

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Additional Estimates 14 February 2007)

Question **AET 139**

Topic: **Change program—insurance under Accenture contract**

Hansard Page: **E62**

Senator **Fielding** asked:

I fully understand the fixed cost. The additional \$5 million makes sense, with the extra work that was required. What is the insurance part again?

Mr D'Ascenzo—I think it is just underwriting hardware costs. I am not totally au fait on what that is. The way I saw it was that it was just protecting any shortfall in terms of the payment to suppliers, but I can provide a fuller explanation of that.

Senator FIELDING—That was not covered in the original contract or—

Mr D'Ascenzo—No, it was not.

Senator FIELDING—I think the last time we said you were about 40 per cent through. What insurance is required after 40 per cent that was not there at the start?

Mr D'Ascenzo—I suppose it may well have to deal with the changes to the scheduling of the program, but that is only an educated guess on my part.

Senator FIELDING—Could you come back to us on that, on notice?

Mr D'Ascenzo—Yes.

Answer:

The business case cost of the Change Program is \$453 million. The \$8.6 million fee for underwriting hardware costs is part of the overall cost of the program.

The decision to pay \$8.6 million to Accenture to underwrite the hardware costs of the program was made during negotiation of the commercial agreement with Accenture in December 2004, before the contract was finalised.

Under the arrangement the risk for all volume based (ie. storage and processing capacity) hardware variations is transferred from the Tax Office to Accenture. The arrangement effectively insures the Tax Office, for the life of the program, against cost increases arising from a requirement for additional hardware to meet the program outcomes.