



**QUEENSLAND HEALTH PAYROLL SYSTEM  
COMMISSION OF INQUIRY**

**Statement of Witness**

<i>Name of Witness</i>	Michael Duke
<i>Date of Birth</i>	04/05/1963
<i>Address and contact details</i>	Known to the Commission
<i>Occupation</i>	General Manager CSC
<i>Officer taking statement</i>	Tony Cross
<i>Date taken</i>	7 / 3 / 2013

I, Michael Duke, of a residential address known to the Commission of Inquiry state as follows:

**Background**

1. I am presently employed as a General Manager at CSC. CSC is a Information Technology and Services company. I have extensive experience with nearly thirty years in the Information Technology (IT) industry. I have had significant experience in the tendering process for IT contracts. This breadth of experience extends from the solution design and architecture phase to the point of sale and overall accountability for complex proposals.
2. I have managed my own consulting company IISAS Pty Ltd. I worked for ten years for Broken Hill Proprietary (BHP) in a management role in IT planning and strategy.
3. In 2003 I commenced work with Logica.
4. In all three organisations I have worked in the capacity of State General Manager Information Technology.

**Contract History**

5. In 2005 Logica won the contract to deliver the whole of government Document and Records Management Systems and also the whole of government Finance SAP solution for the State of Queensland. Logica deployed teams to government to implement those solutions. Logica had overseas references where it had previously used SAP and

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Workbrain and we had also used Kronos which is a rostering, workforce application. We proposed SAP and Kronos in our whole of Government HR and Payroll RFI response for various commercial and technical reasons. I recall the HRBS (HR business solutions) RFI December 2004 followed by the 3000 question RFO that we delivered in Apr/May 2005. [For the whole of government RFT process I was responsible for preparing the response and I had a team of about twelve IT personnel to assist me in the preparation of the response. It was an extremely complex response which necessitated answering about three or four thousand questions in response to the bid. Logica prepared their submission with the additional assistance of about ten sub-contracted IT providers. The Logica response to the RFP was 14 volumes of material and then 5 copies of this. Logica was not the successful tenderer for this work. I recall both Accenture and IBM both had elements of this work.

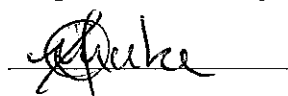
### **Request for Information**

6. In the latter half of 2007, following a Request for Information (RFI), Logica provided a response to a State Government Request for Tender for Shared Service Solutions Replanning Project. The RFP was about confirming the capability of organisations to provide the State Government's stipulated requirements. Logica had completed a significant amount of work for the State Government prior to 2007.
7. This response was to the whole Shared Services solution which went beyond the Whole of Government Finance SAP solution and included HR components such as payroll and rostering. I cannot recall whether it was CorpTech's intention to negotiate a contract at the conclusion of the RFI process. After the RFI process I was not informed by anyone from CorpTech as to the rankings of those companies which responded to the RFI. I have no recollection of Logica objecting to CorpTech contracting with the highest ranked proposal following the RFI process.

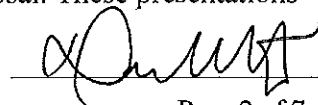
### **Invitation to Offer**

8. I recall representatives from Logica attended briefings about the extent of the ITO. The ITO did not only confine itself to a Shared Services Payroll Solution but a number of other whole of government solutions as well. Logica conducted its own internal assessment and evaluation of the feasibility of the requirements of the ITO. Logica also provided a number of presentations to government on our proposal. These presentations

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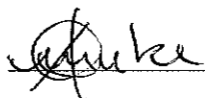
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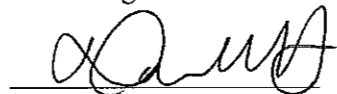
canvassed issues like deployment and risks and I recall they were conducted over a number of hours. I recall that Darrin Bond and Philip Hood from government were present. I have previously worked closely with both these people when implementing the Finance and Document and Records Management Solutions. We attempted to show that Logica was a little more flexible as to how we perceived our competitors from IBM or Accenture would typically respond.

9. Logica's final response to the ITO fell short of the requirements outlined in the ITO. The Logica bid did not meet the ITO's requirements. Logica proposed to the State that they would only supply a partial response of the work required and this was confined to the areas of Other Systems Functionality (OSF) and the completion of the SAP Finance system deployment. Logica viewed the QHealth Payroll as a large chunk of work with lots of complexity and risk and for that reason our submission was only partial. Logica's management was cognisant of the risks associated in providing a response to the requirements listed in the ITO. In short, we put in a bid for only part of the business we felt we were able to deliver against.
10. I know Logica reflected deeply on the Health Payroll Solution and the complexity of key components. At the time the government had a whole raft of different payroll platforms, many and varied customised processes, 24/7 rostering system, people acting in roles, various enterprise bargaining agreements and a massive labour workforce. At Logica we tried to break down the solution into smaller components based upon grouping by Government Agencies but Queensland Health was still a large component in its own right.
11. I do have some recollection of the 2007 State's ITO for the whole of government business solution however I can not be sure of the dates or all the requirements. I recall Logica received a letter inviting us to present ideas on how to improve the SSS program outcomes and costs. I know the intent of the ITO was to provide one payroll solution and help solve other risks with the SSS program across all government departments. I am aware Logica, Accenture and IBM responded to this ITO.
12. I know that a person named Terry Burns had been appointed as the lead in the contract negotiations and I think he had been appointed by the Under Treasurer Gerard Bradley to perform that role. Terry Burns provided a number of industry briefings to representatives from the offerors and I recall he let the offerors know what he was looking for in their

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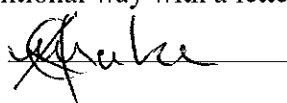
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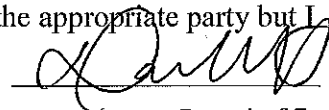
tender submissions through the industry briefings he provided. I came to the conclusion as a result of the briefings conducted by Terry Burns that government was looking for a single organisation to provide the solution rather than joint partners, thereby alleviating the problem of managing multiple contractors and ensuring one party was to be accountable.

13. There was a generic email address for the State during the preparation of submissions where you could pose questions and those question and answers would then be made available to the other offerors.
14. I formed a bid team to prepare Logica's response to the 2007 ITO. I supervised the Bid Manager. There would have been about six people plus some sub contracting partner companies involved in preparing our response.
15. I am not sure but I do not think Logica requested and received an extension of time in replying to the ITO. I can not recall the exact date of when Logica's response was submitted.
16. I know that as part of the 2007 ITO that government wanted to re-baseline the Shared Service Solution program which included the remainder of the whole of government Finance Solution as part of a suite of other requirements and also included Payroll and HR Solutions. I know SAP was worried about how the system architecture and design activity within the government was being undertaken. There were various ways to deploy SAP and they were in favour of a limited number of multiple platforms across agencies. I believe this was limited to three instances. Logica agreed with the multiple platform approach. We were disappointed that this approach was not adopted because Logica was already involved in the delivery of a whole of government finance solution and the remainder of the project was brought into the Payroll tender.
17. Logica told government in the briefing sessions we were not happy with this approach and the implications for Logica if our bid was not successful. Logica had in fact already implemented a large part of the whole of government Finance Solution at this time. Again the rationale was that the government felt it was best served with one Prime Contractor to deal with the remainder of the shared services program.
18. I know that Logica was advised by letter of the failure of its bid. I seem to recall this was done in the conventional way with a letter to Logica signed by the appropriate party but I

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can not recall the date Logica received that letter. I think I may have also attended a debriefing session with Government representatives in connection with the failed bid. I do not recall who from Government was present or the date of that meeting. Logica's response to the ITO was assessed to be a non-compliant partial bid so it did not come as a big surprise that we did not win the work. I believe our incomplete response was the reason that Logica's bid was not successful. I ultimately could not convince Logica's Australian management team to compete for the whole bid.

19. In my opinion the reason so much has gone wrong with the implementation by the Prime Contractor and the government is the complexity of what was required. Even though there were different business models and rules to be applied, the simple fact that a large number of decentralised systems were required to be centralised in a short space of time presented some seemingly insurmountable difficulties. The number of awards, staff, and the host of other considerations presented major difficulties. That said SAP has been used to deal with these complexities elsewhere so I suspect the approach of using the Housing Payroll design as the blueprint for Health was a failed strategy.
20. I have been informed that CorpTech's remaining budget for the Shared Services Initiative rollout was \$108million. I am of the opinion that the proposed rollout could not be achieved within this budget. The price indicated by Logica in its response to the initial HR/Payroll RFP was \$180 million, which in my opinion and from my experience was more realistic if the constraints and assumptions we made were appropriate.

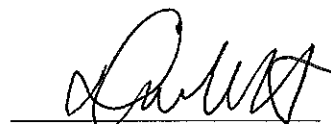
#### Contact with Terry Burns

21. At no point during the RFP process did Terry Burns meet with me on an "off the record" basis.
22. A colleague and myself did meet once with Mr Burns on a one-on-one basis. The conversation was around the SSS program issues and the process. I have never had coffee with Mr Burns on a one-on-one basis. I did not consider Mr Burns to be approachable in that regard.
23. Except on the one occasion mentioned above whenever I met with Mr Burns, other representatives of CorpTech such as Barbara Perrott, Philip Hood or Darrin Bond were present.

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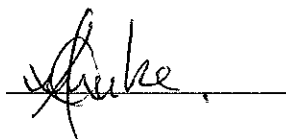
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24. Mr Burns, at no stage, provided any coaching to Logica as to how we should structure our response to the ITO.
25. Mr Burns never strongly recommended the position that Logica should adopt in its approach to the ITO response.
26. Mr Burns never indicated to me that he was a "long time IBMer". Mr Burns never told me that IBM was grossly under-represented on the Shared Services engagement or that the CorpTech program needed a significant increase of involvement by IBM.
27. Mr Burns never indicated to me that there were no "sacred cows" within CorpTech, meaning that Logica shouldn't discount those components of the Shared Services program that had Accenture involvement prior to the RFP.
28. Mr Burns never indicated to me that CorpTech's budget for the Shared Services project was \$108 million. Mr Burns never provided encouragement to Logica to be competitive in its pricing beyond what was in the briefing advice to all parties.
29. Mr Burns never offered Logica a dry-run for any presentation that Logica gave to CorpTech as part of the RFP process.
30. At no stage during the RFP process did Mr Burns provide an indication that Logica was on the right track with its thinking.
31. I did not perceive at the time of the contract negotiations that IBM had any particular person championing their bid prospects. Logica only wanted to retain what we had and we were annoyed when the finance components were mixed in with the whole of HR and payroll initiative.
32. I can not draw any adverse conclusion as to the short time frames allowed to respond to the ITO. All tender time frames vary in regard to the complexity of the stipulated requirements. It was obvious to me the Government wanted a swift response to actioning the Shared Services Initiative (SSI). Further, the ITO process for the SSS program reset followed on from the HR/PAYROLL RFP process.
33. I was approached by the Commission of Inquiry to participate in their investigation. I voluntarily make this statement to the Commission of Inquiry. The contents of this statement are true and correct to the best of my knowledge. I acknowledge that any false

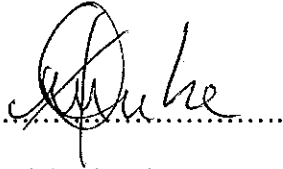
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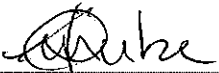
or misleading statement could be an offence against the Commissions of Inquiry Act 1950  
or contempt of the Commission.




Michael Duke

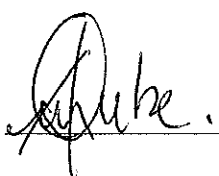
**Declaration**

This written statement by me dated 7<sup>th</sup> MARCH 13 and contained in the pages numbered  
1 to 7 is true and correct to the best of my knowledge and belief.

 Signature  
Signed at 555 CORONATION DRIVE this 7<sup>th</sup> day of MARCH 20 13  
TOWONGA

Witnessed:

Name DAN SCOTT. Signature 

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