall that specific presentation.

Thank you. This would appear to be notes of a briefing by Mr Goddard held on 3 July 2007, that is one day following the presentation, to certain persons from IBM. Do you see that?---Yes, I do. 50

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My question is a simple one to you: do you have any recollection or knowledge that you can tell the commission of Accenture or you attending a similar briefing by Mr Goddard after 2 July 2007 or shortly after 2 July 2007?--No, I have no recollection of such event.

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Thank you. May I then take you to the same volume but at page 461? This is a meeting held, again, after the presentation on 2 July 2007. It's a meeting held on 5 July 2007, this time between Mr Burns, who was contracted to CorpTech, and to IBM representatives. My question to you again: did you or, to your knowledge, anyone from Accenture have a one-on-one meeting with Mr Burns on or about 5 July 2007?---No, not to my knowledge.

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Now, if I just take you through this document. The first point of discussion is headed Budget. Terry advised that expenditure to date is around 200 million with total CorpTech development budget at approximately 300 million. Did you know that as at July 2007? Sorry, when I say "you - - -"?---Yes.

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- - - you or anyone at Accenture to your knowledge, did they know as at 5 July 2007 that approximately 200 million of the \$300 million budget for the Shared Services roll-out had been expended?---We didn't know it as precisely as that. We had estimated it to be of that magnitude.

Now, can I just ask you to note this: that after the presentation of 2 July 2007 by Mr Burns and Mr Goddard, the second paragraph of this briefing note or this note, meeting summary of 5 July, refers to the fact that written submissions were due or are due on Thursday, 12 July? So it seems that the first step in the process, which some people might call the request for information process, was the presentation by Mr Burns and Mr Goddard on 2 July 2007 followed by a request that written submissions be made in response to the request for information by 12 July 2007. Do you see that?---Yes, I see that.

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Mr Commissioner, can we make it clear that on the documents we've examined to date, that request for information seems to be a preliminary step before the request for proposal which then ultimately led to the ITO. And then if you look at the paragraph underneath that, Friday the 13th has been set aside for presentation to CorpTech executive committee. Now, do you have an independent recollection that Accenture put in a submission by 12 July 2007 in response to the presentation and actually did a presentation to the CorpTech executive committee on or about 13 July 2007?---Yes. That predates my involvement but I am aware that Accenture did provide a submission to the RFI process and did undertake the presentation.

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Right. Now, if you look under the heading Scope and Detail of Recommendations it says: 1

*Obtaining guidance as an exercise in futility, advised not to spend much time or space in presentation or submission on non-technology topics, for example, service delivery model and scope, service centre transitions, et cetera; instead, advised to focus on initiatives that enable CorpTech to reduce implementation cost and timeline.* 10

Do you see that?---Yes, I see that.

To your knowledge, as at July 2007, or indeed thereafter leading up to the ITO, did you or Accenture receive similar advice from Mr Burns?---No, not to my knowledge.

The paragraph underneath that:

*CorpTech encourages options that share and/or transfer risk for implementation and support. Their goal is a timeline and cost that is less than current projections based on prior burn rates. Terry indicated CorpTech would prefer indicative estimates of cost and timeline, though did not state that they were required.* 20

In the course of your dealings with CorpTech, did you appreciate, at least, that any response, either to an RFI or RFP, or an ITO by Accenture would need to encompass or take into consideration the fact that CorpTech were trying - when I say "CorpTech", Queensland Treasury was trying to meet the original budget and timelines?---No, no. 30

We'll come back to this but can I just have your initial views on whether a continued roll-out of the Shared Services Initiative throughout the whole of government could be done on a budget of approximately 80 to 100 million dollars?---Yes. We were fairly certain that it was impossible to achieve the outcomes required with the remaining budget. First of all, a budget was created on assumptions during the business days of assumptions that had Queensland Treasury as the systems integrator, not as industry, it's more expensive once you transfer the risk to industry, so the initial budget was never right. The fact that Queensland Treasury in their own explanation were inefficient in the use of that budget meant that they had spent more budget than they had achieved and we were certain and had expressed to treasury that it was impossible to complete the program for the budget they had arranged. 40 50

COMMISSIONER: Would you know, Mr Salouk, whether the information you've highlighted would be of value to a tenderer?

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MR FLANAGAN: That's exactly - my last question was going to take him through the process, Mr Commissioner. 1

Can I then go to the heading Payroll as Critical Path:

*Advised that CorpTech had deemed mitigation around payroll risk as primary business driver and takes precedent over value realisation. Not sure what this means practically, but indicates concerns of expiring support for Lattice?* 10

What was your knowledge of these issues?---We were generally aware and throughout the process after the RFP, during the ITO, it became more and more clear to Accenture that was the priority for CorpTech.

Now, we've looked at some of the information, some of which you've said that you did know and some of which you said you didn't know. In terms of responding at least to the initial request for information, would that information that's outlined there in the meeting summary have been of assistance to Accenture in responding to the request for information?---Yes, it would have assisted with the RFI and then the RFP. 20

And how?---It's probably the first time I've seen the fact that Queensland Treasury intended or had any intention of trying to complete the program within the budget which, to us, didn't make sense and we expressed that to them. We understood - we really only understood the priority - their priority around Lattice. We had a different view about it. We understood their priority around Lattice was very late in the ITO process, possibly even through the course of clarification questions. 30

Now, on the lattice question itself, a number of the documents in the inquiry would show that some in Queensland Health at least and some in CorpTech viewed the Lattice system as close to collapse and that the fact that vendor support was being withdrawn as suggesting that Queensland Health need to be brought forward for the very purpose of addressing that "urgent" issue. What was your view of that issue?---Accenture's view was that Lattice was very fragile. That's the first point, I guess. However, there were a handful - I can't recall exactly how many, but there were at least, say, three experts that really understood, I thought, understood Queensland Health payroll inside out and Accenture had a strategy to wheel out a budget to go and recruit those people within our budget to extend the Lattice support. Our view was that it was more dangerous to expedite the Lattice replacement than it was to actually do it minus the (indistinct) in place. 40 50

Why?---There was a lot of infrastructure that would come with the whole government Shared Service. There's much

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stronger governance, much stronger risk management associated with it. Our view was bent down on Lattice support, get that guy, get it extended, look after the few contractors that were critical to its support, and that could have meant Lattice could have been extended, and then take the time to do Queensland Health payroll and do it properly.

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May I then take you to - - -

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COMMISSIONER: I take it from your last answer that you expressed that view to someone in CorpTech?---Yes, we did. We did - there was a series of clarification questions, I recall, that came out during the ITO process. Accenture, we felt that there was a bit of pressure to escalate the Lattice replacement but we thought that - we stood firm on our guidance and we proposed what we thought was a more sensible risk option. We subsequently did have discussions with the director-general (indistinct)

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Thank you.

MR FLANAGAN: May I then take you to page 448?

COMMISSIONER: 448?

MR FLANAGAN: 448 of volume 28, Mr Commissioner. This letter, whilst undated, is actually attached to the email which is contained at page 430 of the 6 July 2007, so it would seem that by email a letter was sent out, together with the presentation, to around 11 external service providers. This particular letter at page 448 is a letter that was sent to IBM for Accenture, I won't take you to it, but exactly the same letter or the same terms of the letter but addressed to Accenture, contained in volume 6, page 1, Mr Commissioner, but the letter is a letter of offer, if you like, to the 11 external service providers for CorpTech to make a presentation by 13 July 2007 but to send information proposals to Mr Terry Burns by 5 pm, Thursday, 12 July 2007 and you'll see that by page 449?---Mm'hm.

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Suffice to say, Accenture was one of the companies that participated in that process?---Yes, it was, yes.

From there, may I take you in the same volume to page 462? Now, this is an email from Christie Trusz, T-r-u-s-z, from CorpTech. It's addressed to a number of entities, namely Lochlan Bloomfield at IBM, Mike Duke at Logica and Simon R. Porter at Accenture. Who was Mr Porter?---Mr Porter was a senior executive at Accenture.

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All right. And it says:

*Hi, all. We have asked for your submissions in response to our informal request for proposals -*

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so you'll see there that the language has gone from a request for information to an informal request for proposals -

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*on the solution or a statement process to be provided by close of business Thursday, 12 July 2007. In addition, we are offering your firms the opportunity to make presentation to the program senior management as well as the steering group. The day set aside is Friday the 13th, 2007.*

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Now, did you attend in Accenture giving its presentation to the program senior management as well as the steering committee?--No, I did not attend that.

But to your knowledge, Accenture did carry out such a presentation?---I believe so.

From there, may I go to volume 6 of the bundle at page 34? Rather than call this an informal request for proposal process, can we at least call this July process an RFI process, a request for information process?---Okay.

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But you'll see there that someone from Queensland Treasury is forwarding to a number of persons in Queensland Treasury the actual presentations that were presented on 13 July. Now, we don't have the attachments to this email, but it would seem from that, that at least IBM, Logica, SAP and Accenture made presentations on or about 13 July 2007 in response to the request for information?---Right.

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Thank you. From there, may I take you back to volume 28, to page 548? After the presentations on 13 July 2007, it would seem that the next step in the process was Mr Burns sending out an email on behalf of CorpTech calling for proposals, if you like and it's this email that, as far as the commission can tell, is the document that constitutes the formal request for a request for proposal?---Right.

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Can I just stop it there? Do you, sir, have any recollection of receiving a more formal or more fulsome document, apart from this one email from Mr Burns in terms of Accenture providing a proposal to the government?---I'm confident that we did not.

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You did not? All right.

COMMISSIONER: Mr Flanagan, I'm sorry, I'm confused. Page 548 is an email just to IBM, isn't it?

MR FLANAGAN: That's one example. It's an email that went out to all four.

COMMISSIONER: To all of them? All right, thank you.

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MR FLANAGAN: Yes. Can I say, Mr Commissioner, we have an example of a blank copy of the email not addressed to anyone, but with the information in it and I think we also have a copy of the email at volume 6, page 41, which is the document for Logica? So the blank copy of the email is at volume 6, page 20, for Logica it's at volume 6, page 41, but we don't have a copy of the document for Accenture.

COMMISSIONER: All right, thank you.

MR FLANAGAN: But we would say - and it would seem to be the fact - that what's requested in this email from Mr Burns was a request made to SAP, IBM, Logica and Accenture.

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COMMISSIONER: All right, thank you.

MR FLANAGAN: But for present purposes, Mr Salouk, is it the case that your best recollection and your best understanding is that this is the document that constitutes the request for proposal from Queensland Treasury?---Yes, it is.

So the same question would have been addressed to Accenture: is Accenture prepared to enter into a prime contractor role across the whole program. From the information contained in that document, that email, you'll see:

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*The process that we wish to follow from here onwards is to collate these proposals from all interested suppliers by 7 August 2007.*

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That was the close off date for the proposals?---That's right. 1

"We suggest that you may wish to make a presentation to the senior management group." I'll come to the presentation and the date that Accenture made the presentation, "It is our intention to begin the detailed processes leading to further engagements by 15 August 2007." Do you see that? ---Yes, I do.

You were given two names, who were employees or public servants, with CorpTech to contact for the purpose of booking meeting dates. Yes?---Yes, I do. 10

From that document, because we know that Accenture replied with a 111-page response and close to a 57-page slide presentation, was that the information or all the information you were given for the purpose of doing your response?---Yes, it was.

How was it that Accenture was able to do a 111-page proposal and a 57-page slide show in response to that one email?---Accenture had been engaged - Accenture's role in the time and materials contract under CorpTech gave Accenture a significant amount of insight regarding the project. We had something like 10,000 person days' experience on the project prior to receiving this, so we had fairly good insight. 20

IBM, however, would need to catch up?---Yes. Our view was that IBM - IBM had been engaged under a time and materials arrangement as well, but at a lower level, looking at infrastructure and technology. Accenture had more visibility of the program issues.

Then go to volume 6 at page 51. Again, just piecing together the chronology, at page 51 it would seem that CorpTech are engaging the services of Mr Swinson in relation to the vendor presentation meetings that are to occur in August 2007. Is that right?---Yes, that's correct. 30

Did you meet Mr Swinson in the course of this process?---I don't believe so in the course of this process.

But, in any event, if you look at the presentations that are to be made, at the bottom of the page, "Accenture part 1, key issues, workshop." Yes?---Yes, I see that. 40

That's at Santos House. Was that where CorpTech had its offices?---Yes, I'd agree.

Then there's part 1 and part 2 for IBM, SAP and then Accenture for workshops?---Yes.

Before I continue with the chronology, Mr Salouk, may I take you to your statement and, particularly, may I take you to paragraphs 35 to 43? To assist in your recollection of these paragraphs, may I ask you to have before you volume 26, page 1169?---Sorry?

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1169?---Yes.

Mr Salouk, in your evidence that you've given already you explained to Mr Commissioner the difference between an RFI and an RFP. In relation to this RFP, we know for a fact that Accenture provided a 111-page proposal to Queensland Treasury in response to this email from Mr Burns. Did you have concerns about the information contained in that email being linked to the market?---I had concerns about, yes, Accenture's RFP response being linked to the market after we had submitted - if there was no intention of the contracting after that process.

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We know that Mr Burns' email required the responders to the invitation to set out price ranges and the timing schedule in relation to the proposed roll-out of the shared services initiative. We'll come to your response shortly, but it's the case, isn't it, that Accenture actually proposed a price not to exceed price of approximately \$176 million for the project?---That's correct.

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And from your own knowledge from looking at the documents, IBM came up with the proposal or a range of prices between \$156 million and \$190 million. Is that correct?---That's correct.

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Mr Duke, who we'll call, in his own document had a range of \$116 million with a number of stages left out, but in his own evidence in statement says, "It was approximately \$180 million for the indicative price range of Logica for the roll-out." They don't seem to be terribly dissimilar prices?---Yes.

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What would happen to Accenture in the process if your price information was released to the market?---It would be a severe loss of our confidential information and our IP, and I think the market - our competitors would know that Accenture - if Accenture bids \$176 million one day, four weeks later it's going to be something very similar next time. I think the market would have known what Accenture intended to bid the second time around.

Now, at this time when you go and see Mr Bradley on or about 2 August 2007, which is before the closed responses to the RMP process, namely, 7 August 2007, where were you place; that is, Accenture placed, vis-a-vis Logica and IBM in relation to the market advantage you held because of your existing position with CorpTech?---We believed that we were - one of the reasons we were bidding was that we believed that we were in a (indistinct) position. We had a team that had been there a long time and, as we mentioned before, we had something like 10,000 work days worth of experience. We believed we knew the project program better than any of our competition, and that's why we were bidding.

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Now, you went and saw the under-treasurer on 2 August 2007? ---That's right.

Now, this is a document at page 1169 of volume 26. It's called Meeting RFP for Prime Services Partner; that is, first submission. Can you tell the commissioner how you actually came to construct this document, because it doesn't seem to be a contemporaneous file note of the meeting and we actually need to know exactly what it is and how you constructed it?---Yes. This file note is very much a cut and paste of an email that I had sent to the country managing director of Accenture prior to the meeting, and

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I'm confident that it's verbatim, the email, up and to the third photograph, "The above topics were raised directly by Accenture" and then I have the additional three points. 1

Now, when you say this was a cut and paste of an email you sent to an Accenture executive, was that to Mr Doug Snedden?---To Doug, Mr Snedden, yes.

All right. Now, do you still have the email that you sent to Mr Snedden?---Yes, I believe I would have. 10

Was there any reason that you didn't provide that email and rather gave a cut and paste version of it?---No, not at all; no.

All right. So if one was to require the actual email, you could present it?---Yes, I could.

Can you say to the commission that it's in the same terms as you've put here?---Yes, it is. 20

Now, doing as best you can, does the list of people who attended this meeting with Mr Bradley property reflect your recollection of who was there?---To the best of my knowledge.

But in any event, you attended?---Yes, I did.

Together with the under-treasurer?---Yes. 30

All right. If you need to refresh your memory from the file do so, but I'd prefer you just to look at me presently and just tell me what's your best recollection of what was said in that meeting?---Well, the primary objective of having the meeting was I wanted Mr Snedden to test my judgement as to whether it made sense for Accenture to bid in this first stage. I had asked the question several times of Mr Burns and Ms Perrott as to whether the government intended to contract at the end of the first stage. We intended to ask the question again from two senior treasury officers, and I wanted Mr Snedden to be there so that he could test my judgement that it made sense for Accenture to bid. So the primary discussion was: did the government intend to contract at the end of this stage? If they did not, that was fine, but Accenture would provide a very different response that it would, a firm proposal which was requested. The other key message we had was we were concerned that one of our competitors may come in and bit a low price just to make life easier for the under-treasurer. We wanted to make it clear there were no suitable - there was no easy way to fix this thing, treasury had run the project efficiently for a couple of years, and there was a cost associated with that and therefore it would be bigger than the budget remaining. There are some major program issues that hadn't really been discussed that we were concerned about, and wanted those - 40 50

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we wanted to raise those, and they were things like Queensland Treasury, having driven the project for a couple of years, its behaviours needed to change once it transferred risk to a systems integrator. And we had discussions within Accenture about the way our behaviours hadn't changed when we moved from time and materials to driving a project, we tested to see whether we were ready to step up to the plate. We wanted to talk to Treasury about were they ready to give it to us, and to confirm that we were ready to take it on.

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Why was it important for Accenture that you seek some assurance from the under-treasurer that the government would go to contract after this RFP process?--Because Accenture was submitting a proposal, we had been requested by the email to provide a firm proposals and, as such, we were submitting a proposal. The information contained in our proposal was highly sensitive and it outlined our approach, our time frames, our release strategy and our price.

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If I take you to point one on those proposed topics, I'm just going to ask you this: was that topic actually discussed at the meeting?--Yes, it was.

And can you recall what was said about that particular topic?--Yes, we raised the concern regarding the two-stage process and the fact that once we provide you a proposal I think we said words to the effect of, "That information is then in the market." One of the government attendees, I can't remember which one, they asked us, "Why do you think that would be the case?" and we said, "There's a lot of people involved in the process, and once we provide you the RFP people talk. It's very hard to contain information, we have to assume that information will get out."

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Then if you'd go to point three, this is the silver bullet statement. You've talked about there a transition to this role over six to nine months. Why did Accenture see it necessary to have a transition of such a lengthy period in relation to its roll-out of the shared services initiative as prime contractor?--Yes, there was some major issues that hadn't been address by treasury as it ran the project and really weren't being addressed through this RFP process, and they were things such as: did the SDA and did CorpTech have the authority to impose standardised processes and technology on the agencies? They were things that we didn't know at the time, that if we were contracted as so we would help the government work that through. Through the not to exceed process, budget process, we intended to provide a fixed price proposal for a substantial piece of work but we couldn't fix price the entire program. So we were volunteering a budget that Accenture intended to then contract to or under.

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All right. In relation to a price that exceeded the remaining budget that had been put aside for this roll-out, you note at page 1170 at item 4, "The under-treasurer advised that I need to look at the detail, but those numbers will cause me a challenge within government." Do you see that?---Yes, I do.

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I know it was 2007 and it's now 2013 but what is your best recollection of the conversation surrounding that topic? 1  
---We advised the government - we took them through the basic terms of, "You only have \$80 million left," but that is not - there is no correlation between that and the amount of work that we required to finish it and we were very honest about - there is no way that Accenture could complete the program for \$80 million.

Was it the case that by 2 August 2007, Accenture knew what the remaining budget was in CorpTech for the rollout?  
---Yes, we did. We had a fair idea, yes. 10

Can you recall who told you that?---I can't recall who told us that. It was - that information was readily available.

All right, thank you. Did the under-treasurer or any other person at this meeting ever convey this message to Accenture that if you're simply going to quote a range of prices that are \$100 million over the remaining budget, forget about it?---No, definitely not.

Can you recall anything else that was said about the budgetary amount and how much it would cost to roll out to the initiative?---No, I can't recall anything else. 20

Can I take you to item 6 on page 1169 then? We know that an evaluation process was followed in relation to the RFP, that people involved had to sign declarations of conflict of interest. There was scoring done in relation to it and I will take you to those documents shortly, but when the question of evaluation and what evaluation was taken place, first of all, why did Accenture raise that as an issue of concern?---We wanted to understand - just as a general rule, we like to understand who the key decision makers are, who the stakeholders are in the evaluation process. 30  
20 people or circa people attending an evaluation is a lot of people and we just wanted to understand how are you going to collate disparate thoughts and how are you going to bring that process to completion.

Can I take you over the page to page 1170 where you have the heading the above topics were raised directly by Accenture? Do you see that?---Yes, I do.

Can we take it that when you have those three dot points following under that heading, that those three topics were specifically discussed at this meeting with the under-treasurer?---Yes, they were. 40

Now, can you take us through each of those points there and recall, if you can, what was said?---The first point relates to the - we wanted confirmation from Treasury that they intended to and could contract at the end of the RFP process.

What did the under-treasurer say to that?---The response was - I can't recall whether - who said the response, it might have been Mr Burns, I'm not certain. Someone said, "Yes, we can and we have taken legal advice."

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Mr Commissioner, could I just pause there for the purpose of the picture, the legal advice that had been obtained is the legal advice referred to in the opening of the urgent advice by Mr Swinson that one could contract with a prime contractor even though there are existing subcontractors with CorpTech and Logica, Accenture, IBM and SAP.

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THE COMMISSIONER: Thank you.

MR FLANAGAN: Yes, go on, please?---The second - sorry. Yes, the second point, we did talk about the fact that once we provide our proposal, we assume that that information will be in the market and therefore there cannot be another stage after that. We were very clear about that. As I mentioned, Treasury challenged us to some extent on that. Someone asked a question, "Why do you believe that your proposal will be linked to the market?" and to that we responded that there's a lot of people involved in this process, there's a lot of people working at CorpTech, they talk a lot - it will get out.

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What did you mean by that there were a lot of people involved in this project?---There were going to be 20 - something like 20 people attending from CorpTech for the presentation. There were many CorpTech employees currently involved on a Shared Services Initiative and they knew a lot. They talked a lot and they were talking to a lot of contractors, contractors were talking to vendors, you know, information was getting around the market.

Thank you. I will then take you to volume 24, page 134. At page 134?---Yes.

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Now, just very briefly, you will see there that the first email suggests that the final replanning proposal to CorpTech was to be presented by Accenture on 7 August. Do you see that?---Yes, I do.

And you attended that presentation, did you not?---Yes, I did, yes.

The persons listed there at that presentation include Mr Burns and others from CorpTech?---That's correct.

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And Mr Goddard?---Yes, that's correct.

Then you will see there in addition there is a session booked for August 2 at Santos House, the attendees from CorpTech will be - and you have the under-treasurer,

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Mr Bradley; Barbara Perrott, the executive director of CorpTech; David Ford, the deputy under-treasurer; and Terry

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Burns and Keith Goddard yet again?---Yes, I do. 1

That was the meeting that you referred to of 2 August 2007, that's the file that we just looked at?---Yes, that's right.

All right, thank you. Now, can I take you then to volume 24, the same volume at page 4? I just wanted to confirm that that is actually the agenda that you drafted for Accenture for the presentation on 7 August 2007? ---That's correct. 10

Page 4?---Yes.

And then if you could then go to page 197, the same volume, is that a file note that you had typed up in relation to the presentation of Accenture or by Accenture to CorpTech on 7 August 2007?---Yes, I believe this is a meeting summary that was put together by an Accenture consultant regarding that meeting.

Is part of this document your work?---No, it would - no.

All right. Now, you will see there that it actually has the detail of the seating arrangements but what is clear from 7 August 2007 is Mr Bradley is not in attendance but Mr Burns and Mr Goddard are. Yes?---Yes, that's correct. 20

Now, were you present when the presentation - I've asked you this already - you were present when the presentation occurred?---Yes.

Can I take you then - it refers to slides. Do you see that?---Yes.

Is this slide presentation a reference to Accenture's 57-page document that was presented at this presentation? ---That's correct. 30

As opposed to the 111-page narrative document that constituted Accenture's response to the request for proposal?---That's correct.

Which was filed or presented or given to CorpTech on or about 9 August?---Yes. If not on that day, it may have been later, yes.

All right, thank you. Now, if you look under slide 11, it says Terry Burns mentioned that Health's payroll plays a significant role and that includes other agency legacy systems. Do you see that?---Yes, I do. 40

Just your general impression at this meeting, what role did Mr Burns play at this meeting, where you have got actually the - the executive director of CorpTech present?---Yes.

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And a number of CorpTech people present, but what role -  
and in fact, Phillip Hood who was the deputy  
executive-director of CorpTech, what role did Burns play at  
this meeting?--Mr Burns coordinated CorpTech, effectively.  
Ms Perrott arrived late for the meeting. Mr Burns opened  
up with CorpTech's objectives, et cetera. We saw him as  
leading the delegation.

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Under slide 11 it says:

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*Terry Burns mentioned that Health's payroll plays a significant role and that includes other agencies' legacy systems.*

What does that mean and what was said in that regard?---I can't recall exactly. I can't recall.

Then Terry Burns wanted to go back to slide 9:

*Slide 9: Terry Burns then asked to go over the intro and do the summary of the cost again. Barbara wanted to confirm the total cost and the 39.5 cost for the first 12 months.*

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Do you see that?---Yes, I do.

We'll come to your proposal shortly, but your proposal had certain fixed costs. Is that correct - - - ?---That's correct.

- - - for various statements of work or scopes of work?  
---That's correct. Yes. The first work orders, yes.

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For the first work orders?---Yes.

Thereafter, a not to exceed price?---That's correct.

The not to exceed price totalling \$176 million?---That's correct.

In the course of you presenting or Accenture presenting its price for this, did anyone say to you, having met with the under-treasurer, that that price was so out of the market and so over the existing budget or remaining budget that the proposal was untenable?---No, definitely not.

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Were you discouraged from proceeding further in the process because your price was approximately \$100 million more than the remaining budget in Queensland Treasury for the rollout of the Shared Services initiative?---No.

Can I take you to the bottom of page 198 and just test your memory, Mr Salouk? It's under slide 22: Keith Goddard, Terry Burns, "Resources: please address the resources needed to do work." Barbara Perrott, "Will only be Accenture employees." Terry Burns, "Agencies' involvement is that anticipated and what is their resources involvement and do we get the sort of commitment with the likes of you, Simon?" being a reference to Simon Porter. Is that correct?---That's correct.

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Do you recall what was said in relation to Accenture's resources for the rollout?---I can't recall. I can't recall exactly. My recollection is that Accenture advised

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- we advised of the amount of resources that we intended to provide to the project and what resource commitment would be required from the agencies and from CorpTech. 1

All right. Without revealing any commercially confidence information, we need to know this: as a matter of course at this time what was the level of Accenture providing its own personnel to a prime contractor model, as opposed to Accenture subcontracting with others fulfilling the responsibilities under the prime contractor model?---Right. Sorry. So the latter being under the time and materials arrangement? 10

Yes?---Okay. I don't know exactly what proportion of resources Accenture had under the T and M model, but I would expect that it was a relatively small percentage. It may have been 20, less than 30 per cent, I'd say. For Accenture's RFP, the proposal that we provided at the RFP stage and for the ITO, Accenture's level of involvement would have been around 60 per cent of the resources.

With 40 per cent being subcontracted?---Sorry. With 40 per cent being government. Of Accenture's 60 per cent, a very small percentage would have been subcontractors. 20

All right. Just so that we can understand this, the proposal that Accenture was putting forward for both of the response to the RFP and the ITO was that it would work with the existing CorpTech staff. Is that correct?---That's correct. Yes.

Once the prime contractor model was adopted, a number of CorpTech staff would lose their jobs or be transferred back to their former departments?---Yes; or be redeployed into the agencies, so the specific agencies that needed help, our view was that CorpTech staff that weren't required would possibly go there. 30

Part of Accenture's response was identifying a fairly low morale in CorpTech in relation to the rollout that Accenture would play a role with CorpTech personnel in performing the prime contract responsibilities?---That's right.

So when you say 60:40, you're talking about 60 per cent of Accenture personnel or Accenture responsibility, but using and managing 40 per cent of CorpTech personnel? ---Exactly. So while Accenture was proposing to be the systems integrator and taking responsibility for the entire program, we could do that by overseeing 40 per cent of the staff coming from government. 40

Was there also an intention of Accenture to use some overseas resources?---Yes, there was a proportion of resources that we would use for certain activities to be performed overseas.

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That is an important part of both the IBM and the Accenture tender and it's a question - and clarification is sought in relation to it - could you just explain what is the process or why you use overseas resources and how they're used?  
---Yes.

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I think India is often mentioned in - - - ?---Indeed it is. From time to time Accenture used overseas resources where we were looking at a cost advantage or we were looking for scale, where there were very discrete components of work, so it might be a bit of programming that needed to be done, much of the design, the scoping design, would be done here by the team here. The actual coding may be sent to India and be done by our staff there, the quality assurance done back here.

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As a percentage, how much overseas resources was Accenture intending to use?---From my memory, it was 25 per cent or less.

Thank you. You mightn't be able to answer this, but from your own knowledge of the market what was IBM intending to do in relation to - sorry. What was IBM's response to the percentage of subcontractors as opposed to using CorpTech?  
---IBM had had a track record of using a much higher percentage of subcontractors. So we anticipated IBM would use a significantly higher percentage of offshore resources and a significantly higher percentage of contractors.

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Thank you. Then can I take you back to volume 24, pages 138 to 195? If we start at page 138 please. Would you just confirm, Mr Salouk, that that is in fact the 57-page slide show presentation that Accenture presented on 7 August 2007 to CorpTech personnel?---Yes, I believe it is.

Thank you. Then can I take you to page 16 of volume 24? This is the 111-page response given by Accenture in relation to the RFP?---Yes, it is.

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Can I take you specifically to price or price range, which you'll find at pages 111 to 113? At 111 starting under item 7.4 "our price". Do you see that?---Yes. Yes, I do.

It also identifies proposed streams of work?---Yes.

Go over the page to page 112?---Yes.

Can you explain to the commission the table at page 113?  
---Okay. So Accenture's overall estimate to complete the program was \$176 million. Of that, Accenture was willing to fix price \$39.5 million, they're the initial work orders. So we had enough certainty around that initial piece of work and then Accenture was intending to, over the course of the next six months was to convert the \$136 million not to exceed budget to fixed price work orders.

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All right. And if one was to add the Accenture price excluding GST of 39,500 to 136,500, you'd come up with \$176 million?---That's right. 1

Thank you. Now, can I just take you then to the end of the RFP process? Can we go back to volume 6, page 146? Now, Mr Commissioner, this is just a draft letter, but we take it that a letter in similar form, and we have evidence of this, a letter in similar form was sent to the three entities that had responded to the RFP. 10

COMMISSIONER: That refers to an RFI. You think, in fact, by this stage it had become an RFP.

MR FLANAGAN: Yes.

COMMISSIONER: Is there a date (indistinct)

MR FLANAGAN: (indistinct) it says:

*Thank you for your information you've provided as part of the selection process.* 20

It goes on:

*Our feedback to you is that Accenture's and IBM's responses were the most highly rated. We are now entering a formal process to select a prime contractor.* 30

Do you see that?---Yes, I do.

All right. Then from there, may I take you to volume 26, page 1167? How did you react when you saw that letter? ---We were very disappointed.

Why was that?---We understood the process to be - the request was for firm proposals. We understood the proposal - the request to be - the process to be a request for proposal, after which the government was (indistinct) 40

And you had actually sought assurances from the under-treasurer in that regard?---We had, exactly.

So if you go to - I think it's a trial notes of yours at volume 36, page 1167. And for those following your statement, Mr Salouk, I'm now dealing with your evidence given in your statement at paragraph 54 where you state that at the end of the RFP process, that Margaret Rimmer was certain that Accenture had won the RFP for the PSP. Now, where did you hear or from who did you hear that Accenture had won that process?---There were CorpTech staff that Accenture personnel knew exceptionally well. We worked there a long time. Our contractors knew very well, contractors that knew the CorpTech staff, so we did promote a few sources. 50

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Until this commission, you had actually never seen any evaluation documents that had Accenture ahead of IBM?---No, I haven't, no. 1

We'll come to those documents shortly. But you then go on to state that unfortunately what happened in the next couple of weeks was that Treasury came back and advised that it had new legal advice that said it would appoint - that it could appoint as a result of the RFP; however, it would be unwise to do so. Do you see that?---Yes, I do. 10

You say at 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.*

That was all rumour that you had heard in the market place, was it?---Yes, it was and we did meet with Ms Perrott and Mr Burns, and we did ask them, effectively, what went wrong and they advised that they had taken legal advice. While the advice was that they could award from the process they ran, they shouldn't. 20

All right. Can I take you, then, to page 1167 of volume 26 - - -

COMMISSIONER: Mr Salouk, just looking at the point numbered 4, page 1167 of volume 24 - - -?---Yes. 30

26. You recall there that you commented:

*It looks like you're commoditising our approach, giving IBM time, levelling the playing field, setting up for a price shoot out.*

What was the response to that remark, can you recall?---I recall Ms Perrott and/or Mr Burns said, "No," there was just a process issue; it's not this at all, it was a process issue. 40

All right. Thank you.

MR FLANAGAN: Now, just doing as best you can, can you recall the conversation that took place on 20 August 2007 with Ms Perrott and Mr Burns?---This file note's reconstructed, I believe, from an email I sent to internal Accenture management because I was trying to relay as best I could some of the actual things that were said so that they could test whether or read on the situation was to - - - 50

Mr Salouk, would you mind - where you have emails - - -? ---Yes.

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- - - would you mind providing those emails - - -?---Yes, 1  
sure.

- - - to the commission?---Yes, I will.

Thank you?---We asked the question. The purpose of the meeting was basically to ask, "What went wrong? What went wrong with the first process?" The government had given us some assurances that they intended to contract at the end of the RFP process. Now it seems that they couldn't. They had said that they had received legal advice. I seem to recall that they had advised that someone had made a complaint. We didn't know who that was. And then I made a comment that it appeared as though the government was now trying to commoditise the process, meaning they were simplifying the process to the point that anyone could response to it, and then it becomes basically a price becomes the key determinate. 10

But ultimately, to be fair, this is a good thing in a tender process to ensure that there's a level playing field?---Yes, yes, it is. I mean, it would be good for the government - it's in the government's interests to ensure there's a level playing field, but the government should have done that through an RFI process. It's totally inappropriate to do it through an RFP process. At the end of an RFP process, the government should (indistinct) 20

But as a matter of principle, you don't have any difficulty with IBM being put in the same position as Accenture in terms of information for the purpose of tendering?---As a principle, no, as long as it's done through an RFI process, and Accenture had known that at the start. 30

All right. It is the case, though, isn't it, you definitely had a market advantage in terms of this tendering process because of your ensconcement with CorpTech?---We absolutely believe so.

All right. Can I then take you to volume 6, page 138? Mr Commissioner, I said in my opening we have very little evidence of the actual evaluation that took place of the proposal sent in response to Mr Burns's email. That total evidence seems to be contained in the next few pages I'm about to show the commission. I know it's not your email, Mr Salouk, but it attaches the vendor evaluation for your review to a number of persons at Queensland Treasury. If you then turn over to page 140, you will see there that four proposals have been evaluated, Accenture, IBM, Logica and SAP. That's at page 140 at the very top in very little writing?---Sorry, sir, I can see Accenture. 40 50

And then if you go across - - -?---Oh, yes, I can see IBM.

- - - in the dark blue is IBM?---Yes.

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Then the orange is Logica and in the white is SAP?---Okay. 1

I know the document is extremely difficult to read but it seems to have been an evaluation in respect to a number of criteria. Yes?---Yes. I take is H is high, L is low and M is medium?

Yes. We take it that that's right. Then if you look at page 142, at the very bottom of - if you turn that page sideways, the figures are finally added up and Accenture is given a grand total of - if my eye sight is correct, 76? ---Yes. 10

And IBM, 68?---Mm'hm. I can see that.

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Now, it's the case that the ITO was issued on 12 September 2007?---That's correct, I believe. 1

And a bridge version is contained in the tender bundle at volume 12. Then Accenture's responses to the ITO, Mr Commissioner, is contained at volume 17, we will come back to that but the ITO is at volume 12 and the response of Accenture is at volume 17. May I then deal with your concerns as to the structure of the ITO which you deal with you in paragraph 60, 61 and 62 of your statement? What were your concerns?---Our concern was that Accenture had provided a complete response to the RFP stage, that we had provided our answer and that included our schedule, that included the fact that we intended to propose a release strategy as opposed to a functional approach. We identified an org chart and we had all of our pricing information. 10

Now, did you express your concerns to anyone?---Yes, we did; to Ms Perrott and Mr Burns. 20

Can I take you to volume 26, page 1167? The concerns that you're referring to there, are they the concerns that you identified in your meeting of 20 August 2007 with Ms Perrott and Mr Burns?---Yes, that's correct.

All right, thank you. While we are at volume 26, may I take you to page 1144? In paragraph 67 of your statement, Mr Salouk, you said that Accenture had concerns about how confidential pricing information in the tenders was being used. For example: 30

*Queensland Treasury's budget remaining for the project was around \$80 million. Accenture's estimate of the effort required to complete the task was around \$180 million. 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 to \$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.* 40

If you go to page 1144, is the risk that you have identified that highlighted in yellow at page 1144?---Yes, it was. 50

Can I just read that into the record:

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*Given the procurement process followed to date, content, including price et cetera, of Accenture's bid is out in the market, the implementation plan that Treasury published on 17 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 as being undermined, Accenture's previous offers to clients are believed to have been known to the market, so we risk that IBM will adapt our approach; that is - - -?*

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---"Adopt".

"Adopt". Sorry, yes it is "adopt":

*Our approach that is preferred by client and focus on undercutting on price.*

That was a risk that you identified as early as 27 August 2007. Is that correct?---That's correct.

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That is a risk that you, having identified, communicated on or about 27 August 2007 with other Accenture executives?---That's correct.

Thank you. Now, I take it at 27 August 2007, you didn't know what IBM's range of price for the proposal had been, did you?---No, we didn't know.

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You didn't know that it was \$156 to \$190 million?---No, we definitely didn't know that.

Until recently in the course of looking at documents for the purpose of giving your evidence today, you didn't know what price - you didn't know for certain, at least - what price or price range IBM had offered in its response to the ITO?---That's correct.

Having identified those risks, can I then just take you to an email that has been recently disclosed which is contained in a new volume of the tender volume, volume 33? May I take the commission, and you Mr Salouk, to volume 33, item 33?---Thank you.

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Page 36. You appreciate that I have shown you some documents that demonstrates that there was an evaluation process done for the responses to what we call the RFP?---Yes, I understand.

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This is an email from Mr Burns dated 31 August 2007; that is, an email before the issuing of the ITO but after the assessment of the RFP. It's to Barbara Perrott. "Barb, IBM called me yesterday to tell me that a staff member at

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an agency had mentioned that they had access to the RFI evaluation matrix" - now, RFI there, we can read it as either RFI or RFP -

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*evaluation matrix which listed the vendor strengths and weaknesses. This was due to the document being filed in a folder where the access restrictions were opened and not restricted which is a separate issue. IBM were concerned that the draft RFO might also have been compromised in this way. I have checked and I am assured that this was not possible. John Swinson advises that we write to the core vendors, seeking a formal statement from them to keep on record. Accordingly, I have drafted a letter over your signature along the following lines*

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and then there is a suggested drafting for a letter. To your knowledge, did Accenture ever receive a letter, saying or seeking that type of undertaking?---No, I can't recall receiving a letter like that.

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Before I showed you the document - that's the first time you have seen this document, Mr Salouk, isn't it?---That's right.

Did you ever hear any market rumours or did anyone bring to your attention that IBM had been given access to the strengths and weaknesses analysis done by the evaluation team for the RFP?---No, we weren't aware of that.

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All right. Can I take you to that actual document? For that purpose, may I take you to volume 6, pages 62 to 66?

THE COMMISSIONER: Is this another version of that document that you took him to earlier?

MR FLANAGAN: No, that was a scoring document, Mr Commissioner. This is actually a document that we have identified as being the strengths and weakness document because it says up the very top, "Category strengths, weaknesses, risk, issues."

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THE COMMISSIONER: Yes.

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MR FLANAGAN: The other document that we showed you was actually the document that scored each of the criteria leading to a total score. I know you've never seen this document, Mr Salouk, so I want you to take some time just to really read the strengths and weaknesses relevant to Accenture, which are strengths and weaknesses under a number of headings which are difficult to make out. Yes, first of all, would you view the identification of the strengths and weaknesses of Accenture's response to the RFP as being commercially sensitive information?---Yes, I would.

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Would you view it as extremely commercially sensitive information?---Yes, I would.

If that information had been leaked to IBM in this process prior to the issuing of the ITO, what effect do you understand that would have had on Accenture's proposal?---I believe it would have - if IBM did have access to it, I believe it would have given IBM an opportunity to eliminate the amount of differentiation Accenture had.

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Well, we know from that email from Terry Burns that it would appear that IBM did come across this information but quite properly brought it to Mr Burns' information, and Mr Burns quite - - -

MR DOYLE: With respect, you must return to look at the email at the end, it doesn't actually say IBM had it, it said, "IBM was aware that an agency had it," that's the email that is being referred to.

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MR FLANAGAN: I withdraw it and I'll correct that. My question will be more general then. That sort of information, if that had been available to IBM, would that have affected your proposal?---Had IBM had this information, I believe it would have assisted them in the ITO response.

Thank you. Could I just bring something to your attention so that we know that we are having difficulty working out whether this is an RFP or an RFI? While we're here in volume 6, Mr Commissioner, could you just turn to page 71?

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COMMISSIONER: I haven't got that.

MR FLANAGAN: It's actually an email, dated 3 August 2007, from the deputy under-treasurer, Mr Ford, to Joanne Bugden who was, then, the CEO of CorpTech, and Maree Blakeney who was in charge of procurement and contracts. And he says, "Is this really an RFI process? I guess I had rather seen it as a more informal exercise seeking guidance as to possible ways forward, or is this the same thing?" So that confusion is actually coming from the deputy under-treasurer. And then Ms Bugden replies, "No, it's not

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an RFI process, Keith just keeps calling it an RFI process," being, I think, a reference to Mr Goddard's email which is found at page 57 where he talks about the evaluation process.

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COMMISSIONER: Is Mr Salouk's understanding the RFI process is reasonably formalised?

MR FLANAGAN: Yes.

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COMMISSIONER: In the sense that it can't lead to a contract.

MR FLANAGAN: Yes.

COMMISSIONER: I suppose, in a sense, he doesn't know what it's called if people understand what is involved. And you say you understood that in the July process you were being asked, or Accenture was being asked with others, to put forward a proposal that could lead to a contract?---Yes, yes, indeed.

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MR FLANAGAN: May I then just turn to paragraph 69 to 77 of your statement? There you deal with the fact that you had no one-on-one contact with Mr Burns, is that correct? ---That's correct.

And I haven't asked you this question yet, but to your knowledge did anyone from Accenture have one-on-one contact with Mr Burns?---Not to my knowledge.

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All right. Thank you. Did Mr Burns, when you were dealing with him with other CorpTech people present, ever give advice to you and Accenture as to how you should structure your response to, for example, the RFI or the RFP?---No, he didn't.

Did you ever strongly ever recommend a position that you should take in relation to the shared services initiative roll-out?---No, he didn't.

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Did Mr Burns ever say words to this effect to you, that he was "a long time IBM'er"?---No, he didn't.

Did he ever provide encouragement to you or Accenture to be competitive in your pricing?---No, he didn't.

Now, you've told us that Accenture did a full presentation on 7 August 2007 in relation to its RFP response?---Yes.

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Did Mr Burns ever offer to you or Accenture an opportunity to go through that presentation with him prior to presenting it to CorpTech personnel?---No, he didn't.

May I take you then to paragraph 81 of your statement, Mr Salouk? And can I ask you to turn up volume 26, page 1145? Now, is this file note an Accenture file note? ---Yes, this was prepared by an Accenture consultant following an industry briefing.

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All right. And did you attend this industry briefing on 17 September 2007 from 1 pm to 5 pm?---Yes, I did.

So it was a four hour briefing, was it not?---Yes, I believe so.

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And it's after the ITO had been received by the close tenderers, namely, IBM, Accenture and Logica?---That's correct.

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To the best of your knowledge and belief, does that file note contain some of the matters that were discussed at this presentation?---Yes, I believe so. 1

Okay. What I want to take you to in relation to that file note is to page 1146 and can you just us your understanding of each of the criteria, namely, solution, value for money, ability to schedule and deliver, proven ability to deliver and proven PPM ability?---Yes. So solution: I believe, was referring to how the proponent was going to architect a solution to deliver the whole of government Shared Service program. Value for money: I believe, related to how CorpTech was going to evaluate the value of each of the proposals it received. Ability to schedule and deliver: I believe referred to the proponent's ability to evidence the fact that it was going to be able to get the program to deliver on schedule. Ability to deliver work packages and meet defined quality criteria: I don't recall what that point was about. I believe the last point was proven project management and methodology: having the right people in place at the senior level and using a robust methodology. 10

Was there any part of this presentation where Ms Perrott, Mr Burns or Mr Goddard conveyed to the three tenderers and their representatives that the pricing had to have regard to the remaining budget of the Shared Services initiative rollout, namely, \$80 million?---No. No, definitely not. 20

Did Mr Burns in any conversations with you and other Accenture representatives, with other CorpTech people present, suggest to you that Accenture needed to turn its mind in its pricing response to the ITO to ensure that it came within that budget of \$80 million?---No. No, he definitely didn't. Sorry, sir. I'm confident of that because Accenture - we probably would not have bid had that been the case. 30

Why is that?---Because we knew that we could not deliver the program for the remaining budget. So it would have been pointless to invest another \$1 million in a preparation of a proposal response knowing that you're not going to be considered.

Thank you. Can I take you then to paragraph 82 of your statement? It seems one of your continuing concerns was the leaking to the market of the information contained in your proposal, which was a response to the RFP. In that respect, could I take you to volume 26, pages 1149 to 1152. I'm sorry before I do that, while we're on the same volume, there's something I forgot to ask you. Could you just turn back to page 1146. What's being outlined here at page 1146 is Accenture's file note of the industry briefing by Mr Goddard and Mr Burns and Ms Perrott. Is that right? ---That's right. 40

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You'll see there that there's actually a note in bold where it says, "Value for money." "These are our criteria from RFT." Do you see that?---Yes, I do. 1

COMMISSIONER: Sorry, did you say 1146? I have got it. Thank you.

MR FLANAGAN: Thank you.

COMMISSIONER: Yes, sorry. Go on.

MR FLANAGAN: What's meant by that notation?---I'm not certain. I believe the consultant is making a comment that it appears as though the value for money criteria that CorpTech had identified for the ITO were very similar to Accenture's RFP - information from Accenture's RFP, I believe. 10

Can I then take you back to where we were, 1149? This is an email or a string of emails. It starts at 1149, an email dated 17 August 2007, which is the same date as the presentation, but it's a letter from CorpTech which refers to being a letter of Barbara Perrott, the executive director. You've read that letter before, have you not? ---Yes, I have. 20

That was a letter that set out in a fairly structured form what was being expected of the tenderers in their responses to the ITO. Is that correct?---I believe this was an email that Ms Perrott sent to CorpTech employees.

All right. We then see a string of emails which are, to be clear, all internal Accenture emails, are they not?---Yes, they are.

Again, can you provide the original copies of those emails to the commission?---Yes, I will. 30

Good. In any event, in those emails Accenture is having internal communication as to their concerns that what is contained in the ITO or the structure of the ITO itself is reflective of the response that Accenture made to the RFP process?---That's right.

Apart from the suspicions, and they are mere suspicions, that are expressed in these emails, can you provide any direct proof to this inquiry that IBM was provided with either the whole of your response or information contained in your response to the RFP?---No, I can't. 40

Can I then take you to paragraph 83 of your statement, please? In that respect, can I also take you to volume 26, again, page 1154? That confirms in the second paragraph that you had asked Queensland Treasury many times whether they could buy from the prior process. What do you mean by

"buy from the prior process"?---That during the RFP - what we've referred to as the RFP stage - that they intended to, and could, contract at the end of that. 1

Could I take you to then the letter of refusal after the ITO responses were assessed or evaluated by Queensland Treasury and others. Did you receive a letter of, in effect, refusal - or that Accenture had not been successful in the ITO process?---That's right. We received a letter from Ms Perrott that Accenture was ranked second.

Can I take you to page 1053 in volume 26? Is that the letter that Accenture received from Ms Perrott?---I believe so. 10

What was Accenture's response?---We were devastated, we were surprised, but we were devastated because we thought we'd been through the process twice. We had heard - we thought that we had won the process the first time. We had more insight. We thought we could do an exceptional job.

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When you found out, what did you do?---Soon after finding out - I can't recall the exact date - I believe it's the first week of December 2007, I contacted the DG of public works and had a brief meeting with him.

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Now, you might explain to us: why did you go to the director-general of public works in relation to the result from the tender process rather than to the under-treasurer? ---Yes, it was our understanding that public works was going to manage the contract and public works was responsible for whole of government procurement.

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So you went and saw Mr Grierson, the then director-general of public works. Is that correct?---That's correct, yes.

If you could look at volume 26, page 1164, is that a reconstructed file note of your conversation with Mr Grierson?---Yes, that's correct.

Right. Now, what was discussed?---We - I raised the point that Accenture was very disappointed with the process. Mr Grierson made a point that there was only \$80 million left in the budget or Accenture's bid significantly more than the budget. He made a point that there were tens of millions of dollars, many tens of millions of dollars between Accenture's price and IBM's price.

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Did that response surprise you?---Yes, it did, it did. The many tens of millions did surprise me.

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What else was said?---And Mr Grierson made a point to the effect of - and we're talking about IBM, we're not talking about a small suburban consultant firm. And I asked Mr Grierson for one thing - I made the point that Accenture could not deliver to the budget that IBM had put forward, if it was many tens of millions less than Accenture, nor the schedule, as I understood it, and that I asked one thing and that is that Mr Grierson hold IBM accountable for their proposal.

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And that's as early as the first week of December 2007? ---That's correct.

By the first week of December 2007, had you found out or did you have an idea of how much IBM had actually tendered in terms of their price for the work?---No. I believe - I recall - the rumour at that time was that IBM had bid within budget. Our assumption, therefore, was that IBM bid 70 or 80 million, because that would have been as much as you could bid within budget.

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Which is close to \$100 million less than you - - -?---Yes. That's what we had assumed at that time.

All right. While we're dealing with meetings and hopefully to avoid having to call you back at a later time, can I deal with some other meetings that you had with Mr Grierson and with then minister for public works, Mr Schwarten?  
---Mm'hm.

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It's sometime later, but did you meet with Mr Schwarten on or about 9 December 2008?---Yes, that's correct.

Can you tell us about that meeting, please?---Yes. The purpose of the meeting was really to introduce myself and one of my - one of the other Accenture senior executives to Mr Schwarten. That was a primary objective. We took Mr Schwarten to dinner and during the course of that meeting I made a comment that I believe that the - we asked Mr Schwarten how he thought the Shared Services program was going and I made a comment that I felt that it was extremely risky, IBM's schedule was extremely risky.

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Where had things got by December 2008 in relation to IBM's roll-out of the Shared Service Initiative as prime contractor?---To the best of my recollection, the rumour that we had heard that IBM's initial price, which we didn't know what it was, we had assumed it was 70 million, 70 or 80 million, had increased to close to Accenture's price of 180 million, and then had been rebid again to well over 200 million, approaching 300 million. That's where I believe it was at, at that point.

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When you raised your concerns about the timing and pricing of IBM's roll-out of the Shared Services Initiative, what did Mr Schwarten reply?---Mr Schwarten advised that Mr Grierson was in charge, managing the program, was keeping a close on it, I believe, but that he would confer with him in the near future.

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And shortly thereafter, did you meet again with Mr Grierson on 15 December 2008?---Yes, we did.

Sorry, just in relation to the meeting with Mr Schwarten, Mr Commissioner, there is a file note of it which is volume 24, page 1162, but can I move on then to your meeting with Mr Grierson on 15 December 2008? A file note of this meeting is contained at volume 26, page 1164. In any event, you met with Mr Grierson - is that correct - - -?---That's correct.

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- - - on 15 December 2008, and he indicated to you that he had actually spoken to the minister in respect to this very issue?---Yes, that he advised that he was aware. We told him that we had met his minister; he advised he was aware of that, yes.

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What else did you discuss with Mr Grierson on this occasion?---We had a few matters to discuss at the meeting. One was only one was Shared Services. We asked him where -

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how it was progressing. He advised that they were coming to some very key decisions in January 2009, I believe, and he said something to the effect that IBM's proposal was now starting to look a lot like Accenture's proposal.

Accenture's original response?---Accenture's original response to the ITO, yes.

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All right. In your file note you refer to Mr Grierson saying, "There are some tough decisions to make after Christmas with his blue colleagues." What did you understand that reference to be?---I understood that to be IBM.

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I see. Is that because the colour uniforms they wear?---I believe that's IBM's corporate colour.

Okay. Can I then take you to paragraphs 127 and 128 of your statement? Now, it would seem that in relation to the security of this process, I've already referred you to an email from Mr Burns to Ms Perrott in relation to IBM raising him their concerns for the strengths and weaknesses document. Was it the case that Accenture also had a contractor providing information, certain information, to them. Is that correct?---That's correct. Accenture had - I can't remember exactly how many contractors we had left during the bid process, we had at least one. At one point, after we had submitted our, responses that contractor sent an email to Accenture manager and that email said something along the lines of, "This might be useful, I thought this could be useful." And that manager I believe sent it to a senior executive and we understood that to be potentially some IBM financial information.

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What was done with that information?---Nothing. What happened then was the senior executives - we were in KL at the time for a partner meeting, the senior executives got together, the senior executives that received the email I don't know whether she did or did not open, but none of us saw it. What we then did was we contacted Accenture management to inform them of this, and then Accenture legal.

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All right. Could you look at volume 26, page 1158? Did Accenture actually write to Ms Perrott outlining what had occurred?---Yes, we did.

And that was following up a telephone conversation between Accenture and Ms Perrott on 18 October, is that correct? ---I believe so.

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All right. And that's a letter signed by Mr Simon Porter, the senior executive of Accenture?---That's correct.

With a copy to Terry Burns?---That's correct.

All right. Now, did any part of the information of this contractor to Accenture, had provided to Accenture, was any part of that information used in Accenture's response to the ITO?---No, it wasn't. No.

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Was any part of that information used by Accenture in providing clarifications to questions from the evaluation panel for the ITO?---No.

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And if I can take you then to page 1156 of volume 26,  
ultimately there was a letter of response from the  
Queensland 1

government CorpTech and Ms Perrott in relation to this  
issue?---That's correct.

Now, the contractor concerned, what happened to that  
contractor?---Accenture terminated that contractor. 10

And why was that?---Because it was a totally inappropriate  
action that he taken.

All right. And was that contractor originally from Italy?  
---Yes, he was.

And he returned to Italy after his contract was terminated?  
---That's my understanding, yes.

Thank you. Is that a convenient time, Mr Commissioner? 20

COMMISSIONER: Yes, of course. Mr MacSporran, Mr Doyle,  
between you two, who should question next? Have you come  
to a view about that?

MR MACSPORRAN: I think we've agreed that I'll go next,  
Commissioner, I'll be brief.

COMMISSIONER: All right. Thank you. Yes, thank you,  
we'll adjourn until 2.30. Thank you. 30

THE COMMISSION ADJOURNED AT 12.57 PM UNTIL 2.30 PM

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THE COMMISSION RESUMED AT 2.32 PM

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COMMISSIONER: Before you start, can I make a couple of things clear? For those present in the public gallery as well as at the bar table, what I intend to do about the evidence before the commission is to put on the inquiry's website the statements of the witnesses on each morning when a witness is to be called, and of course a transcript of the day of proceedings will also go on the website and is freely available. But apart from that, there is to be no recording of the proceedings privately.

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If journalists wish, in the course of their employment, to take a note of what is being said, even perhaps by hand held recording devices, I have no objection to that as long as nothing is recorded apart from the evidence and the public exchanges, that is, there is to be no recording of things that are said in the room other than when a witness is present or argument is being presented to the commissioner. There is to be no recording of conversations that occur privately in the room. All right.

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MR FLANAGAN: Mr Salouk, may I take you to - - -

COMMISSIONER: Sorry, there was one more thing, sorry, Mr Flanagan. I don't intend, as I said earlier, to put the contents of the bundle which is being tendered on the commission's site, but if anyone, and I'm thinking of journalists in particular, wish to have access to or a copy of any of the documents that are referred to in the course of evidence that are in the bundle, and unless there's some particular reason why particular documents shouldn't be given to you I am happy for you to have a copy, but ask for it from commission staff, please.

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MR FLANAGAN: Thank you, Commissioner. Mr Salouk, may I take you to paragraphs 129 to 134 of your statement?---Yes.

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You were requested by the commission, within a very short time frame we appreciate, to look at the Accenture's response to the RFP, IBM's response to the RFP, the ITO and IBM's response to the ITO for the purposes of dealing with the concerns that you had expressed in your statement about the misuse of, or potential misuse, both information and intellectual property in your 111 page response to the RFP. Do you recall doing that exercise?---Yes, I do.

How long did you have to do that exercise?---Approximately two and a half hours.

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So within the limited scope of that exercise, have you attempted in paragraphs 129 to 134 to identify whether there were any specific examples that you could point to

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of a use of the information or IP of Accenture in the ITO, first of all, and what was your conclusion in that regard? ---I found that task quite difficult, I found it very difficult to identify anything tangible. More than anything I thought that there were things that were included in Accenture's RFP response that I thought were reflected in the ITO.

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And then the same question, but in relation to a comparison of your 111 page response to the RFP, and IBM's response to the ITO?---I didn't find anything obvious, any obvious arrears of Accenture's IP.

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Thank you. May I take you to paragraphs 135 to 140 of your statement, and I want to spend a little time with you, if I may, Mr Salouk, in relation to the issue of price? Can I start with Accenture's response to the RFP, which you'll find at volume 24? Mr Salouk, may I take you to page 113? I've already taken you to this table in your evidence, but it's the case, is it not, that the pricing structure by way of a pricing range given by Accenture in response to the RFP was in the order of \$176 million?---That's correct.

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And that constituted for work orders 1 to 12, a fixed price of \$39,500,000?---Correct.

And then a not to exceed which for the remainder of the implementation of \$136,500,000?---Yes, that's correct. Sorry, Mr Flanagan, the first 39.5 million related to work order 1, which was 12 months worth of work, yes.

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I see, 12 month period?---Yes.

Yes. Then if I can take you to IBM's RFP response, which you'll find at volume 8, and in volume 8 if you could go to page 1132?---1132?

1132. I seem to have the wrong reference there.

COMMISSIONER: I think that's right.

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MR FLANAGAN: Sorry, I've got the wrong page number. 1132. If we look at the series of figures provided by IBM as constituting indicative pricing summary, you'll see there that there are figures suggested at the bottom of the column "Estimated Budget total \$181 to \$240 million", but includes CorpTech expenses?---Yes.

Just so that we know we're comparing like to like, the figure of \$176 million in Accenture's pricing schedule in response to the RFP did not include CorpTech - - -?--- That's correct.

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- - - expenses?---That's right.

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So one takes out the CorpTech expenses, and you have the middle column there which is a range of \$156 to \$190 million, is that correct?---That appears to be the case, yes.

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All right. Now, in looking at that summary of indicative pricing, how can we tell that we're actually comparing apples with apples, that is, that IBM in their indicative pricing for the response to the RFP is providing indicative pricing for exactly what Accenture was providing indicative pricing for?---I would not know that.

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From there, if I could take you to Accenture's ITO response, and could you go to volume 18, please. And on volume 18, would you turn to page 656? Now, with that table are we to understand the heading "RFO" as meaning the pricing of Accenture I response to the ITO?---Correct.

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And for the column marked 'RFI', request for information, are we to understand that is the pricing indication given by Accenture in response to what we call the RFP?---That's correct. 1

And for the ITO, the figure which constituted again certain fixed price amounts and a not to exceed amount was 175 million?---97,000.

Thank you. And the other figure was approximately 176,000? ---That's correct. 10

COMMISSIONER: Where do I find the figure for the ITO?

MR FLANAGAN: For the ITO, under the column 'RFO', your Honour - - -

COMMISSIONER: Yes?

MR FLANAGAN: - - - which is request for offer. 20

COMMISSIONER: Yes.

MR FLANAGAN: At the very end of that column, at the very bottom of that, you'll see a figure of 175,000 - - -

COMMISSIONER: All right. Thank you.

MR FLANAGAN: - - - and 97,000. 30

COMMISSIONER: And what are the other two columns, do you know?

MR FLANAGAN: The other two columns, it's a reconciliation - sorry, the other two columns of Accenture Production Support and I'll ask the witness what the other two columns are?---Yes. Accenture Production Support was to provide operational support over and above the designed build effort, so it was an option that was requested by CorpTech. 40

And the third column?

COMMISSIONER: In addition to the 135 million, is it?---If CorpTech had wanted to take that up, yes, it would be in addition to.

MR FLANAGAN: And then the third column?---And then the third column, "Accenture estimated price excluding" - it would be - is the total of the implementation plus production support. 50

Then for the RFI or what we call the RFP, there's \$176 million. Is that correct?---That's correct, yes.

And does this table or was the purpose of this table to reconcile the amount that Accenture had indicated in its response to the RFP with the amount that it was tendering in response to the ITO?---That's correct.

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And as it is, your reconciliation of those two figures was hardly necessary given the closeness of those two figures, 175,000 and 97, as opposed - sorry, 175 million and \$97,000 as opposed to \$176 million?---That's right. The intention was to show CorpTech that we had bid 176 for the first time and there were few minor changes to scope the second time. We wanted to show them it was as the same pricing.

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All right. Thank you. Now, may I then take you up to IBM's ITO response, which you'll find in volume 15. May I take you to page 616? Mr Commissioner, would you excuse me for a moment?

COMMISSIONER: Yes, of course.

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MR FLANAGAN: Now, this is called appendix 1 to IBM's response to the ITO and it's called the pricing schedule. You'll see that it commences at page 1 of 98 and goes through to page 98, but actually finishes at page 96, so it's a 96 page pricing schedule. Were you requested by the commissioner, having regard to that pricing schedule, to inform the commission as to how much, in terms of price, IBM were actually presenting to CorpTech or Queensland Treasury?---Yes, I was.

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And what was your conclusion?---I found it very difficult to understand the pricing in the time I had. It didn't - I - in terms of the fixed price that I could see, it didn't add up to a sizeable amount. I didn't really understand it.

COMMISSIONER: Did you find any items of fixed price?---I did find some items of fixed price, I seem to remember. Forward planning, commissioner, I believe, on page 4. I thought that was fixed price - assumed to be fixed price at 6.6 million.

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MR FLANAGAN: You're experienced in terms of pricing tenders, are you not?---I am.

Yes. And how many years experience have you had with that? ---Maybe a dozen, at least. Yes.

And you were involved in the pricing of Accenture's tender in response to this ITO?---Yes, I was, yes.

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And you were also involved in the pricing of Accenture's tender in response to the RFP?---Yes, I was.

Now, what sort of exercise would one need to conduct to turn this pricing schedule of approximately 96 pages into a

best estimate of how much IBM would be - was tendering for a price?---I can only assume that during the course of the clarification questions, a workshop was run where CorpTech endeavoured to understand the scope associated with this and convert the number of resources multiplied by dollars per resource into a fixed price.

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COMMISSIONER: When you say "resource", you mean people?  
---People, sorry, yes, yes.

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And does the schedule set out hourly or daily rates for the resources?---I believe there were some monthly rates, I seem to remember seeing.

So, what, you have a number of people, a monthly rate, and any estimate of how many months each person would have to work on the project?---Commissioner, I'm not - really not familiar with the pricing, IBM's pricing, sorry.

MR FLANAGAN: Both IBM and Accenture had to give certain fixed prices for statement of works 1. Is that correct?  
---I - that's how I recall it, yes.

20

The difference, it seems, between the Accenture approach and the IBM approach, however, for the purpose of responding to the ITO, is that Accenture gave a "not to exceed" price of \$176 million. Correct?---175 for the ITO, yes.

Sorry, 175 for the ITO?---Mm'hm.

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Whereas, IBM gave what I think is called "best estimates". Is that correct?---Yes. I assume that this is what IBM have provided.

Would you explain to the commission what is, in terms of tendering for ICT contracts, the difference between a "do not exceed" price and a best estimates price?---A not to exceed budget would mean that Accenture had every intention of converting the not to exceed budget, which there was 30-odd million fixed price, the remainder was not to exceed. Accenture had every intention of converting that remaining 130-odd million not to exceed into fixed price work orders within six months. Accenture's intention by not to exceed meant that it should have been and expected it to be 175 million or less.

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What about more?---No. The intention - no, no, Accenture was - when we - when Accenture established a not to exceed budget, it had no intention of exceeding a not to exceed budget.

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COMMISSIONER: Was that a binding promise, that you would do it for not more than that amount?---It's - no, it's not binding, no. Accenture had experience with another federal

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client where we had done a - had a not to exceed process, and on that process, we - Accenture was able to convert all of the work orders within a not to exceed budget.

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MR FLANAGAN: Now, when you looked at the ITO response by IBM, could you find a similar document that would be found in the Accenture response, which was a reconciliation between the RFP pricing indication, which for IBM was 156 million to 190 million, a reconciliation of those figures with, for example, this pricing schedule?---I couldn't see a reconciliation, no.

10

Mr Commissioner, not surprisingly, the commission has requested from IBM through their solicitors, Ashurst, a reconciliation of their initial figures or pricing indication between - of 156 to 190 and the actual pricing schedule contained in the ITO response. We've received a letter dated 11 March 2013, which contains the response of IBM through their solicitors to that reconciliation. It's a three page letter and I tender that letter.

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COMMISSIONER: And does it contain the reconciliation?

MR FLANAGAN: That would be, ultimately, a matter of submission.

COMMISSIONER: The letter from Ashurst of today's date will be exhibit 6.

ADMITTED AND MARKED: "EXHIBIT 6"

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MR FLANAGAN: Thank you, Mr Commissioner.

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May I finally take you to volume 22, page 23, and you will also need to have volume 20 in front of you, please, Mr Salouk?

THE COMMISSIONER: What do I need, Mr Flanagan?

MR FLANAGAN: Your Honour will need volume 22, page 23; and volume 20, page 595. Mr Commissioner, can I also just indicate at this stage, we are trying to piece together - we have got obviously IBM's ITO response. We are trying to piece together and requests for clarification for price. The responses to those clarifications are sought from the evaluation panel and documents that constitute any presentations and we believe there were two conducted by IBM in regards to price clarification, so that we actually have a full picture of how the evaluation process evaluated the price of IBM, given that we know the price of Accenture was 175 million and 97 thousand dollars. I am probably saying that for the purpose of emphasising the urgency of us needing those documents.

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THE COMMISSIONER: I understand that; of course.

MR FLANAGAN: Yes.

THE COMMISSIONER: Now, sorry, I have got page 595 in volume 20 and what was the other?

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MR FLANAGAN: And page 23 of volume 22, please.

THE COMMISSIONER: Yes, thank you.

MR FLANAGAN: These are documents, or at least the document in volume 22 at page 23 are documents that you have seen before, Mr Salouk?---Yes, I have certainly seen page 23. Yes.

All right. There was a document shown to you by commission staff?---That's correct, yes.

40

And what we are looking at is appendix D to the final evaluation report of Queensland Treasury or the Queensland Government in respect to the ITO process?---Okay.

Having read that document, are you able to tell us how the IBM price or an IBM price was arrived at so that a conclusion could be made, IBM offer represents both the least cost and most cost effective option?---No, I can't. I wasn't able to answer that question.

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All right. Can I just take you to page 24 of that document. Actually, if we start at page 23. It's talking about funding limits and it would seem the analysis of the

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evaluation panel, at least in relation to costs and pricing, commenced with identifying what was left in the Treasury's budget for the Shared Services Initiative rollout?---Right.

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Did you understand that your pricing, or Accenture's pricing would be evaluated against the existing budget?---No; no, we didn't.

Why do you say that?---Because we - I mentioned before we knew from the outset that we could not complete the program within the budget. Had we known that, we wouldn't have wasted so much money on business development.

10

Initially, the figure identified is \$153 million but if you turn over the page, we see that the actual amount available for prime contractor payment is \$71.1 million. Yes?---Yes.

Then affordability is then assessed by the evaluation panel who we will be calling but it's assessed by reference to IBM's ability, it would seem, to deliver within that budget of \$71.1 million. Is that correct?---It appears that way, yes.

20

Therefore the affordability of IBM's deliverables at the bottom of page 24 and over the page are analysed in terms of the existing budget?---That appears the way, yes.

Now, putting aside any clarifications that occurred, putting aside any presentations that IBM did to the evaluation costings panel, if you turn to page 25, from your experience in pricing these tenders, what sort of exercise would one had to undertake to price those items at page 25 in regard to the IBM response?---I can only imagine it was through clarification and clarification workshops and presentations.

30

THE COMMISSIONER: What more would you need to know to get from the IBM schedule you have seen to this sort of analysis?---I would probably need to read through the 96 pages of the IBM pricing schedule but in the half hour or so I had to look through it, I found it very - quite complicated so you really need to dissect it. I think you would probably start with what scope is included in the estimates in that appendix 1.

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MR FLANAGAN: Now, having looked at the pricing schedule of IBM contained at pages 1 to 96 of index 1 to their response, when you went through that document at the commission, did you identify a number of components of the project that had not been priced by IBM?---I recall that there was a comment in IBM's proposal that they had not priced certain components.

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But were there certain components that Accenture had not priced in relation to proposed project?---No. No.

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Now, was Accenture asked for clarification in relation to price?---Yes, it was. 1

I know that this is some time ago but doing as best as you can, what sort of clarification was sought from Accenture?---Look, it was very analytical. It was a matter of - I recall CorpTech translating Accenture's pricing to their spreadsheets, confirmation of what was within Accenture's scope. I don't believe there was much, if any, price change as a result of it. 10

Do you recall whether Accenture did one or two price clarification presentations to the relevant evaluation panel?---I believe it was two.

Commissioner, as I said this morning, agreed bundle increase from 32 to 35 over the weekend, may I ask Mr Salouk to look at volume 35 of the documents, please?

THE COMMISSIONER: Yes. 20

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MR FLANAGAN: If you turn to page 2 of volume 35, you'll see a Shared Services Solution program, prime contractor clarification request dated 27 September 2007. Yes?---Yes, I do.

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The purpose is to assist with pricing component. It would seem to be this is a document directed to IBM, which is not clear on its face, but if you assume that for the present purposes, the clarification question is part F pricing for R7 identifies DETA, which is Department of Education and Training in the Arts. Yes?---Yes, that's correct.

10

OSF, which is - what does that stand for?---I believe that's an SAP module. I'm not certain.

Yes. I think it stands for Other Set Functionalities? ---Okay.

Yes?---Yes, could be.

20

As a PM only. However, attachment 4.1 remaining OSFs go for this DETA OSF and CATS, please advise if both require pricing. My only question to you is: is that a significant pricing item from your own recollection of Accenture's bid?---I can't be sure. No, I don't know.

I think my question's probably more general. Just from your own experience in pricing tenders, if you were asked for such a clarification as to this item of price, would it affect Accenture's bottom line of 175 million?---Yes. It would have an impact on the overall price; I don't know to what extent.

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Mr Commissioner, that's the evidence-in-chief for Mr Salouk.

COMMISSIONER: Yes, thank you, Mr Flanagan. Mr MacSporran, thank you.

MR MACSPORRAN: Mr Salouk, Accenture did work as part of the Shared Services Initiative in 2005 or thereabouts?---That's correct.

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And that was a cost-saving measure by government?---That's correct.

But it very quickly became apparent that it wasn't having that effect. The budget allocated for the purpose was being burnt up faster than it should have been?---That's correct.

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And that's the context in which the prime contracting model came about in about 2007?---That's right.

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(indistinct) as a new project in about 2007?---That's right. 1

Accenture was fully supportive of that model, that is the prime contractor model?---Yes, it was.

Accenture thought that would be a cost-saving measure? ---Yes, it did.

And it seems that - and to your knowledge - it was agreed to by IBM, Logica and to anyone who was interested in tendering for that project?---Yes, that's right. 10

All of those contractors that the government was making a sensible decision in moving from the materials the contract had originally in 2005 or so to a prime contractor model in 2007?---Accenture certainly did.

And it seems you'd agree that IBM seem to have - - -?---I believe so. 20

- - - had the same view?---Yeah.

Now, you've mentioned one of the difficulties with the health payroll issue was the Lattice original system - - -? ---Yes.

- - - being very fragile?---Mm.

And you said that Accenture had looked into that and you mentioned there were at least three experts who, to your knowledge, were available to extend the life of and give support to the Lattice system?---Yes. 30

Was that documented somewhere, that proposal or that belief by Accenture?---I believe it would be in Accenture's ITO.

So you think it's in the ITO that went forward to the treasury?---I believe so. I believe Accenture would have articulated its risk mitigation strategy for Lattice. 40

And do you know now from recollection whether those experts were named in that material?---I'm - I can't be certain.

Do you know whether or can you tell us what work Accenture have done to ascertain their availability and costing, and so forth?---I seem to recall that Accenture didn't have access - didn't have direct access to those contractors, but I don't believe we were allowed to access them directly. We had allowed - I can recall we did allow budget to allow them to move into Accenture should they wish to do so. 50

And to allow budget for that, had Accenture done some work to ascertain the actual costs or had you made some best

estimate of what it might have been?---We had made some assumptions as to what it would likely cost to retain those people.

1

Had Accenture dealt with those people before or were they just discovered by (indistinct)?---I'm not certain. I don't know the answer to that.

You mentioned, I think it was, the request for proposal came to you, and it seems the others, by way of an email of 25 July 2007?---Correct.

10

I take it that from your answers to Mr Flanagan, you don't take issue with the fact that it came in by email. You understood entirely the requirement to it and you weren't disadvantaged by simply getting it by email as opposed to an official document from the treasury?---Receiving it by email itself wasn't - the transmission mechanism wasn't a concern, it was perhaps the level of detail and the amount of rigor associated with the process.

20

Sure. But as I think you said before, you understood your requirements because of your knowledge of the process - - -?---Yes.

- - - and your inside gain through the work you done previously between 05 and 07?---Yes.

So you weren't confused by what you had to do in response to the request for proposal, were you?---No, that's correct.

30

And, in fact, as you've said, and know from the documents, you submitted a full 111 page document with a 57-page slideshow?---That's correct.

And that, as far as you were concerned, was designed to hit the mark. It was a full expose of your proposal?---That's correct.

40

Now, that was a matter of concern to you when you had these meetings you've told us about in August, I think, 07? ---That's right.

Is it fair to say that whatever was said at those meetings, you had the impression that there was a belief that you may move to a contract position after that request for proposal process?---It was our understanding that we would move to a contract position.

50

Was it spelt out to you, though, that may have involved a further process, such has happened here, the ITO?---No, that wasn't spelt out to us.

Was that excluded or simply that proposal was left open? ---We directly asked that question.

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No, you seem to have a memory that you are asked that question?---Yes. 1

Who was present at that point?---Okay. We asked that question of Ms Perrott and of Mr Burns. We asked that question at the treasury meeting of 2 August, from memory.

So were both of those individuals at that meeting?---Yes, they were. Mr Burns definitely was. I believe Ms Perrott was as well. 10

And you think you may have asked directly that question? ---I know we asked her that question.

Do you know who responded with the information you told us there?---I believe it was Mr Burns.

And you're sure Ms Perrott was there at that stage?---Yes.

And who else, if anyone?---Well, the attendees of 2 August, I believe, were Mr Ford, the under-treasurer, that was - there was a file note associated with the attendees there and the agenda. 20

Now, dealing with that, as I understand your evidence, the file note you've talked about is the reconstructed file note?---Yes. It's an email - reconstructed from an email that I sent to a company managing director outlining the attendees and the agenda. 30

So the email pre-dated the actual meeting?---Correct.

It was designed to express your views to your management of things that you wanted to raise at the meeting that was yet to be held?---Yes, that's correct.

Then you had the meeting?---Yes.

Your concerns are relayed, you say?---We received a direct response that the government had received advice, legal advice, that it could award at the end of the RFP process. 40

And as I understand what you're saying, that relayed your concerns, that addressed your concerns at that stage? ---Well, it sufficiently addressed them such that we were willing to continue with the process, yeah.

Did you document that at the time, that issue which had been of significant concern to you had been addressed? ---Yes. 50

And you were happy with the outcome?---No, I didn't document that we were happy with the outcome.

Was there a reason why you didn't document that result at that time? I mean, before you went ahead to submit the

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proposal?---No. There's no specific reason we didn't document that. We had asked the question directly several times and we'd received an answer, and we reached the point where we either bid or don't bid.

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You didn't - I'm assuming because you hadn't told us this, you didn't after the meeting send another email with an update of where the proposal was at, that your concerns had been addressed at that meeting. Did you follow up your earlier email with the - - -?---No, not that I can recall.

1

So the reconstructed file that you talk about, I'm assuming - and tell me if I'm wrong, was constructed after the contract was actually awarded to IBM?---No. Sorry, the reconstruction of it was - it was reconstructed a matter of weeks ago. The email - the email itself was sent prior to the meeting on 2 August.

10

On that day or the previous day?---It was sent - I can't recall. A couple of days prior.

But in any event, the first documentation relating to the outcome of that meeting was only compiled by you on this reconstructed file note a matter of weeks ago?---Yes. The reconstruction does not comment on the outcome of the meeting. The reconstruction is simply a cut and paste of the original email - - -

20

Yes?--- - - - and there a couple of - literally two or three other items that were discussed at the meeting and I have provided those.

That's why you're simply to confirm that the email before the meeting accurately reflects what was actually discussed?---I'm confident that it reflects what was discussed and I know that because Mr Snedden worked through the email I had sent him from top to bottom and I can recall him working through every single point.

30

So Mr Snedden agrees with your file note, in other words?---I haven't spoken to Mr Snedden since the commission began.

In any event, you didn't ever document it to Burns, Perrott, Mr Bradley, for instance, around the time or even since?---No.

40

It's what you understood the position had been?---That's probably correct, yes.

Okay. In any event, moving forward to after you had submitted the proposal as you have told us, the position changed. You were told that there was a slight belief that it might have been able to be progressed into a contract, the legal advice obtained was that it had to go to a formal tender process?---That's correct.

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And you queried that and you were told it was simply - on the advice they had, it had to be done that way?---That was a - the advice - what they said to us was that it was a process issue. That's correct.

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Now, I take it you're not suggesting there was some deliberate attempt to disadvantage Accenture?---I'm not suggesting that.

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No. It's just the way it turned out. You were led to believe that the process would be a certain way and the rules changed during the course of that process?---Mm.

Based on legal advice that you were told?---Yes. I don't know why they changed. Yes.

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All right, thank you.

THE COMMISSIONER: Mr Doyle?

MR DOYLE: Mr Salouk, Accenture was involved in the SSI project commencing when?---We - the first involvement I can recall us having was in around 2002 during the business case.

20

Okay. You have said in your statement that you were involved - that is, Accenture was involved - in doing something called a business case. Does that involve describing the manner in which the implementation is to be carried out?---Yes, and to provide a net present value of the benefits that were accrued to government.

Right. A financial assessment of how much better off the government would be?---Correct.

30

And to do that, you need to identify what it is that the government is going to do to achieve that?---Yes, I guess so.

That contemplated rolling out to a succession of departments and agencies within government some shared services, some shared IT services?---Yes, shared IT and shared processes, administrative processes.

All right. The idea was ultimately to roll it out to 25 departments or agencies?---I can't recall - I can't recall the number.

40

But of that order of things?---Possibly, yes.

And the business case involvement that Accenture had was up to about the end of 2005. Is that right?---No, it was a short piece of work. I believe it concluded in 2002.

Between 2002 and the end of 2005, Accenture was still involved somehow with CorpTech?---I can't recall. I wasn't involved then.

50

You were not involved?---I was not involved then.

Were you involved at all after the short bit of work for the business case in 2002 until middle of 2007?---No, I personally was not involved, no. 1

Okay. So what you have told us today about things which occurred in that period, to a certain extent I think that you had been told by others, if at all?---Correct.

Now, you know though, don't you, that it was at least contemplated that one of the departments that was to receive these shared services was Queensland Health?---That's correct. 10

And by a date - and we needn't be too specific about this - in early 2007, there at least a perception by some that it needed to have the implementation of its shared services accelerated?---Sorry, who are you suggesting - - -

Queensland Health; that is that someone, CorpTech, and perhaps within Queensland Health, were expressing the views - tell me if you don't know the answer to this - - -?---Mm. 20

- - - were expressing the views that it should be pushed up the ladder in terms of priority, it should get an urgent treatment rather than put down the ladder?---Yes. I recall - to the best of my knowledge, I recall late in the ITO stage of work that becoming an expressed priority.

So your recollection is that is some time after 17 September 2007?---To the best of my knowledge, yes. 30

Very good.

THE COMMISSIONER: It was part only, wasn't it, of the shared services that were urgent, that's the payroll of Queensland Health, not the whole of the services that were to be shared?---Yes, your Honour.

MR DOYLE: Perhaps we should clarify something: the shared services included HR. Yes?---Yes, that's right. 40

Finance?---Finance, yes.

And document storage, document management?---Yes, document management, that's right.

And procurement?---Procurement and data warehouse, from memory.

All right. Would it be right to say in the - I will call it the early stages but up until 2007, the things which had been in fact provided to those departments who had got anything had been finance, the finance system?---Mm'hm. 50

Yes?---Yes.

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And that was being rolled out by Logica?---That's right. 1

That had been rolled out to about 13 departments. Is that right?---I don't know.

HR was being rolled out by Accenture?---Correct.

Prior to the ITO, that had been rolled out to one department?---I can't recall. 10

Housing, have you heard of housing?---I've heard of housing.

Do you know that it had received, in fact, the rollout of the Shared Services, that is the HR and the finance?---Okay.

Did you know that?---No, I didn't know that.

And it's the only one that Accenture had delivered the HR services to up to the ITO time?---Right, okay. 20

Now, help me if you can with this, please: in addition to the IT-type work that would have to be done either by or for CorpTech, would it be also necessary for the departments or agencies themselves to get ready, to have their systems altered or upgraded or whatever needs to be done to get ready to receive the Shared Services?---That would be the case, yes. 30

Okay. To take a simple case, perhaps a hypothetical one, if there was to be a rollout of HR and finance to a particular department, in anticipation of that, it would be looking to improve its own systems or would alter its own systems so as to make the best use of those Shared Services?---We would certainly be looking to optimize its data.

Yes?---To be able to convert it to the new systems, yes. 40

And would be likely to wish to engage IT consultants to assist - to be ready?---Possibly.

Do you know if Accenture was approached to provide that kind of service to any of the departments or agencies direct?---I can't recall.

All right, thank you. Again, tell me if you can't answer this but in the period up to let's say May 2007, are you able to give the Commissioner an idea of the number of Accenture personnel who were engaged working for CorpTech, in support of CorpTech?---Yes. I don't know, I can't recall a number that Accenture had at that time. 50

Greater than 100?---No, I wouldn't have thought so.

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Can you tell me an idea? If you don't have any idea, just say so?---Yes, no. I don't want to. I don't want to speculate, I don't know. **1**

What about Logica? Do you know how many personnel it had working for CorpTech?---No, I don't know.

IBM?---I don't know.

Anyone else?---No. **10**

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Now, if you've got your statement with you, please, turn to paragraph 20. You see there that you say, "In 2007, Accenture advised Queensland Treasury that they should engage a professional prime systems integrator," et cetera. Do you see that?---Yes, I do. 1

Now, do you know when in 2007 that advice was given?---I believe it was earlier in 2007, prior to the release of the RFP.

Right, I'll have to put dates on these things. The RFP of which you speak is one dated 25 July?---Right. 10

How much before that?---I don't know.

Months or weeks?---I believe that Accenture has provided that to the commission. I don't know the exact date of that.

All right. But the reasons that you've expressed here were that, in effect, the budget was being burnt through without getting commensurate outcomes. Do you see that?---Yes, I do. 20

And that was the rationale for the need to go market to appoint a prime systems integrator?---Yes.

And that's your belief, I take it?---That's right.

And is a prime systems integrator the same thing as a prime contractor that we're talking about?---Yes, that's right. 30

Now, were you aware, and again tell me please if you can't help me with this, that prior to the RFP that you're speaking of there were views being expressed within CorpTech and some of the agencies expressing dissatisfaction with Accenture's performance to date?---I'm not aware. It's possible but I'm not personally aware.

It's not the sort of thing that would be reported to you? ---Yes, as we were undertaking the RFP process we would understand - we would do some stakeholder mapping, we'd understand how different agencies felt about Accenture. Some of the agencies didn't like the idea that they were having standardisation imposed on them. 40

When you say "stakeholder mapping", you go and speak to the department and agencies?---No, that was with the Accenture team that assisted with the bid, and they would have direct contact with the agencies as well, that's CorpTech. 50

Okay. But not you personally but people under you are able to go and talk to people within the departments and the agencies, and CorpTech for that matter, and get feedback about how you're going?---Yes, that would be correct.

And that's part of the process?---Right. That's correct. 1

Would you agree with me?---Yes.

Now, you know, I think you tell us, that Mr Burns was appointed at some time in the first half of 2007?---Yes, I understand that.

And this was at a time when you were not in Brisbane?  
---That's right, my focus on this project was around the time just prior to the RFP of July 2007. 10

Okay. But you know that he was engaged, in part at least, because of concerns about the amount of money that had been spent to date and the absence of progress as a result of that?---I don't know why he was engaged.

Right, well, it wouldn't surprise you if those were things which motivated his engagement?---It wouldn't surprise me. 20

And it wouldn't surprise you if one of the things that - whoever engaged him and wanted to get out of his engagement was some new ideas of how to do it differently?---It wouldn't surprise me.

Right. I thought you'd told us that you had read his report?---I would have. I did read his report. I can't recall his report.

No. Do you recall it well enough to recall that it records there's been a huge blowout in the budget and something has to change, "fundamentally" I think is the language used. Does that sort of ring a bell with you?---Yes, that's consistent with how I'd remember it. 30

Now, one of the things that you would think it is - and I'll repeat myself, Mr Salouk, if you can't tell me, tell me that you can't tell me - but such a person engaged, one of the first things that person would do would be to go out and speak to the IT consultants who had been involved to date to see where the problems are and what their ideas are about solving it?---That's possibly the case, yes. 40

You would expect him to speak to Accenture personnel, to IBM personnel, to Logica personnel and so on, wouldn't you?---I would expect him to do that, yes.

In fact, that's the first thing you'd expect him to do is to approach these people and say, "Give me your ideas, tell me what's wrong and give me your ideas"?---Yes, through an RFI or whatever process. Yes. 50

By some approach to these consultants?---Yes.

And you would know, wouldn't you, that he approached people within Accenture in May 2007 for such a purpose?---Yes, possibly through the RFI process. 1

The RFI process is in July?---No the RFP process is in July.

I see, yes, okay. There's an RFI process, is there?---Yes.

Which starts in May?---Yes, to the best of my recollection. Yes. 10

And the form it takes is Mr Burns approaching Accenture personnel to request them to give him information?---Yes, I recall that there was some presentations provided by Accenture, IBM and Logica.

Okay, well, I'm asking about his approach, so the form it takes is Mr Burns or someone acting on his behalf approaching Accenture personnel and asking them to provide him with information?---That's possibly the case. 20

And he would ask them to come up with ideas of how it could be done differently to avoid the continued burning of the budget and the lack of commensurate progress?---Yes, that's correct.

That's exactly what you'd expect him to do, yes?---Yes, that's correct. 30

And you know he did that, don't you?---Yes.

You know that he spoke to Accenture personnel - - -?---Yes.

- - - to find out that kind of thing?---Yes.

And you've got no trouble with him doing that?---No.

And you'd have no trouble with him doing such a thing with Logica personnel?---No. 40

It's perfectly acceptable and normal?---Yes.

And no trouble with him doing it to IBM personnel?---That's correct, yes.

Okay. Now, you would also expect that if it was the case, and I'll ask you to assume this, that there was a perception something fundamentally different had to change, something had to change, you would expect him to be saying to these consultants that he's speaking to, "Come up with new ideas, nothing is off the table for consideration"? ---Yes, I think that's reasonable. 50

And he would be encouraging them to use their imagination to come up with really anything that might assist him in finding the new way forward?---That's possible. **1**

It's likely, isn't it?---Yes, within the constraints of what the government can achieve. Yes.

Thank you. Now, in the course of giving your evidence this morning, in relation to approaches by Mr Burns to people shortly after his appointment, I think you told Mr Flanagan that you expect staff at Accenture would have spoken to Mr Burns, and you've just agreed with me that you think that's likely?---Yes, that's right. **10**

Do you know who?---No, I don't know exactly who.

Do you know exactly who? Do you know the people who - - -? ---Who were likely?

Yes?---Yes, I assume someone like Janine Griffiths from Accenture, someone like Simon Porter from Accenture. **20**

Right. What was Mr Porter's role?---Mr Porter, at that time, was Accenture's lead senior executive in the Brisbane office.

Right. And has he left Accenture?---Yes, he left Accenture, I believe he left Accenture at the end of 2007.

Was he involved throughout the whole of 2007 until he left with the SSI project?---Yes, he was. **30**

And he was the man, if you like, in charge of it before you came back to Brisbane, whenever that occurred?---Yes, that's right.

And when you came back he answered to you?---No, we worked alongside each other.

You were comparable employees?---Yes. **40**

Thank you. Now, have you asked Janice - is it Janice Griffiths?---Janine Griffiths.

Janine Griffiths. Whether they've ever had any one-on-one meetings with Mr Burns?---No, I didn't.

Whether they've had discussions with him over coffee?---No, I didn't. **50**

Okay. Have asked him whether he asked them to come up with new ideas, the best way forward?---No, I haven't had discussions with them.

Or whether he said to them, "Nothing's off the table," or words to that effect?---Yes, I had any discussions.

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You haven't asked that at all?---No.

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Okay, that's fine. So we should understand what's in your statement is, at least in this respect, confined to matters that you know without having discussed it with them?  
---Correct.

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All right. You know, don't you, that there was also discussion of the possibility of this kind of arrangement being reached, that someone would be engaged as - some company, IT consultant, would be engaged as a consultant to assist CorpTech to continue to conduct the project management of the SSI?---No, sorry, I don't understand the question. 1

Okay. Up until May 2007, CorpTech was the project manager? ---Correct. 10

Post the ITO, IBM became the project manager?---Mm'hm.

Yes?---Yeah.

I'm suggesting to you, I'm asking you, do you know of any proposal in between those two dates, in effect, that CorpTech would get a consultant to come in and give help in CorpTech continuing to run the SSI project?---I can't recall a proposal such as that. 20

All right. If it - and have you made inquiries as to whether there was such a proposal put to Accenture in May or June 2007?---No, I haven't made any inquiries.

You certainly thought, it's right to say, that CorpTech needed some help?---Yes, I did, yes.

That treasury needed help?---Yes, I did. 30

And that the kind of help that Accenture was advising CorpTech should get was to appoint a prime contractor? ---Yes, that's correct.

But a different kind of help that CorpTech may have sought would be to get a consultant to help it, the prime contractor?---Yeah, that would be a different model, yes.

A different model but a sensible one to at least investigate?---I don't know that. 40

Okay. Now, I'd like you to be shown, if we can find it - which may not be easy, I'm sorry to say - I'm after the letter of 2 July. Excuse me, please, Mr Commissioner. Could Mr Salouk be shown volume 6, please? Open at the first document.

COMMISSIONER: Page 1?

MR DOYLE: Yes, page 1. That folder doesn't look big enough to me. Is it number 6?---That one's 8. Okay. 50

You should have a letter addressed to Accenture from Queensland Government?---Yes, I do.

Signed by Maree Blakeney?---Yeah.

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And I think it's right to say when you were giving your evidence before, you were shown a form of this letter addressed to another party - - -?---Yes, that's - - -

1

- - - but you can see this is the one addressed to Accenture?  
---Yes.

Now, should we understand that you did not receive this letter contemporaneously? Now, in the nature of these things, this letter is not dated, but I want you to assign it's sent out around about 2 or 3 July 2007?---Yes.

10

Now, am I right that you didn't see it?---That I didn't see it?

Yes?---Yes, that's possibly the case.

Okay?---This pre-dates my involvement.

20

And you know, don't you - I think you were shown earlier today, there was an email sent out to lots of suppliers suggesting there was going to be a supplier's briefing on 2 July?---Yes.

Then at about the same time, this letter comes up?---Mm'hm.

Have you read the letter before today?---No.

I'll just ask you to - I'll draw some things to your attention, please?---Mm'hm.

30

We may come back to them later on. I'm plainly concerned with the Shared Services Initiative and it says, "As part of the Shared Services Initiative implementation schedule replanning project," that would be fair to describe your understanding of what was happening in the second half of 2007?---That's right.

Okay. "...analysis has been undertaken to investigate the ability to deliver the current scope of the Shared Services Solution Program within existing the budget and time frames." That's bad language but - - -?---Yep.

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- - - within the existing budget and time frames?---Yes.

And then there's various things which are set out, which I think Mr Flanagan took you to this morning?---Yep.

And if you turn the page, you'll see the reinstatement process combines a three-step course of action, which I'll ask you to read?---Yes.

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And then, "In undertaking the restatement process, CorpTech is seeking from our ESPs," that's the external service providers?---Mm'hm.

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"...innovative ideas and scenarios on managing the design and implementation process within the program." Then it says further on, "You're invited to a high-level information presentation"?---Yep. 1

Should we understand you have not read this document before today?---I can't recall seeing this document. I may have seen the document.

I'll ask that you next - if you need help, we'll get someone to help you find it. Next I want you to find volume 28, please, and I'd like you to turn, please, to page 431?---Yes. 10

You were taken to this, this morning. Do you recall?  
---Sorry, I was taken to this, this morning?

You were taken to this, this morning?---Yes.

Now, was this morning the first time that you'd seen this document?---I'm not sure. I may have seen it - the Accenture team may have shown it to me prior to the RFP process. 20

But you can't recall?---I can't recall, no.

Okay. In any event, you now know at least that it's part of the presentation that the government was saying, you know, "Give to the suppliers - - -"?---Yes. 30

- - - on 2 July?---Mm'hm.

And I just want to draw your attention to a couple of things. Can you turn to page 433. It's got "objectives of phase three" and you know that what we are talking about here is phase three?---Mm'hm.

That's right?---Yes.

"A refreshed business case managed within current available funding. To rescale the capability of the SS program to deliver this restated goal"?---Right. 40

Do you recall being aware back in the RFP process that one of the objectives of phase three was to rescale the capability of the program and to manage within current available funding?---No. I recall that there was some conversations that Accenture partners and consultants had with CorpTech prior to the RFP process where they made it clear that there was no silver bullet, that - from Accenture's point of view, at least, it couldn't deliver the remaining outcomes within the budget. 50

Maybe we're at cross-purposes?---Yeah.

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We will come to this in a moment, but your view was that it could not be done within the current budget?---Yes. 1

But I'm asking a slightly different question. Did you know that the contrary desire was to achieve it within budget, even if that included scaling back the scope?---No, not at the time of the RFP, no.

That's not something you knew?---No, it's not something that Accenture believed. 10

Okay?---Yes.

Thank you. Now, if you'd turn, please, to page 445, you will see there's a heading "Consideration", I'm not quite sure why, but one of the things it says is "Seeking innovative ideas and scenarios from vendors/partners"?  
---Mm'hm. 20

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Now, you were aware, weren't you, at the time of the RFP process that what was being sought was something innovative?---Yes.

1

Okay, thank you. By which - perhaps I will labor this a little, by which you would mean, you would understand you are being told to come up with something new, that nothing is off the table in terms of what will be considered?---Yes. I guess that's what innovative means.

10

I would ask you, please, to be shown volume 30, please.

THE COMMISSIONER: 30?

MR DOYLE: 3-0, yes. I'm sorry, your Honour. It's in fact volume 32. It's a document that's called "document 30".

Volume 32, please, Mr Salouk.

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THE COMMISSIONER: On what page?

MR DOYLE: Mine are not page-numbered consecutively, I'm sorry to say. There's an item 30 about 10 pages from the back.

THE COMMISSIONER: I have got item 30.

MR DOYLE: Thank you.

30

Now, do you have that, Mr Salouk?---I have item 30.

Very good. I want you to go to page 3 of the email chain?---Yes.

And you should have at the bottom an email from - you have got to to page 4 to see who it's from. Simon - that's Simon, is it?---Yes, that's correct.

Of Accenture to Terry, which I assume is Mr Burns?---Yes.

40

And then I will let you read that for yourself. What Mr Porter has in mind is lining up a workshop for a whole day with someone?---Yes.

Okay?---Mm'hm.

If we go to the top of the page, we will see an email back from Mr Burns where he says to Simon:

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*No problem in principle for 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. Our thinking is driven by risk and cost-mitigation needs as outlined to you before.*

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Now, can you tell me, please, if you had seen this email before today?---I can't recall if I have seen this. 1

Okay. If you turn back to page 2 of the email chain, we have, don't we, an email of 24 July 2007, "Re Accenture proposal". Then I want you to read the email Mr Porter sent Mr Burns?---Yes.

You will see at point number 1 - with respect to 1 August, what is what they are seeking to establish is a two-hour key issues meeting and workshop, prefer to keep the audience small and at the executive level, ie. the Accenture team from today, Simon, Marcus and Brad. Now, Simon we have heard of. Who are Marcus and Brad?---I'm Marcus. 10

Okay. So you, it seems, had a meeting with Mr Burns on 24 July?---On 2 August, was it not?

No. It says, "Thank you for the meeting today. As a result of what we discussed, we would like to move forward with the following plan." 1 August, they want to have a meeting with a small team, Accenture team from today. Do you recall having a meeting with Mr Burns on 24 July?---I can't recall. I would have to go and check the file notes. I can't recall. 20

Okay. Had you seen this email before today?---It's possible - possible that I have seen it. 30

Can you help us, please - this is the day before the RFP?---Yes.

What is it that you had met them the day before the RFP concerning?---I can't recall the meeting of the 24<sup>th</sup>. It's possible that we had a meeting, I can't recall.

Okay, thank you. It contemplates, doesn't it, 7 August, presentation of the Accenture proposal?---That's correct. 40

So should we infer that you were aware - sorry, did you at that stage have in mind providing a proposal to CorpTech?---Yes, we did.

Before the RFP was provided to you?---Yes.

How did that come about?---We understood that there was going to be an RFP issue, if I recall.

All right. How did you understand that?---I can't recall - I don't know. 50

Okay, thank you. Sorry, I shouldn't leave that one quite so soon. It refers to meetings being conducted, one-on-one meetings with SDA members. Can you see that?---Yes.

"Prior to 1 August, we will be conducting one-on-one meetings with SDA members." What is the SDA?---Solution Design Authority.

1

What is their role?---It was to create a standard offering that would be used across all of government.

So its function would be to identify the particular software solution which was to be provided as the SSI across the 25 or whoever departments it is it is to be provided to?---Yes, it would be to identify the standard set of technology and processes.

10

That which is the base, if we can call it that?---Yes.

That everyone is going to get?---Yes.

What was proposed then was - can you recall? "That Accenture personnel conduct one-on-one meetings with them to assist us with our preparations." Can you tell us what that means?---No, I can't tell you what that means.

20

You're aware, aren't you then, that Accenture in fact had one-on-one meetings with SDA members to assist Accenture with its preparations?---No, I'm not aware of that.

And the only thing that it can be a reference to is the preparations of the proposal. You would agree with that, wouldn't you?---I'm not - no, I don't know that.

30

What else is it?---I don't know.

Can you think of anything else?---No, I really don't know what it's referring to.

Okay, thank you. All right, just excuse me. Now, you have been shown this morning the document you described as the RFP, an email of 25 July?---Yes.

2007?---Mm'hm.

40

If you give me a moment, I will try and find where that is. Yes. Can you go to volume 6, please, to page 20?---Yes.

Do you have that?---Yes.

Okay. We're clear, this is the document which Accenture received?---Yes, I believe so.

50

Well, you would have received it presumably in an email form directed to you?---Directed and signed, yes. 1

Directed to Accenture?---Yes.

But this is, in fact, the thing which you identify in your evidence as the RFP?---Yes, that's right.

And you say that Accenture treated it as that?---That's right. 10

You read it at the time?---Yes, I did.

And you've read it again recently?---Yes, I have.

All right. It's clear from the face of it that what's being looked for or sought is some key information in the form of a form proposal, do you see that?---Yes.

And then if you go down a little to point number 3, you read that at the time?---Yes. 20

"Following on from your conceptual approach presented recently." Do you know what that is?---Yes, I believe that referred to what we were calling the "RFI process".

Right, so some sort of presentation you've done a conceptual presentation?---That each of the tenderers had done. 30

Sure?---Yes.

And then it says, "Could you now provide cost ranges and time scale ranges to complete the scope as defined in your approach?" Do you see that?---Yes.

Now, had you, at this stage, become aware of the approaches being pursued by the other suppliers, Logica, IBM, SAP and the others?---No. 40

You had no basis for thinking that would be a common approach? But it's the same, each of you are doing the same thing?---I don't know, I was focused on Accenture's approach.

Okay. This goes on, "We understand that these are price ranges only." Do you see that?---Yes.

"We're anxious to use these costings and time scales to determine who we move forward with into detailed negotiations on any of the identified engagement options." When you read that email you understood you were not being asked for a firm price, didn't you?---That's right. 50

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SALOUK, M. XXN

In your statement you say, "The 25 July 07 RFP sought firm price offers." Do you recall that?---Yes, I did say that in my statement. **1**

How should we understand that?---That was my recollection at

the time when I put that statement together, yes.

Well, should we understand the statement was prepared without having seen this document that I've taken you to? ---That's correct. **10**

Right?---My statement should have said "firm proposals".

And it should have said that it was seeking a range of prices and time scales?---That's what this email said, yes.

Yes, okay. The document isn't headed an RFP, is it?---It's not headed; it's asking for firm proposals. **20**

Right, okay. You had some concerns about it, didn't you? ---Yes, I did.

In part, you had concerns about the lack of information contained in it?---More about the rigor associated with the process.

Okay, we'll come to that. Did you have any concerns about the lack of information contained in it?---Not necessarily. **30**

Do you recall?---No, I don't believe we had specific concerns regarding the contents.

One of the concerns you had was to make sure that this process was one which was intended to lead to a contract? ---That's correct.

Now, we should understand you to mean by that "lead to a contract without another step"?---That's right, without another tender process. **40**

Correct. That is, that whatever responses were provided to this would be evaluated and somebody would be picked to contract with?---Correct.

That's what you wanted it to be?---That's what we wanted to understand.

Correct. And you had concerns, looking at it, it didn't make it clear that in fact was what was going to happen? ---Not from this email, no. **50**

And can you just point out to me, please, the parts of the email that gave rise to that concern or that doubt?---Well,

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my concern was it's unusual to receive a request for a firm proposal in a form of a email such as this. 1

Okay. Sorry, Mr Salouk, we've got to break that down. Was it unusual to receive it in such a brief email? Normally, a request for a proposal would be a much bigger document, wouldn't it?---It would be more structured, correct.

More information, more structure defining the steps to be followed, the timelines, the processes, the evaluation process and those sorts of things?---Correct. 10

And this was a very brief hint at a possible RFP?---This is an email asking for firm proposals.

Okay. But it did not contain the kind of information or the structure that you would expect of a normal RFP? ---That's right.

Particularly if we're talking about an RFP for a project which is going to be, if you're right, costing \$180 million or thereabouts?---Yes. 20

This would be a particular casual means of going about it? ---Yes, it would, but to provide some context, the Queensland Treasury, CorpTech had been struggling with the project for a period of time and there was a great sense of urgency.

Of course?---Yes. 30

Can I suggest there was another concern as to whether this was a proposal which could give rise to a contract without another step? Arising from item number 7, "It is our intention to begin the detailed process leading to further engagements by 15 August 2007"?---Yes.

But you understood that there were to be further processes beginning on 15 August?---No, that wasn't clear what that meant. 40

No, I accept it's not clear?---Yes.

Did you have concerns when you read this about just what those processes were intended to be?---Yes. That point itself didn't generate concern.

All right. Well, tell me please as best you can, looking at this document, the things which gave rise to your concern which caused you to go and talk to the government to have it clarified. Just tell me the things that gave rise to that concern?---The fact that we received a request for firm proposals in the form of a fairly casual email such as this. 50

Okay. And then you sought to overcome that concern by having a meeting with some government representatives - - -? 1  
---Correct.

- - - to which I'll come to in a moment?---Yes.

Part of the concern that you expressed when you gave your evidence was about the release of your ideas, your intellectual property?---Yes, that's right. 10

And can I summarise it that your concern was that if this is not a process which can lead to a contract without more, if you do a lot of work and give that information to CorpTech you've educated them, essentially?---Our concern was not educating CorpTech.

You've educated CorpTech and they could then used it for whatever purposes they wished?---Our concern was that, that information may not have been held only within CorpTech, it may have been presented to the market. 20

You mean in the next process?---Either in the next process or through - or the market would find out certain elements of our proposal.

Let's not be coy, there's two means by which it can be made available to market. One is if CorpTech incorporates your ideas in a next RFP, a more formal structured one, that's one way. You agree with me?---That's one way. 30

And that was a concern you had?---Yes.

And the other is if people talk?---Yes, that's right.

And you had the concern about that too?---Yes.

Because there were CorpTech consultants, Accenture consultants and employees, Logica consultants and employees, and IBM consultants and employees - - -?---Yes, that's correct. 40

- - - all working in the same office doing things shoulder to shoulder, day by day?---Yes, that's right.

And you were concerned that people would talk?---Yes.

And that was the nature of your concern, the second of the concerns which caused you to go and speak to the government representatives?---Yes, that's right. 50

Okay. And just dealing with that IP question, right, the preservation of your ideas, it would be right to say, wouldn't it, and tell me if I've got this wrong, at the

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time you believed Accenture knew this project better than any other supplier?---We did believe that. **1**

That you had a much broader understanding of the whole shared services project - - -?---Yes.

- - - than anyone else - - -?---Yes.

- - - including CorpTech?---I should say "than other bidders". **10**

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Okay. Better than Logica and IBM - - -?---Yes. 1

- - - and SAP, and so on?---Yeah.

Okay. You believe you knew the government's requirements better than those other bidders?---Yes.

You believed you had far more insight?---Yes.

And you saw that as a real advantage to Accenture?---Yes. 10  
We thought that Accenture was highly competitive, yes.

And you were concerned to ensure that you could not lose that advantage?---We wanted to - yes, I don't understand that question, sorry.

Your concern was to ensure that whatever process was followed was one in which there was not a second stage because you were concerned by the second stage you would lose some of that advantage?---No. No, our concern was that if there was going to be a second stage, we wanted to know that there was going to be a second stage before we commenced the first stage. 20

And because it would have influenced how much you disclosed in the first stage if you knew there was a second?  
---Correct.

Okay. Thank you. Now, you sought some meetings with the under treasurer - - -?---Yes. 30

- - - Mr Bradley?---Yes.

And Ms Perrott?---Yes.

And what was her role, I'm sorry?---Was the - I believe was heading CorpTech at the time, yes.

Either acting or had just been made permanent?---Yeah. 40

All right. You had no trouble getting a meeting with those senior people?---No. We were granted meetings.

And in it, in the meeting, you say you obtained the verbal assurance you were seeking?---That's correct.

And it's right to say, isn't it, although Mr MacSporran has asked you this, you didn't get it in writing from CorpTech or the government?---No, we didn't - did not get it in writing. 50

And you did not confirm it in writing?---That's correct.

You tell us in your statement that you heard some rumours, some market rumours I think you put it, that Accenture had won the RFP?---Yes, we had.

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What did you hear?---Well, we heard from - via CorpTech staff and contractors that Accenture had been evaluated the highest from the RFP stage.

1

And that's exactly what you expected?---That's what we expected, that's what we hoped for, so - - -

I mean, you knew the project better than these competitors of yours?---Yes.

10

That's exactly what you expected?---It's certainly what we hoped for, yes.

And you put in a comprehensive proposal?---Yes, we had.

Did you know at that time when you heard these rumours what kind of response SAP or Logica, or IBM had made to the email of 25 7?---No, we didn't know.

Have you since seen the response provided by IBM?---Yes, I have.

20

It's in the form of a Power Point presentation?---Correct.

You know that, don't you?---Yes, I do.

Okay. That's the kind of response that you would have yourself - forgetting the, sort of the detail of it, that's the kind of response you would have given to the email of 25 July, except for the assurance you got from the government, that you say you got from the government, about this being a one-off process?---Quite possibly, yes.

30

Now, can I just ask you to consider this hypothetical: if another supplier did not understand the email of 25 July to be an RFP or did not receive the kind of assurance that you got from people you've told us about, you would expect such a supplier to do what you say you contemplated doing, putting in a lesser detailed response to that email?---Yes.

40

Such as a Power Point presentation?---Possibly, yes.

Rather than putting in a detailed fully costed submission?---Yes.

And such a supplier would be, would you accept, at a severe disadvantage if later on it was told that all along that email of 25 July was an RFP?---Yes, they would be, yes.

That would be, you would accept, grossly unfair to such a supplier?---Yes, I would think so.

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Okay. The assurances that you received from the government, so that's from Mr Bradley and Ms Perrott, did you, in the course of these discussions with them, ask them - sorry, I withdraw that. Did you tell them you thought

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the email of 25 July was uncertain?---No, I don't believe we referred to the email itself. We did ask them about the process. The process seemed to be a very fast-track process. It was directed at specific companies.

1

Right. Well, nonetheless, they would have - when you left the room, it would have been clear to them that you thought the process needed to be clarified at least?---I'm not sure what they would have thought. They gave us assurance that they were going to contract until the end of it.

10

Well, one of the things you wanted them to do was to have them clarify the process?---That's what we requested at the meeting, are you asking me - sorry - - -

Yes?---So you're asking me what they thought after I left the meeting? I don't know what they thought.

All right. As you were in the meeting, they would have been left in no doubt that you thought the process needed to have a bit of structure to it?---I don't know what they thought.

20

You told them that?---I didn't tell them that; I asked them what their intention was after - through the course of the RFP.

Okay. Thank you. Back to this market rumour that you heard, can you remember the people?---No, I don't, and they didn't advise me directly; it was Accenture, Accenture staff that knew some of these ex-contractors, so - - -

30

How would an ex-contractor know what CorpTech's evaluation of your proposal was?---I don't know. I can only speculate that when you have 20-odd people from CorpTech come and attend a proposal presentation, you get a fairly big network event and a lot of people know a lot of staff.

Okay. Now, when the ITO came out, I think you told us that you saw that it reflected a lot of Accenture's themes. Is that the right way to put it?---Yes. Yes, we believe that's the case, yes.

40

Okay. And you expressed your concerns to both CorpTech and treasury?---We expressed our concerns in one meeting to Mr Burns and Ms Perrott.

Right. And if you go to paragraph 62 of your statement, please - sorry, paragraph 62. Is that the meeting you're talking about?---Yes, that's right.

50

So at that meeting you commented that it appeared as though treasury was commoditising Accenture's approach, you mean lifting the ideas from your document?---More that - to some extent, more that the ITO had been broken down into 90-odd

questions based on a lot of the issues that Accenture had raised in its proposal, yes. 1

Well, then I'll put more neutrally?---Mm'hm.

Having been educated by reading your earlier document, they've learnt a lot and incorporated that learning into the ITO?---Yes, that was the idea.

And the ITO process itself gave the other bidders, Logica and IBM, more time, another go, essentially - - -?--- 10  
Another go, yes.

- - - was your concern?---Mm.

And you describe that as providing them with the levelling of the playing field?---That's right.

That is, in part, diluting what you saw as the advantage you had of this greater knowledge by setting out the greater knowledge in the ITO?---Yes, and through the presentation of an ITO that comprised 92 questions. 20

And setting up for a price shoot out?---Yes.

You mean a competitive bid?---Said to make the focus more about price than anything else.

All right. It's a small point, Mr Salouk, but one of the things that you say was Accenture's advice to the government back in 2005 was to keep the software vendors hungry, you want to create a competitive environment? ---Yes. 30

So that the notion of creating a competitive environment where there could be a price shoot out is one that Accenture had encouraged the government to pursue?---Yes, and to make it clear, Accenture has absolutely no concern about competing through a competitive tender process, as long as Accenture that was going to be a two-stage process. 40

Of course?---Mm.

And look, I omitted to ask you something. Do you still have volume 6 with you? Would you go, please, to page 98 of it. If you turn first to page 91 - - -?---Yes.

- - - you should have a document on Accenture paper of some kind?---Yes. 50

And it's headed "Clarification Questions for Accenture (indistinct)?---Mm'hm.

You'll recall this was after your response to the RFP? ---Yes.

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And obviously there was some process by which you were asked some questions about that?---That's right. 1

And this is, in part, the response which is given?  
---Correct.

And tell me, please, are you involved in the provision of this response?---I may or may not have reviewed it.

Right. Turn to page 98?---Yes. 10

I want you to just read paragraph 1.16 to yourself?  
---Mm'hm.

Have you read that?---Yes.

Now, do you recall having read that back in 2007?---Yes, I do.

And were you - - - 20

COMMISSIONER: What's an 'NTE'?---'Not to exceed', commissioner.

MR DOYLE: It starts with - apart from the question - "Accenture is acutely aware of Queensland Treasury's budget constraints and our estimates were provided with this constraint in mind"?---Mm.

Now, should we understand that you - it was true to say you were acutely aware of treasury's budget constraints?---Yes, we were. 30

And back in - might be hard to do this, but back in August 2007 - - -?---Mm'hm.

- - - did you know what that figure was?---Yes, I believe we knew it was around 80 million.

Right?---Yeah. 40

And how do you know that?---I think the market was aware of it.

It's a very well-informed market?---It is.

Someone has told someone - - -?---Yeah.

- - - and you've heard that?---Yeah. 50

From whom did you hear it?---Well, it was widely known. Oh, the Accenture management team knew.

Okay. It was common knowledge, was it?---It was common knowledge, yes.

Right. Okay. And was it right to say that you were acutely aware of that constraint?---Yes. 1

By which you mean, don't you, that you knew treasury saw it as a real constraint?---No.

No?---No.

Okay?---By that I meant treasury had told us that's the amount 10

of budget they had left.

Right. Okay. So treasury had told you?---Mm.

It wasn't rumour; it was actually direct communication from Queensland Treasury?---Sorry, I don't - I can't recall - treasury had told us that they had limited budget available. We understood that treasury was going to go and ask for further appropriation. 20

Okay. They told you that, too?---No, they didn't tell us that.

How did you know that?---Well, we - well, we had a discussion several times with people such as Mr Burns, Ms Perrott and the under treasurer that there were no silver bullets, that Accenture could not deliver the program within the 80 million or so budget that was available, and that the budget needed to be extended. 30

All right. That's what you were telling them?---Yes.

But did they ever say to you - please tell me if they did and who said it, and when - - -?---Yes.

- - - "We're going to go and ask for more money to do that"?---No. No, they never confirmed that they were going to ask for more money. 40

Okay. Thank you. Now, would you look, please, at page - this is back to your statement now, I'm sorry?---Mm'hm.

You've got a heading "Use of Confidential Information" on page 10. Can you see that?---Yes.

Then in paragraph 68, over the page - I mean, read it all if you need to, to put it in context?---Mm'hm.

You say, "I'm not sure if this information was leaked. However, I observed that Terry Burns ran far too loose a tender process"?---Mm. 50

Can you see that?---Yes, I do.

"I recall having discussions with Terry Burns and I remember thinking that he was being very generous in his information"?---Yes.

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Now, should I pause there and ask you - - -?---What that means.

- - - the discussions that you were having were you and he, and other people present?---Correct.

10

And he was being generous in the information he provided to you?---Yes, that's perhaps clumsy wording. What I mean by that is that Mr Burns was casual in his communication of information to us.

By which you mean casual and generous. That's the word you used - - -?---Yes, that's right. I mean - - -

Giving him - sorry?---I mean casual and it was more - far more conversational than it was disciplined as I expect from a procurement officer.

20

Right. Giving you information that you thought you were not entitled to?---No, no, I wouldn't say that.

What - - -?---Sorry?

What - give me an example, please?---Look, one example, one example would be I recall at the end of the presentation on 7 August that Mr Burns was about to go to another presentation. I believe that we asked him on the way out, before he headed out, for some feedback, and I recall him making some comment about he wished the others had provided the same level of detail or something like that. It wasn't information that we could use, it wasn't - you know, it was nothing necessarily inappropriate, it was just unusual.

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Okay. Now, in paragraph 69 and following, you give a few things that you and he never did, if I can put it that way? ---Mm'hm.

40

You never had an off-the-record discussion. You say that's at no point during the RFP process by which you'd take it - we should it, you mean, on or after 25 July?---Correct.

Okay. Thank you. Now, one of the things you refer to is Mr Burns not having told you that he was a long-time IBMer. Do you see that?---Yes, I do.

And have you subsequently made investigations as to whether he wants work for IBM?---I've been advised that he wants work for IBM but that's only recently.

50

Recently?---Yes.

And you know it to be in South Africa?---I understand that to be the case. 1

Most recently in 1980?---Okay.

You didn't know that?---I didn't know that, no.

Okay. Thank you. You say that Mr Burns never provided encouragement to Accenture to be competitive in its pricing. Seriously?---Yes. During the RFP stage and ITO stage. Part of Accenture's qualification of the opportunity was we couldn't deliver the program with a budget remaining. It wasn't correlated to the effort left. We had those discussions with Mr Burns and at no point did he say, "There's no point bidding; we can't get more money." 10

I'll deal with that in a moment?---Mm'hm.

You complained to him on 20 August that he was, in fact, lining you up for a price shoot out?---Yes, it appeared that way, yes. 20

Which you'd accept is another way of describing trying to get a lower price?---That's another way of describing the core focus is going to be price, yes.

And you were complaining to him that's what you saw, Queensland Treasury and CorpTech were, in fact, doing? ---Yes. We raised it as a concern that it appeared that's what they were doing. 30

Are you saying he said to you, "Don't worry about it. We don't want a competitive price"?---No. I'm saying that he then said, "No, the reason we have to run another process is because there are issues with the other one first time."

Okay. Now, just with respect to that budget question, should the commissioner understand - I'll put it differently. You knew there was a tight budget at least in the lead up to the ITO?---We knew that treasury had 80 million left aside. 40

Left to spend? Okay. You had been told in the letter of 2 July that one of the things they were looking for is achieving something in the existing budget?---Yes, I made that - I saw that, yes.

You would know, wouldn't you, that the amount of dollars involved in your tender would be a relevant consideration for any evaluation of it?---Yes, it would be part of the consideration, yes. 50

And the greater the dollar might weigh against you unless the services were greater to overcome that effect?---Yes, or the ability to deliver or the value for money. Correct.

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So we can know, can't we that Accenture went and put its ITO in October 2007 and knew that the potential buyer of its services was someone with a limited budget who would be taking into account, critically, the amount of money we'd have to spend to achieve whatever it was to be achieved under the proposal you put forward?--No, no, we understood that the government would be looking for a way to fix a - a solution to fix a problem and that if it required more funds to do that, it would consider doing that. We assumed that price would be considered in a frame work of value for money consideration.

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Perhaps we're saying the same thing. You knew that the amount of money was a relevant factor. What you're telling the commissioner is that you did not believe that there was, in fact, a budget which limited the amount when it was worthwhile you bidding for?---Sorry, can you ask the question again?

If you're told the budget is 80 million - - -?---Yes?

20

- - - you can either bid 80 million or lower and know you're within budget, or you can bid for more than 80 million and hope you can persuade the customer to find the extra money. Those are the choices, aren't they? ---Yes, but you don't have a choice of bidding 80 million or less if you can't deliver an outcome for 80 million or less.

Right, you've got to look at what in fact is being delivered?---Yes.

30

What, in fact, the proposal is to provide?---Yes.

And we'll come to that. All right. Now - - -

COMMISSIONER: Mr Doyle, is there a certain artificiality on this line of questioning? What was IBM's price?

MR DOYLE: If your Honour goes to that schedule we can calculate a figure.

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COMMISSIONER: I thought you might give me the answer now.

MR DOYLE: Yes, it's 97 million, but, your Honour, there's different sort of variables.

COMMISSIONER: You must not call me that.

MR DOYLE: Sorry?

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COMMISSIONER: You must not call me that.

MR DOYLE: I'm sorry. All right. I'll try better tomorrow. Your Honour, there's - I said "tomorrow". The

ITO contains two options that you can bid for. I'll ask the witness, if I may? 1

COMMISSIONER: All right.

MR DOYLE: You know that the ITO called for two options, and option one and an option two?---Yes, that's correct.

And your firm put in a bid for option two?---Yes. 10

Do you know which, Mr Salouk, IBM put in?---No, I don't know.

You don't?---No.

In order to undertake a comparison between anything that you've provided in terms of price, and IBM provided in terms of price, in order to compare apples with apples, as it's been described - - -?---Yes. 20

- - - you would need to know that you're both bidding on the same option?---Yes, you would.

Otherwise you are not comparing apples with apples?---Yes.

You've not done that?---As I said before, I didn't do a detailed comparison.

No, it's not a criticism of you. You had half an hour to look at the IBM schedule. Is that so?---Yes, around half an hour. Yes. 30

Okay. And you were not provided with any clarifications of that schedule that IBM provided to CorpTech?---No, I didn't see those. No.

And you're not able to say whether IBM quoted for the same option that Accenture quoted for?---No, I have no idea.

Do you recall what the difference in the options is?---No, I can't recall. 40

I'll show you. Do you have volume 12 with you? Can you turn to page 32 of the book?---Yes.

You should have page 33 of the ITO?---Yes.

And you should have a heading Agency Implementation Project Teams. 50

COMMISSIONER: Sorry, what page?

MR DOYLE: 32 of the book.

COMMISSIONER: Yes, and what's the heading?

MR DOYLE: 5.3. Agency Implementation.

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COMMISSIONER: Thank you.

MR DOYLE: Just read the two, please, option one and option two?---Yes.

And it is right to say, isn't it, that Accenture did it on option two?---That's correct.

10

Which is the broader of the two scopes?---Yes. I don't believe it's substantially broader, but, yes.

Okay. Well, in option one, "The SSP agency is accountable for the solution implementation and associated organisational change to the SSP agency." Now, that is a short hand reference to the department or the government agency - - -?---Correct.

- - - who is the customer?---Yes.

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And so on, I'll leave some words out. And option two, Accenture is going to be responsible for doing all that work?---That's correct.

You can certainly tell me differences between the structuring of the pricing that was set out in the Accenture proposal, the ITO proposal, compared to the IBM one that you've seen?---They were certainly different, yes.

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Fundamentally different?---Yes.

Okay. We'll come back, I think, to that tomorrow. Go back to your statement, if you would? Would you go to paragraph 79? Now, the ITO, when you received it, you described as "very onerous"?---Yes, it was quite detailed. Yes.

But you go on to say you think that a company the size of IBM should have been able to comply with it within time? ---Yes.

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Without an extension?---Yes.

Okay. The ITO was delivered on 13 September?---Yes, that could be correct.

It was originally to close on 1 October?---I can't recall.

And it was extended to the 8th?---Okay.

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Do you recall that?---That could be right, yes.

Do you recall what day Accenture put its response in?---I believe the due date.

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The 8th?---Yes.

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Okay. Do you recall what day, or do you know what day, IBM put its response in?---No, I don't know.

Just as a side, even assuming you believe it to be true, why is it in this statement that you think IBM should have been able to do it by 1 October rather than the 8th?---I was - what I'm referring to there is a company such as Accenture or IBM should have been able to complete the ITO within the initial time frame.

10

Did you have yours ready earlier and just hold it off for week before - - -?---No, we continued to work on it. Yes.

All right. Thank you. Now, you were asked some questions this afternoon about price estimates, do you recall that? ---Yes, I do.

And one of the comparisons that you were asked to do was to compare Accenture's ITO response - sorry, I've put that badly.

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COMMISSIONER: While you're thinking of that question, can I ask Mr Salouk something?

MR DOYLE: Certainly.

COMMISSIONER: Mr Salouk, looking at the two options, option one and option two, that's the ITO, can you tell me this: would you expect the difference in pricing between tenderers, depending on whether one chose option one or option two, to be of the order of \$90 million?---No, I don't think it would have been a significant difference between the two options.

30

Thank you.

MR DOYLE: You were asked, I think, to compare the pricing between Accenture's RFP response and IBM's RFP response. Do you recall that?---Yes, I do.

40

And when were you first shown IBM's RFP response?---Last week, I believe it was.

And how long did you spend looking at it?---Possibly an hour.

Okay. The Power Point presentation?---Yes, that's correct.

50

And you were asked, I think, how could you tell if you were comparing apples with apples, and you said, "I would not know that"?---I was asked that question with respect to the ITO.

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Let me ask it with respect to the responses to the RFP?  
---Yes. 1

How can you tell, by looking at Accenture's response to the RFP and IBM's response, if they're addressing the same thing?---It would be difficult to tell because IBM's response to the RFP wasn't very detailed.

Okay. Well, it would be right to say you can't tell?  
---Correct. 10

Comparing, then, the responses to the ITO, it is right to say, isn't it, that you've looked at only part of IBM's response?---That's correct.

And is the part that you've looked at the schedule of figures that you were taken to today?---That's correct.

Were you taken to parts which identified the assumptions upon which the pricing has been provided?---I can't recall. 20

Right. You obviously weren't taken to the whole document?  
---I was taken to an abridged version of IBM's ITO response, I was given an abridgement.

All right. But you can't recall if they identified the assumptions upon which the pricing proceeded? A narrative rather than a table?---Yes, no, I can't recall seeing it.

And the process was that you had half an hour to look at it?---I spent about a half an hour looking at it, that's right. 30

Okay. Now, Mr Commissioner, I don't think I'll be able to finish quickly, is this a convenient time?

COMMISSIONER: Yes. You might just tell me, though, so Mr Flanagan can know what the witness is to organise for tomorrow, how long you think you might be in the morning. 40

MR DOYLE: Half an hour.

COMMISSIONER: Half an hour? All right. Thank you. Yes, thank you. In that case, we will adjourn, now, until 10.00 tomorrow.

WITNESS WITHDREW

THE COMMISSION ADJOURNED AT 4.33 PM UNTIL  
TUESDAY, 12 MARCH 2013 50

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