

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 102

Topic: GROCERYchoice Website – Transfer to CHOICE

Hansard Page: E30-33

Senator Barnett asked:

Senator BARNETT—Are there any other costs since Treasury took over in January, and in particular the costs to CHOICE?

Ms Holdaway—Yes.

Senator BARNETT—Can we go through those please?

Ms Holdaway—Sure. As announced by the government, the government has entered into a contract with CHOICE for CHOICE to manage the GROCERYchoice website. The cost of that contract is \$8 million.

Senator BARNETT—Give us a breakdown, if you could?

Ms Holdaway—This \$8 million has an extensive contract supporting it. It is not paid out in total up front. It is linked to specific milestones. On top of that, it is also linked to key performance indicators. As CHOICE goes through and delivers on those milestones and can also provide a full report on how the key performance indicators are achieved, then specific payments will be released for that, and for that payment to be received CHOICE is required to provide full financial reports of how the money has been spent in order to achieve—

Senator BARNETT—I am sure they would. How much has been expended to date—transferred to CHOICE?

Ms Holdaway—Yes. So far \$3 million has been paid.

Senator BARNETT—In one lump sum?

Ms Holdaway—No, in stages.

Senator BARNETT—Can you break it down please?

Ms Holdaway—There was an amount paid for the execution of the contract, and in coming up with this payment schedule we looked at where the front load of the costs will be for CHOICE to be able to—

Senator BARNETT—Understood.

Ms Holdaway—So there was a payment made of \$1 million at the execution of the contract.

Senator BARNETT—Which was which date?

Ms Holdaway—The actual specific date? I might have to take that on notice. Actually, it was execution, so that should be quite easy enough. That was 19

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December 2008. It was shortly after that. The payment was not made exactly on the date when the contract was signed but it was shortly after that. Then when the website was reskinned as a part of this contract, with CHOICE actually taking over, \$1 million was actually paid then, which was invoiced on 30 January, so the payment would have actually been made around there, perhaps some time in February. Then there was also a \$1 million payment made in April as part of the contract's requirement that CHOICE put in place specification documents and actually issues for tender. Part of this requirement was that there will be a revamped website with more useful information for consumers and a more user-friendly website whereby consumers can interact. That has been achieved and the payment has been made.

Senator BARNETT—When are the next payments due? You have got an \$8 million contract.

Ms Holdaway—The payments will be due some time in June. There will then be other payments—

Senator BARNETT—That is another \$1 million payment in June?

Ms Holdaway—Yes, that is correct, and there will be payments due in July.

Senator BARNETT—Another million?

Ms Holdaway—That is right. Then October, \$500,000; on 10 January, another \$500,000; on 10 May, another \$500,000. These are the current schedules that are subject to change.

Senator BARNETT—Absolutely.

Ms Holdaway—10 August, \$500,000; 10 November, \$750,000; and the final payment—the contract ends in March 2011—of \$250,000.

Senator BARNETT—All that information is very much appreciated. Do you have the contract?

Ms Holdaway—Yes.

Senator BARNETT—Do you have a copy?

Ms Holdaway—Yes, I do.

Senator BARNETT—Can you please table a copy?

Mr Murphy—I think, Senator, I could take that on notice. I am not sure whether the contract with

CHOICE has confidential requirements in it.

Senator BARNETT—Mr Murphy, excuse me, I have asked for the agreement to be tabled and you need a reason which is in the public interest for that to be denied.

Senator Sherry—We have given the reason.

Senator BARNETT—There is no reason that is legitimate, Minister, and I would ask for the agreement to be tabled, taking it on notice.

CHAIR—Take it on notice.

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Senator JOYCE—It is always the same: either take it on notice or gobbledegook. That is generally what the minister does.

Senator Sherry—If I can be of further assistance, Senator, I just indicate: you may not be aware, the ACCC are not appearing today, and Monday week I think, whatever the date is—

Senator BARNETT—I am aware of that, yes.

Senator Sherry—If we can provide the contract we will, but we need to determine whether there are confidential clauses in it, so we will take it on notice.

Mr Murphy—I am quite happy to provide it but not—

Senator BARNETT—Minister and Mr Murphy, there may be KPIs in it, there may be benchmarks in it, there may be financial figures in it. I put it to you that none of those points that you are referring to are legitimate reasons to deny this committee that document.

Mr Murphy—We will take this on notice. We will review the document and, as I say—

Senator BARNETT—We would like it today. Can we get it?

Senator Sherry—No.

Senator BARNETT—The agreement is here, is it not, in this room?

Ms Holdaway—Sorry, Senator, I do not have it on me. I thought I did but I do not have it on me.

Senator BARNETT—There are officers here who can review that—

Senator Sherry—No, Senator Barnett. We will take it on notice and check the information. I am not going to give any misleading undertaking.

Senator BARNETT—You knew this was a topic today and you would be prepared for this topic. You would be well aware that this question would be asked and that we would require it.

Senator Sherry—We are taking it on notice.

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Senator BARNETT—I consider that obfuscation of the first order. Can we go to any other agreements that you had with other third parties outside of GROCERYchoice?

Ms Holdaway—There are also subcontracts with an IT provider, which the ACCC had originally used as part of the GROCERYchoice website. That was to allow for transition from the ACCC running the website to CHOICE being able to run it through their own system.

Senator BARNETT—What is the name of the provider and what was the cost of that service?

Ms Holdaway—The name of the provider is Getronics.

Senator BARNETT—And the cost?

Ms Holdaway—In total it is around \$440,000.

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Senator BARNETT—\$440,000 to transfer—

Ms Holdaway—This is to actually host the website, Senator, and also to assist CHOICE with the actual reskinning of the website. It is not just for transfer; it is actually to host for a period of time.

Senator BARNETT—For what period of time?

Ms Holdaway—This was actually leading up to the July period. The actual website is currently being hosted by Getronics on their hardware and in the meantime CHOICE has been developing their IT system and their website in order to then physically move, if you like, the hosting of the website to ensure that there is absolutely no—

Senator BARNETT—The \$440,000 is for the hosting by Getronics on their hard drive?

Ms Holdaway—That is right, but with full access for CHOICE. It is just really a space.

Senator BARNETT—But it is funding to Getronics?

Ms Holdaway—It was a payment to Getronics but under instructions by CHOICE and with us monitoring.

Senator BARNETT—And that is to July 2009?

Ms Holdaway—Yes, that is right.

Senator BARNETT—And then there is an understanding that CHOICE would then take it over?

Ms Holdaway—It has already taken over.

Senator BARNETT—They would then host it?

Ms Holdaway—This is the IT component of the actual hard space.

Senator BARNETT—That is right, but CHOICE would then on its website host it post July 2009. Is that the understanding?

Ms Holdaway—I do not know the exact details, but CHOICE will be responsible for the space and how they actually determine that will be up to them.

Senator BARNETT—Likewise, with regard to IT and that agreement, I assume there is an agreement between Getronics and the government?

Ms Holdaway—Yes.

Senator BARNETT—If you could please provide that as well and I presume your answer will be to take it on notice.

Ms Holdaway—Yes.

Senator BARNETT—Let us go back to the agreement with the CHOICE organisation and could you, to start with, advise the committee of the KPIs?

Ms Holdaway—The KPIs are built around the objectives of the website to ensure that consumers are well informed of the grocery prices and to ensure that it provides the ability for consumers to make their own choices about their purchasing behaviour.

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Therefore, it is built around the reliability of the website. Reliability includes providing up-to-date information but also ensures that the website does not falter where it is not accessible for an extensive period. It has got a number of KPIs built around it.

Senator BARNETT—We will have a look at those. You mentioned milestones as well. We will get those, all being well, when you table that document. Is it correct that Minister Bowen or his chief of staff are soon to host and chair a meeting of key stakeholders to try and broker or force a deal with the key stakeholders and the government?

Ms Holdaway—I think that is a question Mr Bowen would need to answer.

Senator Sherry—I would have to take that on notice.

Senator BARNETT—If an agreement is not made with the key stakeholders, as in the major chains and the independents, will the government close the website?

Senator Sherry—Again, I will have to take that on notice.

Senator BARNETT—If one of those three, and specifically the independents, do not deal, will the government close the website?

Senator Sherry—Again, I would have to take that on notice.

Senator BARNETT—Finally, can you advise specifically the reasons for the transfer from the ACCC to CHOICE?

Ms Holdaway—Yes, of course. I think I mentioned just previously that this was really an opportunity for government to be able to provide more for the same. There were some issues around whether the ACCC, as the regulator of the TPA, could actually enter into space of, for example, providing special prices, given that there are obviously consumer protection issues and, as the regulator of those, would there be actual conflict of interest in pursuing that type of information. Yet I think we were getting a lot of feedback from consumers that it is exactly that kind of information that would be useful and that there is a lot of interest in finding out more about the specials and a smarter way of shopping, if you like, to get the best value for money.

Senator BARNETT—I am happy for you to take on notice to provide further and better particulars regarding those reasons, if you are happy to do that.

Ms Holdaway—Of course.

Senator BARNETT—Thank you very much.

Answer:

Can you table the contract with Choice?

- The Grocerychoice Website Contract between the Commonwealth of Australia, as represented by the Department of the Treasury, and the Australia Consumers Association trading as Choice is attached.
- Treasury has agreed to a request from Retail Facts to redact certain information based on concerns regarding possible commercial harm.

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Can you table the contract with Getronics?

- Please refer to the Grocerychoice Website Contract for this information (Schedule 5).
- Treasury has agreed to a request from Getronics to redact personal information based on privacy concerns.

Can you provide further and better particulars as to the reasons for transfer from ACCC to Choice?

- The ACCC, as the regulator of the *Trade Practices Act 1974*, faced limitations in the information it could present on the Grocerychoice website. The ACCC considered that adding new features like 'specials' may have compromised its responsibilities in responding to consumer complaints about false or misleading representations in advertising.
- Choice intended to include more frequent, weekly price information and more detailed information, like for example, individual supermarket pricing comparisons, and possibly, individual product price comparisons, subject to satisfactory supermarket co-operation.
- The arrangements proposed by Choice represented greater value for money for consumers, at no additional cost to the taxpayer. The decision to directly outsource the Grocerychoice website to Choice was made in accordance with the Commonwealth Procurement Guidelines.