

**(f) a copy of a letter and attachments from the Minister for Finance and Administration (Mr Fahey) dated 20 January 1999 to ministers that gives further detail about the Office of Asset Sales and Information Technology Outsourcing's role in going forward with the implementation of the IT initiative and advice as to whether the letter was provided to the Humphry Review;**

Attached is a copy of a letter and attachments from the Minister for Finance and Administration dated 20 January 1999 to ministers that gives further detail about the Office of Asset Sales and Information Technology Outsourcing's role in going forward with the implementation of the IT initiative.

OASITO confirms that a copy of this letter was provided to the Humphry Review secretariat.



## MINISTER FOR FINANCE AND ADMINISTRATION

The Hon Tim Fischer,  
Deputy Prime Minister and Minister for Trade  
Parliament House  
CANBERRA ACT 2600

20 JAN 1999

I refer to the Prime Minister's letter to you of 22 December 1998 regarding the IT Outsourcing Initiative (the Initiative).

In his letter the Prime Minister reiterated general government policy that outsourcing of IT infrastructure services should proceed unless there is a compelling business case on a whole of government basis for not doing so. This is a policy of the Commonwealth for the purposes of Regulation 9 (a) of the Financial Management and Accountability Act 1997 Act (FMA Act) and applies to all budget funded agencies within your portfolio. Agency heads and boards will be accountable under the Commonwealth Authorities and Companies Act 1997 or the FMA Act or relevant agency specific legislation for their agency's full compliance with the requirements of the Initiative. Where necessary I may seek your cooperation in formally notifying this policy to CAC Act agencies and other agencies under relevant legislation.

The Prime Minister's letter mentioned that I had prepared a statement outlining the roles and responsibilities of agencies and the Office of Asset Sales and IT Outsourcing (OASITO) in implementing the Initiative. Consistent with the importance attaching to the early implementation of the Initiative, agencies will continue to have an important complementary role to play in service definition, technical evaluation and transition planning and execution, while OASITO will continue to take a key strategic and strong central management role to ensure the whole of Government objectives of the Initiative are met. This is reflected in the roles and responsibilities set out at Attachment A. These arrangements apply unless otherwise varied in any specific case.

As the Prime Minister mentions in his letter, I will consult with you on IT Outsourcing decisions in your portfolio. I understand the Department of Foreign Affairs, Austrade and AUSAID (referred to as Group 6) are currently consolidating their IT infrastructure requirements. OASITO will continue to work with the three organisations to determine an appropriate timing for the release of the Group 6 IT Outsourcing tender.

As you may be aware, agencies with less than 300 desktops have the option of outsourcing through a simplified process under the Small Agency Program, which I

announced on 25 June 1998. OASITO will continue to work with the effected organisations in your portfolio.

Can you please circulate a copy of this letter and the Prime Minister's letter to the heads of the budget funded organisations within your portfolio.

I have written in similar terms to the Minister for Foreign Affairs.

Yours sincerely

Signed  
JOHN FAHEY

JOHN FAHEY

**ROLES AND RESPONSIBILITIES FOR  
AGENCIES AND OASITO IN THE IT  
OUTSOURCING INITIATIVE**

**AGENCY ROLES AND RESPONSIBILITIES**

Each agency is responsible for defining its business and technical requirements, evaluating the IT services component of tenders in accordance with an approved evaluation methodology and preparing the agency for transition to an outsourcing relationship and subsequent contract management. At each step of the process, each agency will ensure sufficient resources are dedicated to the tendering process to enable the project timetable to be met. In performing its role, the agency will have the following specific responsibilities:

1. **Definition of service requirements.** With assistance and guidance from OASITO, each agency is responsible for defining its service requirements within and subject to the required scope. The service requirements will be specified in tender documentation consistent with templates provided by OASITO and in a manner that, while meeting the agency's business needs, will maximise the potential benefits of outsourcing for the agency and for Government as a whole. This includes:
  - a) Providing a detailed definition of the agency's required IT services and service levels, and the provision of detailed information regarding the agency's current IT operations and infrastructure.
  - b) Where appropriate, measuring current levels of services and service volumes.
2. **Cost Model Preparation.** Each agency is responsible for developing a cost model under OASITO supervision using a proforma cost model and methodology provided by OASITO. The agency is required to confirm that reasonable efforts have been made to ensure that the cost model, when completed, contains no material omissions or misstatements and that in the agency's view, the cost information provided is a fair and reasonable representation of the actual acurrent cost to the agency of performing the in-scope services at the specified service levels.
3. **Involvement in the tender process.** Agency responsibilities include:
  - a) Formulating and implementing strategies to address human resource transition and related issues.
  - b) Managing communications with agency staff and existing suppliers.
  - c) Preparing the agency for management of the contract.
  - d) Preparing materials for tenderer due diligence, responding to due diligence questions, attending technical briefings and interviews with tenderers and providing relevant agency staff to participate in other due diligence activities coordinated by OASITO.
4. **Evaluation and negotiation of tenders.** Agencies will play a central role in the evaluation of tenderers' IT services offerings. Agencies will:
  - a) Assign agency representatives to conduct the evaluation of IT services offerings.
  - b) Determine whether each tender meets agency service requirements.

- c) Prepare evaluation reports consistent with the tender evaluation methodology as required to enable key decisions to be made (e.g., shortlisting, selection of preferred tenderer, final approval of contract).
  - d) Participate in negotiations as members of a negotiating team lead by OASITO.
  - c) Determine whether negotiated outcomes meet agency service requirements.
5. **Transition Planning and Execution.** Agencies are responsible for planning for the transition of responsibility for the delivery of services to the selected tenderer, and executing the plan. Agencies are also responsible for contract management activities following execution of the outsourcing contract, which will require some coordination with DOCITA in relation to the industry development aspects of the contract which will be monitored and managed by DOCITA.
6. **Significant IT Acquisitions.** To give effect to Estimates Memoranda 1997/31 and any updates, promptly inform OASITO of proposed significant acquisitions or leasing programs or of proposed significant contracts related to equipment, software, services or other infrastructure that is within the scope of the Initiative leading up to and during competitive tendering processes for outsourcing their IT infrastructure and services.

## OASITO ROLES AND RESPONSIBILITIES

OASITO is responsible to the Minister for Finance and Administration for the overall management and implementation of the IT Outsourcing Initiative (the Initiative) to achieve the whole of Government objectives. In performing this role, OASITO has the following specific responsibilities:

1. **Strategic direction and leadership.** Provide strategic direction and leadership for the conduct of the Initiative. This role includes the following responsibilities:
  - a) Identify and form agency groupings that are structured to maximise the benefits of outsourcing IT infrastructure across Government while meeting agency business requirements.
  - b) Provide guidance and assistance to agencies as they participate in tender processes to assist agencies to maximise the benefits of outsourcing consistent with the objectives for the Initiative, including the objective of achieving cost savings and service improvements by consolidating and rationalising IT infrastructure across Government.
  - c) Report to Government through the Minister for Finance and Administration on the progress and overall success of the Initiative.
  - d) Manage the sequence and timing of the tender processes under the IT Initiative so as to maximise competition for each tender.
2. **Management of tender processes.** In consultation with agencies, manage the conduct of each tendering process to ensure that a fair, open and competitive process is followed within a consistent project framework and documentation. Through this management role, maximise knowledge transfer across tender processes and minimise tendering costs for Government and industry. This role includes the following responsibilities:
  - a) Manage communications with the media and industry consistent with probity guidelines and protocols developed for the Initiative.
  - b) Approve the appointment of all consultants to assist OASITO and agencies through the tender process.

- c) With the full participation and cooperation of agencies, manage the evaluation and negotiation process to ensure fairness and probity in all aspects of the process. Provide secure evaluation facilities for OASITO and agency staff engaged in the evaluation process.
  - d) Approve all key project milestones such as tender release and closing dates, and make tactical decisions regarding interactions with industry.
  - e) Lead tender negotiations through a negotiating team comprised of OASITO and agency representatives and, in the case of industry development negotiations, a team comprised of OASITO and DOCITA representatives. Provide secure facilities for the conduct of negotiations.
  - f) Manage the progress of key recommendations through relevant committees, including chairing the Options Committee (comprising a representative from OASITO, a representative from DoCITA, a representative from DISR and two independent private sector representatives) that provides advice to Ministers on source selection.
3. **Development of Project Documentation.** OASITO is responsible for maintaining consistency of tender documentation across projects. This will reduce tendering costs for Government and industry and will facilitate benchmarking of services and prices across group contracts. OASITO must also be satisfied that tender documents are of a sufficient quality and accuracy to release to the market, and that agency requirements are expressed in a way that facilitates proposals from industry that optimise outcomes from a whole of Government perspective, including total cost savings, rationalisation and consolidation of infrastructure, and service improvements.

Consistent with these responsibilities, OASITO will assist agencies to formulate their business and technical requirements in a way that is capable of being implemented on a cost effective basis in an arm's length commercial contract. Where appropriate, this will involve the use of industry and government benchmarks where agencies' business requirements are unclear or internal performance information is not available.

4. **Financial Evaluation.** The financial evaluation of tenders must be made on a fair and accurate basis. In particular, the comparison of tendered prices to internal agency cost projections must make allowance for material differences between the service requirements stipulated in the tender documents (and against which tenderers will set their prices) and the services provided by the agencies internally (as reflected in the agencies' internal cost projections). Agencies and OASITO each have an important role to play in ensuring a fair financial evaluation. OASITO will:
- a) Develop and maintain a set of financial models to capture and project relevant agency costs associated with the performance of the tendered services, and to compare those costs with tendered prices.
  - b) Supervise the population of the cost model with agency cost data and development of reasonable cost projections for the proposed term of the outsourcing contract.
  - c) In consultation with agencies, make any adjustments to the tendered prices, agency baselines or the business case that may be required to ensure that the comparison of internal costs and tendered prices is fair.
  - d) Participate in the financial evaluation and so as to be satisfied that the evaluation has been conducted on a fair and equitable basis.

5. **Industry Development.** Jointly with the Department of Communications Information Technology and the Arts (DOCITA), OASITO is responsible for the implementation of the industry development framework for the Initiative. Consistent with this responsibility, OASITO and DOCITA will jointly:
  - a) Define the industry development requirements for each tender.
  - b) Liaise with industry regarding industry development matters under the IT Initiative.
  - c) Develop and maintain a methodology for the evaluation of industry development offerings.
  - d) Evaluate industry development offerings and prepare findings and recommendations for Government consideration, consistent with the evaluation and selection process approved for the IT Initiative.
  
6. **Significant IT Acquisitions.** OASITO to provide advice to the Minister for Finance and Administration on proposed significant acquisitions or leasing programs by agencies or of proposed significant contracts related to equipment, software, services or other infrastructure within the scope of the Initiative leading up to and during competitive tendering processes for outsourcing their IT infrastructure and services.
  
7. **Small Agency Program.** OASITO is to provide general guidance and assistance to agencies participating in the Initiative as small agencies in accordance with rules announced for such agencies by the Minister for Finance & Administration on 25 June 1998 (the Small Agency Program). In that role, OASITO will provide proforma project documentation for agency use, monitor the timing of tender releases and key media announcements, and consult with any agency that concludes that a business case has not been made to outsource following evaluation of tenders. OASITO will not actively participate in individual tender processes under the Small Agency Program.
  
8. **Post contract management issues.** OASITO retains important strategic interests in post-contract issues that affect the overall success of the Initiative. OASITO will thus liaise closely with agencies after contract signature to ensure that issues affecting the overall success of the Initiative are managed within this broader context.