STATEMENT OF LOCHLAN JOHN BLOOMFIELD

Name	Lochlan John Bloomfield
Address	348 Edward Street Brisbane QUEENSLAND
Occupation	Commercial and Public Sector Lead, QLD IBM Global Business Services
Date	18 March 2013

I state that:

1. I have been employed by IBM Australia Limited (**IBM**) since February 2007 and currently hold the position of Commercial and Public Sector Lead QLD IBM Global Business Services.

STATEMENT OVERVIEW

2. This statement is intended only to touch on my involvement in relation to the matters the subject of the Inquiry up to the signing of the Contract on 5 December 2007.

QUALIFICATIONS AND EXPERIENCE

3. I hold the degrees of Bachelor of Electrical Engineering (1990) and a Bachelor of Computer Science (1989), both from the University of Queensland.

4. In the period from 1991 to 2007 I was employed by Accenture. During that time I was promoted through various positions. In my time at Accenture I mostly worked for public sector clients, principally the State of Queensland, but also for the Federal Government. Save in the minor respect mentioned below, I did not do work for CorpTech while at Accenture.

EMPLOYMENT AT IBM

5. I commenced my employment at IBM on 18 February 2007.

6. IBM globally is divided into a number of different business units or 'brands'. These separate business units include Global Business Services (**GBS**), which specialises in application software design, build/development and support.

7. I work in the GBS 'brand'. It is made up, in large part, of what used to be PricewaterhouseCoopers Consulting, which was acquired by IBM in 2002. GBS is itself divided into various teams with different focuses.

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8. When I commenced with IBM in 2007, my role was predominantly focussed on business development and delivery of projects for public sector clients in Queensland. This is referred to as being the "Public Sector Lead, Queensland".

9. My work as Public Sector Lead involved identifying business opportunities in the public sector sphere. This includes State Government, City and Regional Councils, Public Utilities and such.

10. Identifying opportunities involves, in part, attending or having staff I supervise attend what are now known as "ICT Supplier Briefings". This is a process by which government organisations inform ICT providers (such as IBM) of upcoming IT needs, and upcoming IT projects which those public bodies intend putting to market, with a view to having the IT companies provide tenders for that work. Before a Request for Proposal / Request for Tender comes out, it is generally common knowledge in the IT community that a particular project will be coming up for tender.

BACKGROUND, CORPTECH AND THE SHARED SERVICES INITIATIVE

11. It is my understanding that from about 2003 the Shared Services Initiative (**SSI**) was a Queensland Government initiative to provide, amongst other things, a common platform for Human Resources, Finance, Procurement, Document Management systems, and a common ICT infrastructure platform across Queensland Government. That is to say, an aim of the program was for multiple Queensland State Government Departments to centralise and standardise a number of systems.

12. CorpTech was established (years before the events the subject of the Inquiry) to provide expertise to develop and deploy aspects of the Shared Services Solution (**SSS**); namely the 'whole of government' Human Resources (**HR**) (including payroll) and Finance aspects of the Shared Services Initiative. CorpTech was initially housed within the Department of Treasury, and then later within the Department of Public Works.

13. As far as I am aware, from about 2005 Accenture was involved in the Shared Services Initiative with CorpTech. I recall that I did some very minor work, a minor internal review (spanning 2-3 weeks), of work Accenture was doing on the project. I was otherwise not involved in that project during my employment there. My role was to focus on different accounts for Accenture.

INITIAL WORK AT IBM

14. At the beginning of my time with IBM my focus was to identify and develop new business opportunities in the public sector, because IBM Queensland was seeking to increase its share of public sector work.

15. I spent time introducing myself to a range of government agencies. This involved a great deal of time "meeting and greeting" a range of people at Government agencies, including at various State Government agencies and the Brisbane City Council. This was and is common practice.

16. Partly in the course of this and from other things I had heard, I became aware of some dissatisfaction with Accenture inside CorpTech and in various agencies. I was also aware that the SSS was one of, if not the most, significant public sector IT projects at the time.

17. My role at that time did not involve me having contact with Accenture and Logica staff working for CorpTech. However I was generally aware of the scale of their involvement in that work. My best estimate of the number of people from Logica working for CorpTech would be in the order of approximately 100, while the number of people working from Accenture was well in excess of 100.

18. I believed that as both Accenture (HR) and Logica (Finance) were firmly embedded in CorpTech, IBM was unlikely to displace either Accenture or Logica as large contractors in CorpTech.

19. I decided that GBS should focus on three things:

    a. First, pursue other public bodies for work on other matters (other than SSS), including, for example, e-Health software programs at Queensland Health;

    b. Second, try to obtain other work for IBM by assisting other Queensland Government agencies to prepare for the migration to the SSS platform. While I did not consider IBM could get a large quantity of work through CorpTech, I was hopeful that IBM could assist other State Government Departments to be ready to move from their present systems to the SSS;

    c. Third, endeavour to develop friendly relations with CorpTech and possibly grow our involvement on particular "non-SAP" applications (for example, Workbrain, Recruit ASP and SABA).

Existing Arrangements

20. At the time I started at IBM, there were, I believe, two services agreements in place with CorpTech:

    a. The Human Resources Business Solution (**HRBS**) Support Agreement – which was established to support any "non-SAP" applications. It is my understanding that the support agreement was signed at the end of 2005;

    b. The HRBS Application Development Agreement – which allowed CorpTech to purchase application development services for "non-SAP" applications.

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21.   Both agreements involved essentially the supply of a relatively small number of "resources" (that is to say, staff) to CorpTech. As a result of these agreements, I would have meetings approximately monthly with Maree Blakeney, a Contract Officer at CorpTech, to review the work IBM was doing.

FIRST - APPROACHES TO DEPARTMENTS FOR NON-SSS WORK

Queensland Health & e-Health Opportunities

22.   For large clients and large opportunities, we prepare an 'account plan'.

23.   For example, at the time of the 5 December 2007 contract, IBM had a Queensland Health Account Plan. This did not include the Shared Services Initiative as this Account Plan focussed on opportunities in the clinical areas (the majority of the business of Queensland Health).

24.   In relation to Queensland Health, we had considered or were considering a number of opportunities, particularly relating to 'e-Health'.

25.   For example, some of the projects included:

a.   The Information Repository. The goal of that project was related to keeping patient information in a single data store. This was anticipated for Quarter-1 of 2008.

b.   Clinical Portals. The PAS (Patient Administration System) and CIS (Clinical Information System) would feed this system, such that doctors could interrogate the system. This was anticipated for Quarter 2 of 2008.

c.   Business Intelligence Analytics (Quarter 2, 2008):

i.   This was a system to help identify patterns that may not be readily apparent. For example, if someone had been on drug A, and they shouldn't be on drug B within 12 months;

ii.   Or, if someone has been attempting to obtain pharmaceuticals from multiple sources without medical need, and so forth.

d.   Community and Chronic:

i.   Many allied health practitioners such as chronic care and community health providers work outside of the QH system – this system was to help them 'work' together;

e.   Mini EDIS (Emergency Department Information System):

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     i.   EDIS had previously been rolled out to larger (tier-1) hospitals. Mini EDS was a roll-out of a system to smaller emergency department sites. This tracks what goes on in each Emergency Department (e.g. drugs provided /prescribed);

f.   PACS – Medical Imaging System / Radiology Information System (RIS):

     i.   Picture Archive and Communication System – databases full of X-Rays, MRT, MRI, Ultrasounds and so forth.

g.   PAS – Patient Administration System:

     i.   Was for replacing their HIBISCS system. This system holds patient administrative information and not clinical information, as that would be in the clinical system.

h.   Clinical Information System (CIS):

     i.   Very large opportunity. The CIS holds data regarding clinical care.

Other Opportunities

26.   There were many other opportunities we were pursuing in the February to October 2007 period with other state government departments and agencies. I will not set any of these out as I understand they are not relevant for present purposes.

SECOND – APPROACHES TO DEPARTMENTS FOR SSS WORK

27.   As a part of my strategy to approach departments related to the SSI, between about 12 March 2007 and December 2007 I was in contact with a number of line of business heads within other Government agencies to discuss the SSS.

Queensland Health and the SSI

28.   In particular throughout March 2007 and onward I was involved in a number of meetings and email exchanges with Queensland Health, which was preparing for the implementation of the SSS.

29.   I had a series of further exchanges with staff in the Queensland Health Enterprise Solutions Transition (**"QHEST"**) Project both by email and in person about aspects of their SSS transition readiness. For example:

a.   IBM submitted two tenders during the first half of 2007 to assist with change management facilitation and business process mapping. IBM was not successful on either of these bids.

b.   QHEST requested IBM to provide a team of people (approximately 6) to assist with its preparations for transitioning to the upcoming SSS. There were a number of emails

exchanged with QHEST regarding this request from about April to July 2007, including an exchange of draft contracts as well as draft requests under the HRBS Agreement. The most recent correspondence on this topic indicated that the final requirement was for 2 people for 4 months, however I cannot recall, and have not been able to ascertain, whether a contract was ultimately signed with respect to this request.

30. Soon after starting at IBM I had been made aware that a request had been made by Queensland Health to provide an estimate to Queensland Health of costs that it would incur to develop and implement specific requirements that were out of scope of the whole of Government solution. I believe Queensland Health had requested this estimate so that it could request additional funding to be provided to it in preparation for this work. Jason Cameron assisted with developing this estimate.

31. On 16 March 2007 I was copied in to an email from Jason Cameron to Nigel Hey and Damon Atzeni, which said it related to a QH Funding request. The email attached a document called "QH Development Estimates". The document concerned the estimate which IBM had been requested to provide.

THIRD – QH / CORPTECH INTERACTIONS

32. As set out above, I did not consider that IBM had a particularly strong chance of obtaining major work from CorpTech, but I considered that developing a relationship with them was going to be important for public sector procurement projects in Queensland going forward.

33. From about March 2007 to May 2007, I arranged a series of meetings with Geoff Waite (and later, Barbara Perrott), Executive Director of CorpTech, in an attempt to develop IBM's relationship with CorpTech. I do not believe my predecessor, Mr Dunsdon, had a very good relationship with CorpTech officers. After Barbara Perrott became Executive Director of CorpTech, I met with Ms Perrott approximately every two weeks or so through July and August 2007. Those meetings usually occurred in Ms Perrott's office. A couple of times we met in a café because Ms Perrott was out of her office.

34. I was aware that CorpTech was in the role of "Systems Integrator" on the SSS. To perform this role, they had divided the work into a number of separate 'matrix' functions, with a number of providers (often much smaller providers) completing the relevant work. For example there were separate organisations contracted to provide Training, Support, Application Development, Change Management and so forth. IBM was doing some application development and support work as a part of this 'matrix' arrangement under the HRBS Contract.

35. I formed the view that the SSS project had not been proceeding well, including because, as set out below, CorpTech had spent about $200m of an approximately $300m budget, and while the Finance system had been rolled out to a number of departments, HR had only

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been delivered to the Department of Housing. There were some 25+ departments yet to receive a solution.

36. Because of this, I considered that there may be opportunities for IBM to assist CorpTech in its then role as Systems Integrator, by perhaps slowly being offered more work. I did not think that displacing the larger contractors at the time (Accenture and Logica) was likely.

37. As mentioned above, from about March 2007, IBM had a series of meetings and emails with Queensland Health about their upcoming Shared Services requirements.

38. It is worth noting the following in the course of those exchanges:

   a. On 9 March 2007 Richard Dunsdon arranged to take some clients to a luncheon. I attended with together with Geoff Waite (CorpTech) and Nigel Hey (QHEST). Stan Sielaff of DETA, and Rob Pagura of IBM may also have attended. Although I knew of Mr Waite from my work at Accenture, I had not been involved with him previously. In the course of this luncheon, IBM undertook to provide Mr Waite with a new conceptual model that would best position CorpTech moving forward with the agency implementations. I felt this was significant.

   b. On 12 March 2007, I sent by email a document entitled "SSS Implementation Proposed Conceptual Model" to Geoff Waite, copied to Richard Dunsdon, and blind copied to Jason Cameron, which set out IBM's view of how it could assist CorpTech to implement the whole of government solution. At this stage, the focus was on raising the possibility that IBM could better assist CorpTech, perhaps as part of a blended team with other existing service providers (eg Accenture). We were particularly frank in our views of CorpTech's failings. In this document, I attempted to leverage IBM's involvement via the HRBS contract to suggest we would be a good partner going forward.

   c. I understand that the Commission has questioned whether this email was connected with the "QH Development Estimates" I have referred to above as provided to QH on 16 March 2007. The two documents were unrelated.

39. The SSI Implementation Proposal Conceptual Model document was emailed around to various parties inside CorpTech. It then led to a series of exchanges via email and meetings with a view to IBM taking greater responsibility inside the SSI (rather than merely outside assisting departments to get ready for it).

40. As a result of these exchanges, CorpTech eventually asked IBM to provide a proposal to take end-to-end responsibility for Workbrain Rostering Implementation on about 4 April 2007. By this, I mean:

   a. Workbrain had previously been selected as the software to be used for rostering through the software tender process in 2003.

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b. IBM was subsequently selected as the supplier to provide services in relation to Workbrain through the tender process in 2005 that led to the HRBS Application Services Agreement.

c. It was originally intended that Workbrain rostering would be implemented by CorpTech, using assistance and resources from IBM as and when required under the HRBS Application Services Agreement.

d. In April 2007, CorpTech asked IBM to provide a proposal to complete the entire implementation for Workbrain rostering. IBM required certain additional changes to be made to the organisational structure of the SSI in order to successfully take over that implementation. A number of emails were exchanged in relation to this issue between April and June 2007. These culminated in a statement of work being delivered on 18 June 2007 by email from me to Geoff Waite.

CONTACT WITH CORPTECH LEADING TO ITO

General contact and a "New Conceptual Model"

41. It was in or about late April 2007 that there appeared to be a shift in thinking at either CorpTech or the Treasury Department.

42. Until about April, I had been hoping to secure pieces of extra work for IBM, and to 'put on a good show', such that IBM would be well thought of as a possible future partner to CorpTech or agencies. Late April appeared to mark a shift.

43. On 27 April 2007, I received an email from Elizabeth Russell at Treasury requesting that I meet with David Ford, the Deputy Under Treasurer of Queensland. CorpTech was, at this time, still part of the Department of Treasury. That meeting was held on 30 April 2007. Also in attendance at that meeting were Barbara Perrott, Geoff Waite, Terry Burns, Robert Pedler (from SAP), and Simon Porter (from Accenture). To the best of my recollection, this was the first time I had met Mr Ford. I do not specifically recall the meeting or what we discussed. This was also the first time I met Terry Burns, a consultant who had been brought in to CorpTech. I sent a follow up email on 1 May saying that it was good to meet Mr Burns and giving him my details.

44. At the meeting it was indicated that Terry Burns had been appointed by CorpTech to conduct a review over the following 4 weeks:

a. to determine a new CorpTech implementation schedule;

b. to suggest a new organisational structure for CorpTech, using its existing implementation contractors. There was no suggestion that IBM would take over the project in its own right; and

c. to identify "accelerators" to help improve the delivery of the shared services solution.

45. From my meeting with the Deputy Under Treasurer and onward it became apparent to me that Mr Burns was helping CorpTech review their approach to the SSI, and was keen to identify new ways of doing things.

46. From about 2 May 2007 to 15 May 2007, I exchanged a series of emails with Terry Burns, and had a number of meetings with him and others, including Diann McMillan, a Senior Executive Officer at CorpTech. The dealings included the following:

a. On 2 May 2007, Terry Burns sent me an email, copied to Diann McMillan, inviting me and whomever else I considered may "add to the discussion" to a meeting "as soon as possible" which was to be about "IBM's past and future role on the programme".

b. I met with Terry Burns and Diann McMillan on or about 2 May, and presented them with IBM's 12 March 2007 "SSS Implementation Proposed Conceptual Model" about possible approaches for SSI. I later emailed a copy of that document to Diann McMillan and Terry Burns on 3 May 2007.

c. I was asked to have IBM prepare a proposed approach, schedule, resource plan and cost model for the CorpTech program. I saw this as an opportunity to increase IBM's role in the program.

d. I had a second discussion with Terry Burns on 2 May 2007. I do not now recall how the second discussion came about. It is possible that I simply ran into Terry while at CorpTech and we had a more informal chat. I do not specifically recall what was said, however I sent an email to Colin Powell (copied to Cliff Bailey, Mark Bladon, Peter Munro and David Bostock) on 2 May 2007 reporting on our discussions. I can provide the following explanation on some of the phrasing used in my email:

i. I do not recall Terry saying that one of our discussions that day was "off the record" – I believe this was my way of describing it to distinguish it from the earlier meeting.

ii. Fonterra was a large engagement that IBM had undertaken in New Zealand. I did not know how Terry knew about Fonterra.

iii. When Terry used the phrase "innovative and expansive thinking", I believe I understood him to be indicating that he had high expectations of IBM, and he wanted us to bring our capabilities to the fore.

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iv. When I refer to Terry "coaching" IBM, I believe I was using this phrase in the sense it is commonly used within IBM, namely, someone who is involved in the project and is really focussed on bringing the best out of everyone to get them to the starting line to ensure a competitive contest that provides the best outcome for the client; a motivator, not an evaluator.

v. When I refer to Terry "strongly recommending" the position we should take, I believe I am referring to my understanding that Terry had encouraged me that IBM should continue to push to take more responsibility in the SSS.

vi. "No holy cows" was, I believe, a phrase Terry used in response to my query of why CorpTech needed IBM given it already had incumbents in the other areas of the SSS. By this phrase, I understood him to be saying that there were no barriers to what IBM could propose, regardless of any other incumbents.

47. The terms of these discussions were voluntarily disclosed by me to the Commission. I did not see any difficulty in meeting with Mr Burns at the time. I understood he had been tasked to assemble information and come up with ideas. I fully expected he was having like discussions with other IT providers and consultants. I note that Mr Salouk (for Accenture) suggests he had no private discussion with Mr Burns at all or to the effect of the discussion I have referred to. To the best of my knowledge Mr Salouk was not involved in the SSI programme until July 2007; long after Mr Burns' initial engagement.

48. On 8 May 2007, I emailed Terry Burns (copied to Diann McMillan) with a series of questions about the SSS. These involved identifying the business case, the program schedule, the scope documents, the organisational structure of the SSS and what procurement methodology was to be used. In particular: I asked whether CorpTech could be reorganised using the contractual arrangements in place at that time without going to tender which would be a costly and time consuming process for all parties. I asked this question because:

a. the focus appeared to be on how CorpTech could better deliver the SSI, and the general view seemed to be that improving delivery would require some level of reorganisation of CorpTech itself and the arrangement with its contracted parties; and

b. I needed to understand the process that would need to be followed in relation to any opportunity of this nature.

49. Terry Burns provided some response on 9 May 2007 in an email he sent to me, copied to Geoff Waite and Diann McMillan. He indicated that the business case was not publicly available, that some organisational information was available, and that schedules of delivery would be available after 31 May. As to procurement, he said "we need to see where you are headed with your proposals before we engage in the effort … to provide the data". How "radical" our proposal was would determine whether it could be accommodated within CorpTech's current authorisations and arrangements.

50. I met with Terry Burns with other IBM representatives (Meredith Payne (HR) and James White (Finance)) on 11 May 2007 at 2pm to discuss IBM's shared services experience in HR and Finance. I cannot recall precisely what was said during this meeting, however I believe that we would have discussed IBM's capability to take on more responsibility. I believe this because:

> a. I would not have otherwise taken Meredith and James, who were experienced in HR and Finance aspects of shared services arrangements; and
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> b. A discussion of that nature would have been consistent with IBM's strategy at the time.

Capacity to assist within the Program Management Office

51. I sent Terry Burns an email on 15 May 2007 following up from our 11 May 2007 meeting, to which he responded expressing the view that IBM didn't "have any significant new strategies to offer in the main solution area of design and build or implementation roll out at this time". I remember being surprised by this email and thinking that perhaps he did not understand IBM's capabilities and expertise that could be of value to the SSI. The same day, I responded that we would prepare a detailed document on IBM's capacity to assist CorpTech.

Ongoing contact

52. On 21 May 2007 I had a further meeting with Terry Burns. I sent an email internally at IBM to Nancy Thomas, Meredith Payne, Cliff Bailey, James White, and Justyn Sturrock in which I summarised what had been discussed at the meeting and my thoughts on what Terry Burns wanted arising out of that discussion. At the meeting Terry Burns indicated that he needed to finalise his report. He indicated that the following were matters IBM needed to address in its proposal:

a. He wanted clarity as to what role in the SSS program IBM wished to play. For instance, did it wish to take on a role with the Program Management Office ("PMO"), might it want to do work assisting the government agencies in implementing the SSS, and so on. He wanted the role which would be performed in each area to be defined. He also recommended that IBM be clear (if that be the case) that it was prepared to work in an environment alongside Accenture;

b. He wanted to know IBM's approach to working in an area managing work being delivered by Accenture and vice versa;

c. He wanted as much detail about IBM's accelerators to progress the SSS program, and indicated that this could be the key ingredient to IBM securing a management role.

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53. With assistance from a number of other IBM staff including James White, Justyn Sturrock and Meredith Payne, I prepared an IBM proposal and slide deck to meet Terry Burns' request. That slide deck is mentioned below.

54. On 23 May 2007, I attended a meeting with IBM executives to consider the CorpTech Account Plan. I sent an email to Ian Ball, Alison De Kleuver, Ian Raymond, Michael Dixon and Peter Munro attaching that plan on 22 May 2007. I prepared the account plan, and at page 7 was my understanding of where we were at the time.

55. On 25 May 2007, I attended a meeting, together with Justyn Sturrock and Meredith Payne also of IBM and presented IBM's proposal to Terry Burns. We used a slide pack for that presentation. I sent an email to Nancy Thomas, Colin Powell, Mark Bladon, Justyn Sturrock, David Fincher, Meredith Payne, and James White (copied to Jason Cameron, Peter Munro, Michael Dixon and Cliff Bailey) recounting the meeting with Terry Burns. The presentation identified IBM's willingness to be involved in work for the PMO, and also under the existing HRBS agreement, together with working on Finance and HR (that is, human resources) aspects of the SSS program.

56. On 29 May 2007, I spoke to Terry Burns and arranged a meeting time for Friday, 1 June 2007 to discuss the SSS Program and IBM's involvement. In the course of that conversation, he indicated that it would be a short meeting and he was happy for me to attend by myself. I sent an internal email to Cliff Bailey, Colin Powell, David Fincher, James White, Jason Cameron, Justyn Sturrock, Mark Bladon, Meredith Payne, Michael Dixon, Nancy Thomas and Peter Munro summarising the call.

57. On 1 June 2007 I had a meeting with Terry Burns in which he updated me with feedback from the steering committee which had been set up at CorpTech to consider his recommendations. The committee had agreed to proceed with discussions with IBM regarding the PMO, but that Queensland Treasury still needed to consider what the other consultants in the market place could provide, including SMS which was performing the PMO role. Queensland Treasury apparently was not then happy with the role SMS (the previous PMO consultant) was performing. The committee wanted a proposal outlining what IBM proposed to do and what it would cost. Terry Burns encouraged IBM to be competitive in its pricing. I do not recall the words used; but he made it clear to me that this work would be put to market and we would need to have a very competitive price to win it. The committee was then currently considering Terry Burns' further recommendations. I sent an internal email to Nancy Thomas, Cliff Bailey, Colin Powell, David Fincher, James White, Jason Cameron, Justyn Sturrock, and Meredith Payne (copied to Peter Munro, Michael Dixon and Mark Bladon) summarising the meeting.

58. Following this meeting, the team of people assisting me at IBM in respect of the CorpTech opportunity continued working on a proposal which would respond to Terry Burns' request. I sent Terry Burns an email on 5 June 2007 updating him that this work was being

performed, asking for information to assist us to prepare a response, and attempting to arrange a meeting.

59. I exchanged a number of emails with Terry Burns over the next few days attempting to organise a meeting with him. We were unable to meet until 14 June 2007. At that meeting I walked him through IBM's proposed approach, the team it would be using, and gave an indicative price range to understand if it was acceptable. Terry Burns said he would send through some information relating to the PMO the next day. He said he favoured a smaller effort to set up the PMO with the full diagnosis of the issues with the management being considered later. I also sent an email to Peter Munro and Justyn Sturrock (copied to James White and Meredith Payne) reporting on my meeting with Terry on 14 June 2007.

60. A slide presentation dated 20 June 2007 was ultimately provided to Terry Burns as IBM's proposal during a meeting that Justyn Sturrock and I had with him that day. The proposal outlined IBM's recommended approach, its proposed time and some indicative costs to set up the new PMO.

61. Also at this time I tried to arrange high-level meetings for senior people at IBM to meet senior government figures (such as the Under Treasurer or Deputy Under Treasurer). In an email on 26 June 2007, Terry Burns told me that time was "so limited" that we really needed to get something specific to propose, and he later said by email that there was too much going on for "protocol meetings".

62. On 28 June 2007, Justyn Sturrock, Wayne Peat and I met with Terry Burns. At that meeting Terry Burns mentioned he was frustrated at the lack of "fresh thinking" around the approach to the project. In the course of that meeting, Mr. Burns indicated that the remaining budget for the project was $108m.

63. However, on 29 June 2007 at approximately 12.30pm, I received an email from Kirsty Trusz of CorpTech stating that IBM had been unsuccessful in obtaining the offer of work for the PMO. This email was shortly followed up by an email form Terry Burns at approximately 3.30pm instead inviting IBM to a 'Supplier Briefing' on 2 July 2007 at 2pm.

PRESENTATIONS TO CORPTECH AND RECEIVING INFORMATION (JULY/AUGUST 2007)

2 July Presentation: Supplier Briefing from CorpTech to IBM and following

64. This was a change in approach from CorpTech.

65. I attended that supplier briefing on 2 July 2007 together with Paul Surprenant. I do not recall the detail of it. From an email of 3 July 2007 (mentioned below), it appears that SAP, Accenture, SMS Management & Technology and Logica CMG all attended this briefing. They are all major providers of IT services in the public sector sphere, so I attend many meetings with some or all of those people and companies as a regular part of my work.

66. These briefings were conducted to help suppliers understand what CorpTech were looking to do. It was also to raise the level of knowledge, though at the time I considered this was probably unnecessary for Logica and Accenture, since they had so many staff inside of the project already. A copy of the presentation by CorpTech on 2 July 2007 was attached to an email from Maree Blakeney to me on 6 July 2007.

67. As the presentation reveals, the focus of the supplier briefing was to outline the objectives, deliverables, governance, working groups, schedule and road map for Phase III of the CorpTech replanning activities. CorpTech interchangeably referred to Phase III as the "Program Replanning" and "Program Rebuild". Phase III was intended to plan a revised solution model for the SSI, including resource planning and ways to enhance productivity. The briefing also provided us with the contact details for people we could contact if we wanted more information.

68. In large part, I remained sceptical of this process because I still considered it unlikely that IBM would win the work away from Logica and Accenture. It has been my experience that public procurement bodies often urge IBM, as a market leader, to bid for things to legitimise the tender process. At the time (and to this day), I assumed that Accenture were happy to take part in this process, as they felt it would probably give them more power to make decisions and run more parts of the SSS.

69. Despite this I thought that showing IBM was serious about helping CorpTech and the SSS was very important for future work, so I was prepared to commit my time and energy to the process.

70. The 2 July 2007 supplier briefing marked the beginning of a process of information exchange and presentations, where we would be able to ask for more details about CorpTech's processes and requirements. This happened via email and meetings, and there are a series of emails to this effect:

    a. On 3 July 2007 I received an email from Kristy Trusz of CorpTech with details of who the suppliers could contact for more information. That email was sent to Robert Pedler of SAP, Janine Griffiths of Accenture, Mike Duke of Logica, and Jason Simms of SMS Management & Technology.

    b. On or about 4 July 2007, I received an email from Paul Surprenant advising that, together with Chris Prebble, he had met with Keith Goddard of CorpTech the day before in relation to changes that needed to be made at CorpTech. The email was also sent to James White, Chris Prebble, Jason Cameron, Sara Simpson and Justyn Sturrock. I was not present at the meeting with Keith Goddard on 3 July 2007.

    c. On 5 July 2007 I received an email from Paul Surprenant attaching draft notes of a meeting he attended that day with Terry Burns and Chris Prebble. The email was also sent to James White, Chris Prebble, Jason Cameron, Sara Simpson and Justyn Sturrock.

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I did not attend that meeting. The meeting summary referred to a written submission which was to be due by 12 July 2007, and a presentation which was to take place on 13 July 2007. The minutes stated that Terry said the executives had been charged to provide any information requested by IBM.

d. On 5 July 2007, Ian Ball and I met with Michael Kalimnios of Queensland Health, and then had a separate meeting with Gerard Bradley and David Ford of the Treasury Department, and Barbara Perrott of CorpTech.

e. In particular, as mentioned above, an email from Maree Blakeney to me (and I assume others) was sent on 6 July 2007 attaching an undated letter requiring:

   i. Information proposals to be delivered by 5pm, Thursday 12 July 2007;

   ii. Opportunities to present those proposals for 1.5 hours on 13 July 2007.

f. On 9 July 2007 I received an email from Kirsty Trusz of CorpTech proposing times for presentations to take place on Friday, 13 July 2007. The email was also sent to Mike Duke of Logica, Simon Porter and Janine Griffiths of Accenture, Megan Janke of Corptech, and Paul Surprenant of IBM.

71. SMS Management and Technology and SAP were not seemingly invited to the presentation.

72. Under the timetable set by CorpTech a written response was due to be lodged with them by 12 July 2007 in respect of the areas requested to be addressed at the 2 July 2007 meeting. IBM's written response was provided by sending through a copy of the slide deck that was used in our 13 July 2007 presentation. As noted below, this was emailed to Terry Burns on 16 July 2007.

Vendor Joint Proposal Concepts

73. I attended a meeting on 9 July 2007 at SAP's offices with representatives of Accenture (Simon Porter and perhaps Janine Griffiths), Logica (Mike Duke), and SAP (Chris Peck). The meeting had been proposed by SAP.

74. The meeting discussed the approach to the matters requested by CorpTech which had been raised at the supplier briefing on 2 July 2007. In substance the approach discussed was one under which each of the suppliers would continue to work in respect of each of the areas in which they already had arrangements with CorpTech. Most of those present were generally cooperative with this idea.

75. To my recollection the parties did not discuss who would seek or take the role of prime contractor.

76. After the meeting I spoke to Mike Duke. He said he was not convinced that Accenture would be interested in the discussed approach. Ultimately the idea was not acted upon.

13 July Presentation: IBM to CorpTech and following

77. On 13 July 2007 I attended the presentation to CorpTech by IBM. In addition to me, those attending for IBM were Justyn Sturrock, Paul Surprenant, Chris Prebble, Jason Cameron and James White. In addition to Terry Burns, I believe that David Ford, Deputy Under Treasurer, was present, as well as Barbara Perrott, Keith Goddard, Philip Hood, Darrin Bond, Brett Matthews, Steve Mitchell, and Jan Dalton of CorpTech. At the meeting each of us presented on parts of the slides. On 16 July 2007 I sent by email to Terry Burns a copy of the slide pack IBM used in its presentation of Friday 13 July 2007.

78. There were some meetings that followed our presentation. One meeting was held on 19 July 2007. Paul Suprenant and Justyn Sturrock may also have attended this meeting. A large number of CorpTech and Treasury staff were in attendance, which may have included Bill Willmott, Brett Matthews, Darren Olm, Debra White, Gary Palmer, Keith Goddard, Lynne Hackwood, Sandra Bowtell, Scott Macdonald, Steve Mitchell and Terry Burns. It is possible I was given a "vendor pack" at or prior to this meeting. A later email from Diann McMillan on 30 July 2007 records this to have occurred.

79. As a part of this process, IBM (and I assume other possible suppliers) had been invited to request information from CorpTech to better understand what was required and what was going on in the SSS. We collated such a request and Paul Surprenant sent it to Diann McMillan of CorpTech, copied to Terry Burns, Keith Goddard, Maree Blakeney, Chris Prebble and me on 23 July 2007. There were then subsequent emails and meetings about these requests for information, and the spreadsheet that was attached to the 23 July 2007 email was updated.

80. On 25 July 2007, I received an email from Terry Burns indicating that its contents had been given to all suppliers. That email was also sent to Paul Surprenant, and copied to Maree Blakeney and Trish Brabyn of CorpTech. That email set out the requirements that CorpTech were looking for in a proposal. It included questions as to whether IBM would be prepared to enter into a "Prime contractor role across the whole program", cost ranges, preferred commercial models, and set dates of 7 August 2007 to collate proposals from suppliers and 15 August 2007 to begin "detailed processes leading to further engagements". It offered for the parties to meet with representatives of the State. As outlined below, a meeting took place with Terry Burns and Keith Goddard (the "dry run" presentation referred to below).

81. I remained sceptical that IBM was possibly still being strung along by CorpTech. CorpTech was slow in getting us all of the information we requested and required. This is information that almost certainly Accenture and Logica would know from having hundreds of staff in place at CorpTech. The information was due to be delivered by close of business on 26 July, and there is an email from Trish Brabyn, a Project Manager at CorpTech to Paul Surprenant

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(copied to myself, Chris Prebble, Keith Goddard, Maree Blakeney and Terry Burns) of that date.

82. All of the relevant information was not delivered by that time, and information continued to trickle in over the subsequent days, and some, such as the business case, were withheld, according to an email of Paul Surprenant of 30 July 2007 addressed to Mark Foley, and copied to Trish Brabyn, Terry Burns, Keith Goddard, Chris Prebble and myself. In other cases, we needed to sit down with people from CorpTech to understand some of the information that they had sent us.

83. At about this time, on 31 July 2007, I met with Dr Leo Keliher, Service Delivery and Performance Commission chairman and Joshua Kennedy-White of KennedyWhite Consulting Pty Ltd. The prior Friday a report into the Shared Services program (completed in March 2007) had been released. When I met with Dr. Keliher I discussed the conclusions of the report. He did not add much to my understanding of the issues for the Shared Services program beyond what was contained in the report, but I reasoned his report was likely the basis for some of the changes we were seeing from CorpTech.

84. We continued to have meetings with various members of CorpTech staff and at various levels, including with the Under Treasurer, Gerard Bradley on 2 August 2007. David Ford, Deputy Under Treasurer, Barbara Perrott, Terry Burns, Keith Goddard, Joanne Bugden, Maree Blakeney and John Swinson may also have attended this meeting. At this meeting Peter Munro, the IBM Managing Partner of Public Sector engagements in Australia and New Zealand explained other partnering arrangements that IBM had previously undertaken. Paul Surprenant may also have been present at this meeting.

Lead in to 6 August 2007 - IBM Presentation to CorpTech and following

85. On 3 August 2007, I attended a meeting with Terry Burns and Keith Goddard and others (possibly Brooke Freeman, Chris Prebble, Jason Cameron, Keith Pullen, Keith Goddard, Paul Surprenant, and Sara Simpson), though I do not recall the detail. The meeting was referred to as "IBM dry run". The meeting was, I believe, to give them an understanding of what we proposed so that they could see that it met the purpose of the 6 August meeting. We ran through a draft of the presentation which was to be given on 6 August 2007. Mr Burns did not say much about the presentation but did indicate we were meeting the objectives.

86. I saw nothing wrong with meeting Mr Burns and Mr Goddard to explain the intended presentation. I now understand Accenture provided an explanation of its proposal to Mr Bradley and others the day before. Moreover, the email of 25 July 2007 pursuant to which the presentation was to be made had suggested to all vendors that they make just such a preview presentation to explain their proposal if they wished.

87. CorpTech requested that IBM address in the 6 August 2007 presentation cost ranges and timescales to implement the ideas which IBM was presenting. I understood that the requested presentation was not a response to a formal request for offer or proposal. Rather

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I understood that the process was intended to get suppliers to propose ideas on how the SSS program might progress.

88. The slide deck IBM prepared for the presentation was changed to include "Recommendation" so that it was clear it was not a formal proposal, or in any way an offer from IBM. Prior to that it had been called "IBM Innovation – Ideas Explored".

IBM Pricing – 6 August 2007

89. The figures contained in this presentation were very much ballpark indicative estimates.

90. Under IBM's internal procedures, before figures contained in a bid can be submitted to a client, a price estimation process is followed. The figures must then be the subject of rigorous formal approvals within IBM. The price estimating process used within IBM for formal bids includes:

   a. preparation of detailed estimates of the volume of work which will be performed being prepared by employees directly familiar with the areas of work covered by the proposal; and

   b. estimating the length of time various activities might take to be performed so resource costings can be prepared;

   c. use of IBM's internal price estimation software to prepare a calculation which is then reviewed to enable a final price to be set.

91. That process was not followed for the ballpark figures prepared for the 6 August slide deck. I did not believe the 25 July 2007 email was inviting a bid and certainly IBM did not submit its presentation on the basis that it was a bid. The information which had been provided by CorpTech up to that time was insufficiently detailed for IBM to properly perform its usual price estimation work. Accordingly, while an estimation exercise was undertaken, the full usual price setting steps were not undertaken.

92. The approach taken to the pricing estimate given on 6 August 2007 involved performing rough calculations, then applying a percentage to allow for a contingency to reflect the fact that insufficient detail was known about the proposed work. Further to that, we decided to include a large price range to be safe. The categories for estimation used in this process were significantly different from those subsequently used in the response to the ITO.

The "RFP"

93. It has been suggested to me that the email of 25 July 2007 was an RFP (request for proposal) the outcome of which would be that someone would be selected to be the prime contractor. That has never been my belief.

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94. As mentioned above, I did not read the email as stating to that effect, and the information then available to IBM would have made it impossible for it to provide a bid as such. I was not aware of the private discussions which Mr Salouk has since told the Commission Accenture had with Mr Bradley concerning the nature of the process at that stage.

95. Since my interview with the Commission, I have been shown some emails dated 3 August 2007 (which I have been told IBM has located and voluntarily provided to the Commission). I have been told that my archived email for 2007 included two emails – one is a draft email with the subject "Fw: Did u speak to Barb this week?", and the second is an email from me to Paul Surprenant. Both are dated 3 August 2007 (a Friday). Both emails contain the text of an earlier email which has not been retained in my archived emails. I do not recall receiving the original email from which the text has been taken.

96. The text with the subject "Fw: Did u speak to Barb this week" is signed off "Simon". It appears to be an email from Simon Porter of Accenture which was not originally sent to me. It appears from that email that Accenture (the day after the meeting with Mr Bradley to which Mr Salouk refers) was seeking to have someone-

    a. Advise it of any meeting IBM may have with Mr Bradley;

    b. Lobby Ms Perrott in certain respects critical of low priced bids.

97. I do not directly recall from whom I received the email. From the context of the text itself, and my comment to Paul Surprenant that it came from a "mutual friend in the industry" it appears to me that the email from Simon Porter may have originally been sent by him to one of a number of people with whom I may have worked at Accenture and would have known Barbara Perrott. There are a number of people who may have sent this to me.

98. I cannot now recall it, but it seems I forwarded this email on to Mr Surprenant. While I say that the email from Simon Porter would offer "some insight" reviewing it now I cannot see that it provides anything of significance concerning Accenture (other than that it was trying indirectly to lobby Ms Perrott). In particular:

    a. The email refers to a transition period of 6 months. A timeframe like that for the transition would have been expected;

    b. The email refers to a "NTE" (not to exceed) price. This was something that probably had not been known to me prior to that time. It did not change IBM's approach. IBM's strategy both before and after this email was not to provide a fixed figure (or indeed anything other than a price-range) as part of the material it provided in early August 2007;

    c. The $100 million budget left to CorpTech was also already known to IBM.

99. I do not now recall whether I spoke about the email to Paul Surprenant on the Sunday concerning the IBM presentation or at all.

100. Through some negotiation about dates and times, IBM was eventually invited to a 6 August 2007 "replanning proposal meeting". I do not recall everyone who attended, however, an email from Mark Foley at CorpTech indicates that over 20 CorpTech and Government staff and/or contractors would be present. In addition to myself, I believe that Justyn Sturrock, Jason Cameron, Chris Prebble and Paul Surprenant attended on behalf of IBM. IBM gave a presentation on its recommendations to amend the "current implementation issues at CorpTech". I gave some of the presentation with others presenting on their aspects of the slide deck. I recall that not many questions were asked by the CorpTech representatives and they took a lot of notes. I sent a copy of that slide deck to Maree Blakeney by email on 7 August 2007.

101. After the 6 August 2007 meeting, IBM proceeded to have exchanges both internally (within IBM) and externally (with CorpTech) on a number of matters, including with Maree Blakeney about Workbrain reference sites, providing a Q&A session based on our proposals to CorpTech, locating reference sites, answering questions with Philip Hood and so forth.

Move to Tender Process & Information Leaks

102. On 20 August 2007, I was advised by email from Barbara Perrott (sent by Janelle Meulenberg) that IBM and Accenture had given the "most highly rated" responses to CorpTech's requests for information and proposals on new ways of doing things. As such, a formal tender process was going to follow to select a prime contractor.

103. We were urged by CorpTech to use this time to request further information, particularly information that had not yet been provided in response to our earlier requests. We also used the opportunity to meet with CorpTech and its representatives whenever possible to understand their business and requirements for the SSS.

104. IBM has now located and I have now been shown an email (dated 22 August 2007) which I received from Cheryl Bennett, client executive, Queensland Public Sector for IBM. The email indicated that information had been fed through from CorpTech suggesting how the presentations provided by suppliers had been marked.

105. I did not recall the email prior to being shown it recently, and having been shown it only have a limited recollection of it. I do not believe it is of any significance as it related to the previous round of presentations, and IBM had by that time been selected as one of the two highest contenders to continue in a further process. It seems factually inaccurate and consistent with the kind of scuttlebutt that is common amongst large departments: for example, in contrast to the statement in the email, LogicaCMG were bidding; further a different software solution suite was not going to be used. Looking at the email now I doubt that I gave any weight to it, and its contents are not reflected in the work which took place on the ITO.

106. Since seeing the email, I believe that this is when I began to have a heightened concern that documents were being leaked out of CorpTech.

107. To the best of my recollection, it was at about this time (late August 2007) that Keith Pullen, another IBM employee working from time to time at CorpTech under the HRBS contract, expressed a concern to me that he believed Accenture had access to what IBM had presented to CorpTech. In substance he said to me that the presentations to CorpTech were available to all staff at CorpTech on the LAN (local access network). I remember being very concerned about that, though I do not now recall what I did about it.

108. Since my interview with the Commission IBM has located and I have been shown an email (dated 29 August 2007) which apparently was sent to me, copied to Jason Cameron, from Joseph Sullivan, and an email from me to Joseph Sullivan (dated 30 August 2007). Joseph Sullivan was an IBM employee who had been working at CorpTech.

109. What he refers to in the second part of the email is likely to have been an attempt to verify whether IBM's proposal was available to its competitors who had a large number of representatives working at CorpTech's offices with access to the LAN. Accenture therefore, for instance, would have had access to IBM's presentation and points of distinction. However, as the email states, by the time Mr Sullivan made his enquiries the documents had been removed. It was not possible to verify the rumour I had heard from Mr Pullen.

110. I have been shown a copy of an email dated 31 August 2007 from Terry Burns to Barbara Perrott which I understand forms part of the Commission's tender bundle. The email says that IBM had called him yesterday (i.e. 30 August 2007, the same day as I responded to Joseph Sullivan's email) to say that a staff member at an "Agency" had mentioned that they had access to the RFI evaluation matrix, and that IBM were concerned that the draft RFO might have also been compromised in this way.

111. I do not specifically recall making that call, however I believe that the call referred to in that email would have been made by me to Terry Burns to complain about the possible information leaks which are referred to in the email dated 22 August 2007 from Cheryl Bennett, the comments from Keith Pullen, and the email dated 30 August from Joseph Sullivan.

112. Accenture had a large number of employees and contractors working at CorpTech who, if the information was available on the LAN, could have accessed that material.

113. At no time did I see Accenture or any other supplier's proposals or recommendations to CorpTech (either for the August 2007 presentation or the ITO). I have not seen any "strength and weaknesses assessments" of the respective proposals (either for the August 2007 presentation or the ITO). Nor to my knowledge has any IBM personnel (other than lawyers in connection with the conduct of this Inquiry).

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114. I was asked by counsel assisting the Commission at my interview whether I was aware that Accenture had provided CorpTech an approximately 100 page response on pricing. Prior to being told this by the Commission, I was not aware of this.

115. I was also asked by counsel assisting the Commission whether I, or any person at IBM so far as I was aware, given Accenture's price at any time, including prior to IBM's August presentation or its response to the ITO. I was not given that information, and I am not aware of anyone at IBM having been given that information.

27 AUGUST TO 12 SEPTEMBER 2007 (ITO ISSUANCE)

116. On 27 August 2007 I received a 'Vendor Briefing Note' via email from Janelle Meulenberg on behalf of Barbara Perrott. It contained reference to the forthcoming RFO and the timeframes that would then likely be required.

117. Between 24 and 27 August 2007, Shaurin Shah, on behalf of Terry Burns, exchanged emails with me inviting IBM to a meeting to discuss the upcoming tender with Keith Goddard and Terry Burns. A time for the meeting was arranged for 30 August 2007. I recall this because the meeting was cancelled by Mr Burns shortly thereafter citing legal advice.

118. That cancellation came in an email I received on 28 August 2007 from Terry Burns, copied to Maree Blakeney. The email was sent to me, Mike Duke and Damian Cassin of Logica, Simon Porter of Accenture, and Robert Pedler of SAP. The email said that he had been advised that day that they (CorpTech) were already in a de facto RFO process and that they should not be engaging in discussions with vendors who would be RFO respondents. This, he said, was a reversal of previous legal advice.

119. From that point we were unable to get any further information from CorpTech save through a more formal tender process, though answers to questions we had already asked were still provided. In an email of 3 September 2007 that was copied to Keith Goddard and myself, Terry Burns indicated to Paul Surprenant that the 'legal position' was that the information could be re-requested after the RFO was distributed if an answer hadn't been received. Further emails regarding the outstanding information requests were exchanged.

120. In the period from 3 September, we continued internal work (discussed below). The ITO was scheduled for release on 7 September, but this was delayed to 10 September and it finally was released on 12 September.

The ITO

External Communications

121. The ITO was released on 12 September 2007. The ITO was then amended under an hour later in an email from Maree Blakeney to undisclosed recipients identifying that the closing date was 1 October 2007 and that responses were to be delivered to Mallesons Stephen Jaques. The ITO document is about 80 pages long but its Part G attachments (which in

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substance describe the systems requirements and other aspects of the work) run to many thousands of pages.

122. On 17 September 2007 I attended a further supplier briefing at CorpTech, together with Justyn Sturrock, Paul Surprenant, Chris Prebble and Jason Cameron. Based on the agenda I received for that briefing, I believe that Terry Burns, Barbara Perrott, John Swinson, David Stone, and Keith Goddard attended on behalf of CorpTech. I cannot recall specifically what was said at this briefing, but I received an email from Johan Visser on 14 September 2007 attaching an agenda.

123. After the ITO was issued, there were a series of communications back and forth seeking information, confirmations and clarifications. Also in the course of this period, CorpTech were publishing addenda to the ITO. Some information was provided on a CD.

124. This information drip-feed continued to fuel my concern that we were being strung along to either legitimise the tender process, or to simply keep Accenture's bid competitive.

125. On 21 September 2007, I sought an extension of time to respond to the ITO, particularly relying on large dumps of data that CorpTech provided a week into the process. The data dump of that day (21 September), as I indicated in an email to Maree Blakeney which was copied to Johan Visser and Paul Surprenant, was over 300mb of new material across 366 documents.

126. On 24 September 2007, I received an email from Maree Blakeney at CorpTech, the other recipients of which were not disclosed, regarding an amendment to the ITO, specifically, that the closing date had been extended until 8 October 2007.

127. In the period up to the close of the ITO I estimate IBM received from CorpTech (in response to information requests from IBM or other bidders) many thousands of pages of documents.

Preparations for IBM's Response to the ITO and IBM's Pricing Approach

128. In the period leading up to the issue of the ITO, despite not having the ITO, preparations were underway to enable IBM to respond to it.

129. Johan Visser was appointed the bid manager for IBM's bid process. Essentially his role involved project managing the response to the ITO. This meant it was his job to ensure all members of the bid team prepared their parts of the bid, and were prepared to quickly respond. When the ITO was released, he would ultimately ensure that IBM's response document was properly collated.

130. Other bid team members included:

a. Brooke Freeman – worked on pricing aspects of the bid;

b. Chris Prebble – worked on the Queensland Health aspects of the bid;

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c. Don Maccorquodale – worked on the finance software aspects of the bid;

d. Jason Cameron – he may have had a limited role as he was going on leave, but his role related to technical issues to do with SAP;

e. Keith Pullen – worked on administrative tasks required to bring the bid together;

f. Paul Surprenant – addressed Human Capital Management issues;

g. Sara Simpson – worked on change management aspects of the bid;

h. Warren Vonghack – worked on technical aspects of the bid; and

i. Bobby Gupta – Applications Management Services (the post go-live support services).

131. IBM India was also involved in costing the work as it was anticipated some of the development work would be performed by them in respect of SAP.

132. I attended, on a daily basis, internal bid meetings to brief staff, workshop IBM's approach to the issues raised by the ITO, to be updated on progress of the team in preparing the response to the ITO, and subsequently to inform those persons within IBM who were required to sign off on the response proposal.

133. At this time staff at IBM, who were also discussing the issues with me, were taking steps to organise for staff from within Australia and from IBM India to come to Australia to take part in the proposed project. References to these staff were anticipated to be required in response to ITO.

134. In essence, we were putting in a great deal of work internally to prepare a fair, competitive and accurate response to the ITO.

135. IBM worked hard to price this deal at or below $100million. This is because we knew we would have to present a competitive price to beat Accenture, which was the incumbent service provider.

136. As I had overall responsibility for the bid, I was responsible for ensuring that IBM's bid received all the formal IBM approvals that it required prior to being submitted. Bids of this size require approvals at a number of levels, in this case, including:

a. at the sector level, by Peter Munro;

b. at the service line level, by:

i. for Human Capital Management: Justyn Sturrock;

ii. for SAP and Global Delivery: Sundar Lakshminaraynan; and

iii. for Application Services: John Chiavelli;

c. from the chief financial officers of GBS from both our Australia and New Zealand (**"A/NZ"**) and Asia Pacific (**"AP"**) Practices. In this deal, that was from:

i. Lindon Egan (Chief Financial Officer, A/NZ); and

ii. Lily Low (Director Finance & Planning, IBM Global Pacific Services, AP)); and

d. from the Managing Partners of GBS from both our A/NZ and AP Practices (in this deal, that was from Ian Ball (A/NZ) and Andrew Stevens (AP)).

137. The above approvals were obtained in relation to IBM's response to the ITO.

138. During the approvals process, there are also a number of people who the approvers look to for advice on certain aspects of the bid, such as quality and risk management, legal, procurement and pricing. They are not formally required to approve the bid, but their approval generally gives some comfort to the formal approvers. This occurred in relation to the IBM Response to the ITO.

139. Also at about this time, I was in contact with people and organisations that I thought could possibly assist IBM to deliver the project. This included:

a. David Brooks, the owner of Presence of IT. Presence of IT was a specialist in HR and payroll software.

b. I exchanged emails with Robin McClure from IBM in the UK, who had undertaken some work as the program manager for a similar project undertaken in the United Kingdom, with a view to sharing his learning from that experience.

IBM Response to ITO and Presentations

140. Throughout the bid process, we were required to contact only Maree Blakeney regarding information, which we did, save for one request for information that was mistakenly sent to the wrong person (Shaurin Shah), which was CC'd to Maree Blakeney.

141. On 2 October 2007, I received an email from Maree Blakeney, the other recipients of which were not disclosed, requesting IBM to attend a Question and Answer session following the submission of its bid. That presentation was to be held on 10 October 2007.

142. On or about 8 October 2007, IBM's response to CorpTech's ITO was submitted. On 8 October, Maree Blakeney identified that there was an error in two of our figures due to a

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PDF conversion error, and we sent amendments shortly thereafter (also on 8 October 2007). The executive summary was not sent with the response. I emailed it to Maree Blakeney on 12 October 2007. It identifies the total price of the IBM proposal.

143. The tender process run by CorpTech was unusual because:

   a. it was run according to an extremely aggressive timetable, particularly given the size of the project;

   b. the flow of material relating to the status and scope of the existing project and what was required going forwards was slow. This often made preparing responses difficult, and tenderers were required to rely upon assumptions. IBM did not have full access to all information relevant to the tender. Accenture would have been much better placed in terms of its knowledge of these requirements, given it was the incumbent on the HR project;

   c. the result of the above is that it was difficult for tenderers (IBM particularly) to properly digest and respond to the tender and information requests within the time periods allowed;

   d. there was no opportunity for the tenderers to first provide an oral presentation of their response to the tender. Instead, the tender process moved straight from submitting a response to question and answer sessions. The quick progression of the tender must have made it difficult for the CorpTech evaluators to get their head around such complicated responses, especially considering the lack of opportunity to present orally on the responses.

IBM's ITO Response

144. The Response was, in my opinion, one for an appropriate bundle of software applications based on the information we had received.

145. I understand it has been suggested-

   a. That it is not possible to readily identify a total price in the IBM Response to the ITO; and

   b. The total IBM price is one for which the Share Services Programme the subject of the ITO could not be carried out.

146. Neither is correct.

Pricing and Methodology

147. As to identification of the price, the Executive Summary (on page 2 of the Response document) footnotes the price for phases 1 and 2 as $98m (excluding expenses). I have prepared a schedule which cross refers to the IBM ITO Response to show how this figure can be calculated.

148. As to the price being realistic, I believe it is, and the compilation and approval of the ITO Response was carefully analysed, scrutinised and approved by IBM before it was submitted.

149. I have been told IBM's total price is lower than the Accenture ITO Response bid (which I have not seen). I have read Mr Salouk's transcript of evidence and so know the total figure.

150. I cannot of course say what is in the Accenture ITO Response or how that influences its price. But I am able to identify, by way of example, several aspects of the ITO Response by IBM which may go some way to explaining its bid price.

151. First, IBM's response proposal was to conduct extensive forward planning to enable the baseline solution to be designed so as to capture as many of the requirements of departments and agencies at the outset rather than to have to design and implement them as individual additional solutions in each department and agency. This is explained in the ITO Response (at pages 7, 55, 68-69, 71 and 103) and represents not only a departure from the way things had to that point been done, but a sensible and cost effective way of proceeding.

152. Secondly, the IBM approach was to use Workbrain for Awards interpretation which would have meant considerably less programming effort required than using SAP for Awards Interpretation and thus allow for less complex and less time consuming implementation.

153. Thirdly, IBM proposed a single instance of SAP. This would result in a lower total cost of ownership and reduced implementation timeframe. Also, we proposed an optimised design model and a release object design for build and test activities. IBM also proposed the immediate upgrade of SAP ECC 5.0 to ECC 6.0.

154. Fourthly, IBM's ITO Response (at answer to question 94) identified that travel costs and other expenses were not included in its price and were to be charged to CorpTech as a pass through. In the preparation of IBM's estimate made in its August 2007 presentation I understand this item of expense accounted for about $25m. The sum is not directly relevant to the ITO Response. But this shows the order of magnitude of the sums involved.

155. Fifthly, IBM priced its services competitively, with low profit margins and low mark-ups on sub-contractor prices.

Queensland Health Interim Solution

156. The ITO Response also identified the approach IBM was proposing in relation to the interim solution for Queensland Health at pages 43 to 58.

157.	At this point in the timeline, the solution that was proposed, and requested to be delivered, to Queensland Health was a 'minimal' and 'interim' one. This interim solution would adapt what had been done in the Department of Housing with SAP, and add Workbrain functionality. A more complete solution was ultimately to be delivered to Queensland Health in another stage of the Shared Services program. Our ITO response expressly considered other options (at pp 45-48 of IBM's response to the ITO). It was critical to our pricing that Queensland Health would accept the minimal functionality solution until the roll-out of the complete solution. Any increase in RICEF count or scope would have an effect on price.

Workbrain vs ABAP/SAP

158.	As mentioned, IBM proposed using Workbrain for Awards interpretation. Workbrain was already due to be part of the Shared Service Solution for rostering, and CorpTech had already purchased a licence for the product in or about 2003. It was, and is, considered an ideal product for rostering and award interpretation.

159.	The matter was extensively dealt with in the IBM Response (at pages 69 and 72 to 84) as well as in IBM's responses to Clarification Questions and in presentations.

160.	An alternative product might have been one known as Kronos, however, software licences for that product would have run into the several (if not tens of) millions of dollars.

161.	I was aware that Accenture had attempted to write award interpretation in to SAP by programming each award in the SAP programming language, ABAP. This is a particularly expensive and time-consuming process which involves committing skilled and expensive technical resources. This too was discussed in the IBM ITO Response. I was aware of them having used this approach in the Department of Housing implementation, which was, I understood at the time, the reason why it was delayed and over budget. The idea of hard-coding a further 160+ awards across the remaining agencies as part of the SSS deployment in ABAP seemed like a massive and unnecessary technical undertaking to me, which would likely introduce a number of errors (as it required programming rather than merely configuring items), complicate SAP upgrades and so forth. It seemed unnecessary, particularly when the Workbrain software was available and CorpTech had already spent money on it.

Extension of Lattice Support

162.	During my interview with the Commission I was asked who had proposed seeking agreement with Talent2 for an extension of support for the Lattice program in the event that IBM was awarded the tender. That proposal appeared in IBM's response to the ITO. I cannot recall from whom at IBM that suggestion originated. It may have been from one of a number of people working on the bid including me, Johan Visser, and Chris Prebble.

163.	On 25 September 2007 I attended a meeting set up by Chris Prebble. Johan Visser of IBM was also invited to that meeting. I do not specifically recall the meeting. In the meeting

request Chris Prebble stated that the purpose of the meeting was to discuss the possibility of extended support (1-3 months) as a component of the Lattice replacement program. If possible he wanted to say that IBM had engaged Talent2 and were at least in the process of negotiations to be finalised if IBM won.

164. I was also copied on emails between Chris Prebble and Eileen Aitken of Talent2 in which she confirmed that an agreement had been reached to extend Lattice support by 3 months. The emails were on 26 September 2007 (from Chris Prebble to Eileen Aitken, copying me Johan Visser and Paul Suprenant) and 28 September 2007 (from Eileen Aitken to Chris Prebble, copying me Johan Visser, Paul Suprenant and Rob Fox).

THE POST-SUBMISSION PHASE

165. After we submitted our ITO Response, CorpTech sent a list of clarification questions to IBM late on the evening of 9 October 2007, ahead of our 45 minute presentation the following day. Though we asked for the opportunity to fully present our bid, we were told to simply focus on answering the questions that CorpTech had about our proposal.

166. I worked with members of the bid team to prepare a slide pack for that meeting and to answer the questions CorpTech had asked.

10 October 2007: IBM Question & Answer session with CorpTech and Following

167. On 10 October 2007, Justyn Sturrock, Paul Surprenant, Chris Prebble, Jason Cameron and I attended the Question and Answer session with CorpTech. In the course of the Q&A, we were told that they hoped to have a decision by Sunday (14 October) and an approval by Wednesday, 17 October. This was, I believe, aggressive timing.

168. Over the next few days, and during the process of preparing responses to CorpTech's questions, I exchanged a number of emails with IBM staff and sent emails to CorpTech. CorpTech had also sent another question seeking a further reference to an organisation using Workbrain as an award interpreter. I exchanged emails with Kevin Keogh of Infor (the vendor of the Workbrain software) to obtain further client references, which I passed on in IBM's responses to CorpTech's questions. I ultimately provided further client references to Maree Blakeney by email (copied to Paul Surprenant and Johan Visser) on 15 October.

169. In all, CorpTech issued several rounds of clarification questions to which IBM provided answers. These were both before and after the meetings on 16 and 17 October 2007 (discussed below). One email from Paul Surprenant to Maree Blakeney, copied to me, of 19 October 2007 provided performance data in relation to Workbrain in two different environments.

170. On 15 October 2007, I received an email from Maree Blakeney, the other recipients of which were not disclosed. Ms Blakeney advised that CorpTech wanted to hold a number of

meetings with IBM for the purpose of getting an overview of some aspects of its proposal. Those meetings were to take place as follows:

a. a presentation regarding Governance, Structure and Implementation Schedule on Tuesday 16 October 2007;

b. a presentation regarding the Product Application Mix – Workbrain Conceptual Model on Wednesday 17 October 2007; and

c. a presentation regarding a cost overview on Wednesday 17 October 2007.

171. Further emails were then received regarding details for those sessions. I also had a conversation with Maree Blakeney on 15 October 2007, which I detailed in an email to Paul Surprenant, Jason Cameron, Chris Prebble, Sara Simpson and Keith Pullen.

172. By this time I believed that IBM had a serious chance of winning the business, and was not merely being involved to keep Accenture "honest" or legitimise the process.

16 & 17 October 2007: IBM Presentations to CorpTech on the bid and Following

173. I attended the presentations on 16 and 17 October together with colleagues from IBM. In particular:

a. On 16 October 2007, I attended the Governance, Structure and Implementation Schedule session at CorpTech, together with Paul Surprenant, Jason Cameron, Chris Prebble and Sara Simpson. We used a PowerPoint presentation during that presentation.

b. On 17 October 2007, I attended the Product Application Mix – Workbrain Conceptual Model presentation at CorpTech, together with Paul Surprenant, Joseph Sullivan, Nitin Deshmukh, Kevin Keogh (from Infor), Scott Barter (from Infor) and Kevin Akermanis (from Infor). We used a PowerPoint presentation during that presentation.

c. On 17 October 2007, I also attended the cost overview presentation at CorpTech, together with Paul Surprenant. Brooke Freeman also attended by way of teleconference.

174. In the course of the presentations to CorpTech, they asked for a further reference as to IBM's ability to deliver large-scale systems. To that end, we provided a reference at the Federal Department of Immigration and Multicultural Affairs. I did this by email to Maree Blakeney on 17 October 2007, copied to Bob Correll of the Department of Immigration and Citizenship and Peter Munro and George Cruser of IBM.

175. IBM was then invited (via email from Maree Blakeney, copied to John Swinson of Mallesons Stephen Jaques and Terry Burns) to two 'price validation sessions' to take place on Monday 22 October 2007 which we attended. The emails of invitation were copied to Terry Burns of CorpTech and John Swinson of Mallesons Stephen Jaques, and one was also copied to Darrin Bond of CorpTech.

176. As mentioned above, after the submission of the ITO Response up to the announcement of IBM being selected, we were asked for clarification of a series of topics to which we responded in writing (as well as in the presentations referred to). I believe five written clarifications were provided covering a range of topics.

ITO Evaluation Processes

177. I knew of course that some form of assessment would be carried out by CorpTech. I did not see any assessment forms relating to that review, and I am not aware of any other employee of IBM obtaining or seeing any such forms.

178. I did not obtain or see Accenture's or any other supplier's presentations or proposals from the ITO, and I am not aware of any other IBM employee obtaining or seeing those presentations.

179. I had no insight into CorpTech's assessment of the ITO responses. They were a "black box": I did not know who they were or what they were doing. I am not aware of any other IBM employee knowing who they were or what they were doing. I had no influence over any such people, and to the best of my knowledge, nor did anyone else at IBM.

180. Ultimately, I received an email from Barbara Perrott on 26 October 2007 identifying IBM as the first ranked offeror, and I was invited to attend the first day of negotiations at Mallesons Stephen Jaques starting on 29 October 2007.

Contract Negotiations

181. On or about 29 October 2007, I attended the first contract negotiation meeting at Mallesons Stephen Jaques. I cannot recall who else attended. A number of subsequent negotiation meetings were also held.

182. During the contractual negotiations, I was required to obtain executive approval for various clauses of the contract and related financial details.

183. Normal contractual negotiations would involve attempting to refine the terms of the offer document, but in this case little change was permitted by those representing the State.

184. It was at about this time that a team was also deployed to begin work on what became Statement of Work 7. Chris Prebble and a small team were performing this work and Paul Hickey was supervising it. I was informed of what was going on, but I was not really a part of it.

185. I recall that during the contract negotiations the issue was discussed of testing the scalability of Workbrain. We advised that this would take some time to complete, due to the need to set up the necessary volume testing environment and framework to perform the necessary scalability tests. Because of the Government's desire to get the contract signed by the end of 2007, CorpTech suggested that instead of completing the tests before contract execution, we would instead include a provision in the contract related to the scalability test. This was agreed. I recall that the scalability tests were performed and were successful.

186. On or about 5 December 2007, the contractual negotiations were finalised and IBM signed off on the contract with CorpTech.

TENDER SYSTEMS

187. I am aware that the appropriateness of the tendering process is to be considered in the course of this inquiry. I have made some comments above on the supply of information and timing.

188. Throughout all of my dealings, I was generally concerned whilst wanting to "score wins" for IBM, that everything was conducted in a proper way. For example:

   a. As mentioned above, when I began emailing with Terry Burns about CorpTech restructuring, I asked whether such a process could occur without going to tender, as I was concerned to ensure IBM were following the right course. I was told by him that it could within the scope of what they then wanted to do.

   b. On 20 September 2007 I sent an email to Michael Kalimnios, assistant Director General for the Department of Health, noting that I had been avoiding him during the CorpTech process, but asking him to participate in the IBM Global CEO Survey. I did not ultimately meet with him for this purpose until 24 October 2007, after the tender had been awarded.

189. In the course of the tender process, IBM was an outsider and was constantly playing catch-up with Accenture and Logica to understand CorpTech's technical needs. Logica and Accenture had hundreds of staff and had been in place for years, whereas IBM had only a handful. I do not believe that there was any information I received from CorpTech or State employees at any stage that was unavailable to Accenture or Logica.

Mr Burns

190. I am also aware that the role of Terry Burns is being considered by the Inquiry. In his dealings with me I believe Mr Burns acted in a professional and I believe ethical way. To my mind, he began by seeking ideas from all vendors. His manner and actions, to my mind, never suggested someone who favoured IBM, as he was often particularly forthright, such as in the May 2007 email criticising us for having 'no new ideas'.

Signed: *(signature)*

Date: 18/3/13 .

Witness: *(signature)*

Brianna Bell

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